

FLUID FINANCE

When people talk about mobile banking, some mean access to a bank's website through a mobile phone or PDA, others mean the ability to make payments through these devices to retailers or to transfer money to another person's account. Now, the two sides of the story are coming together, as Deutsche Bank's Daniel Marovitz explains to Jim Banks.

- Near-field communication uses e-money similar to how cash is loaded on a card.
- The global mobile money transfer market could grow to \$21 billion by 2011.

The definition of mobile banking is changing dramatically. No longer does it mean merely an extension of online banking to smaller handheld devices. Although this remains an important element, the exciting area of development is now in mobile payments.

Devices like the iPhone and BlackBerry are becoming wallets for electronic money that can be spent like cash.

'Mobile banking is much talked about but often little understood. There is a lot of confusion and it is understandable why. There are two parts of the space that are converging,' remarks Daniel Marovitz, global head of products in the global transaction banking division of Deutsche Bank.

'Firstly, there is an effort to extend channels. All banks have some electronic banking capability, mainly web-based, online banking, which may have some mobile element. The iPhone family, the Nokia N Series and to some extent BlackBerry devices are like Netbook PCs that are

mobile. You get full functionality, but with small screen real estate and no keyboard. They are used for transactions through online banking, but there are user interface challenges, so there are fewer choices and restrained graphics,' he adds.

This kind of mobile banking also raises some security issues, as banks are extending their networks onto mobile devices accessible through public WiFi systems. Trains, cafés, waiting rooms and hotels, for instance, are now part of their networks. Also, these devices can access online banking sites through the 3G network. There are also thin-client applications, the kind that are accessed through the iPhone App Store, for example, that provide a framework for offline use of banking websites.

'Banking customers will have online access to our website – db.com – which will detect the screen size of the device and strip out unnecessary content. It will also provide offline access through some applications on mobile devices. This connectivity allows customers to make decisions from these devices and this is one important area of mobile banking that we are investing in. The other, which is less well understood, is mobile payments,' says Marovitz.

Making mobile payments is very different from online banking. It enables

a customer to make a payment to a retailer, for instance, thanks to a near-field communication (NFC) chip in the device, through a browser accessing the bank's web servers, or through its SMS gateway using a text message. In essence, a user swipes their phone or PDA on a terminal and funds are transferred instantly from their bank account to the retailer's account.

'This is massively important for retail, especially in underbanked countries. SMS payments make sense anywhere, but NFC enables customers to use e-money, like cash loaded on a card. This is a less well-known part of mobile banking, but it is compelling as there are many instances where physical cash can be moved electronically,' Marovitz explains.

E-money becomes a reality

In March this year Deutsche Bank teamed up with Luup International – an independent global provider of mobile payment services, systems and infrastructure – to launch a fully transactional mobile phone payments service to banks and corporations in 80 countries across Europe, the Middle East and Asia. The service allows customers of Deutsche Bank's GTB division to offer an instant and secure payments and money transfer service to millions of consumers using any mobile device with any mobile network.

According to consultancy KPMG, the global mobile money transfer market could grow to \$21 billion by 2011, and Deutsche Bank is keen to take a lead in driving this market. Its venture with Luup is the first move by a major commercial bank to offer its banking and corporate customers a cross-border mobile payments service.

Luup, which was launched in Norway in 2002, is building partnerships with banks and financial institutions around the world to support the development of a global mobile payment network, and is the only company offering a viable cross-border mobile payments service for both banked and unbanked customers.

‘Two years ago we sent out a young man from the project management team to see what people were doing out there. He looked at all the research projects and pilot schemes that were being done in order to have a dialogue with the market. Out of hundreds of companies around the world, Luup emerged as the leading contender, and we very much liked its approach,’ says Marovitz.

The network being put in place could be extremely valuable for retailers and their customers. Yet this is not the only arena in which it will benefit a bank’s clients.

‘Mobile will also be very important for person-to-person cash payments. That is the piece that is missing at the moment. A person could ultimately send cash to another person using SMS or NFC. The only place this currently happens is through PayPal, thanks to eBay, which was really just a mask on top of credit card processing. The mobile world is about democratising that process,’ explains Marovitz.

‘All banks missed the boat on PayPal, which is a good client of ours and has around 180 million customers, making it a big player in the retail banking space. It is very important for us to figure out that kind of functionality in the mobile space and I have been driving my team hard for 18 months. We’ve had a lot of exciting discussions with our customers about how to use this functionality, and there are some very big clients that are interested in deals with huge volumes,’ he adds.

The big step forward will come when banks, retailers and consumers all embrace mobile payments. Now, however, it is a question of who will blink first. All parties need to sign up to and invest in the

concept for it to have a meaningful impact.

‘We must break the logjam. That is why we decided to take the corporate step first,’ says Marovitz.

In the driving seat of development

With any major change in the way people handle money there are inevitably concerns that hold some players back. The familiar bugbear with any move to electronic systems for handling money is security, but Marovitz believes that this has largely been addressed. Security protocols, he feels, are already sufficient, and will only get better over time.

In essence, a user swipes their phone or PDA on a terminal and funds are transferred instantly from their bank account to the retailer’s account.

‘People use contactless payment systems like the Oyster card for travel in London, which has no PIN number or authentication of any kind. If it is lost it can be used by anyone. A phone, however, has a keyboard so we can use a PIN number. In the future, we could use a fingerprint scan or even face recognition technology. There is certainly more security than with a credit card,’ he comments.

Marovitz can talk about such issues with confidence, given that Deutsche Bank has taken a lead in mobile payments and is committed to pushing the concept forward. Earlier this year, the bank hired Ron van Wezel from ABN AMRO as its

Emerging Payments Director. Alongside this role, van Wezel is also chairman of the Mobey Forum, a cross-industry group that promotes the development of mobile financial services, which brings him into frequent discussions with network owners and handset developers.

‘This is a story that will change over the years, but it is important for us to build up experience. It is very complex and there are many elements to bring together – networks, handsets and banking applications – but we are in the middle of those conversations. For a bank, it is about relationships, experience and services, it is

not about the technology,’ says Marovitz.

‘We must catch innovative ideas at an early stage. We are very serious about this space – it is not just a hobby. We have dedicated staff and we are targeting the corporate space first. We are always looking for ways that we can drive this concept.’

While confusion reigns in some parts of the market over what exactly mobile banking means, it is clear that two important strands are emerging – mobile payments and online banking.

It is highly likely that the winners in this space, from a bank’s perspective, will be those financial institutions that understand fully the implications of both of these trends. Deutsche Bank is working hard to ensure that it is in that group, and is doing all it can to lead the way. FBA



Daniel Marovitz

Daniel Marovitz is head of product management for Deutsche Bank’s Global Transaction Banking division.

He joined Deutsche Bank in 2000 as managing director and CEO of the eGCI group at Deutsche Bank, charged with developing and implementing online products for Deutsche Bank’s investment and commercial bank.