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Remote Deposit Capture (RDC) Basics/Corporate Capture



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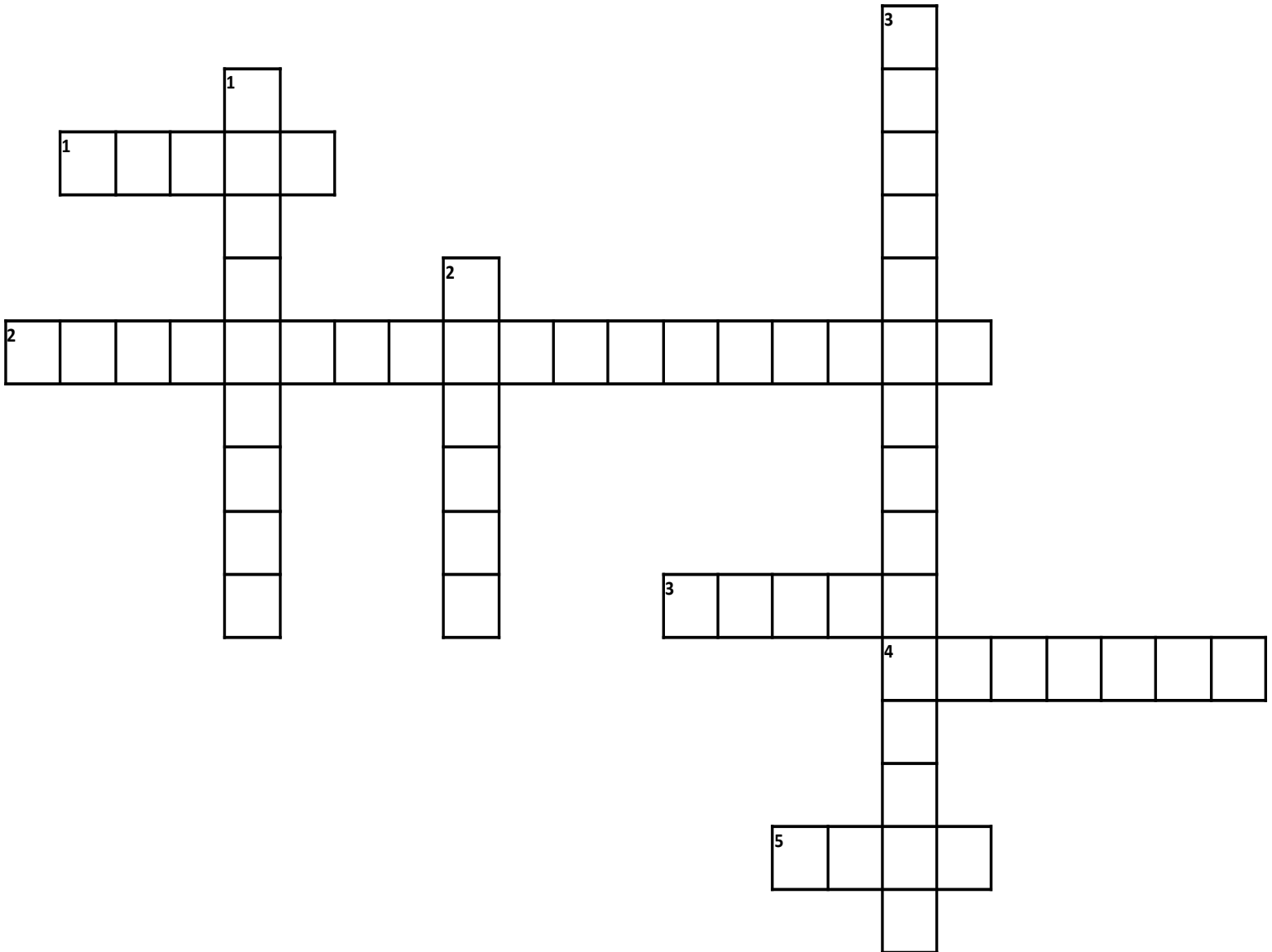
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Today's Agenda



- ❖ Overview of RDC
- ❖ Terms & Acronyms
- ❖ RDC Process Flow
- ❖ Company Benefits
- ❖ RDC Requirements
- ❖ Company Risks
- ❖ Company Responsibilities
- ❖ Resources

2



1 DOWN - A service where “customers” scan checks and transmit images to a financial institution is called _____ capture

2 DOWN - A service where “financial institutions” scan checks and transmit images to a central processing site, to a processing partner or directly to a paying bank is called _____ capture

3 DOWN - An item that meets the standards as a legal equivalent of an original check (front and back) – also referred to as an IRD (Image Replacement Document)

1 ACROSS - Party writing the check

2 ACROSS - BOFD



3 ACROSS – Party receiving the check

4 ACROSS - Law that created a new negotiable instrument called a “substitute check”

5 ACROSS - Magnetic Ink Character Recognition

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Overview of RDC

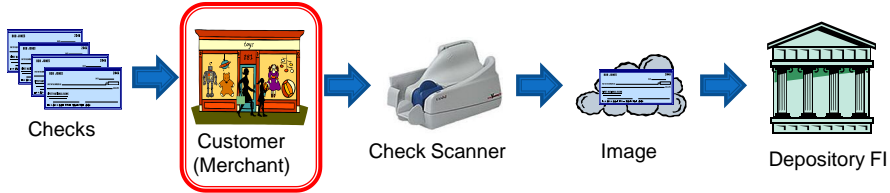
- ▶ Remote Deposit Capture is a deposit transaction delivery system which allows a financial institution to receive check images captured at remote locations.
 - ‘Branch Capture’ or Financial Institution Capture 
 - ‘Corporate’ or Merchant Capture 

3

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What is Corporate Capture?

- ▶ A service where **Customers** scan checks and transmit check images to the financial institution for posting and clearing. This process is also referred to as ‘merchant capture’.



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graph LR; A[Checks] --> B[Customer (Merchant)]; B --> C[Check Scanner]; C --> D[Image]; D --> E[Depository FI];
```

4

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What is Branch Capture?

- ▶ A process when a **Financial Institution** scans checks and transmits check images to a central processing site, to a 'Processing Partner' or directly to a paying bank for clearing and posting.

5

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Places Where Checks Are Captured

- Teller Line or Back Office at Financial Institution
- ATM Machines
- Lockbox or Check Processing Centers
- Correspondent Partnerships
- Commercial Customers
- Small Business Customers
- Consumer Customers?
- Cell Phones?



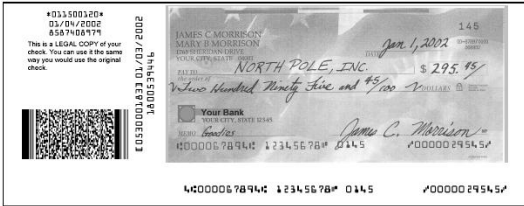

6

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Terms & Acronyms

Check 21 – A law that gives legal equivalence to a properly prepared Substitute Check – This negotiable instrument can be transferred, presented, or returned just like original check

Substitute Check –An item that meets the standards as a legal equivalent of an original check (front & back) also referred to as an ‘IRD’ or Image Replacement Document



7

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Terms & Acronyms

Payor

- The party writing the check

Payee

- The party receiving the check

Bank of First Deposit (BOFD)

- The financial institution to which a check is first deposited or cashed

Paying Bank

- The financial institution where the Payor has their account

Reconverting Bank

- The financial institution that converts a check image into a substitute check

8

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Terms & Acronyms

- ▶ **CAR/LAR (Courtesy & Legal Amount Recognition)**
 - The ability to locate, analyze, and recognize handwritten or machine-printed amounts on documents in an automated fashion
- ▶ **MICR (Magnetic Ink Character Recognition)**
 - The pre-printed bottom line of a check which contains the routing, account and check number in magnetic ink

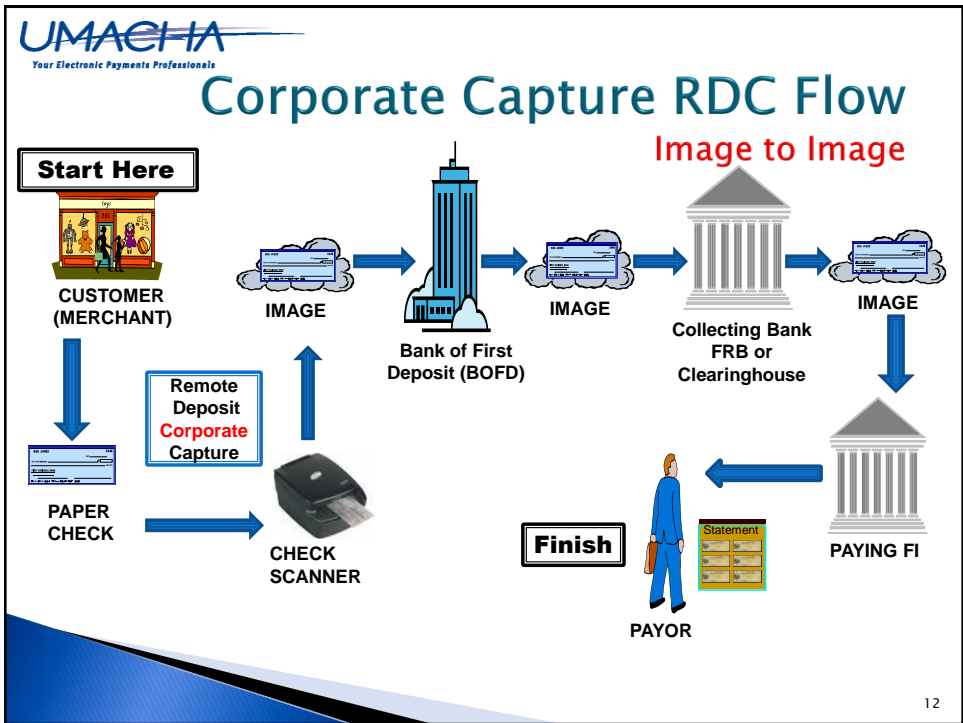
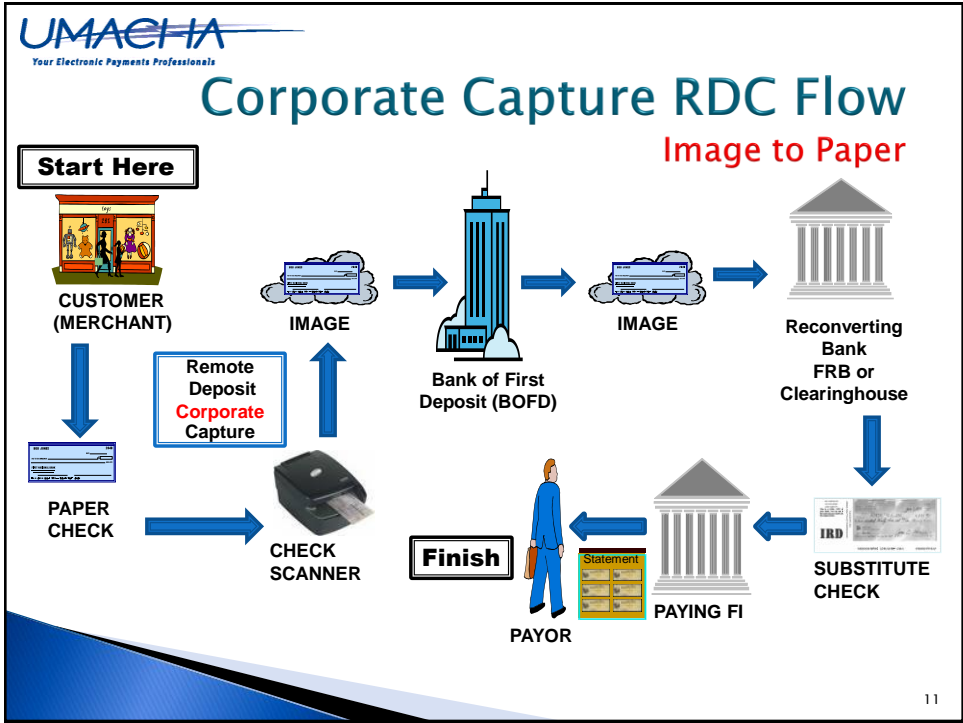
9

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Image Exchange

- ▶ **What is Image Exchange?**
 - The process of taking a physical paper check, truncating it into an image, then sending the image to an exchange network, the FRB (or directly to the paying bank). The image item is received by the paying bank electronically and is ready to be posted to the payor's account.
- ▶ **How does this actually happen?**
 - An **Image Cash Letter (ICL)** is an electronic file of check images that is sent to a clearinghouse, FRB, correspondent or a third-party to be processed electronically with receiving financial institutions who have entered into image exchange agreements and will accept image transactions.

10



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RDC – Crossword Puzzle

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13

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14

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15

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Company Benefits

- ▶ Reduce amount of trips to the financial institution
- ▶ Extended cut-off time for deposits
- ▶ Improve availability/quicker investment of available funds
- ▶ Streamlined cash management
- ▶ Fewer depository accounts & reduced banking fees
- ▶ Reduced time spent on deposit preparation
- ▶ Greater employee productivity
- ▶ Quicker notification of Returned Items

This product is... Easy, Convenient, Safe and Fast!!!

16

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RDC Requirements

Depository Bank

As the industry evolves, we may see a shift from banks being the exclusive providers of the service to 3rd party intermediaries / outsourcing providers offering the service as well. Either way, at some point in the clearing process, a "deposit" will still need to be made at a bank.

A Remote Deposit Capture Service Provider

Either a bank or a "vendor" may offer a Remote Deposit Capture service.



17

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RDC Requirements

Remote Deposit Capture Software

Most RDC services are PC-based and powered by software. Some service providers offer both the software and hardware necessary for RDC.

Remote Deposit Capture Hardware (Check Scanners)

All solutions will require some type of scanning device to capture images of checks. Costs range from \$500 into the 10s of thousands, depending upon volumes, quality, automation and other considerations.

Updated Legal Agreements

New or updated legal agreements will be required in order to use a Remote Deposit Capture service.

18

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Company Risks

Duplicate Presentment–Both the physical checks & images are deposited or two images are submitted

Keying Errors– A different amount is keyed or captured vs. what is on the actual check
(Can you edit the entire MICR line?)

Fraud or Identity Theft – Physical checks fall into the wrong hands and are used in a fraudulent way

Image Quality – The scanner or software takes a poor picture of the check causing the item to be re-scanned or physically deposited at the bank

19

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Company Responsibilities

What do you do before scanning your checks?

Endorse checks before scanned (or virtual endorsement)
Balance each deposit to ensure accuracy (control total)

Now what do you do with those captured checks?

Mark the item after processed (franking)
Securely Store checks & info. (locked drawer/cabinet)
Destroy Checks after processed (cross shredder)
How long should you keep the check before destroying it?

20

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Website Resources

- ▶ www.remotedepositcapture.com
- ▶ www.checkimagecentral.org
- ▶ www.umacha.org
- ▶ http://www.ffiec.gov/pdf/pr011409_rdc_guidance.pdf


21

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22