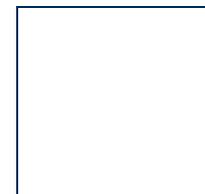
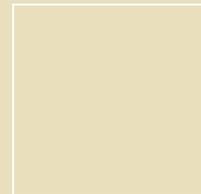


# Remote Deposit Capture

## Risk Management Sound Practices



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# Remote Deposit Capture

## Risk Management Sound Practices

### Community Bankers' Forum Briefing March 9, 2010

Presenter - Richard Simpson  
Senior Examiner & IT Risk Coordinator  
Federal Reserve Bank of Richmond

The views expressed are those of the presenter and do not necessarily reflect the views of the Federal Reserve Bank of Richmond or Federal Reserve System. The content of this presentation should not be construed as regulatory guidance.





# Remote Deposit Capture

## Risk Management Sound Practices

Today's Agenda:

1. RDC definition and overview of adoption trends
2. Risk management sound practices
3. Emerging RDC risks





# Remote Deposit Capture

**Remote deposit capture (RDC)** - The process of electronically capturing check images and data, transmitting that information for deposit and clearing, and truncating the original paper checks. A financial institution processes, presents & settles check images in secure environment under Check 21 rules.

The **Federal Financial Institutions Examination Council (FFIEC)** member agencies issued guidance on **January 14, 2009**; “FFIEC Guidance Addressing Risk Management of Remote Deposit Capture Activities”.



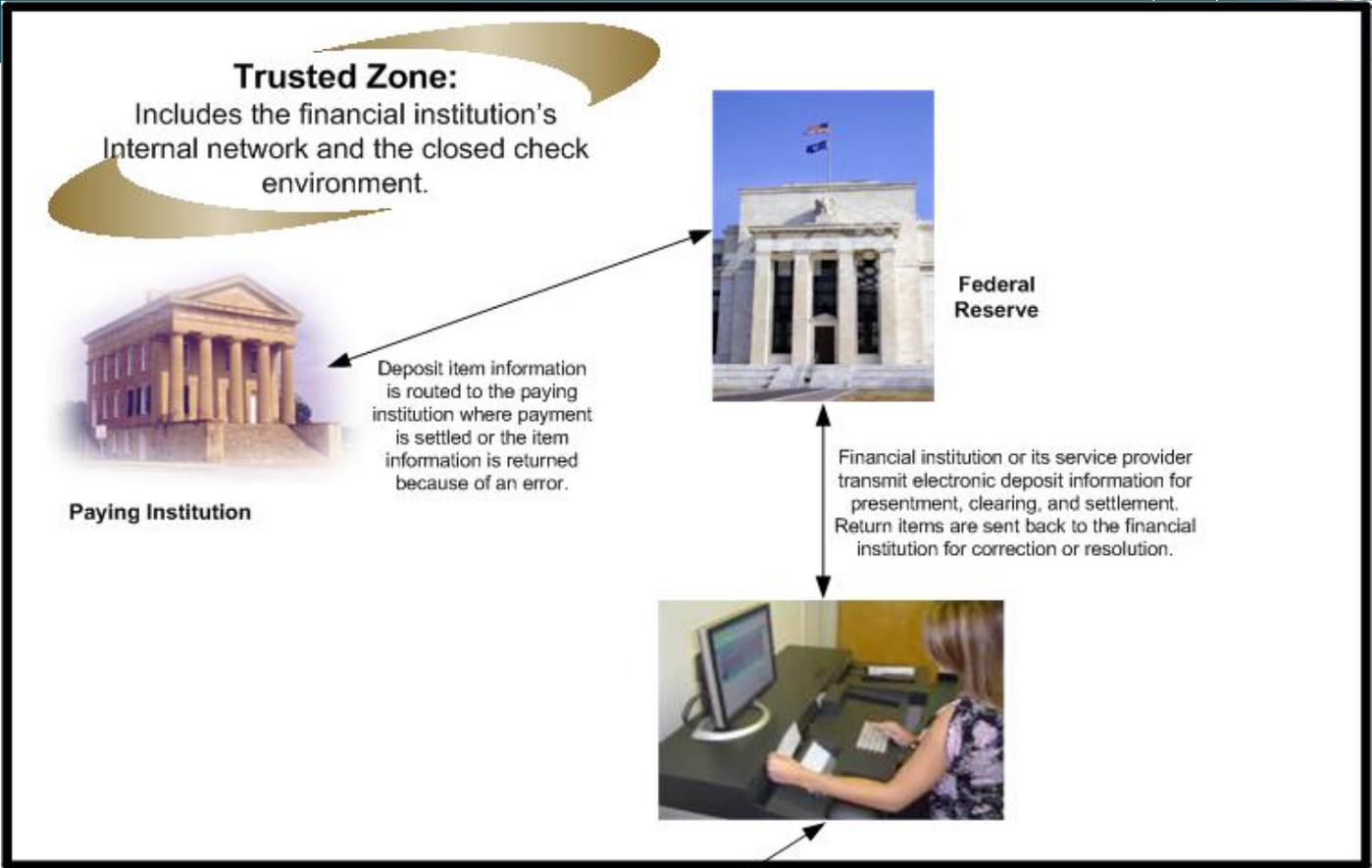
# Remote Deposit Capture Adoption

- YE 2009 estimate: 10,500 Financial Institutions (Fis) offering commercial RDC with 500,000 users/scanners
- YE 2009 Estimated adoption by FI asset size:
  - < \$1b = 60%
  - \$ 1b - \$50b = 82%
  - > \$ 50b = 100%
- Community Bank ( < \$1b ) RDC product mix:
  - 67% - Single product to serve all commercial clients
  - 6% - Multiple commercial products based on deposit volume
  - 22% - Small business RDC products

Source: Celent LLP, 10-20-09



How RDC introduces risk into deposit processing.



Customer scans deposit item, typically a check, creating an electronic image or capturing deposit data.



Electronic image or deposit data stored at customer location.



Customer sends electronic deposit information to the financial institution or its service provider for presentment, clearing, and settlement. Depending on the system, the customer may be able to subsequently access and view image files sent to the bank.

**Un-Trusted Zone:**  
Outside of the financial institution's internal network and the closed check environment.



# FFIEC Guidance on Sound Practices

- 1) Strategic risk factors
- 2) Legal and compliance
- 3) Policies and procedures
- 4) Customer selection
- 5) Contracts and customer agreements
- 6) Operational risk factors
- 7) Controls and risk mitigation





# Customer Selection

- Use credit analysis procedures
- Apply “Know Your Customer” guidelines
- Leverage BSA/AML procedures
- Evaluate customer financial strength and relationship stability
- Review all identified performance issues
- Review customer location for RDC placement(s)
- Develop a customer management process





# Contracts and Agreements

- Vendor selection and management
- Vendor service level agreements
- Customer / vendor / FI roles and responsibilities
- Governing laws & regulations
- Customer processes and procedures
- Performance and image quality standards
- Document handling and record retention
- Dispute resolution; service termination





# Controls and Risk Mitigation

- Access controls - physical and logical access
- Process controls - information accuracy and integrity
- RDC and information security training
- Fraud controls
- Business continuity planning
- Measuring and monitoring





# RDC Emerging Risk Issues

- New technology/software/mobile devices
- Foreign correspondents
- Third-party and ISO direct sales
- Cyber crime





# For further discussion and follow-up:

Richard Simpson

- Email: [richard.simpson@rich.frb.org](mailto:richard.simpson@rich.frb.org)
- Phone: 704-358-2165





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