

Payments At Your Fingertips

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by [Steve Brown](#)

Foreign tourists coming to the US often struggle with the process of going through Customs and Immigration in airports. There is a form to fill out mostly about bringing plant or food products into the country and questions from an officer regarding the purpose of the visit, planned activities and associations. It's an important job to keep us all safe, but the process often seems slow and convoluted.

Fortunately the investigative toolkit has improved a great deal. Now upon entry into international airports, a machine scans passports and takes a photo of each entering person (citizen or not) and scans all ten fingerprints of foreign visitors. This assists the Department of Homeland Security in identifying fraudulent documents, finding names that don't match up with dates of birth and in general helps locate people attempting to overstay their visas in the US--or worse. It's a big step forward for security, because unlike any other form of ID like a passport, at least at this point, biometric identification is almost impossible to forge.

While not exactly tracking terrorists, bankers too are experiencing plenty of sleepless nights given such high levels of credit card and data fraud that seems to have infiltrated every part of the payment system. One has to wonder whether the system of biometric verification that uses personal characteristics to authenticate the rightful owner of a passport could be transferred to banks and customer accounts.

There are plenty of examples, but Mastercard is one that is testing a pilot program using thumbprints instead of a PIN number to authorize payments. The new contactless card's EMV chip has an integrated fingerprint sensor and the image of the fingerprint is stored inside the card itself. This way it cannot be harvested and reused for mischief. The customer holds the card over a fingerprint sensor and the charge is processed. The customer doesn't have to remember a password or PIN either.

The new payment card admittedly still needs improvement. First, the card is thicker than usual because it requires a battery, but that isn't stopping banks from testing it. Some commercial banks are already implementing the new technology including Norwegian bank Sparebanken (who tested the card and will soon offer biometric authentication to all its customers). Mastercard expects to extend the test to England in 2015 and Apple Pay already uses fingerprints to verify a customer's identity.

Biometrics authentication doesn't just rely on fingerprints. It is also possible to use palm veins, face recognition, iris, retina or voice recognition. Right now, TD Bank, National Australia Bank and Bank of New Zealand are all experimenting with voice authentication. This process authenticates customers trying to sign into their accounts by recognizing speech patterns. It sounds interesting, but we wonder if it works when someone has a cold and their voice sounds different.

The business of passwords and security questions has gotten out of hand and doesn't seem to be adequately doing the job of keeping customer accounts secure. Successful use of biometric information might reduce reliance on a system that has become so complicated and unfriendly to users, that it's truly time for a complete rethink. After all, no bank really wants to keep track of the name of its customers' favorite pets.

Most of the biometric development is taking place outside the US, but systems here will catch up. As we dream of science fiction payment systems, we wonder with retinal/iris recognition, whether Starbucks could ultimately understand our coffee order and process the payment, just by the look in our eye. We will have to see, but it sure seems headed that way.

ECONOMY & RATES

Yesterday

Weak manufacturing data out of China and Europe triggered a flight to safety, with yields falling 1bp by the close.

Today

Yields are up less than 1bp this morning in what should be a relatively quiet day for the market.

Rates As Of: 11/21/2014 08:12AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.00	0.00	0.00
6M	0.06	0.00	0.00
1Y	0.12	0.00	0.00
2Y	0.50	0.00	0.00
5Y	1.62	0.00	0.00
10Y	2.32	0.00	0.00
30Y	3.04	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

Customer Delivery

An Efma-Infosys study finds 89% of banks say they are increasing their investment dollars in trying to deliver a good customer experience across all delivery channels (online, branch and mobile). Areas flagged by bankers as having the most value include: mobile payments (75%), analytics-based cross-sell suggestions in the branch (70%) and automated online account origination (70%).

Sick Time

A survey by CareerBuilder finds 28% of employees have faked being sick to stay home. Perhaps most interesting, 30% said they did so because they just didn't feel like going to work and 29% wanted a day off to relax, 21% went to a doctor's appointment, 19% caught up on sleep and 11% did so because the weather was bad. Meanwhile, 24% of companies say they have caught employees lying about being sick.

Municipal Settlement

The City of Allen Park, MI has settled fraud charges with the SEC related to a \$31mm bond issuance intended to boost economic development.

Cyber Risk

Research by the ABA finds only 33% of banks in the past 5Ys said they received any reimbursement for fraud losses on credit cards related to data breaches. The same study found that 67% of cyber crime takes place through phishing attempts.

Bankers Beware

The Guardian reports cyber crooks have found a way to make people believe they are speaking to someone from their bank by fooling their phone handset into displaying the bank's correct contact number. Please be careful out there.

Branch Use

As banks try to reengineer their branches, it is interesting to note studies find people aged 65 to 74 say they spend seven hours per day on leisure and sports activities. Not exactly sure how you can leverage this information, but some smart banker will surely figure it out so we are sharing it.

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