

Internet Banking Commentary

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Vancouver Washington Firm Develops Card and Internet Fraud Prevention Tools

Rene Babi, president and co-founder of RBA International, tells me that while his friends were out playing ball, he was the kind of kid who took the TV apart to see how it worked. Babi's penchant for invention is paying off. He and his former Hewlett Packard, Mentor Graphics and Sequent colleague, Mark Silbernagel, formed RBA in 1994. After dabbling in a number of financial technology products, Babi and Silbernagel appear to have developed the right product at the right time.

During a recent lunch with Babi, he insisted on paying so he can demonstrate his invention for me. "Watch this," he said with a smirk. He flipped open his cell phone, made a call and keyed in a PIN. "I've just turned off my credit card," he said. He handed his card to the unsuspecting waiter and warned him that the card "may act a bit unusually." The waiter returned moments later to sheepishly inform Babi that his card has been declined. He asked the waiter to wait just one moment, made another phone call, again keying in a PIN to "turn on" the card and then asked the waiter to try again. Ever the professional, the waiter seemed unfazed by this unusual request and returned moments later with an approved transaction. Babi then showed

me the text message sent to his cell phone to inform him of the thwarted authorization attempt, as well as the successful one.

Using RBA's patented technology, cardholders have the ability to manage all aspects of their debit card using only a cell phone. According to Babi, "Cell phones are the most ubiquitous appliance in the world." Babi could be right, say cell phone industry experts and analysts. Tim Long, an analyst at Bank of America, says that 650 million wireless handsets were sold in 2004 and 730 million in 2005. Trikon Technologies Inc., which makes equipment used in the construction of cell phone components, said in a recent release that the worldwide handset market is "forecasted to reach 1 billion units by 2006." Considering that the census clock shows a current population of about 6.372 billion, Long is suggesting that one in every 10 human beings will buy—not possess, but *buy*—a new cell phone this year. Trikon believes that in 2006, one in every 6.5 humans will do the same. Not adults, not workers, but one of every 6.5 *people*.

Using a cell phone, cardholders can also transfer funds to the card, check balances and even receive text messages

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Fraud Prevention Tools (cont. from pg. 1)

of attempted and successful transactions. The card can be turned on for just a single use or can be turned on for unlimited use. Babi explained how the single use feature prevents “skimming,” a practice common at many business restaurants to fraudulently obtain card information.

PRODUCT TARGETS TEENS, THE UN-BANKED

The target market segments for RBA's debit card product includes teens, the un-banked and individuals and businesses who are simply concerned about card security. Because the card is not linked to a bank checking account, no credit checks or identification are required to open a card. The card also works on a “good funds” model, which prevents those nasty overdraft fees cardholders experience when banks authorize debit transactions against overdraft protection products.

Individuals without a bank account can ask their employer to direct deposit their paycheck to the card or they can send a money order or a wire to RBA's payment processing center and receive credit on their debit card the same day. Parents have the ability to load a set amount at regular intervals, such as allowance, via a cell phone. Funds are transferred from the parent's credit card or bank account directly to the child's debit card. Like the VISA Buxx® pre-paid card, parents can also monitor spending and establish limits. Businesses that wish to provide employees with a payment mechanism may not be willing to hand over a blank check or a debit card with full access to the company account. The pre-paid solution allows companies to load a set amount for petty cash spending.

The card may also be of particular interest for travel use. I shudder to think about losing my debit card, which is linked not only to my savings account, but also to my equity line of credit. Using a pre-paid card that can

be reloaded with a single phone call seems like a great solution while traveling. Like any debit card, there is no charge for purchases and cardholders can obtain cash back at the point of sale. Cards issued under the VISA brand carry the zero liability guarantee. To date, Babi is not aware of any losses due to fraud or mis-use.

Cards are marketed through RBA's marketing partners, under their individual brands. For example, Affinity Card Systems markets the card under the brand Ethos. Cardholders pay \$7 for enrollment and then pay a monthly fee of \$3, much less than many checking account options. Additional fees apply for loading the card and other service requests. Card enrollment is accomplished on RBA's Web site, www.BankByCell.com.

LOCKING OUT CYBER CRIMINALS

With RBA's patent-pending IVR process, consumers can also “lock” access to their online banking account using a

Research Report (cont. from pg. 5)

adaptors), this avoidance mentality is difficult to enforce and overlooks or ignores the remaining threats to security. “Wi-Fi is dramatically changing the face of communication. Institutions must be prepared to change their information security policies and practices to respond to the reality that Wi-Fi devices employees are using on their premises may serve as unintended points of entry for security intrusions to their networks,” he said.

“Remediation against Wi-Fi security risks starts with an acknowledgment that the risks exist,” said Josh Kessler, analyst in the Emerging Technologies practice at TowerGroup and co-author of the research. “A forward-looking IT strategy combined with the right

systems will enable an institution to benefit from Wi-Fi's advantages of flexible access and ubiquitous connectivity—while striking a balance between the cost of ownership

requirements of an institution and its security responsibilities.”

Visit www.towergroup.com for more information. ■

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touch-tone or cell phone. Branded as "Lock Web," a customer registers for the service after logging in to a participating bank's secure online banking site. An online banking link takes the customer to the RBA registration page. The bank site sends pertinent account information such as user ID, phone number and application name back to RBA and the user is asked to confirm it. The user confirms their registration and is then returned to the online banking session.

To lock an online banking account, the customer calls an 800 number from a phone number that has been previously registered. The customer is identified by a combination of the phone number and PIN. By pressing "2" the client locks their online account. To unlock, they simply press "1". Multiple bank's Web applications may be locked and unlocked with each call. When the customer logs in to the online banking site, the site sends an HTTPS XML request to the Lock Web server. The server responds with either a "locked" or "unlocked" response to determine if the customer's login will be allowed.

Babi intends to market Lock Web to large regional and national banks who

host their own Internet sites as well as to Internet banking vendors that host Web sites for thousands of community banks and credit unions.

USER ACCEPTANCE

The question is, how will consumers react to these products? The debit card product has definite appeal for the unbanked and for teens who may have limited other options, but is there sufficient concern about card and Internet security for average consumers to go to the trouble of turning on and off cards and Web access by making a phone call? The card works great in a retail environment, but what about recurring payments or Internet purchases? These transactions would be declined if the authorization is processed when the card is turned "off," which may not make this an ideal form of payment in those circumstances. Still, these products do provide peace of mind and additional security not currently available with regular cards.

Since the card product launched in late 2004, about 1,000 cards have been issued. Babi admits they made some marketing mistakes with the debit card

product in the beginning, but says sales efforts are picking up. West Coast Bank, an Oregon-based community bank with about \$2 billion in assets after a recent merger, has implemented the Lock Web solution. User acceptance is too new to rate. RBA needs to sign a national bank or one of the major online banking companies to gain customer mass. Babi indicated that his product was a hit at a recent Las Vegas tradeshow, so he is hopeful about forming such a partnership soon.

ABOUT RBA

RBA International (www.rbaintl.com) is an information technology engineering firm providing financial and banking products, processing services and systems integration on a global basis. RBA provides a debit card processing platform for license to member banks. All cardholder support, order fulfillment, regulatory compliance review, settlement reporting and security are included. II

— Laura Schaeffer
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Safe Deposit

(cont. from pg. 2)

and may serve as models for other bank security needs. Think of your bank's data storage and ask yourself if vBox storage techniques could improve your bank's data and Web servers. In most cases, they can.

LEGISLATION NEEDED?

We've seen that vBoxes can benefit folks who maintain tax returns, wills, legal documents, personal files and other documents in electronic formats. But if vBoxes are intended to replace physical safe deposit boxes, the technology will

need one final capability: the ability to legally replace the original document.

This requirement is strikingly similar to the Check 21 legislation which, contrary to popular opinion, did not turn paper checks into images overnight. Rather, the law made a "substitute check" the legal replacement for the original. Without this same capability for electronic copies of legal documents, vBoxes will be forced to find alternative markets.

A legal framework will be needed to certify some mechanism for authenticating legal documents. Could a triple encrypted image watermark be

embedded into each electronic image "original" and used to replace the paper document? No doubt the technology exists; it just needs to survive in court!

Until that happens, today's virtual safe deposit products will be relegated to hyper secure Internet storage. That may change with the next disaster followed by a prolonged recovery period. After all, it was the disaster of September 11, 2001, that prompted Congressional action called Check 21. II

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