



TECHNOLOGY TO MITIGATE ACH FRAUD

Activity in the ACH network continues to grow each year, which also brings the inherent risk of increased fraud. Moreover, this trend can largely be attributed to the escalation in one-time payments such as converted checks, telephone initiated, and web initiated transactions, which further complicates the task of tracking fraudulent activity.

According to the 2009 AFP Payments & Fraud Control Survey, 28% of surveyed organizations indicated that they had experienced ACH debit fraud in 2008. Overall, 30% of the organizations experienced an increase in payments fraud from 2007 to 2008.

In one extreme case, a community bank with \$13 million in assets experienced over \$3 million in fraudulent ACH activity during a one year period that was discovered toward the end of 2008. These losses drained the institution's capital reserves and eventually led to an FDIC takeover in August, 2009. This case shows that even a small community bank is susceptible to fraud.

ACH Positive Pay Protects Your Customers and Your Institution

In order to protect customers and the institution from ACH fraud losses, ACH positive pay and automated ACH reporting should be implemented

ACH Positive Pay (Continued on page 2)

CASE STUDY: MECHANICS BANK REDUCE OPERATIONAL RISK WITH THE CENTRIX BLOCK BUILD PROGRAM

The Mechanics Bank is a \$2.7 billion, 33 office community bank serving Northern California. Like most community banks of their size, transactions posted to the core processing system come from many sources in many formats. Over the years, the bank has managed these disparate transaction sources with in-house developed COBOL programs to reformat transaction files for posting. However, regulators began to question the bank's in-house software development strategy as part of the risk assessment audit. Tough questions were asked, such as "What is the backup plan to support these programs in the event of staff reduction, turnover or long term illness?" And more importantly, "Is in-house software development something the bank plans to support long term?" Mechanics Bank was faced with a tough business decision.

Peggy Wanlass, VP Application Development & Support at Mechanics Bank turned to Centrix. Her objective was

Block Build (Continued on page 2)

**** ACH RISK ****

ACH CALENDAR HELPS IDENTIFY FRAUDULENT FILES

ACH risk is a reality for every financial institution. It is all too frequent that we read about fraudulent ACH files getting into the ACH network because the proper safeguards were not in place.

One such safeguard to mitigate ACH risk is for the financial institution to utilize an ACH origination calendar that defines the origination schedule for each company. Union Bank and Trust, headquartered in Lincoln, Nebraska, is a strong proponent of the ACH calendar. Although largely procedural and precautionary, the use of an ACH origination calendar can help identify a fraudulent file that was originated under guise of a valid originator. According to Travis Sears, Assistant Vice President—Electronic Banking at Union Bank, "We have caught two separate incidents of ACH fraud due to utilizing the ACH Calendar tool from Centrix, both of which were identified because the ACH file received was not scheduled. By having a schedule in place we are able to know daily which files should be processed and which are possible fraud."

ACH Calendar (Continued on page 3)

CDARS®: AUTOMATING BRANCH ACCOUNTING

If your bank participates in the Certificate of Deposit Account Registry Service® (CDARS®), branch accounting can be challenging. Centrix has automated this process by taking data feeds from CDARS and generating branch accounting entries for the institution. **Contact Centrix Solutions if you are interested in learning more.**

CDARS and Certificate of Deposit Account Registry Service are registered service marks of Promontory Interfinancial Network, LLC.

From a Client's Perspective

"Centrix Solutions has been a trusted technology partner of Butte Community Bank for a number of years. Their products, service and commitment are modeled very similarly to the way we approach community banking. It is not always about making a sale; rather making sure your customer has the products and tools that fit their individual requirements. For this reason, Centrix Solutions continues to be our vendor of choice for meeting our technology and business needs."

**Bruce Barnett, Chief Information Officer
Butte Community Bank**

CASH MANAGEMENT

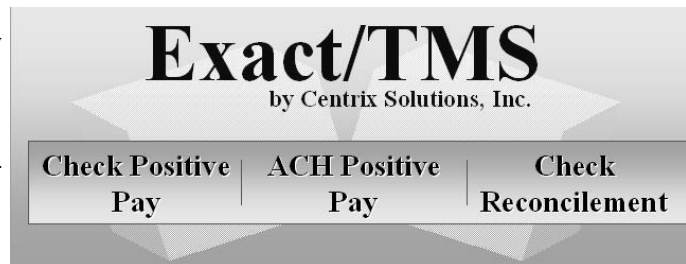
DEPOSIT RECONCILIATION REPORTING

Exact/TMS™, the comprehensive corporate transaction management system from Centrix now includes Deposit Reconciliation. This new feature is valuable for financial institutions with commercial clients that make deposits at multiple bank locations.

Deposit Reconciliation enables companies with multiple locations to obtain a breakdown – by location – of deposits made to a common checking account. Each business unit deposits their receipts at the local banking facility using uniquely coded deposit tickets. In turn, Exact/TMS™ deposit reconciliation reporting segregates the deposit activity by location, thus simplifying deposit tracking and control. Another key benefit to the business is that the number of depository accounts is reduced which saves time with account reconciliation as well as saving money.

Financial institutions benefit by providing a “niche” service to the client that requires no manual intervention by the bank. Additionally, deposit reconciliation can be offered as a singular service or in combination with other Exact/TMS™ system features such as check positive pay, ACH positive pay and on-line check reconciliation.

Learn more at www.centrixsolutions.com or call (402) 488-3990.



ACH Positive Pay (Continued from page 1)

as part of every institution's ACH risk strategy. ACH positive pay uses technology to monitor accounts for unauthorized or unusual activity and provides customers with on-line review/approval capabilities. The following functions are included in ACH positive pay and reporting services:

- **ACH debit blocking** – Reject all ACH debit activity
- **ACH authorization rules** – Define a pre-authorized list of originators that are allowed to post debits to an account
- **ACH filters** – Define business rules based on transaction type, amount threshold, and/or SEC codes to control acceptable ACH transactions
- **ACH transaction reporting** – Customer notification of all ACH transaction activity (transactions, returns, notices of change) for timely review and reconciliation

As ACH activity continues to increase, it will be important for institutions to implement services for ACH fraud detection to protect from fraud losses and to retain/attract business customers. The Centrix Exact/TMS™ and Exact/ARS™ systems provide

financial institutions with these important tools, and combine both check positive pay and ACH positive pay in a single, comprehensive solution.

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Block Build (Continued from page 1)

to see what could be done to simplify processing of the various transaction files, eliminate the many in-house programs currently used, and put a plan in place to address future needs. The result is a flexible transaction block build program. According to Ms. Wanlass, "Prior to purchasing the Block Build program from Centrix, we had multiple in-house developed COBOL programs to create block transactions. We have been able to eliminate each of the programs and streamline the process of block creation, saving time for my developers and streamlining the processing of the input files."

The Centrix Block Build program allows users to map individual input files, optionally translate transaction codes and account numbers, and generate offsetting general ledger transactions if needed. The output is a posting file formatted

for the core processing system. Business rules also support transaction amount floors and ceilings, unique transaction descriptions and warehousing to post on a particular date. Once a file has been processed, an audit report is created that can be used to balance back to posting reports.

If your institution is manually building transaction blocks using spreadsheets or files from external sources, or you want to eliminate numerous internal programs used to manage this process, consider the Centrix Block Build program to provide automation, accuracy and auditing. At Mechanics Bank, the partnership with Centrix has allowed them to reduce their COBOL-based library of in-house developed programs and, in turn, mitigate operational risk. Ms. Wanlass adds, "With a team that can provide expertise, support and assistance as needed, Centrix has again proven to be a great resource."

Learn more at www.centrixsolutions.com or call (402) 488-3990.

SECURE EMAIL & FILE EXCHANGE COMMUNITY BANKS USE CENTRIXSECURE

For five years Centrix Solutions has provided the financial industry with a secure messaging and file exchange system called CentrixSECURE™. The system has proven to be a good fit for community banks with specific employees that need to electronically send or receive sensitive information. For these organizations, implementing CentrixSECURE™ with a 10 or 20 user license has been attractive.

CentrixSECURE™ accommodates both outgoing and incoming secure communication, which simplifies the workday for employees and gives clients, prospects and business partners an easy means of communicating securely with your company. Be it transferring files (loan files, financial documents, Director's packets) or simple messages containing confidential information, the data is secure at all times. Extensive audit controls provide a complete audit trail of all activity.

The CentrixSECURE™ FileScan module adds additional "backroom" functionality for institutions that need to automate routine delivery of files (i.e. lockbox files). Using FileScan, CentrixSECURE™ automatically scans the network for the appropriate files, and then automatically delivers the files to recipients via the secure, web-based system. The recipient receives an email that the data is available and then logs in to download the file(s). This process is completely automated for the bank.

Learn more at www.centrixsolutions.com or call (402) 488-3990.

ACH Calendar (Continued from page 1)

So why, then, is the use of an ACH origination calendar a moderately accepted practice rather than the norm? The answer lies in the original intent of the calendar, which was to enable the financial institution to anticipate what should be submitted on a given day and even contact the client if a scheduled file was not received. Customer service at its finest! The intent of the calendar was not to safeguard against fraudulent files because this activity has traditionally been very limited until the advent of the internet, key loggers and Trojans, which now provide fraudsters with the platform and tools to initiate fraudulent files from anywhere in the world. As such, using an ACH calendar can now play an important role in fighting fraud.

Like most things, technology has changed how origination calendars are managed. Union Bank, for example, uses the ACH Scheduler system developed by Centrix that allows originators to define their origination schedule via a web-based interface. The system also generates reminder emails to corporate clients if a scheduled file is not received by a certain time, and even includes file balancing features. Mr. Sears estimates that the ACH Scheduler saves the bank approximately 1.5 hours per day because of the reminders and balancing features.

As fraudsters continue to find innovative ways to compromise the ACH network, financial institutions should consider implementing an ACH origination calendar as part of their ACH risk strategy. As Union Bank has discovered, the benefits can be huge.

Learn more at www.centrixsolutions.com or call (402) 488-3990.

WHO IS CENTRIX SOLUTIONS?

With a vision of helping community banks leverage technology to manage risk, optimize efficiency and simplify compliance, Centrix was founded by Jeff Asselin and Tim Schnell in 2000. Both long time employees of a major core processing vendor, Centrix was founded on the premise that banks have many technology needs that core processors cannot accommodate, and there was an opportunity to supply highly focused software applications to financial institutions. According to Mr. Schnell, who is President of Centrix, "Core processors try to be everything to everyone, but we felt that many banks under \$10 billion in assets were in need of a trusted business partner with extensive experience in banking, who could act fast, address unique business problems, and deliver cost effective solutions on time and on budget. Our assumption has proved to be correct, and we now have clients in over 40 states."

In some cases, the software that Centrix provides to a financial institution is an application written specifically for the

bank; a custom developed program. Over the years, however, Centrix's product suite of turnkey applications has evolved. Jeff Asselin, Vice President at Centrix, cites compliance, transaction fraud, and customer service as being the major contributing factors to the success of Centrix. "There is no doubt that the dynamic regulatory environment has benefited us because much of what we do involves data security, audit controls and automation. But what keeps banks coming back to us is the level of service we provide. Most of our clients have more than one of our applications implemented and they look to us first as their technology needs evolve."

Centrix products touch the entire enterprise, including human resources and finance, where, according to Schnell, many banks still lack automation. "Even with the technology of today, some institutions continue to manually administer tasks that could easily be automated. It is our job to present the technology in such a way, and at such a price point, that it makes complete business sense to automate."

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Centrix Solutions Inc

THE CENTRIX FOCUS

Technology for the Financial Industry

IN THIS ISSUE...

ACH Positive Pay	Page 1
ACH Origination Calendar	Page 1
Centrix Block Build Program	Page 1
Secure File Exchange	Page 3

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Centrix Software Products

FINANCIAL MANAGEMENT SOLUTIONS

Check Positive Pay & ACH Positive Pay	Web-based check positive pay (with payee match), ACH positive pay & check reconciliation system
ACH, EDI, Returns Reporting	Web-based automated reporting for corporate ACH payments (EDI translation), ACH Returns and ACH NOCs
BAI2/ACH Transaction File Processing	File processing platform that supports customized processing of BAI2, ACH, and other disparate transaction file formats
BSA Customer Due Diligence	BSA research tool for analyzing transaction activity and managing BSA related activities
Escheatment Tracking	Escheatment tracking for compliance with unclaimed property laws
Collections	Loan & overdraft collections
ACH NOC	ACH Notice of Change processing system
ACH Calendar	Web-based origination calendar with email
Safe Deposit Box	Safe deposit box processing system

SYSTEMS MANAGEMENT SOLUTIONS

Secure Email	Secure email and file transfer system
Business Process Management	Business process management system with client defined forms and approval workflow
Project Management	Browser-based project management system
Workflow Automation with FTP	Automated data file management including copy/rename, FTP and email alerts

HUMAN RESOURCE MANAGEMENT SOLUTIONS

Salary Budgeting	Browser-based compensation and benefits planning / budgeting system
Time & Attendance	On-line time & attendance and absence management system that is integrated with payroll
Expense Management	On-line workflow-based system for submitting, approving and paying expenses

Centrix Software Services

Custom Software Development	New Applications, Interfaces, Software Maintenance, Conversion Programs
Systems Integration	Internet, Intranet, Client/Server, Legacy
Consulting	System Design, Conversion Assistance