



Remote Deposit Capture (“RDC”) Loss/Fraud Prevention Best Practices

Legal Risks

As is often the case, technology can be a double-edged sword. RDC is no exception to this rule. If used properly, it can prove to be a valuable time-saving tool for your business.

Banks are well-versed in the risks associated with processing checks. By negotiating paper checks, SB One Bank is responsible for handling these paper checks once they have been deposited. By utilizing RDC to process deposits, the paper checks remain with you. Therefore, with RDC, many risks are shifted to you and your business that could be exposed to monetary liability and/or reputation risks should these items fall into the wrong hands. You will need to take certain precautions to prevent loss to either you or your customers.

The most effective loss prevention measure you can take is ensuring that your business has a strong control environment in place. SB One Bank is relying on you to institute such controls.

Taking Protective Measures

- Since it will not be readily apparent from the face of the check that it has been deposited electronically, **the biggest risk is the intentional or unintentional redeposit of the item**, either into your business bank account or possibly even a dishonest employee’s personal bank account.
- The conversion of a check to an electronic image also makes any fraudulent alterations of the original check harder to detect. **You will likely bear the loss if the payee name is changed to something other than that of the intended payee.**
- SB One Bank requires you to retain the items you deposit remotely for a period of time before you must then destroy them. Keep in mind that it may become necessary to refer to the paper check should the image file not be of sufficient quality to allow the bank to settle the item electronically. **While a file may meet SB One Bank’s image quality standards, there is no guarantee that the image quality will meet the standards of other banks in the settlement chain.**
- By storing original checks that have been scanned – with the names, account numbers and other information they contain – a business can create a treasure trove for a would-be identity thief. **Businesses incur reputation and liability risks when their customer data is susceptible to being compromised.**



A business should carefully establish policies and procedures for the use of RDC and the handling of original checks after they have been scanned. Access to the scanner, and to the checks after scanning, should be limited to a small number of trusted employees.

Management Practices Related to RDC

Methods of mitigating RDC risks can include:

- Internal controls to prevent double presentment
- Dual control with segregation of duties
- Procedures for converting checks to images
- Securing the paper checks after conversion
- Maintaining control over retained checks in a secure environment
- Removal and destruction of checks after any applicable retention period

RDC customers should refer to their SB One Bank Remote Deposit Agreement for more information on their obligations and risk mitigation requirements when using RDC.

In addition to the above practices, business customers utilizing RDC services should:

- Utilize the suggested bank-certified vendors to provide hardware and software and to periodically update and replace hardware and software to continue as a RDC client.
- Understand that the cut-off time for receipt of deposits is based on when the deposit is received by the bank, not when the deposit was transmitted.
- Understand that any transmitted files are provisional, and the customer indemnifies the bank for any loss sustained by the bank for acceptance of the file.
- Understand that the bank will not be responsible for files that it does not receive or for images that are dropped during the transmission.
- Agree to comply with all applicable rules, regulations and laws.
- Have a contingency plan for depositing original items at a SB One Bank location should RDC not be operating/transmitting for any reason.



- Closely examine notices and statements and report any errors to the bank within 30 days, otherwise the bank will consider the transaction correct.

Scanner and Check Image Quality

The quality of a check image produced by a desktop scanner is a principal concern. If the electronic image is inaccurate or unreadable, it cannot be processed as intended. SB One Bank will provide a list of certified scanners. However, your business will still be held responsible for any loss or liability arising from poor image quality.

A business should be confident that the images produced by the scanner meet the standards set by the American National Standards Institute (ANSI) for image quality. Some scanners even generate an "image quality analysis" at the time of scanning, which can provide a level of assurance like that from a fax machine's transmission receipt.