

Payments

More and more, electronic payments are becoming a crucial component of the global infrastructure. Canadian-based security company NELMAR takes great pride in protecting its clients' assets at every stage—point of purchase, transit, and deposit—of the oft-complex money trail. Their president, Neil Freder, sat down with AFP to discuss best practices to protect your investments while also in the Great White North, the Canadian Payments Association expounds on its establishment of rules for various forms of payment options. Colin Kerr, senior analyst, global payments, TowerGroup, then takes us from Canada to China, providing a clear and concise—and highly informative—primer on the Chinese interbank payment system. Another safeguard gaining increased traction in the payments world is purchasing cards. In the first of three articles, Bob Leahy explicates the (mostly) pros and cons about a payment mechanism increasingly being embraced by corporates and small business alike.

A Little Extra

Simple, affordable safeguards key to securing assets and investments

Nicholas Jon Wood, AFP

Nothing is more of a hot topic in the payments world these days than fraud. Lesser covered but equally germane, though, is its antecedent: security. And risk. Neil Freder, president of Quebec-based NELMAR Security Packaging Systems Inc., recently answered a few questions on the particulars—and best practices—of protecting your investments.

What do you and your company do to protect against fraud?

NELMAR is a company exclusively dedicated to the manufacturing of security products for the cash handling industry. Our products are designed to prevent fraud and eliminate discrepancies while transporting cash or valuables. We manufacture tamper evident bags for the safe transport and deposit of cash between retailers and banks, branch-to-branch via armored car and for use in ATM and night depository systems.

How does cost/benefit analysis figure into your decision making process?

Cost benefit analysis for us is the relationship between the actual cost of our product versus the real cost of having a theft or fraud go undetected, resulting in a large loss of cash during the transfer process should the package being utilized not be tamper evident. If a large retailer is using a product to deposit or ship their money that is not tamper evident in any way, they are exposing themselves to undetectable theft. In our opinion, there is very little argument to be made for spending an increased amount to completely eliminate this type of theft.

In many cases, investigators don't even know to look at the container as a location where theft could occur. If a theft is prevented by using the proper tools, it is not simply the cost of the actual money that is saved. There are also the soft costs of the investigation that are saved as well a great deal of time spent on each investigation by individuals within any given organization who are supposed to be doing other work. They should not be retracing their steps to locate deposit slips etc. on behalf of the various banks due to shortages in deposits. The value of this time and energy is immeasurable.

We have had many customers in the past indicate to us that during their investigations, they didn't even think of looking into the package as the area where funds were stolen. More often than not, the focus is on the point of sale, the cash register, or teller handling the money when loading or unloading the bags.

How do you balance convenience versus risk and/or fraud?

We were once told by a customer that it was easier to lose \$40,000.00 per month than change the system and re-educate 4,000 employees. This is something we found unfathomable. It is comparable to arguing that we can make tires that don't go flat but why should we. Let's allow people to crash at high speed and we can sell more tires.

In our world convenience is bred by laziness. We have yet to meet any one individual that didn't like to get a deal when walking into a store to purchase something. Everybody likes to save—whether it is in buying clothing, cars, homes or any other type of consumable item. You never see a person demand to pay more for any given item.

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But what if you could pay marginally more and be made aware of the savings created by the security of what you are buying? We do it every day in our lives when we purchase cars with better crash test ratings. We also buy insurance for those cars as well as our homes to prevent against immeasurable loss in the event of theft or damage. When it concerns our very own possessions, we have a tendency to protect them with our very lives.

When it comes to simply protecting a days cash receipts, it becomes a question of at what cost and at what convenience. In our corporate philosophy, we don't believe that there is any convenience in allowing somebody to steal the money you earn at the end of the day. There is no relationship between convenience versus risk. Convenience may be a question of what time you want to go to make your deposit, but not how secure you want the individual deposit to be.

My favorite scenario is as follows:

Suppose someone came into a retail store with a bag full of cash prepared to buy all the inventory in the store at full retail value. You could not encounter any individual who said they would not sell off their entire inventory at full value. Especially since that is the purpose for going to work every day. If you looked around a large clothing store today, you will often find magnetic security gates, security cameras, and often a plain clothes security guard in the store to prevent that valuable inventory. We have already determined that one would gladly trade this inventory for cash, as that is why people are in business in the first place.

Perhaps the security value of the store is in excess of \$100,000 per unit. Yet after one sells that inventory for cash, they then transport it via armored car or store manager, leaving all that currency very vulnerable en route to the bank—in essentially a garbage bag with a simple closure system on it. If you would trade the inventory for the cash, would it not be safe to say that the cash is more valuable than the inventory?

If this is the case, why is it not protected like the inventory was? Extra security for a days receipts can be purchased at a minimal extra cost over what is currently being employed by many in today's cash depositing domain. The added security will also eliminate additional cost of the theft itself and the people who are employed to investigate the fraud, thus reducing cost, manpower and time.

What does your company use for security precautions? Do bio-metrics and fingerprint-recognition software a tool you would consider using?

Within our secured production area, we utilize biometrics for all payroll functions. Every employee signs in by placing their finger on a reader and does the same to on a subsequent exit reader. All the pertinent information such as time and individual are electronically routed to payroll for complete accounting of an individual's time in, time out, and total time spent on the job for each week. This eliminates the opportunity of any one person punching in for someone else whom they know is arriving late or leaving early. No fingerprint recognition equals no pay.

Does your information technology department work with your treasury outfit to help adapt new technology? Do they factor in any payments decisions?

Though we are not in a large retail environment, we do use all the best available technology to enhance our payroll and employee monitoring systems. As new beneficial technology arises, we study its benefit to the company in order to understand if there is a cost savings based upon reduction of theft, reduction of personnel or a general reduction of time based upon ease of use.

How much do current payment systems—or upgrades—generally cost your company?

Upgrading to biometrics from a manual punch system was relatively inexpensive for the benefit it has created within our organization. I would estimate for our manufacturing location, we spent approximately \$20,000 for the system. ▲

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Published by the Association for Financial Professionals, Inc.

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