

## RDC Background\*

- ✓ The Check Clearing for the 21<sup>st</sup> Century Act (Check 21 Act) took effect on October 28, 2004. The Act allowed for the creation of a “substitute check” which could be transmitted electronically to the depository financial institution where it is cleared and settled.
- ✓ First Tennessee Bank in Memphis was one of the first financial institutions to implement RDC in 2003 as a way to expand its deposit base.
- ✓ July 2007, Forrester Research reported that 88% of the top 25 U.S. banks were offering RDC to their business customers.
- ✓ As of year-end 2008, Celent, estimated that two-thirds of all U.S. banks were offering RDC services.
- ✓ March 2008, the ABA Banking Journal published that 38% of the community banks surveyed offered RDC, and another 26% were planning to offer the service by year-end 2008.



## REMOTE DEPOSIT CAPTURE

### OVERVIEW

Remote Deposit Capture (RDC) is a service which allows a financial institution (FI) to receive a scan or captured image of a check and transmit these images and/or ACH-data electronically (usually over an encrypted internet connection) from a remote location to the financial institution for posting and clearing. These locations may be the financial institution’s branches, ATMs, or locations owned or controlled by commercial or retail customers of the financial institution. The basic requirements for an RDC service currently include an internet connection, a check scanner and a service provider.

While the RDC market has generally consisted of large commercial customers with established relationships, many financial institutions have begun to offer the service to small businesses and consumers. Recent innovations in RDC that have focused on making the service more convenient and affordable for a broader market have facilitated this expansion.

### MANAGING RDC

Although deposit taking is not a new activity, RDC should be viewed as a new delivery system and not simply as a new service. To

offer guidance, the Federal Financial Institutions Examination Council (FFIEC)<sup>1</sup> prescribed principles, standards and controls that are to be followed by financial institutions offering remote deposit capture. This interagency body recommends that before rollout of a RDC program a FI must complete due diligence in determining whether and to what extent the use of RDC systems increases their legal, compliance, reputation, and operational risks associated with the new system. The FI should ensure that RDC is compatible with the company’s business strategies and understand the return on investment and management’s ability to manage the risks inherent in RDC. After implementation and rollout, management should determine the appropriate level at which governance, oversight, and risk management of RDC should occur. Financial institutions and their customers are legally obligated to comply with laws and regulations implemented to help prevent and detect money laundering and international terrorist financing. FIs offering RDC services should ensure their own Bank Secrecy Act compliance experts or outside consultants, if used, consider how these laws and regulations may impact RDC and develop policies, procedures, and processes to mitigate this risk. FI staff responsible for RDC services

should receive appropriate training to ensure compliance with the financial institutions (FIs) policies and procedures as well as existing laws and regulations<sup>2</sup>.

## BENEFITS FOR FINANCIAL INSTITUTION

- Expanded geographic footprint
- Increased deposit growth and new revenue streams
- Reduced processing efficiencies & clearing costs
- Reduced transportation costs & risk

## BENEFITS FOR CUSTOMER

- Eliminates the need to transport checks to the FI, therefore saves time & money
- Creates control when deposits are made, improving cash flow
- Reduced return item risk with faster check clearing times
- Reduced processing costs & paperwork
- Businesses with multiple locations can make deposits into one account and manage their funds more efficiently
- Safe & secure reducing potential for fraud

## BLM YOUR RDC PARTNER

Because of the significant business advantages provided through the use of RDC, the number of financial institutions offering RDC services and the number of customers using these services are expected to continue to increase in 2014.

For a successful RDC implementation there are a range of activities that must be addressed:



systems integration, maintenance and support (depot repair or on-site maintenance), risk mitigation, training, documentation, project management and rollout. With over 25 years in the Industry BLM Technologies is a partner that understands the complexity of RDC to provide single-source technology solutions needed for success. Let our experience assist you in determining the hardware needed for you and your customer. We work with vendors that offer larger corporate capture applications processing large quantities of checks daily to several RDC vendors that have introduced new solutions of moderately priced check scanners that are primarily targeted to the small business client.

We also offer fulfillment services because we know the challenges you face when providing equipment throughout your own or your customers' geographic area. And we have flexible depot and on-site maintenance programs that can be customized to meet the specific needs of you and your customers keeping down costs and improving uptimes.

With our successful history and experience serving financial institutions, we're here to help you streamline your operation and strengthen your customer relationships. Let our expertise find the exact solutions that work for you and your customers. Our leadership is well recognized through the strong relationships we have with our world-class technology vendors, our customers and competitors. All it takes is one call to BLM because we have the *solutions you can bank on*.

# REMOTE DEPOSIT CAPTURE

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\*First Tennessee Bank, "Every Office Needs a Time Machine" brochure, 2008. Peggy Bresnick Kendler, "Can Remote Deposit Capture Drive Growth?" Bank Systems & Technology, March 2008. Forrester Research, "Coming Soon: Remote Deposit Capture for Consumers?" research note, July 27, 2007; updated August 3, 2007. Celent, "State of Remote Deposit Capture 2008: Sprint Becomes a Marathon," press release, October 15, 2008. 12th Annual Community Bank Competitiveness Survey, ABA Banking Journal, March 2008. 1 Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Consumer Financial Protection Bureau, State Liaison Committee.2 Jeffrey Kopchik, Senior Policy Analyst, <http://www.fdic.gov/regulations/examinations/supervisory/insights/sisum09/primer.html>