

The Voice Of Technology

by [Steve Brown](#)

NBC's acclaimed TV show, The Voice, is now in its 6th season. For those of you who are unfamiliar with the show, contestants sing to famous vocalists (judges) who have their back turned and are just listening. If they like what they hear they hit a button and their chair turns around so they can see who is singing. If more than one judge turns around they try to convince the contestant to join their team. What is amazing about the show is the depth of talent people have and how powerful just the human voice can be when it comes to singing. In banking, the power of the voice is also beginning to take hold.

We are referring of course to voice biometrics. Historically speaking, biometrics technology has been used for centuries, really accelerating with fingerprinting in police work in the mid 1800s. Voice recognition biometrics on the other hand only dates back to the 1960s and it really began to pick up speed in the 1980s and 1990s. Because voice biometrics relies on data specific to an individual such as inflection, pitch and dialect, it (and other biometric methods) is considered more secure than most other measures banks currently have put in place.

Things are moving so fast here, that Biometrics Research Group estimates at least \$200mm was spent on voice biometrics by the banking sector alone in 2012. That number is expected to jump to close to \$1B by banks in 2015.

Consider that voice biometrics has a number of possible uses in the banking sector given its uniqueness. It could be used in call centers to verify the identity of callers, verify a customer's identity for credit card activation, do money transfers or access data access or account balances. Or it could even be used to replace traditional passwords in mobile banking. Given mobile banking growth and to reduce fraud, banks are likely to use biometrics of all types as a second line of authentication in online or mobile transactions.

In fact, U.S. Bank, Wells Fargo and Barclays are among a handful of banks already dabbling in this area. U.S. Bank employees, for example, are experimenting with software and using a simple passphrase to access credit card account balances, search transactions and make mobile payments and other large banks are also moving into this area.

There's good reason for banks to get on-board with voice and other biometric technology beyond the obvious advantage of preventing fraud. According to separate research from the Biometrics Research Group, biometric technology has been projected to cut bank operational risks by 20%, following adoption over the next 10Ys. Given how tight banks must be run these days to produce a decent risk/return profile, this change alone could deliver a significant positive impact to the industry.

At this point in the process, one of the challenges banks face with such technology is convincing customers to use it. Banks will need to keep on file a stored digital template to authenticate the customer and trusting an institution with such sensitive data is a valid privacy concern of customers. This can be a major obstacle to overcome, but of all industries, banks may have less of an issue because customers want security when it comes to their money and financial transactions.

As the technology evolves it will continue to get better. At this point it certainly isn't foolproof, so customers with a bad cold or laryngitis can cause issues with voice recognition software. That said, despite its shortcomings and potential problems, many in the financial services industry believe voice and other biometrics will be widely adopted by banks.

As for The Voice TV show, there can only be one winner per season so fans will have to wait several weeks to see who the winner is this time around. Similarly, present voice biometrics technology is a waiting game for banks as the technology continues to improve. Once that happens, however, look for the sweet sound of profit to increase as banks and their customers may all end up singing the tune of a winner.

ECONOMY & RATES

Yesterday

Yields dipped 2bps after the Treasury sold \$30B in 3Y notes to better than expected investor interest.

Today

Yields are up 1bp while the market focuses on the upcoming Fed Minutes release later this afternoon.

Rates As Of: 04/09/2014 08:47AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.03	0.00	0.00
6M	0.05	0.00	0.00
1Y	0.10	0.00	0.00
2Y	0.40	0.00	0.00
5Y	1.69	0.00	0.00
10Y	2.70	0.00	0.00
30Y	3.55	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

BANK NEWS

FOMC Openings

After Fed Governor Jeremy Stein said he would resign effective May 28 to return to teaching, the group was left with 4 vacancies. Nominations to fill 2 of the seats are in front of the Senate pending confirmation, so let's hope they get moving soon.

Retirement

Wells Fargo has released research from the 2,000+ companies with 4mm employees where it provides an employer sponsored 401(k) plan. Among the findings: employees who contributed to their 401(k) plan saw balances rise 35% over the past 2Ys (mostly due to a better stock market); 20% of participants have a loan outstanding; 26% of those who left their employer last year cashed out of their 401(k) and 10.4% now have a Roth 401(k).

Regulatory Warning

Regulators are warning banks to be wary of cyber attacks on ATMs and card authorization systems, as well as potential distributed denial of service attacks. Hackers can reportedly raise ATM withdrawal limits to unlimited amounts.

Mobile RDC

Research by Synergistics finds 68% of mobile and smartphone users are familiar with mobile remote deposit capture (RDC), but only 12% had used it in the past month. Of those who did so, 75% said it was very valuable and 21% said it was somewhat valuable.

Overdraft Fees

A study by Moeb's Services that looked at fee levels at nearly 3,000 banks, thrifts and credit unions found the average overdraft fee is \$30 currently vs. \$29 in 2012.

Coming Soon

St. Louis Fed President James Bullard said he expects to see the first FOMC rate hike in Q1 2015.

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