

CATHAY BUSINESS CONNECT

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EXECUTIVE'S CORNER

Giving Thanks, Looking Forward

It's been an exciting year at Cathay Bank as we introduced enhancements to our bankwide technology system to improve customer service and make our banking network more streamlined. This initiative, known as One Cathay, provides technical upgrades that are more user-friendly for our customers, but it also gives us more opportunities to develop personal relationships, something that is important to us as you pursue your dreams and expand your businesses.

Whether you are just starting out or have been in business for several years, you have a knowledgeable, experienced team at Cathay Bank that is here to help. This edition of *Cathay Business Connect* provides information on managing electronic payment costs and preventing payments fraud, navigating the new health insurance marketplace and helping new employees succeed. I encourage you to connect with your Account Officer to learn more about services and products that can benefit your business now and in the future.

We are thankful for your business, and look forward to the continued opportunity to support your business banking needs in the new year.

Peter Wu, Executive Vice
Chairman of the Board and
Chief Operating Officer



MERCHANT SERVICES

Manage Your Electronic Payment Costs

Accepting credit and debit card payments is crucial to remaining competitive in today's marketplace, but it can also be a significant cost of doing business — if you let it. These tips can help you keep card processing rates reasonable.

Do your research. Every card processor keeps a percentage of each transaction amount (the rate), and they may also charge additional flat fees. But these rates and fees can vary considerably from vendor to vendor, so it's wise to request proposals from several companies. In addition, investigate each vendor's track record with the Better Business Bureau (www.bbb.org), see how easy it is to contact customer service and check how quickly they are able to resolve technology problems.

Read the fine print. Beware of caps on monthly sales volumes, and limits on transaction frequency and size of sale. Try to reduce or eliminate application or set-up fees, as well as cancellation fees.

Consider the hardware. Your merchant card processor may suggest leasing the equipment necessary to run transactions, but sometimes buying the hardware may be less expensive in the long run if you can afford the up-front cost.

Educate employees. Most card processors offer lower rates when the risk of chargebacks (when the customer successfully disputes a charge) is reduced. Help improve transaction security at your company by encouraging workers to always swipe the customer's card rather than manually entering the numbers, and follow all prompts on the credit card terminal.

Accept PIN-based payments. Because the transactions are more secure, you may be charged a lower amount when a customer selects "debit" and enters his or her PIN.

Request a Rate Review

We may be able to help you reduce your processing rates and fees and improve the efficiency of your electronic payments program. Contact a Cathay Bank Account Officer merchant processing services representative today.



CATHAY BANK

Health Benefit Exchanges Now Open

WHAT SMALL EMPLOYERS NEED TO KNOW

As a result of the Affordable Care Act (ACA), health benefit exchanges serve as a new platform for purchasing health insurance in every state. Here's a quick review of the basics:

- All Americans (with few exceptions) must have health insurance.
- Eligible small employers with fewer than 25 employees may earn tax credits to help offset the cost of coverage.
- Insurance companies will adjust the plans they offer to meet ACA requirements.
- Every state will have a health benefit exchange.
- Starting in 2015, large employers with 50 or more employees may face penalties if they don't offer health coverage that meets minimum standards.

INTERACTING WITH THE EXCHANGE

The exchanges serve as a new online health insurance marketplace for consumers and small businesses to shop for health coverage. As of Oct. 1, 2013, the exchanges opened for individuals and small businesses to enroll in coverage that starts in January 2014.

The exchanges look and function differently from state to state. Some states have chosen to implement state-run health exchanges, while others have opted for a federally facilitated exchange or partnership exchange with the federal government. Visit your state's Department of Health website or go to www.healthcare.gov to connect with your state's health benefit exchange.

INTRODUCING THE SHOP

The Small Business Health Options Program, or SHOP exchange, creates an opportunity for small groups to be pooled together, spreading out the risk over a larger group and providing expanded options for small groups. Small businesses with 2 to 50 employees or up to 100 employees, depending on your state, may be eligible to use the SHOP exchange. (See "Small group exchange eligibility.")

The SHOP exchange allows employers to compare available health plans and choose the option(s) that are the best fit for the business and its employees. Note: Certain SHOP features (e.g., allowing employers to select a range of plans vs. a single plan for employees) may be delayed in some states.

In general, exchange enrollment for groups include these steps:

- 1. Employers choose a plan** (or plans) for their group. Health plans are classified as bronze, silver, gold or platinum based on the percentage of costs covered (premiums are lowest in a bronze plan, highest in a platinum plan).
- 2. Employers decide the level of employer contribution** based on a percentage or fixed amount per employee.



Small group exchange eligibility

States have some control over the definition of small group as it relates to health care reform and exchange eligibility.

2014-15 > states may cap the small group threshold at 50 or 100.

2016 > the ACA defines small group as 2 to 100 employees — which means businesses with up to 100 employees will have access to the exchange.

2017 > states have the option to open the exchange to employers of all sizes.



- 3. Employees enroll** in the group plan online or by phone. For those who want one-on-one help, navigators and other in-person assistors are available to provide enrollment assistance.
- 4. Billing is consolidated and streamlined** so you make a single monthly payment, even if employees are enrolled in plans across multiple insurers.

REVIEW YOUR PLAN

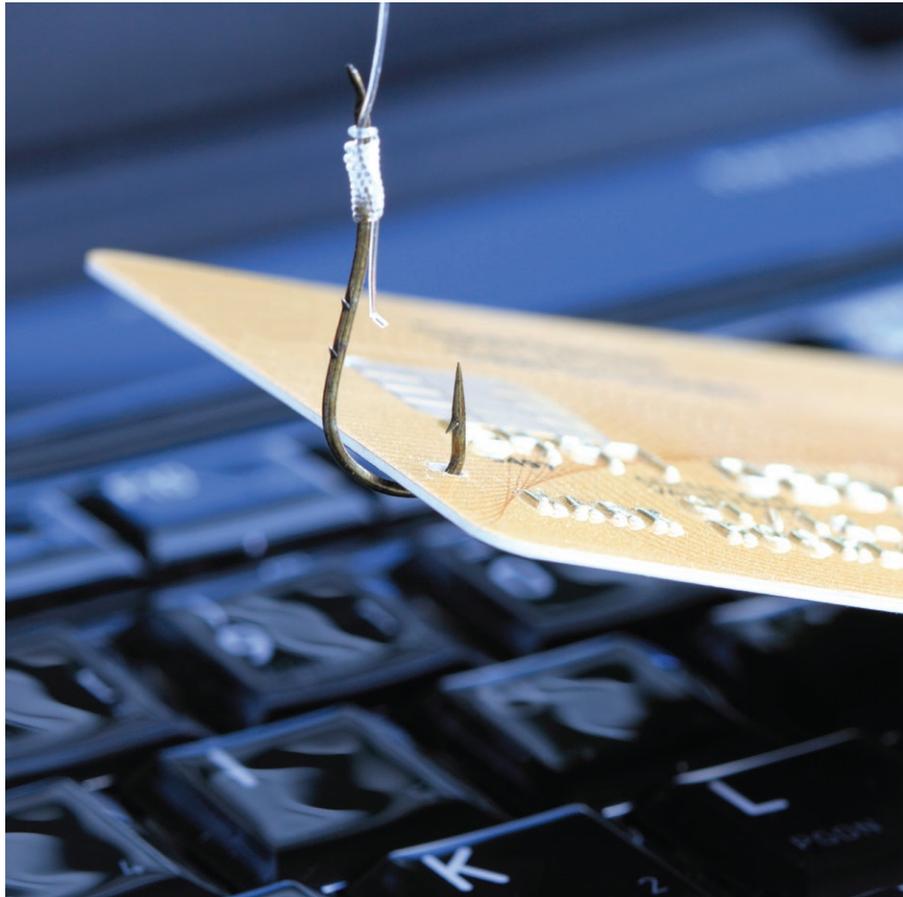
The health insurance marketplace is changing rapidly and it's important to understand your choices and responsibilities as a small business. Meet with a benefits consultant to review your options as you get ready for the next plan year.

Don't Fall Victim to Payments Fraud

There's good news and bad news about payments fraud. First, the good news: The incidence of payments fraud has slowed and the percentage of companies that experienced payments fraud in 2012 reached its lowest level since 2004.*

The bad news: The level of fraudulent activity remains high and the threats continue to challenge treasury staffs. Sixty-one percent of organizations that responded to the annual Association for Financial Professionals (AFP) payments fraud survey experienced actual or attempted payments fraud in 2012.

As in the past, checks remain the primary target of criminals committing payments fraud. Counterfeit checks with the organization's MICR line data were the most frequently attempted form of check fraud, followed by payee name alteration on checks issued, counterfeit checks with the organization's name drawn on fake or another company's account information and dollar amount alteration on checks issued.*



TAKE STEPS TO PREVENT PAYMENTS FRAUD

Thanks to effective fraud detection and controls, nearly three-quarters of organizations that were victims of actual and/or attempted payments fraud in 2012 experienced no financial loss from the fraud, according to the AFP. Among the remaining 25%, the typical loss was \$20,300. Checks were the payment method that accounted for the greatest financial loss as a result of fraud.

A variety of tools, policies and procedures can help you protect your organization from the financial consequences of being a target of payments fraud.

Use positive pay, which reconciles checks presented for payment against a file of checks issued by your organization. You have the ability to make pay or return decisions on checks flagged as exceptions — checks presented

that do not match your issued check file. This is your best defense against counterfeit checks. You may also want to implement payee verification, so that a payee name is presented with the positive pay issue file.

Conduct daily account reconciliation. Early detection of unauthorized activity is critical.

Implement internal controls. Following specific policies and procedures within your organization can provide significant roadblocks to fraud:

- Convert as many payments as possible to electronic delivery.
- Implement dual controls over initiation and approval of payments.
- Maintain separate accounts for different purposes. For instance, you may want to segregate disbursements from collections,

payroll from accounts payable, or have separate accounts for checks, wire transfers, ACH debit payments and card payments.

- Use high-quality check stock with built-in security features, and purchase it from known vendors. Develop policies on how check stock is ordered and delivered. Store check stock securely.
- Use secure financial document destruction processes.

KEEP YOUR GUARD UP

You may not be able to prevent your organization from being targeted by criminals, but by thoughtfully employing fraud detection and control systems, you may be able to prevent or limit financial losses from fraud. Cathay Bank can help you stay up-to-date on new threats and new solutions; contact us today.

* Source: Association for Financial Professionals®, "2013 AFP Payments Fraud and Control Survey," March 2013.

These "lucky dates" are provided for entertainment purposes only. The "lucky dates" were provided to us by a third-party source unrelated to Cathay Bank and derived mainly from the Bai He Ming Almanac, and other sources including the Internet and the Tung Shing. Cathay Bank does not endorse, sponsor or guarantee the use of this information, and makes no warranty or representation regarding the accuracy, reliability or results that may be obtained from the use of this information.

DAYS SUITABLE FOR...

Opening a Business:

December: 2, 13, 14, 26

January: 7, 8, 16, 20, 25

February: 13, 22

Signing Contracts:

December: 2, 3, 13, 14, 24, 25, 26

January: 8, 16, 17

February: 1, 12, 16, 22

Travel:

December: 2, 4, 13, 25, 26, 31

January: 4, 13, 20

February: 1, 5, 9, 14, 25

DAYS UNSUITABLE FOR...

Opening a Business:

December: 1, 4, 8, 12, 15, 16, 17, 18, 20, 21, 28, 31

January: 2, 3, 4, 6, 9, 10, 11, 12, 14, 15, 22, 23, 24, 27, 29, 31

February: 3, 4, 5, 6, 8, 12, 15, 17, 18, 19, 21, 26

Signing Contracts:

December: 4, 8, 12, 15, 17, 18, 20, 21

January: 6, 9, 12, 14, 15, 23

February: 4, 6, 8, 15

Travel:

December: 1, 8, 10, 12, 15, 17, 18, 20, 22

January: 3, 6, 7, 9, 10, 11, 12, 14, 15, 17, 22, 30

February: 3, 4, 6, 8, 10, 12, 15, 23, 24

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Helping New Employees Succeed

If you ask people what they dread most about starting a new job, they're likely to answer "the first day." Too often, they are bored due to lack of a training schedule, or they are overwhelmed because too much is dropped on them without any orientation.

What new employees learn during their initial weeks at your company and, more important, how they are treated, can make a significant difference in their future effectiveness and morale. Here are some ideas for making those first few weeks a productive springboard to success for employee and employer alike.

CREATE A NEW HIRE CHECKLIST

Pull together "need-to-know" information for a new hire's first day, including his or her desk location, an office or floor map detailing break rooms and restrooms, a company directory, email addresses, phone numbers and passwords.

Other valuable items on the checklist could include:

- Your company's mission statement and values.
- Background on its organization, markets and competitors.
- The new hire's duties, tasks and responsibilities.
- Salary, benefits and time-off policies (vacation and sick leave).
- IT and company security procedures.
- Points of contact to help with future questions.

INVOLVE YOUR OTHER EMPLOYEES TOO

Establish a training template for your managers to use as new staff is added. This helps to ensure consistency in the on-boarding process and makes sure important steps aren't left out. Ask each department or area of responsibility what they feel is important for new hires to know as they join your organization. That feedback can become the framework of your company's on-boarding plan.



Schedule individual meetings between the new hire and his or her manager and department peers throughout the first week. This is a great way for a new employee to meet co-workers without becoming too overwhelmed. You may want to assign a seasoned employee as a mentor to each new hire. Inter-department cross-training helps build future teamwork, too.

And don't overlook the social aspect of welcoming a new hire. Organizing a team welcome lunch or optional get-together after hours may help your employees to get to know each other better and build rapport personally, as well as professionally.