

# Cheque processing without the pain

REMOTE DEPOSIT CAPTURE IS THE NEW TREND FOR RECEIVABLES MANAGEMENT, AS HSBC'S KOMAL KAUNDAL AND JULIANTINI VOSS EXPLAIN.



In the Middle East, businesses often have to manage a high volume of cheques among their receivables. Yet cheque-intensive operations can saddle businesses – and their banks – with the heavy costs of extensive manual intervention.

If a business is to recognise the cheques it deposits at its bank and reconcile them with its ERP (enterprise resource planning) software, the bank must provide cheque information (number, date, and so on) on its bank statements. However, banks can't automatically generate all the information needed to reconcile the receipts. If a client insists on having the information, the resulting narration capture involves huge manual activity both at the client and the bank's end and is prone to manual errors. The fact that some of the cheques may be postdated merely adds to the reconciliation effort required.

The cheques also need to be deposited and cleared rapidly if the working capital cycle is to be managed efficiently and lending overheads resulting from trapped liquidity avoided. Understandably,

clients would like to deposit cheques from their own customers on the same day they receive them, and be credited with the funds straightaway. However, poor co-ordination between courier companies and banks can cause inadvertent delays in the cheque deposit process.

Bank branches that receive these cheques also often have limited resources available in their front-office counters to manage what can be huge volumes. Managing these volumes in a timely manner can lead to overheads and cost challenges for the banks. There are also multiple handovers from client to courier to bank counters to back-office processing units, which have to meet the clearing cut-offs.

**IN SEARCH OF A SOLUTION** In the context of these cheque-processing challenges, one retailer in the region approached HSBC's payments and cash management team in search of a better solution.

The retailer's accounts department was processing receivables

from over 5,000 customers a month on a manual basis. It made for tedious work practices, long working hours and high overheads. Adding to the department's difficulties was the need for a painstaking manual reconciliation of its bank accounts.

To address the issue, the group's treasury team wanted to automate the entire collection process and the reconciliation of its bank accounts. The team collaborated with HSBC in structuring a cheque scanning, collection and reconciliation solution. It completely automated the company's collection process, providing it with greater visibility, automated reconciliation of its bank statements and considerable time and cost savings. Clearly, it also considerably improved the productivity and efficiency of the accounts team.

The solution involved remote deposit capture (RDC) – a service that lets corporate clients present their cheques electronically to the bank. RDC extends the bank's cheque scanning process remotely to the client and combines cheque registration and data capturing.

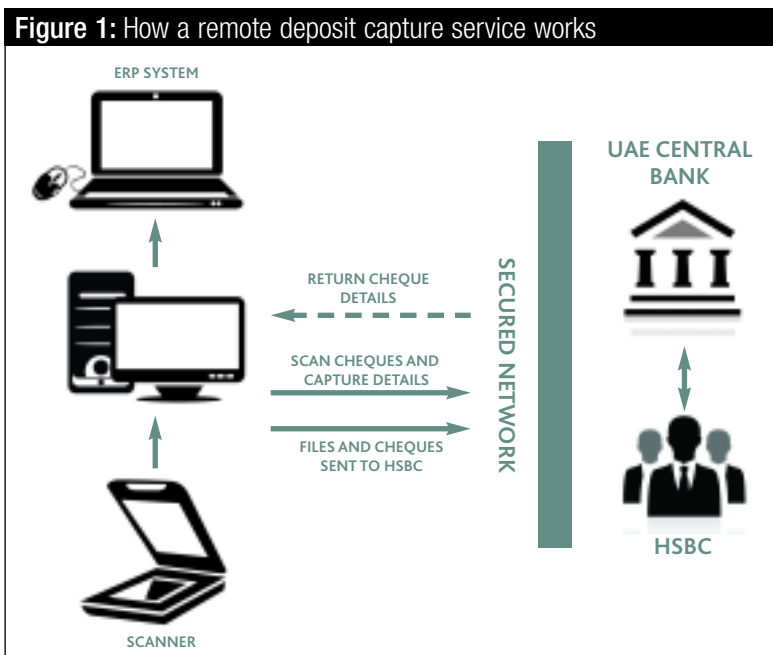
The process works as follows:

- The bank's client installs scanners and terminals at various locations that are remotely connected to a central RDC server.
- The client's receivables staff can scan the cheques in batches and provide the information relevant for clearing such as cheque number, cheque amount and date.
- The MICR (magnetic ink character recognition) band information on the cheque is easily read by the RDC utility and automatically populated. Enriched information can also be provided.
- The system has a built-in capability to validate control information, such as batch totals.
- Once the information is entered, the batch follows a verification process, enabling a maker-checker flow on the cheques.
- Once verified, the system generates an automated deposit slip and image file that can be transmitted to the bank via a secure network.
- Preconfigured connectivity parameters ensure the image file extracts itself directly into the central bank's processing queue in its clearing system.
- Integration with the client's ERP enables the cheque information and enriched data to be extracted easily from the RDC system.
- The return report is sent to the client on the next working day and the cleared cheques are delivered to the bank in accordance with central bank regulations.

Figure 1 shows the process graphically.

**THE BENEFITS OF RDC** The implementation of RDC has significant benefits for bank customers. They include:

- faster access to funds due to a shorter clearing time than the



conventional cheque clearing procedure;

- a reduction in dependency on courier/delivery personnel and the elimination of multiple handoffs;
- an improvement in efficiency from streamlining the cheque deposit process, achieved by combining cheque registration and deposit slip preparation in the RDC utility;
- the receivables cycle is shorter – one to two clearing days faster than a traditional data capturing service;
- a late clearing facility is supported, as customers

can send instruments for clearing after banking hours (this also allows load capacity management during peak hours and month-ends with highest volumes);

- the reconciliation procedure is greatly simplified because cheques are batched, and there is no need for individual cheque receipts; and
- the enriched collection data can be auto-uploaded to an ERP program, eliminating manual data input.

Furthermore, in the case of the Middle East retail client, the RDC solution was effectively combined with a bespoke reconciliation utility that interfaced the client's ERP with the RDC software. Reports could be customised to client requirements, resulting in 100% reconciliation at the client end. A courier setup facilitated by the bank ensured that cheques were picked up the next working day and sent to the central bank.

The result was a win-win for the bank and the client. The client was able to leverage its resources effectively and free its treasury team from the task of following up with courier companies and banks. The banks received the information directly in the central bank processing queues and manual input was eliminated.

The successful implementation was a result of a collaborative effort on part of the client, sales, product, implementation, integration, IT and operations, and the joined-up approach helped faster delivery of this innovative solution.

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**For queries about RDC and HSBC's RDC capabilities, email [cashmanagement-uae@hsbc.com](mailto:cashmanagement-uae@hsbc.com)**

