

Banking Automation **BULLETIN**



Is closed loop the future of biometrics in banking?

Biometrics gathers momentum in Turkey

Jordanian banks use iris recognition to improve security and enhance branding

Australia continues battle against cards fraud

RuPay claiming stake in Indian payment cards market

Country profile:
Italy



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Is closed loop the future of biometrics in banking?

Exactly two years ago I asked the question, "When will biometrics break into the big time?"

In the intervening period there has been no progress towards global or even national standards for biometrics in retail banking, but that is not to say that nothing has happened in this area.

An increasing number of banks, in an ever-growing list of countries, have been conducting pilots and rollouts of biometric ATMs (see pages 2-3 for some of the latest deployments). All of these initiatives are proprietary, using different technologies for different purposes.

Closed loop, proprietary initiatives such as these are the most likely applications of biometrics in retail banking for the foreseeable future. They allow financial institutions to move forward now, rather than waiting – for what could be many years – for standards to emerge.

In Japan, a spate of high-profile ATM fraud cases prompted banks to start using biometrics, but the business case for this was based more on reducing customer concerns about fraud rather than the actual cost of fraud losses. Biometrics is nevertheless a way to increase cash withdrawal limits for those enrolled, while maintaining lower limits (and risk) for customers who have not. This is the main way that biometrics will be used in more mature markets, with some banks deploying biometrics in an effort to gain competitive advantage.

Combating fraud will only be one driver of such initiatives, however. Banks in a number of less-developed countries are also seriously reviewing the use of biometrics as a way of bringing financial services to the unbanked. This is arguably the area that offers the greatest potential for biometrics over the coming years. India is the best example of progress to date – biometrics was first introduced at ATMs in the country in 2007, and there are now numerous state and private banks with biometric projects. State banks in particular are under government pressure to improve financial inclusion.

Going forward, don't expect much progress on PINs being replaced by biometrics, but look out for a proliferation of individual biometric initiatives, particularly in less developed countries.

Dominic Hirsch, Editor

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