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19th Annual Windy City Summit

A Wealth of Information
worth talking about

SPONSORED BY THE TREASURY MANAGEMENT ASSOCIATION OF CHICAGO

IMAGE TECHNOLOGY PRACTICAL APPLICATIONS

presented by

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AMALGAMATED
Bank of Chicago
AMALGATRUST

IMAGE TECHNOLOGY

- Image enabled reader/sorters
- High-Bandwidth Telecommunications Network
- Internet
- Savings over paper systems
- Improved research capabilities



CURRENT TREND



- Increase in banks using check image processing
- Lower software/hardware costs
- Faster, more powerful processing
- Recent legislation - Check 21
- Remote Capture

IMAGE APPLICATIONS

- Back End Imaging
- Front End Imaging
- Lock Box Processing
 - Check images
 - Document images
- Internet Delivery



BACK END IMAGING



CUSTOMER STATEMENTS

- Checks - front and back
- Image Statement and Print Only
- Image Statement - Preparation & Archive
- CD-ROM

BACK END IMAGING



IMAGE PRINT

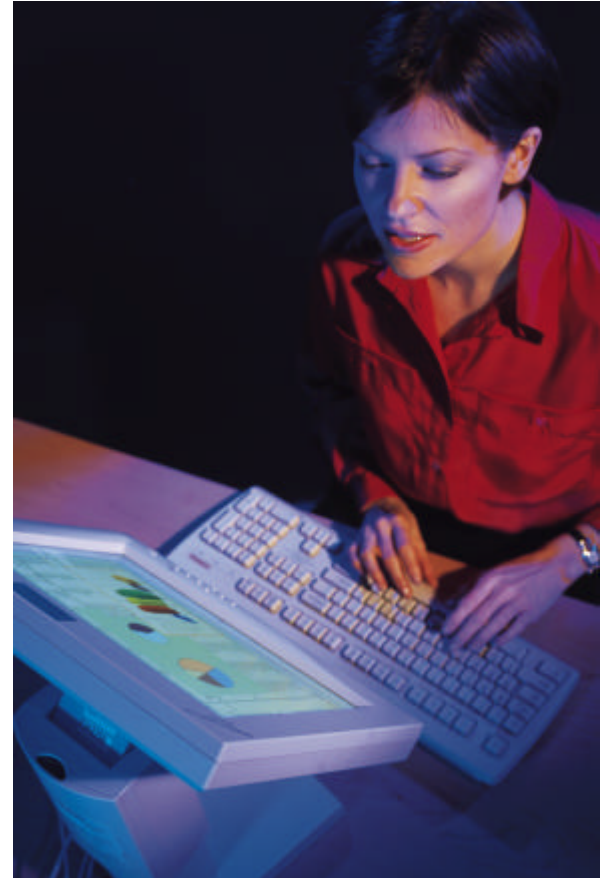
- Check Image Captured After Sort
- Transferred to Print Image Statement
- Checks Truncated

IMAGE PRINT BENEFITS

- High Quality Images
- Statements Available Quicker
- 10-20 Checks per Page
- Three-holed Pages
- Numerical Sorting

IMAGE STATEMENT PREPARATION & ARCHIVE

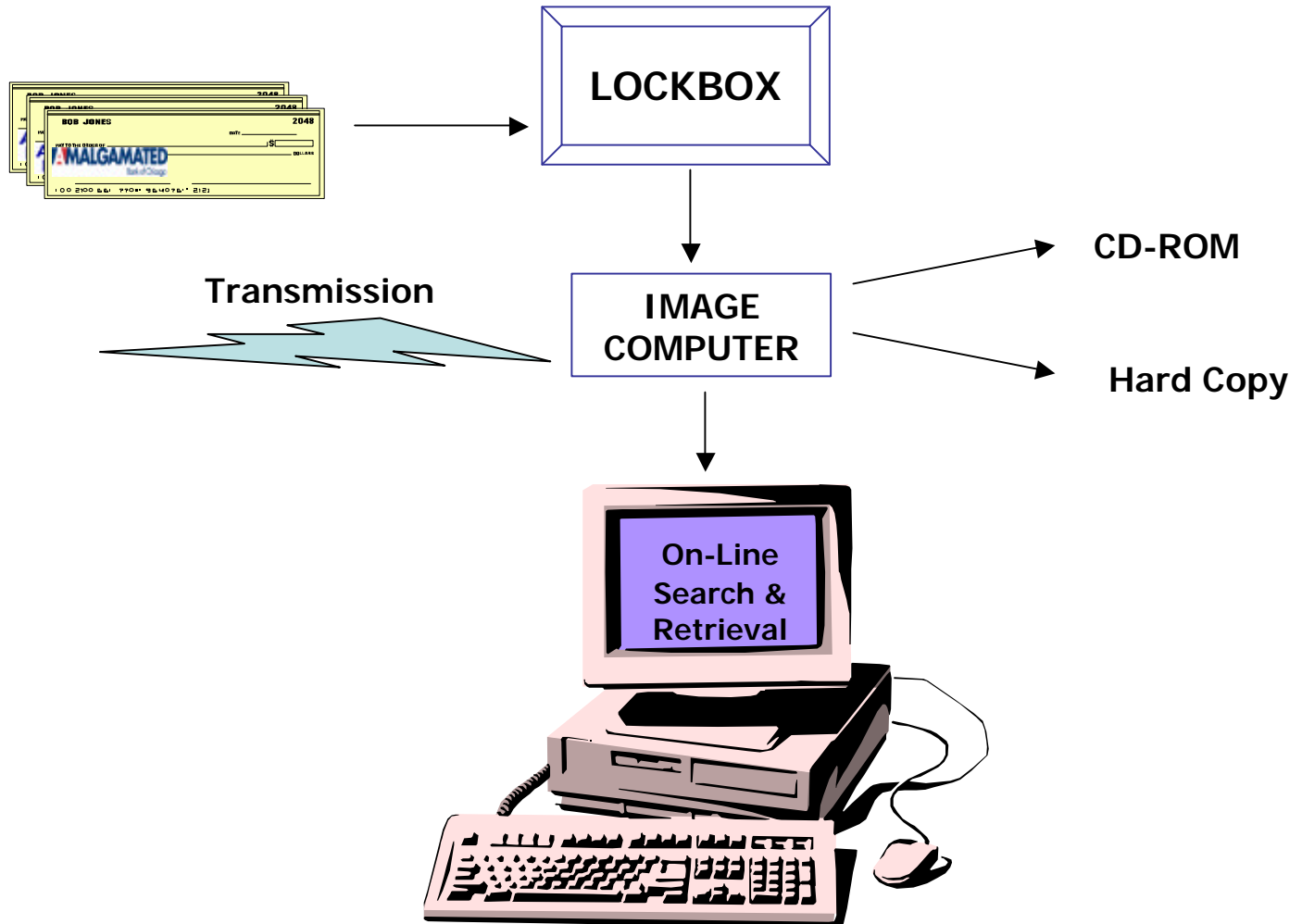
- Daily Capture of On-Us Items
- Fine Sort Performed on Images
- Stored on CD-ROM For Archive and Retrieval
- Positive Pay Images
- Month-end Reconciliation Reports
- Account Analysis



FRONT-END IMAGING APPLICATION

- Lockbox Processing
 - Images of checks received
 - CD-ROM
 - Hard Copy
- Document Images
- Transmission
- Web Access

LOCKBOX PROCESSING



WHY CHECK IMAGING?



BENEFITS

- Float Reduction
- Lower Cost
- Better Image Quality
- Sorting Options
- Faster Item Look-up
- Shared Image Files

CHECK 21 - THE PROCESS

- Convert checks to electronic images
- Transmit images to paying bank/depository bank
 - images processed or converted to substitute document
- Receiving bank only required to accept substitute checks

CHECK 21 - WHAT PRECEDED

- Automated Clearing House (ACH)
- NACHA
- Electronic Check Presentment (ECP)
- Point of Sale (POS)
- Accounts Receivables Conversion (ARC)

IMAGE INTERCHANGE

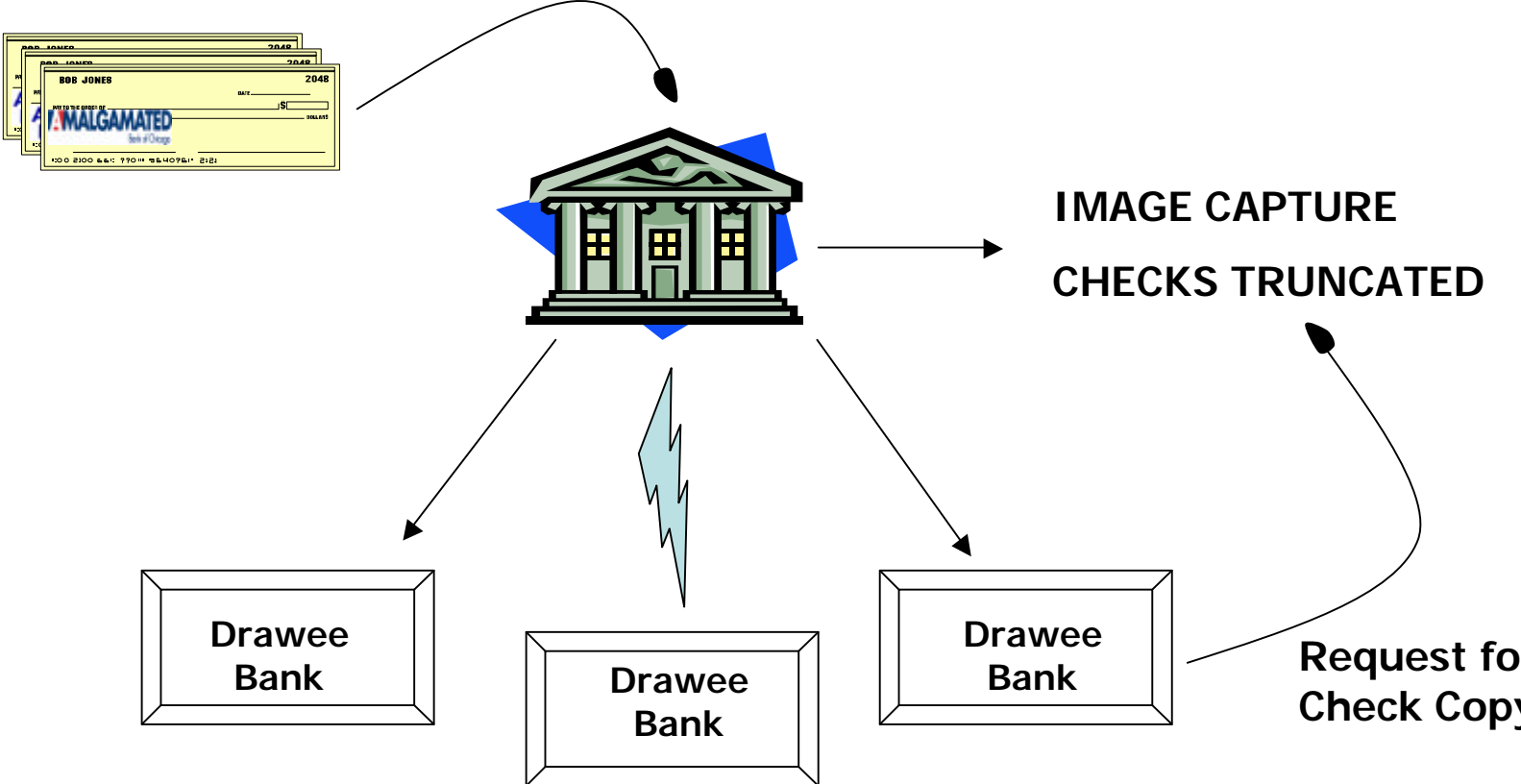


IMAGE INTERCHANGE

- Each bank serves as image repository of *all* checks it handles
 - On-U.S. and Foreign
 - Truncation and Transmission
- Request for check copies electronically routed to bank of first deposit

ECCHO - ELECTRONIC CHECK CLEARING HOUSE ORGANIZATION



- 100 Members
- Exchange Images
- Extensive Software
- Work-Flow
- Legal Issues

CHECK 21 - REMOTE CAPTURE

- Check images captured at corporate site
- Images transmitted to bank
- Bank option - process image or convert to substitute document



CHECK 21 - REMOTE CAPTURE - BENEFITS

- Reduced postage, shipping cost
- Shortened processing cycle
- Fewer trips to the bank
- Improved collection time
- Faster notification of problem items
- Reduction in errors
- Increased efficiency

CHECK 21 - IMPACT ON TREASURY OPERATIONS

- Reduction in disbursement float
- Improved availability on deposits
 - Benefit or Cost
- Increased competition among banks
 - Geography
 - Bank size
- Possible cost savings

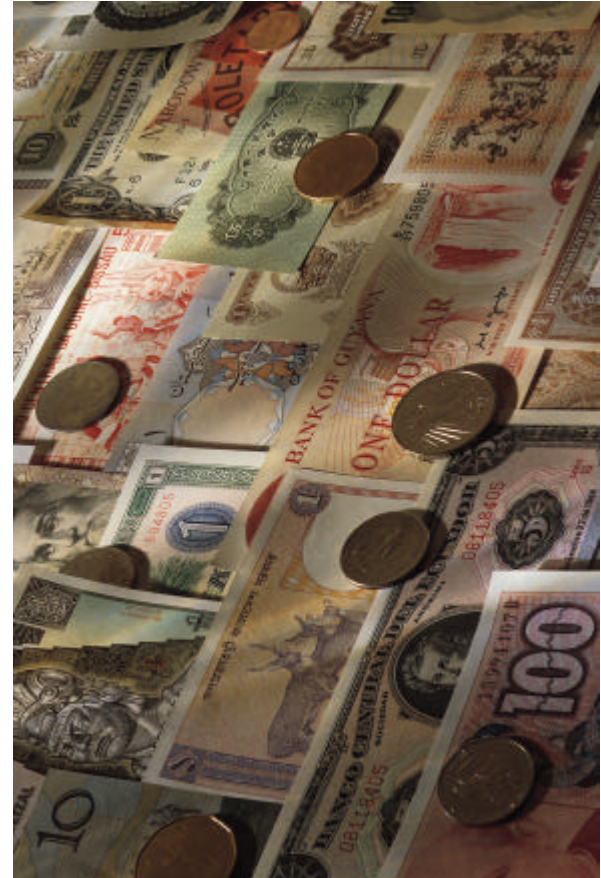


CHECK 21 - POSSIBLE BENEFITS

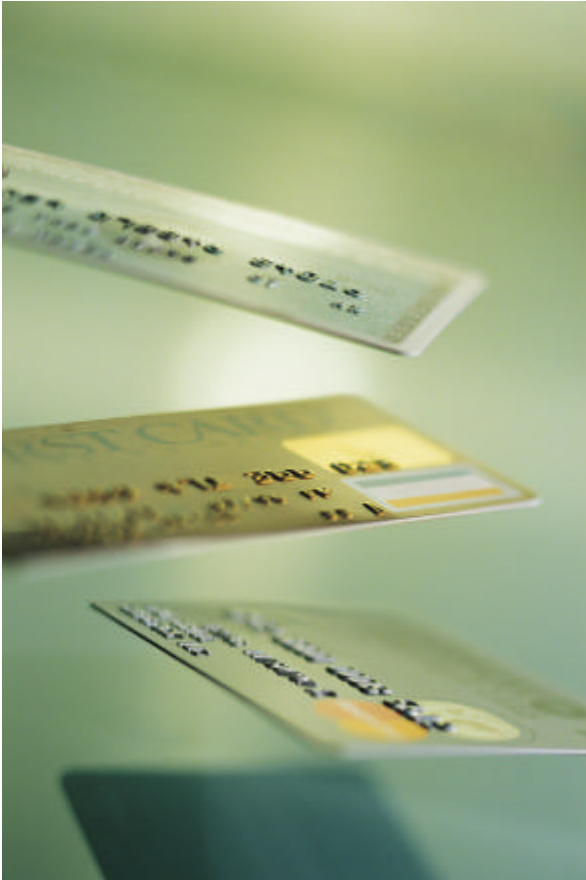
- Faster check clearing
- Speed
 - Reduction in check fraud
 - Faster notification of NSF's
- Existing treasury services still viable
 - Positive pay/payee
 - Controlled disbursement
 - Account reconciliation

CHECK 21 - CHALLENGES

- Cost
- Prepared for new technology
- Impact on treasury services
- Multiple options
 - What qualifies for imaging or conversion?



WHAT IS HAPPENING WITH PAPER PAYMENTS?



- Increase in debit, credit, stored value cards
- Bad Check Losses
 - Consider electronic alternatives
- Bill Paying Services

LEGAL ISSUES

- Imaging is *legal*
- Proof of payment
- Endorsed by IRS (1992; Revenue Procedure 92-71) and other Government Agencies
- State revision to specifically include optical disk storage
- Bank retention of items (60-120 days) - will shorten

REGULATORY ISSUES - FFIEC

Federal Financial Institutions Examination Council establishes standards for banks in selecting check image processing systems.

- System Selection
- Control Structure
- Contingency Planning

WHAT ELSE?

Imagination and
Creativity

