

THE PERKS OF POSITIVE PAY

Check payments continue to dominate business transactions despite the growing popularity of digital payment methods. The security aspect of check transactions is crucial for businesses that regularly make check payments. The continued use of checks leaves the door open for fraudsters to create and pass counterfeit checks. Fraud losses have become a severe issue for businesses and it's their responsibility to protect themselves from criminal activity exposure.

What can your financial institution do to help mitigate this type of fraud? Positive pay is a great option to add security checks against fraudulent items like counterfeit checks. Ask your financial institution if they offer this service.

Positive pay is a type of automated fraud detection technology. The system examines checks presented for payment with the initial company-issued checks. Positive pay works by comparing a file of issued checks from a business to the checks as they are presented to the financial institution for payment. The system looks at check features like the amount, check number and/or payee name to look for suspicious items and any variations in the checks.

There are several ways that a positive pay system may work and can even be used on ACH transactions.

POSITIVE PAY	PAYEE POSITIVE PAY	REVERSE POSITIVE PAY	ACH POSITIVE PAY
Will automatically match each check presented against a list of issued checks provided by the company.	Matches the Payee names from an issue file to the Payee names on the check.	Financial institution will send a file of presented checks to a company and they will internally compare those to the items they have issued.	A service allowing users to block and review all incoming debits or credits before they are authorized to post to an account.

Here are some real-life scenarios from one EPCOR financial institution member:

Experience 1: Ex-employee of the company used the account information at the bottom of their payroll check to create fraudulent/counterfeit checks. Ex-employee issued counterfeit checks payable to various friends and friends took the checks to several branches and cashed them. Company did not utilize the positive pay system offered by their institution. Company did not catch the fraud for a couple of months.

Total Company Loss: \$3,261.27

Experience 2: Business customer paid a vendor \$3,000 for parts. When vendor received the payment, the Accounts Receivable person left the check on their desk during lunch and another employee of the vendor wrote down MICR line information from business customer check. This employee created counterfeit checks on the business customer's account to pay off their student and car loans. The business customer utilized the Positive Pay service at XYZ Bank. This service not only verified dollar amount and check number but also Payee names. When the counterfeit checks came in to pay, they were verified against the checks issued listing that the business had provided to XYZ Bank. These two large checks written to pay off loans were kicked out of the positive pay system because these checks did not appear as checks that the business issued. XYZ Bank called the business immediately and it was determined that the business did not write these checks and they were returned timely as "counterfeit."

Total (Potential) Loss: \$300,000

You can see in the second example that having Positive Pay saved the business from taking a loss. Positive pay enabled the business to have advanced security for their bank transactions through checks. Check fraud is not uncommon in the U.S. and it may be relatively easy for a company to secure their check transactions if checks are scarcely used. But for businesses that rely heavily on check payments, a protective service is necessary.

It's important that businesses keep track of their check payments accurately to ensure an effective positive pay system and prevent or mitigate losses. Contact your financial institution today to see if they offer a positive pay service and if implementation of the service is right for your business.