



FIRST TENNESSEE BANK LEADS THE WAY WITH DELUXE RDC RISK MANAGEMENT



Goal

Gain required Remote Deposit Capture capabilities for regulatory compliance and risk management.

Challenge

First Tennessee's existing system, developed in-house, was difficult to install, use and upgrade. It also lacked critical required features for risk and compliance management.

Solution

The bank deployed Deluxe RDC Risk Management.

Impact

- Gained risk monitoring features including duplicate detection, deposit limits and image analytics.
- Can now see where RDC deposits are being made with location awareness.



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THE SITUATION

First Tennessee Bank's merchant RDC clients represent virtually every industry segment, and electronically deposit checks "from across town or across the country. Some clients use RDC to deposit the few checks that don't reach our lockbox. In one case, a client uses RDC to electronically deposits checks from an office located in the same building as one of our branches," explained Taylor Vaughan, Director, Treasury Management Services, First Tennessee Bank.

Because there were so few RDC solutions available, ahead of the effective date of the Check 21 law, First Tennessee developed its own application and later contracted with a software vendor based near the bank's headquarters to support it. While the bank achieved significant success with its RDC initiative, its RDC solution was not especially easy to install or use, it became increasingly difficult for the software vendor to update the solution to account for frequent Java releases, the solution did not offer Single Sign-On authentication for other applications, and the solution did not offer robust risk management tools. As a result, First Tennessee Bank began evaluating alternative RDC solutions.

THE SOLUTION

After an extensive evaluation of available solutions, First Tennessee Bank selected Deluxe.

Deluxe's RDC Solution includes merchant, consumer, branch and mobile deposit capture points. The solution provides convenient and secure check deposit, which saves banks and corporations time and money, while streamlining processes.

First Tennessee's solution includes Deluxe's Risk Monitoring component, including Location Awareness, which identifies where RDC deposits are transmitted from.



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“Deluxe’s RDC solution had all of the bells and whistles we were looking for,” Vaughan said.

The bank began a six-month implementation program in July 2014, and implementation started immediately in March.

RISK MONITORING

Risk Monitoring was a key consideration in the bank’s decision to select Deluxe’s RDC solution.

Deluxe’s Risk Monitoring module includes components such as duplicate detection, velocity and dollar limits and image analytics. These features allow banks to better monitor and control risks associated with RDC. One of the key features of risk monitoring allows for rule-based flags. If any items coming into the system fit a rule designated by the customer, a flag will be assigned to that item or transaction. Once the item has been flagged, it can be reviewed and a decision can be made as to whether to move forward with the transaction before the items are presented for clearing.

“Deluxe RDC provides support for the exposure limits we have with our clients,” he said. “The system allows us to set customer check limits, review an entire deposit or a single items, configure rules for rejecting deposits, and enable clients to make modifications.” First Tennessee Bank may call clients to confirm flagged deposits, Vaughan said.

LOCATION AWARENESS

Location Awareness also was an important factor in First Tennessee Bank’s selection of Deluxe.

“The regulatory guidelines are for banks to know where a deposit originates,” Vaughan said, adding that customers may also contractually agree not to originate RDC deposits from an offshore location. As a result, auditors are asking banks how they plan to prove where deposits originate. Before deploying the solution, First Tennessee Bank manually reviewed IP addresses after checks were deposited. “It also was important to us that location awareness was fully integrated with our other risk monitoring capabilities.”



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Most financial institutions have struggled to accurately identify where RDC deposits were captured.

Location Awareness provides financial institutions with the ability to track Internet Protocol (IP) addresses and/or proxy servers in which transmissions pass through on their way to central servers, enabling financial institutions to identify where RDC deposits are transmitted.

Deluxe's Location Awareness alerts banks if deposits are made outside the expected transmitted location, providing greater visibility to potential fraudulent activities. The suspect transactions can then be reviewed and properly decided before downstream processing takes place. Risk ratings can be set up specific to each location that is capturing and transmitting items via RDC. The application can then prioritize and organize transactions by the rating associated with that location. The solution also lets a bank know if a workstation has moved from its original and expected physical location, providing greater visibility to possible fraudulent activities.

The solution captures two IP addresses to help determine if any change occurs in a physical location:

- **The server-identified IP address: the address of the last computer/network device to touch the request before the RDC web service receives it.**
- **The originating IP address: the address of the first computer identified as making the Web request. This address, however, may not always identify the real originating computer; anonymous proxies, for instance, won't forward this information.**

“Location Awareness will help us stay ahead of the regulatory curve.”

Taylor Vaughan,
First Tennessee Bank

“Location Awareness will help us stay ahead of the regulatory curve,” Vaughan said. He added that, “every bank will require location awareness capabilities. By making payments products like RDC easier to use, banks take on risks. The bad guys are looking to take advantage of the ease of use.”

THE GROWING NEED FOR LOCATION AWARENESS

The growth of RDC has increased the risk of fraudulent activity. In fact, financial institutions are seeing a small but rising amount of losses tied to RDC, which has banks increasingly concerned.



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Nearly twice as many financial institutions surveyed by Celent had some RDC loss in 2013 compared to the previous year.

Twenty-three percent of financial institutions incurred some RDC loss in 2013, up from 11 percent in 2011 and 2012, according to a survey of 266 financial institutions conducted by Celent in October 2013. Nearly twice as many financial institutions surveyed by Celent had some RDC loss in 2013 compared to the previous year, while those with “several loss incidents” doubled to 12 percent.

While only about 5 percent of financial institutions incurred RDC losses in 2013 that exceeded their risk thresholds, it is clear that financial institutions need to remain vigilant when it comes to RDC risk management, especially as the volume of RDC transactions increases over the next decade. Technologies such as location awareness and risk monitoring help banks address RDC risks.

“Bank interest in RDC location awareness capabilities has been compliance-driven,” explained Bob Meara, senior analyst at Celent, a member of the Oliver Wyman Group. “Beyond compliance, however, RDC location awareness is an important component of sensible RDC risk management.”

Vaughan is confident that Deluxe’s risk monitoring and location awareness capabilities offer First Tennessee the flexibility to adapt to the changing fraud threats and regulatory requirements. “Over the next five years, rules and regulations will continue to evolve as crooks find new ways to get past bank firewalls. We are comfortable that Deluxe RDC will enable us to meet risk monitoring and location awareness requirements today and in the future,” Vaughan said.

THE BOTTOM LINE

RDC shows no signs of slowing growth. As a result, fraud attempts will persist, making it crucial that financial institutions remain vigilant. RDC pioneer First Tennessee Bank is leading the way again, by deploying Deluxe’s comprehensive RDC merchant capture solution with advanced risk monitoring and Location Awareness technology that helps keep the bank ahead of the curve. “Risk monitoring is an important part of any product development effort,” Vaughan concluded. “And it was a key consideration in our selection of Deluxe’s solution.”



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ARRANGE FOR A PRIVATE CONSULTATION WITH DELUXE

Are you looking for a way for your financial institution to ace its FFIEC audit, while taking advantage of the tremendous opportunity in remote deposit capture? The combination of Deluxe's industry expertise and best-in-class RDC solution can help you strengthen existing client relationships, attract new customers, grow deposits, and create a platform for future initiatives. To arrange for a consultation, call (800) 937-0017 or contact your account representative.



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Industry-leading companies rely on Deluxe Treasury Management Solutions to accelerate working capital, improve straight through processing, better serve their customers, control costs and drive profitable growth with in-house or outsourced offerings for receivables management, remote capture, treasury management onboarding and payment processing services.