



# Remote Deposit Capture

Customer Training and Certification

**MidSouth  
Bank**

Member  
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# What is “Remote Deposit Capture”?

Remote deposit capture (RDC) is a service that allows companies to convert the physical checks they receive from their customers into digital images that can be electronically transmitted to their bank for deposit. The business customer is responsible for balancing the deposit dollar amount to the checks before transmitting the deposit electronically (the system will automatically recognize the check amounts, typically with a high degree of accuracy). The business customer receives an electronic acknowledgment of the deposit and the checks are retained by the customer for later destruction. A key benefit of RDC is the customer does not have to go to the bank to make a deposit; plus, they get credit same business day (at end of day) for checks deposited later in the day.

Customer Benefit:

- Minimal investment in Technology
- Quicker investment of available funds
- Improved end of month/quarter processing
- Greater employee productivity
- Reduced time spent on deposit preparation and presentment to the financial institution
- Fewer depository accounts and reduced fees
- Faster access to information and improved decision-making capabilities
- Improved availability and enhanced cash flow
- Later deposit cutoff times and faster funds availability
- Reduced return item (NSF) risk
- On-site remittance research capability

## Legal Risks

While RDC can be a tremendous time-saving tool for many businesses, the service is not without risk. It is important for any business considering using this service to understand these

risks, as well as the steps that can be taken to mitigate them. Banks are well-versed in the risks associated with processing checks. With RDC, many of these risks are shifted to you. 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 company has a strong control environment in place. Because MidSouth Bank is relying on you to institute such controls, the RDC Agreement will shift all risk of loss associated with use of the service to you, unless caused by the bank’s own negligence or willful misconduct.

## How Remote Deposit Capture Works

The process is relatively simple. Once you have established a remote deposit capture relationship with **MidSouth Bank**, you will be able to scan each of your deposit items (i.e., checks) into digital image files using a desktop scanner and your personal computer. The image files are then transmitted to the bank’s service bureau for item processing and image exchange electronically. The scanner will be leased or purchased from the bank.

In a paper check environment, **MidSouth Bank** is responsible for handling items once they have been deposited. In a RDC environment, however, the items remain with you. Your company could be exposed to monetary liability and/or reputation risks should these items fall into the wrong hands. Also, since it is not readily apparent from the face of the check that it has been deposited electronically, another risk is the intentional or unintentional redeposit of the item, either into your company bank account or to your employee’s personal bank account. By limiting access to the items and instituting strong control procedures, you can prevent these issues.

# System Control Points

## Capture (Image)

Ensure adequate controls are in place at the point where image capturing occurs (normally at your office). Poor controls over capturing can result in poor quality images, piggyback checks (two checks fed at once), high rejection and exception rates, improper indexing, and capturing incomplete or forged documents. Procedures should prevent destruction of original documents before verifying image quality, especially when the imaged information is used to process transactions. Detailed image quality standards have not been set by the industry; any party in the clearing process can return an item due to inadequate image quality.

## Capture (Check)

Do not destroy checks immediately because the scanned checks might not be legible. You also don't want to keep the checks too long, since it will increase the possibility of a check mistakenly being presented for payment twice. **MidSouth Bank** requires you to retain the items you deposit remotely for at least 60 days, but not more than 90 days before destroying them. Keep in mind that it may become necessary to refer back 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 **MidSouth Bank** image quality standards, there is no guarantee that the image quality will be up to the standards of other banks in the settlement chain.

It is possible that an item will be returned to **MidSouth Bank** as a non-conforming image weeks after it was originally deposited. Enough information should be available in the image file for **MidSouth Bank** to create a "substitute check," which may then be presented for collection. If however, **MidSouth Bank** is unable to do this, you will need to refer back to the paper check or, if the check is not available, have your customer reissue it in order to resolve the problem.

## Duplicate Item Detection

Any party who converts an original paper item into an image or an Image Replacement Document (IRD) must warrant against presenting the item more than once.

## Security

Adequate security controls should be in place (i.e., physical security, device security, workstation security, secure data lines, customer privacy) to protect the imaging system and confidential customer information. Security should provide for adequate separation of duties, input/output controls and prevent unauthorized changes of imaged data or insertion of fraudulent images.

## Training

Adequate employee training is important for proper system use. A lack of knowledge of imaging procedures could lead to quality control issues and misplaced or unavailable data.

## Backup and Recovery

Backup and recovery planning should ensure restoration and retrieval of information within recovery time objectives per your business continuity plan. The loss of imaged files can significantly affect business operations if backup electronic or paper files are not readily available. Your business should develop the contingency plan to physically transport the items to the bank or to the bank's backup site in the event of a system disruption or disaster.

## Conclusion

The ability to deposit checks electronically has created a new era of electronic deposit preparation and settlement. As is often the case, technology can be a two-edged sword. RDC is no exception to this rule. If used properly, it can prove to be a valuable time-saving tool for your company. However, you should remain aware of the added risks and take protective measures.

# Remote Deposit Capture FAQ

## Why should my company deposit this way?

You can now eliminate time-consuming manual deposit preparation and trips to the bank, improving the speed and efficiency of both collections and returns.

## How does it work?

You will be able to scan each of your deposit items (i.e., checks) into digital image files using a desktop scanner and your personal computer. The image files are then transmitted to the bank's service bureau for item processing and image exchange electronically. The scanner will be leased or purchased from the bank.

## Can the destination account be changed and diverted to another account?

No; the account information is set up at the bank, and is not changeable at the customer site. You and your employees will access the **Remote Deposit Capture** website through your individual Business Online login.

## When will my funds be available?

Since you can deposit every weekday, and do not have to wait for a weekly trip to the bank, your money gets into your account faster. Funds are typically available on the same business day (at end of day) after our processing.

## What is a substitute check?

A substitute check is a paper reproduction of the original check, also known as an Image Replacement Document (IRD). It contains an image of the front and back of the original check and bears the MICR line containing all of the information appearing on the original check. A substitute check or IRD bears the same legal standings as the original paper item.

## Can I make deposits from outside the local area?

Absolutely! This is one of the best features of Remote Deposit Capture. Items can be scanned and deposited electronically from anywhere -- even from another state.

## Can I use any kind of scanner?

No; we will provide a scanner that is compatible with our software that will meet your check volume needs.

## Do I have to copy each check before I scan it?

Continue doing what you normally do, however, with each batch of checks that you scan, a deposit report can be printed giving you a detailed list of each check, all of the MICR information and as much information about the check writer as you care to enter. Keep in mind that if you are keeping photocopies of original items, they will need to be kept in a secure location along with the originals.

## What do I do with the original check?

Store them in a secure location for at least **60** days, but not more than **90** days. You are then responsible for shredding them in a secure manner. We recommend that you attach the original checks to a copy of the daily report until you reconcile your monthly statement. Then securely store them until ready to be destroyed within the **60-90** day period.

## Is this the same process that I see being used by some retailers and utilities?

No, they are actually converting your check into an electronic transaction. This conversion is called an ACH (Automated Clearing House) transaction, which electronically debits your account.

## Remote Deposit Capture FAQ *(Continued)*

### What kind of checks can I scan?

You can scan any original check in US dollars drawn on banks with a valid US routing number, including personal, corporate, government checks, cashier's checks, travelers' checks and money orders. You cannot scan photocopies or fax copies of original checks. Also, foreign checks that do not contain a US routing number will not scan.

### Do I need to endorse the check with my deposit stamp?

Yes; since the IRD contains the front and back of the original check, it should be properly endorsed.

### Do I need to prepare a deposit ticket?

No; the system will create a virtual deposit ticket for you, encoded with your account number and the total of your deposit.

### Is there a deadline for my deposits to be credited to me on the same day?

Currently, the cutoff for same day processing is **4 pm CST**. Deposits made after **4 pm CST** will post the next business day.

### How do I know if the bank received my deposit?

When your file has been received by the bank after our 4 pm CST cutoff time, you will see the batch status change from "approved" to "processed" on your screen. Your account will be credited for the deposit after our nightly processing completes and you will be able to see your deposit via the Business Online system the following day.

# Remote Deposit Capture

## Customer Training Checklist

IMPORTANT INFORMATION	
Daily Remote Deposit Capture Cut Off Time	<p>Cut off times for approved batches (4:00 pm, CST)</p> <p>Deposit approved via Remote Deposit Capture after 4:00 pm, CST on business days will be processed the next business day.</p>
Standard Federal Reserve Holidays	We will be closed on the standard holidays observed by the Federal Reserve Bank and files will not be processed on these days.
Maintenance and Destruction of Original Item	<p>Checks should be securely stored in a locked safe place with limited employee access.</p> <p>Retain original item for 60 days no longer than 90 days.</p> <p>Destruction (shredding) of items after retention period (cross cut shredder or shredding service).</p>
Compliance	Abide by all federal and state laws, and rules and regulations applicable to banking transactions.
Contingency Options	Hand-delivery of physical checks/deposits.
Chargeback of Return Items (IRDs)	Please deposit these items as a physical deposit.
Audit by Bank	As part of our ongoing review, we will contact you periodically concerning your Remote Deposit Capture service.
Foreign Items	Foreign items cannot be scanned thru Remote Deposit Capture. They have to be deposited manually.
Duplicate Items / Piggy Backs	Please contact the bank for assistance.
User Log on Credentials	Your Online Banking / Remote Deposit Capture Administrator will be responsible for maintaining users for the business.
Error Reporting	Report errors, if any, no later than 40 days after the date of transaction.
Staff Changes	<p>Inform Bank's Treasury Services staff of any staff changes (additions or deletions).</p> <p>Staff retraining as necessary.</p>
RECOMMENDATIONS	
Download Deposit File	We recommend to download the images of your deposit file for future reference and retention purposes.
Online Security	<p>We recommend that you restrict internet usage on the computer you use to submit deposits.</p> <p>We recommend that you have your network behind a firewall and perform annual penetration testing.</p> <p>We require you to subscribe to an anti-virus software and an anti-malware software.</p> <p>We recommend that your operating system on the computer you use to submit deposits is still supported by Microsoft and/or Apple and that you update your PC's with published patches.</p>
REMOTE DEPOSIT CAPTURE LIMITS	
Per Item Limit / Daily Limits	We recommend to download the images of your deposit file for future reference and retention purposes.
Daily Limits include the aggregate of all deposits made to the following accounts:	

Treasury Services Support Number – **Direct 888-643-0111**

Treasury Service Email Group – [treasuryservices@bankmidsouth.com](mailto:treasuryservices@bankmidsouth.com)