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Next-Generation Remote Deposit Capture Platform

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Although remote deposit capture (RDC) is no longer new, and evidence suggests it is a maturing market, RDC is still young compared to other banking services. The banking industry has gone through some significant shifts not only dealing with the changing demographics and client's needs and/or expectations, but also increased competition from other companies entering the financial ecosystem. Evolving changes to the RDC suite have improved the product's applicability to the market and have allowed financial institutions to forge deeper and more progressive relationships with their target clients. A next-generation RDC platform particularly resonates with business clients.

Evolution of RDC

Early Adoption (2000 – 2005) — After the Check21 law was passed, financial institutions started focusing on branch item capture to take advantage of check truncation and avoid being the last on the "courier run." There were concerns that tellers were not check processors, and they expected a user-friendly application compared to the traditional back-office check operation. Features were added to minimize exception handling on the operators' part. While tellers weren't check processors, they were employees and had to abide by the institutions' policies and procedures.

Self-Service (2005 –2009) — Next came one of the first self-service channels. This pushed the limits as operators who were capturing the check images were not employees of the financial institution. They were, however, employees of a business entity and had to abide by the rules and policies of that business — doctor's offices, lawyers, grocery stores, etc. The process of capturing check images was enhanced to provide a more controlled workflow. Some systems would not even allow the merchant operator to change the MICR code line, unlike branch item capture.

Consumer Self-Service in a Controlled Environment (2007 – 2010) — As financial institutions and their business clients became comfortable with branch item capture, they wanted to extend that imaging to the retail clients' in a controlled environment by offering Image ATM. Systems were enhanced once again requiring minimum input to be keyed by the client at the ATM.

Consumer Self-Service On-the-Go (2010 – 2013) — As an industry, we continued toward straight-through processing and the concept of "capturing check images as close to the point of presentment as possible." Home office capture was introduced allowing retail clients to capture check images in the "comfort of their homes" by using flatbed scanners. Recently, the technology was transformed again facilitating check capture on-the-go with smartphones.

The basic function of capturing check images has gone through "disruptive innovation" and has been re-invented multiple times, even resulting in cannibalization of recent developments. For example, home office capture, which was launched less than three years ago, has been cannibalized to a large degree by mobile capture. While home office still has some market in small businesses, mobile capture has grown by leaps and bounds in the last 12-18 months.

Key Components of a Next-Generation RDC Platform

Most financial institutions have ended up with a fragmented RDC platform(s). Different parts of the institution have made isolated decisions on their respective depository channels; Treasury Management picked an RDC vendor for commercial clients, the retail group worked with their ATM provider to image enables the ATM channel, and then worked with their mobile banking vendor to provide a mobile capture platform. These different systems came with separate back-end platforms, while servicing potentially the same clients. Different back-end platforms create inefficiency, opportunities for fraud to occur, and inconsistencies in client experience across different depository channels.

A well-executed RDC strategy involves keeping the target audience in mind so that the solutions selected provide user-friendliness, integration and offer proper risk mitigation, all while offering a consistent user experience across multiple channels.

A next-generation RDC platform provides a common set of Web services for all depository channels. The Web services platform provides consistency in several common aspects of check imaging, such as:

- Recognition rates (courtesy amount read and the legal amount read);
- Image quality and usability ;
- Optically reading/confirming the MICR code line;
- Validating the MICR code line; and
- Common fraud filters.

Ease of Use

It's no secret that all consumer and business client-facing products must feature an intuitive design. This is not only important for the banks to on-board clients quickly, but for businesses as well so that they spend minimal time training new employees and can focus on their jobs. Business clients expect an easy to use system that provides "self-service" capability. For example, it is important that business clients be able to easily manage the credentials of their employees, "hot file" accounts, define certain parameters, and perform research on a daily basis.

Solution Integration

In the short-term, RDC technologies may be deployed in a stand-alone model; the long-term solution should allow for deployment within other frameworks. For example, merchant item capture may be delivered through an online cash management system; home office capture may be delivered through an online banking system; mobile capture may be delivered though an online mobile banking system. RDC solutions should be designed to allow solution integration with other technologies using a single sign-on model.

Risk Mitigation

RDC introduces inherent elements of risk. A strong RDC platform incorporates prevention measures built into the system. Essential features include the following:

- Risk profile threshold management designed around both upper/hard and lower/soft limits.
- Enterprise-wide duplicate detection should have the ability to check for duplicate items real-time and look for them across depository channels. This level of sophistication prevents a client from depositing a check through the home office capture solution first and then through mobile capture, or walk in to a branch and deposit a previously deposited check.
- Interfaces with industry-wide fraud prevention systems, such as checking for abnormalities in deposit patterns or check kiting potential.
- Geo-location allows advanced tacking and prevents deposits from areas of the world banned by the United States government.
- Risk monitoring digital dashboard allows financial institutions to monitor fraudulent transactions and subscribe to alerts.

Conclusion

With advancements in technology, increased self-service consumer behavior, and proliferation of smartphones, financial institutions must pay attention to the significant shift in demographics from baby boomers to Generation X, Y and now Generation Z, or risk becoming the "Borders" or "Blockbuster" of the financial industry.

Remote deposit capture platforms allow financial institutions to reach out to a much wider demographic client base, beyond the traditional brick-and-mortar infrastructure. The next generation of clients will expect consistency in experience across depository channels from an availability and a fraud management standpoint.

As financial institutions continue to define and refine their RDC strategy, it is important to look at the various remote capture options and determine which channel or channels make sense and identify those that may not be needed. If self-service is at the core of a financial institution's strategy, it is a good idea to roll out all the channels over a period of time. Deciding which channel to deploy first is simply a question of which channel will provide the biggest return on investment. If retaining and attracting business clients is a priority, then starting with merchant or mobile capture is the best option. **IB**

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