

# Re-engineering the Branch for Check 21

The case for remote image capture at the teller window

*The passage of the "Check Clearing for the 21st Century Act," known as Check 21, is forcing banks to adopt the most sweeping technology changes the banking industry has seen in decades and the movement is now unstoppable. From now on, banks must weigh every technology decision against the backdrop of Check 21, addressing how each technology can best be integrated into their operations and culture.*

## Re-engineering Required for Check 21

The potential cost savings promised by Check 21 are so compelling that many banks are aggressively adopting the enabling technologies needed to optimize the Check 21 model. The imaging and archiving technologies needed for check truncation require banks to re-engineer processes across the enterprise. Everything's on the table, from imaging and archiving software to back office legacy operations, and even teller automation and ATM systems. Getting there is rife with complexities—it's a high stakes game with enormous payoff potential.

## The Check 21 Opportunity

In spite of its scope and complexity, moving to check truncation presents a rare opportunity for banks to maximize the benefits gained from Check 21 initiatives. By shifting from paper checks to images, you can eliminate the high costs of transporting paper checks and eliminate the unpredictable elements that extend processing time and delay payment.

In the rush to adopt check imaging and truncation, many banks are overlooking a fundamental decision that may have a significant impact on their business. Given the ultimate goal is to maximize the financial and customer

service benefits of check truncation, the decision of where to image is critical. Your Check 21 strategy should focus on eliminating paper as soon as possible in the payment cycle—and that means at the branch.

## The Branch Technology Challenge

Given re-engineering branch infrastructure is a certainty for 90% of all banks, the ultimate challenge is not simply to implement check imaging technology. At its most fundamental level, Check 21 provides banks with the opportunity to redesign branch operations from the ground up with technologies that maximize cost savings, minimize workflow and enable a high-impact customer marketing approach.

The majority of branch teller infrastructures today are built around legacy teller automation systems that are not optimized for Check 21 technology. To reap the benefits of check imaging, most banks will need to upgrade branch hardware and software, since their computers and peripherals lack the requisite processing power needed to support image capture and transmission. Given a technology upgrade is likely, the challenge is to identify the most effective imaging process before selecting the technologies needed to support the outcome.

*"The potential savings of Check 21 are so compelling that many banks are aggressively adopting the enabling technology."*

# Re-engineering the Branch for Check 21

## Overview of Imaging Approaches

There are three main approaches to check imaging, each based on capturing the image at a different point in the paper check's routing process.

### The centralized processing method

Today, most banks transport checks from their branches to central processing centers using couriers and air transport to physically move the huge volume of paper. Once there, employees prepare, proof and manually key in amounts, then sort and reorganize checks for transportation. And at branches located far from the processing centers, customers must still deposit checks early in the day to meet the deadline for same-day credit. Central check processing has the primary advantage of high-volume scanning at over 2,000 documents per minute. This approach may be the fastest route to imaging, but it does little to improve total check economics. Its benefits are offset by the enormous residual cost of handling paper checks within the branches and physically transporting them to the central location.

### Remote capture— shared back-counter method

Check imaging can be performed at the branch using a shared image transport machine. With this countertop scanning approach, banks can scan checks at 100+ documents per minute at a relatively low cost, since only one or two scanners are required in each branch. With this approach, however, tellers lose the opportunity to balance the transaction and correct errors while the customer is still at the teller window. In addition, a standalone imager does not integrate into the tellers' existing workflow process. Some countertop scanners have demonstrated poor MICR-read accuracy, requiring the capturing bank to absorb high costs for adjustments or losses resulting from unreadable checks.

### Remote capture—teller station method

The most efficient and cost-effective location to perform check imaging is at first point of entry into the payment system, the teller station. By combining image capture, check truncation, and transaction proof and balance at the point-of-service, banks will speed check processing, minimize teller error and reduce check handling fees. By introducing checks into the digital processing flow at the earliest point, paper checks are handled only once at the point of presentment, resulting in the maximum reduction in check costs.

There are two approaches to the teller station method: integrated and standalone imaging. Like shared countertop scanners, standalone imaging devices do not neatly integrate into the tellers' existing workflow process. They add another piece of hardware to already constrained workspaces, require an additional port on the teller PC and a new power outlet. Standalone scanners tend to rank low in MICR accuracy, ease-of-use, check feeding and long-term reliability.

### Advantages of an Integrated Approach

How can banks reap the advantages of imaging at the point of presentment, without the associated problems of high per-station hardware costs, workspace overcrowding, additional workflow complexity and inefficient imaging performance? When evaluating teller station imaging solutions, banks should consider how to solve multiple problems with a single device. Since much of a teller's countertop is already consumed by equipment, the check scanner should replace one of the other devices on the countertop. When several functions are performed by a single device, tellers gain space and efficiency. Given high teller turnover, any check

scanning device must be easy to use so that new employees can accurately capture images for the transaction with minimal training. Since existing teller station printers often need to be replaced, it makes sense to upgrade to an integrated check imaging printer rather than adding a separate standalone imaging device that the bank must maintain and tellers must learn to use.

## BEST PRACTICES

### BEST PRACTICE #1:

#### **The earlier the check image is captured, the greater the payoff.**

The single most important decision you can make is where to image. When checks are imaged at the point of presentment, handling costs are minimized and the cost-saving benefits of check imaging are maximized.



### BEST PRACTICE #2:

#### **The more problems you can solve with a single teller device, the better.**

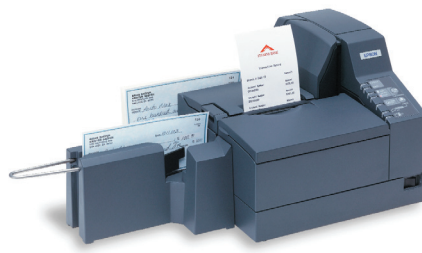
Check 21 will require banks to add steps at the teller station, potentially slowing transactions and impacting service. By choosing devices that streamline and combine teller tasks, banks can adopt check truncation with no net impact to teller productivity.

# Re-engineering the Branch for Check 21

## Introducing the Epson TM-J9000

Epson's TM-J9000 series integrated check-imaging transport and receipt printer was designed from the ground up for Check 21. Only the TM-J9000 integrates a 25-check auto feeder, two-sided check imaging, ID imaging, drop-in validation and high-speed transaction receipt printing in a single device. With Epson's exclusive TransScan™ one-pass check imaging process, total check processing time is significantly reduced, speeding transactions and teller lines.

Because there is only one integrated device, a single ink cartridge is required for the scanner and printer, resulting in lower maintenance costs and a lower total cost of ownership. With the TM-J9000, tellers learn to use the printer and imager all-in-one, speeding teller transactions, teller training and user acceptance. Since they can automatically proof and balance transactions at the teller window, tellers can perform other customer service tasks in parallel.



resolve these discrepancies, exposing the imaging bank to a high degree of risk.

Epson's exclusive 25-check auto feeder includes a highly sensitive document thickness sensor to prevent double check feeding. Designed for precision paper handling, the auto feeder enables each check to remain securely positioned as the prior check is read by the scanner. If a double feed occurs, the TM-J9000 detects the condition immediately, allowing users to correct the problem at the moment of transaction. With Epson technology, banks can virtually eliminate the risk of double-fed check images and their associated losses.

## FOR CHECK 21

### BEST PRACTICE #3:

**Strive to streamline existing teller workflow; if the process must change, fewer steps is better.**

Retail bank tellers perform one of the most labor-intensive and error-prone functions in the banking industry. Check 21 will bring additional complexity to their jobs. When adopting new technology, look to reduce complexity and speed up transactions.

### BEST PRACTICE #4:

**A check scanning device should conserve space at the teller station.**

A check scanning device should replace one of the other devices on the teller's countertop. Teller station real estate is already consumed by equipment, so when a device can perform several functions, tellers gain space and increase efficiency.

### BEST PRACTICE #5:

**Integrate marketing and brand awareness into the teller transaction.**

Customers do scrutinize bank receipts, so use them to best advantage. By treating the receipt as a marketing vehicle, you can cross-sell at the teller window, highlighting credit and investment opportunities to maximize sales.

## MICR Accuracy

A crucial aspect of remote check capture is MICR read accuracy. The TM-J9000 provides virtually error-free MICR reading of checks, with a proven accuracy of at least 99.99% in live customer testing. This MICR accuracy rate is the highest in the industry and is far superior to standalone imaging devices. This exceptional MICR performance translates to less time spent on adjustments, potentially lower losses due to unreadable checks and a clear and measurable financial advantage for the bank.

## Exclusive 25-Check Auto Feeder

Double check feeding or "piggybacking" is a common problem with tabletop check scanners when two checks feed through the scanner at the same time. The face amount of one check is captured with the back of the second check, resulting in an inaccurate transaction and a potential loss to the imaging bank. In the paper check world, banks have the physical check to resolve discrepancies should a double feed occur. Once they are in full check truncation, the checks may not be available to

## Check 21-Hardened Imager

The TM-J9000 is designed with a robust, Check 21-hardened imager that minimizes the risk and losses associated with unusable images and endorsements. If the endorsement on the check is not legible, the bank has breached the endorsement warranty of Check 21. If the validity of the image is challenged, the imaging bank is liable for the loss in the amount of the check or more. The TM-J9000 places the endorsement electronically on the image, ensuring 100% readability and compliance with the Check 21 endorsement warranties.

Even the highest quality imagers will jam when damaged checks are processed. The document track of the TM-J9000 imager is exceptionally easy to access, making recovery of a jammed check extremely easy. When the document track is accessed, the tension on the feed rollers is released immediately, and the check can be easily removed without further damage.

## Image Quality Assessment

With Check 21 and the associated regulations and standards, the imaging bank is obligated to guarantee that the images it submits are both legible and usable by other parties in the payment process. To

# Re-engineering the Branch for Check 21

protect itself from liability, the bank must guarantee certain standards of image quality. The image processing technology in the TM-J9000 delivers a legible and usable image and is in full compliance with prevailing standards.

As a member of the Financial Services Technology Consortium (FSTC), Epson supports compliance with emerging Image Quality Assurance (IQA) standards to measure and assess critical elements of

*“The image processing technology in the TM-J9000 delivers a legible and usable image and is in full compliance with prevailing standards.”*

each image to assure its usability and interoperability with leading image processing and image exchange systems. We will continue to enhance our product with supporting technologies for Image Quality Enhancement and Image Quality Assurance as standards and software processes evolve.

## USA Patriot Act Compliance

The USA Patriot Act imposes stringent requirements on financial institutions to

know and identify their customers. Banks must now secure the identity and address of the originator of any funds transfer and any new account holder. With fraud on the rise, ID verification also plays a central role in reducing losses due to bad checks and other payment transactions.

Using the TM-J9000's integrated ProofPlus™ ID imaging technology, banks can capture an image of each customer ID as part of any desired transaction. ProofPlus scans the ID card, converts the image to a .tif or .jpg file and permits storing of the image along with a transaction number. Stored images provide banks with a highly effective tool for demonstrating they have captured critical customer information in compliance with the Patriot Act.

## Enhanced Customer Receipts

Faced with increased competitiveness, banks must strive for new ways to reach their customers with unique, relevant and timely marketing messages. Epson's TM-J9000 provides banks with a low-cost and efficient marketing vehicle that capitalizes on the power of high-impact receipts to reach existing customers in the branch.

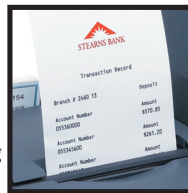
Epson's exclusive SEAJet® technology is the most advanced inkjet technology available for banking today. Using SEAJet, the TM-J9000 produces high-quality one- or two-color graphical receipts that help you up-sell and cross-sell additional products while reinforcing your bank's brand. It prints complex graphics

and logos at up to 17 lines per second with high 180 x 180 dpi resolution, a significantly higher dot density than any other transaction-oriented inkjet printer. The result is brighter, better-looking color logos and graphics that get your marketing messages noticed.

## Check 21 Technology Expertise

Epson is one of the world's leading manufacturers of highly-reliable point-of-service technology including printers, precision printing mechanisms and digital image scanners. Our TransScan integrated check imager and printer was the first to bring image-based Electronic Check Conversion (ECC) to high-volume retail point-of-sale environments. We've combined this global expertise with an in-depth knowledge of teller workflow to design an integrated image-capture check transport and printer optimized for Check 21.

Epson has extensive experience developing high-quality commercial image scanners. We introduced our first color image scanners in 1986, digital cameras in 1996 and multi-use “hybrid” systems that include printer, scanner and copier functions in 1999. Our continued focus lies in developing new hybrid devices that evolve with customer needs and that deliver superior performance for the price. As you contemplate the move to remote check image capture, you can rest assured that the TM-J9000 will deliver the quality and reliability that Epson is known for.



Collection, use and sale of personally identifiable information is subject to various laws. Anyone intending to use an ID scanner should check and comply with applicable laws.