

CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

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TREASURER OF OHIO

Current Trends in Banking

CASH 301

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Course Objective

- Provide an overview of current trends in banking/treasury management services with an emphasis on electronic banking
- Reveal tips and processes that may help improve efficiencies as well as best practices for mitigating risk

Trends in Banking

When we say trends in banking, what do you think of?

- Wire Transfer
- ACH
- Onsite Check Processing
- Smart Safes
- Lockbox
- Cash Vault
- Commercial Card
- Merchant Services
- Fraud Services

Trends – Wire Transfers

- **Potential Benefits**
 - Manage cash position / Investment
 - Funds Available Immediately
 - Secure access
 - Higher level of protection against payment related fraud
 - Confirmations
 - Improves efficiency for high-volume clients

Trends– Wire Transfers

- Fraud Mitigation
 - Regularly review colleague permissions
 - Create wire transfer templates
 - Establish transfer limits for all wire transactions
 - Adopt dual-authorization protocols and/or callback procedures
 - Diligently monitor your account for all non-standard wire activity
- Samples of Wire Transfer Fraud

Trends - ACH

- **Potential Benefits**

- Cost savings and improved efficiencies through reduced paper handling, check print and invoice processing
- Single location for paying all of your disbursements and collections electronically
- Increased security and time savings
- Eliminates the need to key individual payments and release them to the bank multiple times throughout the day
- Simplifies the customer's need to change company settings and establish new users without calling the bank

Trends - ACH

- Fraud Mitigation
 - Regularly review colleague permissions
 - Establish and monitor ACH limits
 - Adopt dual-authorization protocols
 - Diligently monitor your account for all non-standard ACH activity
- Samples of ACH Fraud
- Enhanced focus towards migration of electronic payments
 - Reducing potential for account data being compromised
 - Mandatory compliance where possible
 - More open to providing discounts to make it mutually beneficial for all parties

Trends – ACH

- Same Day ACH
 - Effective September 2016
 - ACH to settle and fund on a same day basis
 - same-day settlement requires submission and approval by 11:45 a.m.*
 - Initially CREDITS (payments) only
 - International ACH (IAT) excluded
 - Federal Tax/Government payments are not eligible
 - Transactions in excess of \$25,000 excluded
 - Fees are on a per transaction/entry*
 - Effective September 2017
 - Same day DEBITS (collections)

*May vary by financial institution

Trends – Onsite Check Processing



- **Potential Benefits**

- Consolidates deposits and eliminates need for multiple banking relationships
- Provides remote access to reports/images and extends research capabilities; images are available for a period of time
- Automates updating of accounting packages; Typically can securely save images to hard drive with a WinZip file
- Ability to capture deposit information (client number, invoice, etc.); Typically can export deposit detail for easy reconciliation

Trends – Onsite Check Processing



- Minimize risk associated with employees
 - Traveling to bank to process deposits
 - Time away from office
- Data Retention
 - Automated processing of check deposits
 - Retention of images for customer service / disaster recovery
- Expansion of end-of-day processing

Trends – Smart Safe Solutions



- **Potential Benefits**

- Provides flexibility to choose armored carriers that best services customer's footprint
- Consistent operating procedures for all locations using smart safe technology
- Cash flows securely from cashier; to smart safe, to your bank improving accuracy, reducing risk and increasing employee safety
- Access codes increase employee accountability and offer ability to efficiently reconcile cash
- Improves cash flow and reduces transportation costs
- Offers visibility and control into every location's cash position and monitor adherence to cash handling procedures

Trends – Smart Safe Solutions



- Minimize risk associated
 - With employees
 - Traveling to bank to process deposits
 - Time away from office
 - Cash Handling
 - Enhancement dual controls
 - Counterfeit Detection
 - Reduction of shrinkage – cash shortage
- Enhanced tracking
 - Areas of cash collection can be segmented for reporting purposes

Trends – Wholesale Lockbox



- **Potential Benefits**

- Outsourcing of incoming payment processing
- Expedites your cash flow information for daily investment/borrowing decisions
- Allows clerical staff to concentrate on other tasks in addition to expediting your receivables processing and strengthening your internal audit controls
- Compatible with Onsite Check Processing
- Lockbox transactions viewable online for a period of time

Trends – Retail Lockbox



- **Potential Benefits**

- Ability to capture standard retail coupon sized documents, along with full-page documents, eliminating the need for customers to have multiple lockboxes
- An enhanced lockbox service that provides customers with electronic images of checks and remittance information the **same day** the deposit is made. Images are available online throughout the day, CD and Image Transmission.
- Compatible with Onsite Check Processing
- Allows customer to do online exception processing
- Allows customers to consolidate payments made by their customers through their local banks Bill Pay service. This will consolidate all Bill Pays into a single credit with a detail file for posting.

Trends – Lockbox Services



- Receivable delays
 - Changes in Postal System Processing / Capacities
 - Reduction of cash flow due to delay in receipt of payments
- Audit Controls
 - Greater checks and balances
 - Entity sends out invoices, third party collects and processes
- General workflow enhancements
 - Maximize use of employees
 - Automation of receivable postings

Trends – Vault Services

- **Potential Benefits**

- Vault Services can reduce the float associated with concentrating funds
- Simplifies ordering process by offering flexible ordering times
- Offers the ability to track deposit detail by store location which accelerates reconciliation for each location for deposits and cash orders
- Notification of counterfeit bills with copy of form sent to Secret Service

Trends – Vault Services

- Automate process of cash needs
 - Online ordering of cash
 - Secure delivery of cash
 - Enhanced Controls
- Minimize risk associated with employees
 - Traveling to and from bank
 - Time away from office
- Varying cash needs can be met
 - Banks maintaining minimal supplies of excess cash to reduce risk

Trends – Corporate/Purchasing Cards

- **Potential Benefits**
 - Online resource to manage expense reports, company spend reporting, and cost allocation.
 - Manage card limits, MCC restrictions, close and open cards online. Eliminates calling a servicing rep to perform the same functions.
 - Improve Cash Flow

Trends – Corporate/Purchasing Cards

- Enhance Payment Capabilities – Increase Days Payable Outstanding (DPO)
 - Time from purchase to payment
- Spending Controls
- Other Benefits
 - Rebates

Trends – Merchant Services

- **Potential Benefits**

- Automate recurring billing in fixed amounts. Set up automated payment plans.
- A powerful reporting suite gives you access to all of your transaction information.
- Reduce Interchange fees by processing cards with Level 2 and 3 data and participating in Large Ticket Interchange programs.
- Protect cardholder data during authorization and after approval with encryption and tokenization.

Trends – Merchant Services

- Migration to mobile payment
 - Acceptance of payments from anywhere
- Online payments with/without automated posting capabilities
- Credit Card Fraud
- Use of Chip / PIN to reduce liability for losses

Trends – Fraud Prevention

- **Potential Benefits**

- Ability to manage ACH debits and credits posting to the account via filters and blocks.
- Protects against external check fraud; comparing presentment items against your customer check issue file.
- Protects against having fraudulent checks post to the account by turning it into an electronic only account (Check Block). All paper based debits will be blocked.

Trends – Fraud Prevention

- Full use of fraud prevention services
 - Check Positive Pay
 - payee verification
 - teller positive pay
 - ACH Positive Pay
- Dual Authorizations
- Best Practices – Ohio State Auditor’s Office – September 2016
 - <https://ohioauditor.gov/publications/bestpractices.html>

Trends – Mitigating Risk

- **ISSUING CHECKS, INITIATING ACH AND WIRE TRANSACTIONS**
 - Regularly review your list of authorized personnel accessing your bank accounts, especially those with check issuance, ACH initiation, wire initiation and approval access
 - For consistency and increased transparency to errors and/or fraud, implement and utilize:
 - Check positive pay fraud protection services
 - ACH positive pay fraud protection services
 - Wire-transfer templates
 - Adopt dual-authorization protocols and/or callback procedures:
 - For all electronic funds transfers
 - To decision suspect/exception check items
 - Introduce stale-date and maximum dollar threshold protocols for check items to ensure only intended payments are processed
 - Establish transfer limits for all wire transactions
 - Diligently monitor your account for all non-standard check, ACH and wire transaction activity
 - Do not deviate from these standard safeguards or your processing procedures

Trends – Mitigating Risk

- **CARD ACCEPTANCE**

- Implement tokenization and encryption security for terminal or web-based transactions.
- Adopt and utilize EMV card capabilities.
- Establish PCI DSS compliance and annually complete PCI DSS Self-Assessments to identify gaps.

- **CONDUCTING ONLINE BUSINESS**

- Strengthen your network by establishing a secure firewall, VPN connectivity and installing/maintaining anti-virus and anti-spyware solutions
- Restrict or block access to:
 - Removable media devices(i.e. CDs, DVDs or USB devices)
 - Email attachments in formats commonly used to spread malicious programs(i.e. VBS, .BAT, .SCR, .EXE, .PIF)
 - Social networking sites
- Train all employees about cybercrime, common fraud schemes, keeping password credentials secure and the importance of following online security protocol
- Evaluate a cyber liability insurance policy to provide first and third party coverage for damages when private, personal and financial information is compromised due to a data breach or network intrusion

Trends - Questions

