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Javelin Survey: As Mobile Banking Heads for Explosive Growth, Consumers Rank Simplicity, Security Supreme

With Convenience Comes Fraud Risk That Can Be Mitigated by Mobile-Based Authentication

SAN FRANCISCO--([BUSINESS WIRE](#))--With 86 percent of American adults owning a mobile handset, mobile banking is poised for explosive growth. Currently 36 million adults are using mobile banking (smartphone users – 18% of Americans – are the heaviest users), but by 2014 that number is expected to grow to 99 million adults, according to a new study ([Multi-Channel Authentication Via Mobile Banking: Assessing the Technologies, Vendors, and Solution Providers](#)) by Javelin Strategy & Research (www.javelinstrategy.com). Javelin says the growth of mobile banking will present new risks and opportunities in authentication – or helping protect consumers by confirming their identity – and that those financial institutions that combine affordability, consumer usability and effectiveness will have the greatest advantage.

In August and September 2009 Javelin polled 2,000 consumers to gauge their perceptions of mobile banking and corresponding authentication security methods. It measured ease of use, effectiveness and high risk authentication and found that:

- For ease of use: six out of ten consumers prefer simple authentication methods such as image recognition. Security questions came in close second with 59% ranking the method easy to use. In contrast, three in ten consumers ranked biometrics as easy to use.
- For effectiveness: Simple security questions – or knowledge based authentication (KBA) – ranked highest in effectiveness by 65% of consumers.
- For high risk authentication – Consumers ranked an additional security question (also KBA) as the preferred method of authentication with three in 10 trusting it as their method of choice.

“Mobile banking is a convenient new channel that is enjoying widespread adoption,” said James Van Dyke, president of Javelin. “While there are obviously new critical risks,

this 'always-on' channel for monitoring finances can also manage risk across all other channels. A multi-layered approach to authentication provides the most effective means of mitigating fraud while improving upon the consumer experience.”

While mobile banking comes with risks, according to Javelin, mobile authentication can actually help mitigate the risk of fraud across all banking channels, from ATM to branch. Collectively, new account and existing account identity fraud adds up to \$48 billion, with an average per-victim cost of nearly \$550.

The top two **most promising authentication technologies** are mutual authentication and device recognition which provide substantial protection while offering ease of use, which raises the likelihood of adoption. Javelin ranked voice and vein pattern biometrics as least promising.

“As institutions look to incorporate mobile banking into their authentication strategies, most often it will be under a multichannel umbrella,” said Javelin Risk, Fraud and Security Analyst Robert Vamosi, author of the study. “The best authentication approach will leverage new and existing technologies that can cross channels as well mitigate new risks and take advantage of new capabilities afforded by the mobile handset.”

Javelin designated RSA and VeriSign best in class among the 15 authentication vendors analyzed. Tyfone and M-Com ranked best in class among the 13 mobile banking vendors analyzed for their overall cross-channel authentication capabilities.

About Javelin Strategy & Research

Javelin provides superior direction on key facts and forces that materially determine the success of customer-facing financial services, payments and security initiatives. Our advantages are rigorous process, independent position, and expert people. For more information about this or other Javelin reports, please visit www.javelinstrategy.com/research or contact Elizabeth Travers at (925) 225-9100 ext. 31 or etravers@javelinstrategy.com.

Editor's Note: To arrange an interview with Mr. Van Dyke, Mr. Vamosi and/or view research on this topic or a similar topic (available to qualified members of the press), please contact Crystal Mendoza at +1.925.225.9100 ext. 35 or cmendoza@javelinstrategy.com.

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RSA and VeriSign Rated Best-In-Class For Multi-Channel Authentication Technology

Javelin Study Also Identifies M-Com and Tyfone As Best-In-Class For Mobile Banking Authentication

San Francisco, CA, September 29, 2009 – Javelin Strategy & Research (www.javelinstrategy.com) today released a report that provides analysis and rankings of authentication technologies and vendors. The report, [Multi-Channel Authentication Via Mobile Banking](#), helps financial institutions with the decision process and implementation of FFIEC-compliant multichannel authentication strategies and evaluates authentication technologies as they apply to individual and multiple channels; the likelihood of consumer adoption; and effectiveness against fraud.

“Institutions are facing growing risks as they seek to securely and conveniently authenticate customers across multiple channels,” said James Van Dyke, President and Founder. “With close to 90 percent of adults owning a handset, mobile banking is poised for explosive growth. Yet institutions face decisions surrounding strong authentication to determine the best approach that covers all channels. Institutions must balance the needs for the highest effectiveness against fraud with the greatest convenience for their customers. If implemented correctly, mobile banking can strengthen cross-channel authentication.”

In the report, Javelin identifies the top five technologies for cross-channel authentication – image-based mutual authentication, device recognition, out-of-band, public key infrastructure and knowledge-based authentication. Javelin also ranked 28 vendors that can assist financial institutions with the implementation of FFIEC-compliant multichannel authentication strategies. RSA and VeriSign were selected as Best-In-Class for authentication technology while M-Com and Tyfone earned Best-In-Class for mobile banking authentication.

Key Findings of the Multi-Channel Authentication Via Mobile Banking Report:

- Mobile devices must be integrated into authentication and will be used for authentication across all channels.
- Consumers ranked mutual-authentication image recognition as best for ease-of-use.
- Consumers rated knowledge-based authentication as the most effective authentication technology and the most preferred method among consumers for authentication of higher-risk transactions – 14% claimed it would increase their online shopping.

“A multilayered defensive strategy offers the most effective authentication solution for securing an institution’s assets,” said Javelin Risk, Fraud and Security Analyst Robert Vamosi. “As attacks grow increasingly sophisticated, multiple, layered authentication technologies mitigate the risks posed by single points of failure.”

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