

Why Choose ImageScan's Integrated Remote Lockbox?

In addition to adding feature rich functionality corporate clients are accustomed to from their Treasury Management bank; ImageScan's Integrated Remote Lockbox provides banks several risk mitigation advantages. As defined by FFIEC Guidelines "RDC processes at a customer location exposes financial institutions to operational risk from the point of initial capture. These risks can be unique to each customer's location, RDC processing technology and information security systems. Faulty equipment, inadequate procedures or inadequate training of customers and their employees can lead to inappropriate document processing, poor image quality, and inaccurate electronic data". These concerns and more are addressed with ImageScan's Integrated Remote Lockbox module. The front end capture of checks and documents extended out to a clients physical location, that is where the client activity ends, all resulting image quality, pre-processing, balancing and value added services are conducted in a core processing environment of choice typically attached to a financial institutions lockbox department. This department is already equipped to handle these types of transactions from all perspectives; dedicated staffing, image enabled workflow and KYC and AML procedures.

The FFIEC Guidelines go on to state "Inadequate separation of duties at a customer location can afford an individual end to end access to the RDC process and the ability to alter logical or physical information without detection." Through the power of ImageScan's state of the art processing platforms, separation of tasks has had proven gains in transparency as well as productivity. The Integrated Remote Lockbox module was built in the same manner. An end client captures the checks and/or documents and submits to the financial institution, queuing the batch for processing as if it were mail received at its own lockbox site.

These are just two examples of how the Integrated Remote Lockbox module from ImageScan enables a bank to mitigate and in some cases eliminate risks related to remote deposit capture. The subsequent chart provides a detailed account of all aspects of risk mitigation enabled by the Integrated Remote Lockbox module.

For a detailed demonstration of this product or additional information, please contact ImageScan at 301-306-0700

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"Risk Management of Remote Deposit Capture"

Operational Risk

<p>"Faulty equipment, inadequate procedures, or inadequate training of customers and their employees can lead to inappropriate document processing, poor image quality, and inaccurate electronic data."</p>	<p>Integrated Remote Lockbox, in of itself is a capture only process - enabling the bank to control which items are accepted, perform IQA, make correction where necessary or completely reject an entire batch if necessary. All of these options and tasks are performed by bank personnel or agents on their behalf, in controlled environments with all the proper processes and procedures in place, including employee training, IQA knowledge and zero defect goals.</p>
<p>"Ineffective controls at the customer location may lead to the intentional or unintentional alteration of deposit item information, resubmission of an electronic file, or re-deposit of physical items."</p>	<p>Integrated Remote Lockbox offers two levels of duplicate detection to mitigate the unintentional processing of physical items; at the remote location duplicate detection is deployed and stored for 30 days while at the central location duplicate detection can be configured to meet the banks risk strategy. This in addition to the separation of the capture, balance and deposit tasks, enables full control of "acceptance" criteria to be the banks alone.</p>
<p>"Inadequate separation of duties at a customer location can afford an individual end-to-end access to the RDC process and the ability to alter logical and physical information without detection."</p>	<p>One of the main benefits of the Integrated Lockbox module is the ability to separate tasks, to complete a deposit. Essentially your clients' remote location becomes a capture only process, integrating the captured checks and associated documents into the central workflow for negotiability scan, balancing, value added processing such as float reporting, data entry or scanline repair, and finally deposit creation. This separation of tasks is a critical component to mitigating alterations and potential fraud that first and second generation Remote Deposit Capture products lack.</p>
<p>"technology-related operational risks include failure to maintain compatible and integrated IT systems between the financial institution, service providers, and the customer "</p>	<p>The Integrated Remote Lockbox module has a smart client design, to ensure that upon log-on by the remote customer; a logical check is performed ensuring that both the financial institution and the remote location are compatible. If this check fails, the central location will push the appropriate update files to the remote location before any images can be submitted.</p>
<p>"Check alteration, including making unwarranted changes to the Magnetic Ink Character Recognition (MICR) line on the image of scanned items, may be more difficult to detect when deposited items are received through RDC and are not inspected by a qualified person."</p>	<p>The act of inspecting items is a core competency for the processing of wholesale or retail lockbox items; as such the employees in this department(s) are well trained in the negotiability of an item. In addition, business rule and criteria verifications like OFAC compliance or individual client acceptance criteria is part of every item received by these departments standard practice. There is no other operating unit, with the exception of a branch teller, that is uniquely qualified to handle such items, than a lockbox department.</p>
<p>"The potential for insider fraud may be greater with RDC because the financial institution typically does not perform background checks on its customers' employees who may have access to physical deposit items or electronic files."</p>	<p>The integration of this remote product would mostly likely occur in a lockbox department, an established Treasury Management Agreement would be recommended further mitigating liability of the bank from said client's employee fraud. In any such agreement the customer would typically warrant things such as: all IQA standards would be met, only acceptable items would be deposited, processes to control duplicate files or items would be in place, customer would not deposit the physical item, all information is accurate and free of false claims, customer has complied with all rules, regulations and/or statutes, and customer indemnifies the bank from any loss for breach of warranties. Not only would the language of a TMA be reflective of the protections and processes, but most banks undergo account reviews on a periodic basis that would further mitigate risk by exposing, changes to locations, facilities, and/or financial activity.</p>

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Legal & Compliance Risk

"The institution should consider whether and to what extent it could be exposed to the risk of money laundering activities as well as its ability to comply with anti-money laundering laws and regulations and suspicious activity monitoring"

Mitigating money laundering risk is an essential piece of the Integrated Remote Lockbox product. One of the key aspects is the separation of tasks, requiring bank personnel or bank controlled technology to perform balancing of remote captured items. This separation of tasks puts the final disposition of the remote captured item in the banks control, not the individual client doing the scanning of items, unlike typical RDC products.

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Customer Due Diligence and Suitability

"In general, information gathered while conducting customer identification and customer due diligence procedures in fulfillment of the institution's BSA/AML program can support the assessment of customer suitability."

Lockbox is considered a Treasury Management product at most financial institutions; a standard practice of opening any new TM relationship would fulfill these requirements and in most cases exceed these requirements.

"For new and existing customers, a suitability review should involve consideration of the customer's business activities and risk management processes, geographic location, and customer base."

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Vendor Due Diligence and Suitability

"Financial institutions' interest in RDC has led to a proliferation of RDC technology service providers and RDC hardware and software suppliers. Financial institutions that rely on service providers for RDC activities should ensure implementation of sound vendor management processes as described in the Outsourcing Technology Services Booklet of the FFIEC IT Examination Handbook."

ImageScan has a long relationship in the financial services community, providing leading edge software processing capabilities since the early 1990's. As a strong partner, ImageScan operates under many vendor management programs, reporting requirements and auditing analysis from some of the nation's largest financial institutions. In addition to servicing banks, thrifts and insurance companies, ImageScan has a strong client base amongst state governments, adhering to many different levels of vendor management practices.

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RDC Training for Customers

"Without effective periodic training, RDC customers may have unrealistic expectations of the system or may not understand their roles in managing risks and monitoring for processing errors or unauthorized activity. Management should ensure that customers receive sufficient training, whether the customer obtains the RDC system from the financial institution or from a third-party servicer. Sound training should include documentation that addresses routine operations and procedures, including those related to the risk of duplicate presentment and problem resolution."

All ImageScan products have E-Learning modules that can easily be made accessible to a financial institutions end clients. In addition, the use of a "smart client" enables the financial institution to "push" information to any or every client on an ad-hoc basis, upon the clients' login. This utility can be used to update clients on issues, trends, security awareness, and change to bank procedures or simply as refreshers or reminders.

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Contracts and Agreements

<p>"Strong, well-constructed contracts and customer agreements are critical in mitigating the financial institution's risks."</p>	<p>The integration of this remote product would mostly likely occur in a lockbox department, an established Treasury Management Agreement would be recommended further mitigating liability of the bank from said client's employee fraud. In any such agreement the customer would typically warrant things such as: all IQA standards would be met, only acceptable items would be deposited, processes to control duplicate files or items would be in place, customer would not deposit the physical item, all information is accurate and free of false claims, customer has complied with all rules, regulations and/or statutes, and customer indemnifies the bank from any loss for breach of warranties. Not only would the language of a TMA be reflective of the protections and processes, but most banks undergo account reviews on a periodic basis that would further mitigate risk by exposing, changes to locations, facilities, and/or financial activity.</p>
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Business Continuity

<p>"The financial institution's business continuity plan should address RDC systems and business processes, and the testing activities should assess whether restoration of systems and processes meets recovery objectives and time frames."</p>	<p>Most financial institutions have very robust business continuity plans for the lockbox departments, the very nature of the clients served in these departments expect it. As such, remote lockbox would be covered within this BCP plan, accounting for the different severity levels of resumption the depositing bank deems necessary to restore service.</p>
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Other Mitigation and Controls Considerations

<p>"Separation of duties or other compensating controls at both the institution and the customer location can mitigate the risk of one person having responsibility for end-to-end RDC processing."</p>	<p>Remote lockbox integration to a central environment enables the separation of the capturing of items from the deposit creation tasks, with the final disposition of the items acceptability and negotiable amount squarely in control of the financial institution. In addition roles based security can be deployed at the financial institution to further separate tasks associated with RDC deposits, such as MICR correction or Check 21 processing.</p>
<p>"Strong change control processes coordinated between the institution and customer can help to ensure synchronized RDC platforms, operating systems and applications, and business processes."</p>	<p>The Integrated Remote Lockbox module has a smart client design, to ensure that upon log-on by the remote customer; a logical check is performed ensuring that both the financial institution and the remote location are compatible. If this check fails, the central location will push the appropriate update files to the remote location before any images can be submitted.</p>
<p>"To reduce the risk of items being processed more than once, deposit items can be endorsed, franked, or otherwise noted as already processed."</p>	<p>Physical endorsement or "franking" is available with Integrated Remote Lockbox, however it is dependent on the hardware device the item is captured. All images have virtual endorsement capabilities.</p>