

# Cheque Processing Solutions

## A White Paper

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## Abstract

### Check Processing & Imaging

Check and document imaging technologies are at the core of many of today's banking and remittance processing applications. Recent **Check 21** and ACH legislation continues to drive much of the demand for scanners that facilitate check truncation, check image exchange and Internet banking applications. At the same time, check scanners have evolved to meet decentralized processing requirements at teller windows, retail point-of-sale locations, walk-in payment counters, ATMs and self-service systems, corporate accounts receivable departments, etc. **CTS Electronics** scanners that are compact, easy-to-use and offer a low barrier to entry are specifically designed for capturing check images at the earliest point of presentment.

Your bank, financial institution and corporate customers that are imaging checks are realizing the full potential and benefits achieved through automation. These benefits include error-free processing, a more efficient resource allocation, and an increase in productivity. Ultimately, they are finding more time to focus on customer service and increase revenue through cross-selling and up-selling initiatives.

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## Check 21 (Check Processing)

**Check 21** is the abbreviation of “**Check Clearing in the Twenty-First Century Act**” signed by USA President Bush on October 28, 2003.

### Using electronic images & IRDs

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Basically, the goal of **Check 21** is to eliminate the movement and handling of paper checks by allowing institutions to either present paying institutions with a check’s electronic image or use “substitute checks,” also known as Image Replacement Documents (IRDs).

Electronic images and IRDs are considered the legal equivalent of actual paper checks. This allows the collecting institution to truncate checks, as well as the associated processing costs. The law requires all paying institutions to accept IRDs for payment, but it does not require them to accept electronic images. Financial institutions that wish to exchange electronic images must establish agreements to do so that address image quality, return procedures, etc.

### Implications

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Much of **Check 21**’s impact will affect your back-office operations, though customers also will be affected. For example, it will become more difficult for customers to “play the float” that exists in the current payment system. Though it may become impractical and expensive to return paper checks and IRDs in customer statements, it may be possible to provide customers online access to their checks’ images.

In an environment where paper checks are replaced entirely by electronic images, the cost savings and customer benefits could be quite substantial. Couriers, labor, check-handling equipment and many errors will be eliminated.

Institutions that continue to process paper checks along with IRDs and some electronic images could actually see costs increase significantly. The fixed cost of processing paper checks will remain, while additional IRD- and image processing costs also will be incurred. Your institution must carefully consider **Check 21**’s long-term implications for these reasons, as well as for your customers.

### How to prepare for Check 21

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Many **Check 21** details must be resolved, and it’s unlikely it will revolutionize the payment system overnight. However, all financial institutions should prepare to accept IRDs for payment by late 2004.

In many cases, this will require changes or upgrades to existing systems. Many institutions will take advantage of this opportunity to implement image technology, helping to reduce costs and beat the competition to market with new image-based services.

General recommendations to help you prepare for **Check 21** include:

- Learn as much as possible about **Check 21** and how it will fundamentally change many long-standing banking practices
- Develop your **Check 21** strategy NOW; initiate development of the new procedures and system upgrades as soon as possible
- Ask your check-processing vendor or service provider and your clearing house(s) about their **Check 21** plans
- Consider **Check 21**'s impact on customers and develop a plan to manage their expectations

### Check 21 versus Cheque Processing

Check 21 is Cheque Processing in the term of making the processing of cheques "electronic". From technical point of view there is not any difference between a "generic" cheque processing approach and Check 21. However Check 21 mandates fundamental changes in the system and deal with all the legal issues that makes the system more efficient and successful.

## Solutions

CubeIQ along with its suppliers offers a variety of cheque processing solutions to banks, financial institutions, retailers and corporations.

### For Banks and Financial Institutions

- Check Truncation and Image Exchange
- Teller Window Document Capture
- Back Office Document Capture
- Document Capture at Corporate Client Locations
- ATM Check Capture

### For Corporations and Retail Outlets

- Bill Payment and Remittance Processing
- Self-Service Bill Payment

### For Clearing Centers

- Check Conversion for Clearing Centers

## Products

**CubeIQ**, together with **CTS Electronics**, offers a complete family of products that meet check processing requirements at teller windows, branch, middle and back office points, clearing houses, retail point-of-sale locations, walk-in payment counters, ATMs and self-service systems, corporate accounts receivable departments, etc.

Our time-tested, world-renowned products deliver:

- Performance and reliability in challenging production environments.
- Superior document handling, designed to improve productivity.
- Sophisticated MICR, OCR and barcode reading capabilities.
- Advanced bi-tonal, grayscale and/or color imaging support.
- Cost-effective, reliable decentralized processing of checks, remittances, etc.
- User-friendly, ergonomic design for efficient, comfortable operation.
- Customizable features to meet each customer's needs.

### Document Reader

**L 70:** The Document Codeline Reader

### Document Scanner

**LS 100:** The Teller Station and Walk-In Payments Scanner

**LS 200:** The Check 21 Multi-Pocket Desktop Scanner

**LS 515:** The Workhorse of Desktop Check Scanners

**LS 800:** The High-Volume Back Office Scanner with Sorter

### Document Scanner Encoder

**LM 100i:** The Versatile and Modular Back Office Scanner, MICR encoder with Sorter

**LM 100m:** The Versatile and Modular Back Office Scanner, Multi-font encoder with Sorter

### Open Frame Modules

**SB 510:** The Check Processing Modules for advanced Self-Service Systems

**SB 600:** The Check Processing Modules for sophisticated Self-Service Systems

**SB 50E:** The Check Processing Modules for compact Self-Service Systems

**CPS 50S:** The Magnetic/smart card reader/writer

## Solutions: For Banks and Financial Institutions

**CubelQ** understands the business of banking. Our involvement with banking automation solutions extends to more than 20 years of experience. **CTS Electronics** experience with banking automation solutions dates back nearly **25 years**. We've helped financial institutions to automate the processing of checks at teller windows, branch back offices, centralized processing centers and self-service systems.

### Our solutions cover:

- Check Truncation and Image Exchange
- Teller Window Document Capture
- Back Office Document Capture
- Document Capture at Corporate Client Locations
- ATM Check Capture

### Check Truncation and Image Exchange

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**Check 21** constitutes the use of substitute checks (image replacement documents) and the electronic exchange of these imaged checks. Effective October 28, 2004, banks can reap the benefits of **Check 21**, including faster clearing times, fewer transportation costs, reduced data entry, less risk of human error, a better resource allocation and more time for cross-selling initiatives. **CubelQ** offers check scanners of various sizes and capabilities that handle check capture with ease, whether at the teller window or in back office operations.

**LS 100:** Compact, affordable teller station scanner with an optional auto feeder.

**LS 200:** Multi-pocket desktop scanner specifically designed for **Check 21** implementations.

**LS 515:** The workhorse of desktop check scanners, ideal for branch back counters.

**LS 800:** High-volume, high-speed back office scanner that captures large volumes of checks.

**LM 100i/m:** Versatile and modular back office scanner/encoder with sorter.

### Teller Window Document Capture

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**CubelQ** can help your bank or financial institution capture check images at the earliest point of physical presentation: the teller window. Our compact check scanners can be used in the most common banking applications: check truncation, image exchange, check image archives, Internet banking, MICR/OCR codeline capture, recognition of CAR/LAR amounts, and much more. Capturing check images at the teller window enables tellers to process checks faster with a higher degree of accuracy. Ultimately, it enables your tellers to focus on your most important asset - your customers - by eliminating data entry and improving the overall customer experience.

- L 70:** Automatically captures MICR and OCR codeline information on checks
- LS 100:** Compact device ideal for distributed capture applications at teller windows.
- LS 200:** Multi-pocket desktop scanner that can be used in all common teller transactions.

## Back Office Document Capture

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For decades, **CubelQ** has been implementing automation solutions throughout the bank, including bank back offices. Use a mid- to high-volume document scanner with sorter to capture data and images of checks and other banking documents. Images can be used for check truncation, check image exchange, check image archives, Internet banking applications, lockbox applications, and a variety of other uses. Captured check data can fuel CRM, knowledge management and other sales-focused applications, opening up new doors to cross-selling and up-selling activities.

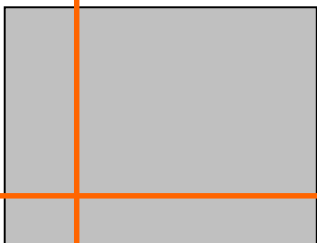
- LS 515:** The workhorse of desktop check scanners, ideal for branch back counters.
- LS 800:** High-volume, high-speed back office scanner that captures large volumes of checks.
- LM 100i/m:** Versatile and modular back office scanner/encoder with sorter.

## Document Capture at Corporate Client Locations

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**CubelQ** can help banks' corporate clients capture check images in their own back offices. This enables your corporate clients to eliminate their daily bank run, take advantage of extended processing windows, and consolidate regional or national deposits into a single account. Document capture at your corporate client's location benefits businesses that receive large or small volumes of check payments from single or multiple locations as well as retailers that prepare their deposits as a back office operation. As a result, corporate clients can realize improved cash management, greater funds availability and reduced risk.

- LS 100:** Compact, affordable teller station scanner with an optional auto feeder.
- LS 200:** Multi-pocket desktop scanner specifically designed for **Check 21** implementations.
- LS 515:** The workhorse of desktop check scanners, ideal for branch back counters.
- LS 800:** High-volume, high-speed back office scanner that captures large volumes of checks.
- LM 100i/m:** Versatile and modular back office scanner/encoder with sorter.



## ATM Check Capture

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The future of check deposit automation can be found in ATMs. The integration of a check-processing module into ATMs turns the ATM into a true "automated teller." The ability to capture images and codeline information at the point of deposit or payment eliminates the need for deposit envelopes and improves the overall quality of the transaction for the consumer. Now, financial institutions can move traditional teller-assisted transactions to the ATM.

**SB 510:** ATM module with automatic or bundle feeding, voiding, endorsing, etc. for advanced self-service applications

**SB 600:** Robust ATM module with automatic or bundle feeding, voiding, endorsing, etc. for sophisticated self-service applications

## Solutions: For Corporations and Retail Outlets

**CubeIQ** offers a variety of solutions for document and check capture for corporations in a variety of industries. Any organization that processes small, medium or large volumes of checks or remittances can find a **CTS Electronics** device that meets their specific needs.

- AP Departments
- Retail Stores
- Utilities
- Telecommunications
- State and County Treasurers
- Insurance and Healthcare
- Nonprofits
- Service Bureaus
- Walk-in Payment Centers
- Check Cashing Outlets
- And Many More!

### Bill Payment and Remittance Processing

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Automate the processing of checks and remittances by capturing images and data in place of manual data entry. Use a compact device to capture walk-in payments - including checks, remittance stubs and other documents - at the point of presentment. Or implement a larger device in your service bureau or back office operations to process bundles of checks and other documents without pre-sorting. Any organization that processes medium to large volumes of payments will appreciate the time and expenses that can be saved by using a **CTS Electronics** scanner wherever payments are presented or processed.

- LS 100:** Compact walk-in payments scanner with an optional auto feeder.
- LS 200:** Multi-pocket desktop scanner that handles remittances at payment counters
- LS 515:** The workhorse of desktop check scanners, ideal for small to medium check volumes.
- LS 800:** High-volume, high-speed back office scanner that captures large volumes of checks.
- LM 100i/m:** Versatile and modular back office scanner/encoder with up to 10 sorting pockets.

## Self-Service Bill Payment

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Self-service check processing modules and compact countertop systems put bill payment automation into your customers' hands. These devices are integrated into self-service kiosks or used in teller-assisted countertop solutions to capture check images and data at the point of deposit or payment. Now, 24 hours a day, seven days a week, your customers can make their payments by inserting their check into the self-service system module, which captures the information and the check, and provides a real-time acknowledgment of payment. Or use one of our teller-assisted check processing devices, which enable your customer service representatives to manage multiple payment lines simultaneously.

- LS 100:** Compact walk-in payments scanner with an optional auto feeder.
- LS 510:** ATM module with automatic or bundle feeding, voiding, endorsing, etc. for advanced self-service applications
- LS 600:** Robust ATM feature-rich and easy-to-use self-service module for remittance processing at kiosks.

## Solutions: For Clearing Centers

### Check Conversion to Clearing Centers

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By automating your bill payment operations, you are already one step closer to complete ACH-based (ACH: Automated Clearing House) remittance processing. More and more companies are turning to ACH because of the ease of electronically handling checks and to alleviate the ever-increasing cost of paper handling. Add ACH capabilities to your payment operations to achieve complete, end-to-end automation - from the payment desk to the Central Bank to your checking accounts. Depending on your requirements, a variety of **CTS Electronics** scanners can be used in an ACH-based remittance processing solution. Using ACH, you'll benefit from fewer trips to the bank, later deposit cut-off times, lower check processing costs, and so much more.

- LS 100:** Compact walk-in payments scanner with an optional auto feeder.
- LS 200:** Multi-pocket desktop scanner that handles remittances at payment counters
- LS 515:** The workhorse of desktop check scanners, ideal for small to medium check volumes.
- LS 800:** High-volume, high-speed back office scanner that captures large volumes of checks and remittances.
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## Our Offering

**CubelQ** is an IT company specialized in Business Process Re-engineering focused in the Banking and Electronic Transaction Processing Market. Our leading-edge software solutions can transform business processes in a more efficient, more productive and cost saving way.

Main **CubelQ** activity is in providing IT solutions to vertical markets one of which is the Banking and Financial market. **CubelQ**, in co-operation with leading banking systems vendors, is in the position to provide end-to-end systems and professional services to her customers. The company maintains strong links with various banking systems companies. These relationships enable us when deemed necessary to work jointly with our foreign partners or to use their specialists and expertise on particular projects in order to offer our clients coverage of the highest professional standard.

For over two decades, **CTS Electronics** has been committed to design, build and market world-class document readers, scanners and encoders that deliver reliability, flexibility, performance and value to its end users. **CTS Electronics** has successfully installed more than 250,000 document readers, and over 100,000 scanners while **CTS Group** has successfully installed over 1.000.000 banking terminal devices, at prominent customer locations across five continents - becoming the leading global provider of banking automation solutions.

### The CTS Advantage

- More than 25 years of experience in banking automation equipment ensures that you receive only the best in quality, reliability and support.
- We leverage a proven track record in teller capture and remote banking to provide you with a check processing solution that meets your evolving needs.
- Through partnerships with leading U.S. solutions providers, we offer complete solutions that include hardware, software and services.
- As a single source for document readers, scanners and encoders, we are confident that we have a document imaging solution that fits your requirements.
- Our complete family of devices for ATMs and self-service systems is designed to automate check processing at the point of deposit or payment.
- A collaborative approach to the market ensures superior support and quick response times for our partners and end users.