

Transitioning to Mobile Banking What Every Financial Institution Should Know

By Dr. Linda Eagle

With the recession and other financial concerns at the forefront of most people's minds, staying on top of one's finances could not be more important than it is today. As people all over the country begin to pay closer attention to their personal finances, they are seeking new, user-friendly methods for accessing financial information and interacting with their financial institutions. Many consumers have begun to find the solutions to their needs through mobile banking services, which are provided by their banks through mobile devices such as cell phones, smartphones and Personal Digital Assistants (PDAs).

Mobile banking services provide customers with a secure banking medium that can be accessed by anyone with Internet capabilities or the ability to send a text message. These services allow customers to check account balances, make funds transfers and access many other banking products and services from anywhere, at any time. According to observations and forecasts conducted by industry groups such as Towergroup, in 2007 more than 400,000 people were using mobile banking services. In 2008, mobile banking usage rose to an estimated 3.1 million users. Forecasts show that this number may more than double, to at least 7 million mobile banking users.¹

Financial institutions around the world can take advantage of the mobile banking explosion by educating their employees on the basics of mobile banking and training them on how to best meet the growing customer demand for these services.

Why Mobile Banking?

The staggering figures and dramatically increasing population of mobile banking users makes the need for 24-hour banking services a fairly obvious one. People are in need of on-demand, real-time access and control over their financial information.

Many people flocked to online banking for exactly this reason a number of years ago when those services became standardized. Many banks throughout the world noticed and addressed their customers' need to be able to access bank products and services without having to travel to their nearest branch. Soon, Internet banking services were developed and perfected. Their popularity quickly spread, due to customers' ability to access their bank from the comfort of their own homes, at any time. Now, few banks in the world do not offer Internet banking in one form or another.

With the advent of mobile banking through cellular phones and other mobile devices such as the iPhone and smartphones, the need for computers to check account balances and make simple transactions is over. Now, anyone with a mobile device can stay informed of their finances from anywhere in the world, at any time of day.

Mobile banking programs are typically offered through applications, or "apps," which can be downloaded onto a customer's mobile device. These apps are becoming more and more popular. In fact, Apple's App Store, which offers over 85,000 programs available for download to the iPhone, lists several mobile banking apps among its most popular finance programs.²

¹ McGlasson, Linda. "Mobile Banking: Top Trends to Watch," [\[http://www.bankinfosecurity.com/articles.php?art_id=1638\]](http://www.bankinfosecurity.com/articles.php?art_id=1638), July 20, 2009.

² Choney, Suzzane. "Mobile Banking on the rise during recession," [\[http://www.msnbc.msn.com/id/33079970/ns/technology_and_science-tech_and_gadgets//\]](http://www.msnbc.msn.com/id/33079970/ns/technology_and_science-tech_and_gadgets//), October 5, 2009.

Services Offered by Mobile Banking

Mobile banking services typically fall within two categories; informational and transactional. The majority of current mobile banking services are considered informational, allowing the customer to easily check his or her account balances, generate statements of account history, set alerts on account activity, access loan or credit card statements, view recent transactions, locate Automated Teller Machines (ATMs) or balance a checking account. Mobile banking can also be conducted using existing bank accounts or by using stored value accounts, which are accounts that are maintained by retailers or financial institutions for their customers. In mobile phone banking, the cell phone provider typically supplies their users with a stored value account, rather than have the customer use his/her own existing bank account.

As the mobile banking industry has continued to grow, the focus has shifted towards providing mobile customers with the transactional services offered through traditional branch banking. Many mobile banking services now allow customers to make domestic and international funds transfers and manage investment portfolios. One of the most popular services offered through mobile banking is mobile payments, which can be used to pay for items such as books, music, tickets, transportation fare, as well as other hard and digital goods. There are four main mobile payments methods.

- **Short Message Service (SMS)-based transactional payments.** In this payment method, a customer sends a payment request via an SMS text message to a short code and a premium charge is applied to their phone bill.
- **Direct mobile billing.** In this payment method, a customer uses the mobile billing option during checkout at an e-commerce site to make a payment. After two-factor authentication involving a Personal Identification Number (PIN) and One-Time-Password, the consumer's mobile account is charged for the purchase.
- **Mobile Web Payments (WAP).** In this payment method, the consumer uses web pages displayed or additional applications downloaded and installed on the mobile phone to make a payment.
- **Contactless Near Field Communication (NFC).** In this payment method, used for purchases in physical stores or transportation services, a customer uses a special mobile phone equipped with a smartcard and waves his/her phone near a reader module. The payment is then deducted from pre-paid account or charged to mobile or bank account owned by the customer.

With the continued growth in the industry, transactional services offered through mobile devices will only increase in number and complexity. As this growth takes place, customers will be looking to their bank for information and guidance. Bank employees must understand, and be able to assist customers in establishing mobile banking accounts and conducting mobile banking transactions, typically performed at a branch, face-to-face. Without adequate training of bank employees, a bank's mobile banking services may not reach or assist their general customer population.

Looking to Mobile Banking

Customers have grown more comfortable with using online banking services to perform simple banking transactions due to its convenience and security. Financial experts predict that in coming years, mobile banking will be as widely accepted among consumers as online banking. According to a study by financial consultancy Celent, 35% of online banking households will be using mobile

banking service in 2010, a 34% increase from 2009.³ This trend will only continue as technology makes mobile connectivity more accessible and secure.

Many countries around the world are already using mobile banking services to perform their financial activities each day. The United Arab Emirates (UAE), for example, has one of the largest providers of mobile banking in the region. Etisalat, the UAE's leading mobile provider, has over 7.44 million subscribers and is partnered with several of the largest banks in the UAE to provide mobile banking services.⁴ TowerGroup, a financial research company, projects that mobile banking users will quintuple over the next four years, increasing to more than 53 million active users by 2013.⁵ A key factor in these projections is the basic ability to check account balances from anywhere in the world, at any time.

Customers are the lifeblood of any company, including financial institutions. For this reason, it is important for banks to understand the needs of their customers and provide appropriate solutions to those needs. To satisfy and retain customers, especially those ranging in ages from 18 to 34, banks should look to developing mobile banking capabilities. As these young customers grow and demand more comprehensive and accessible banking products, mobile banking may become the central form of banking into the future. As the central source of mobile banking information for customers, banks and bank employees must keep up-to-date with mobile banking trends and application knowledge, to best meet the changing needs of its customers. The better and more comprehensive a bank's mobile banking training program, the better equipped its employees will be to provide customers with information and guidance as mobile banking evolves.

Security of Mobile Banking

The question customers ask most about mobile banking is "How safe and secure is it?" Since programs like Bluetooth have allowed for mobile hacking and malware (malicious software, sent through mobile devices using Bluetooth connections) to begin infecting mobile devices, many people are still wary of sending personal financial information through their cellular phones. Banks and their employees, as the source of mobile banking information for most customers, must be educated and informed in order to assuage the fears of skeptical customers.

It is important to be honest with customers and explain all aspects of the security of mobile banking, and to keep up-to-date with the bank's mobile banking security features through continued training. It is also important for banks to treat their mobile banking services as an essential element to banking, and a mainstream tool, in order for customers to feel safe using it. To educate customers on the security of mobile banking, bank employees should explain to customers that they should:

- Use PINs or passwords to protect their mobile devices and financial applications.
- Turn off Bluetooth abilities when not being used.
- Not lend their devices to other people.

It is also important for customers to understand that since mobile banking can be performed at any time from any place, the more frequently financial information is accessed or checked, the higher the chance of detecting fraud early on.

Money Laundering and Risk

³ Celent. "US Mobile Banking: Beyond the Buzz," [<http://reports.celent.com/PressReleases/20070517/MobileBanking.htm>], May 17, 2007.

⁴ "Etisalat Announces Financial Results For the Third Quarter of 2009," [<http://www.etisalat.ae>], October 17, 2009.

⁵ Choney, Suzanne. "Mobile Banking on the rise during recession."

As mobile banking grows in popularity and begins to offer more transactional services, such as complex funds transfers, the possibility of these services being exploited for criminal gains rises exponentially. For instance, the funds transfer services offered through mobile banking may be exploited and used to transfer or launder illegally obtained funds.

To protect itself from being used as an intermediary to hide the origin and movement of criminal funds through any means, including mobile banking, banks and bank employees must understand and comply with the Bank Secrecy Act (BSA) and the bank's Anti Money Laundering (AML) policies and procedures. The best method of prevention is to train all employees on the laws and regulations governing AML with regard to their positions. AML training serves as a twofold purpose in terms of immediate and future prevention of money laundering.

The Future

Numerous industry leaders and observers have already noticed and projected an exponential increase in mobile banking users, who, over the next few years, will be demanding mobile information and newer mobile services from their banks. Many financial institutions across the globe have already addressed this need and now offer mobile banking services to their customers. Like online banking, this form of bank access may soon be standardized and offered by almost every major bank in the world.

To maintain a competitive edge, it is important for banks to listen to their customers' needs and provide vital information on new products and services. And as mobile banking becomes more developed and widely accepted, banks will have to adapt and develop mobile banking products or risk losing a valuable customer base.

Final Word

To help customers understand and use the bank's mobile banking services now and into the future, it is important that all bank staff understand and learn about the bank's mobile banking services and security measures. By focusing on training its staff on the uses, security and risks of mobile banking, the bank ensures that not only are their staff as qualified as possible, but their customers are well informed and prepared to use these new services. Banks are the source of customer information, and as this technology evolves, employee training will be the source of the bank's continued success into the future of banking.

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