

Banking Automation **BULLETIN**



Japan leads the way in biometric banking

1.4 billion payment cards in Europe by 2013

The importance of branch-led channel strategies

Talon fails to grab Turkish IAD market

ACH web bears more fruit than another PEACH

Country profile:
Slovakia



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When will biometrics break into the big time?

The use of biometric identification in retail banking and payments has been debated for years. Its

adoption has the potential to virtually eliminate fraud from key transactions such as ATM cash withdrawals and POS payments as well as more recent problem areas such as internet banking and e-commerce.

Up to now, there have been three major obstacles that have constrained expansion of the technology:

- Reliability, and in particular the need for solutions that are fast, and have low false rejection and acceptance rates.
- Enrolment has major operational issues – how does a bank successfully enrol all of its customers in an efficient and cost-effective manner? How do you deal with two customers with the same biometric sample characteristics?
- National and international standards are required if the use of biometrics is to be truly successful at combating fraud.

Substantial progress has been made with the first of these, with a range of high quality, reliable technologies now available. Finger and palm vein biometric solutions from Japan seem to be gaining a reputation for accuracy, although outside of Japan, fingerprint solutions are still more common.

Enrolment has not yet been fully addressed, partly because the pressure for financial institutions to move from pilots to widespread rollouts has not yet reached a critical point (with some exceptions, for example in Japan).

The lack of standards is in many ways the biggest obstacle, as without standards, many organisations are reluctant to invest in biometric solutions which may become obsolete.

If the picture painted above sounds familiar, it is not wholly dissimilar to the move from magnetic stripe to chip in payment cards. Although some countries were pioneers in the use of chip cards, it was not until fraud increased to unacceptable levels that chip technology was widely adopted.

There is no doubt that chip has had a major impact on reducing ATM and payments fraud, but it has not eliminated it, and with fraud levels now rising again in many countries, new solutions will be required. Biometrics is the mostly likely answer, and monitoring fraud levels is probably the best way of determining when it will break into the big time.

Dominic Hirsch, Editor

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