



MyBank¹ Identity Verification Blog Post

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¹ Whenever the term “bank” is used, it is intended to include all authorised payment service providers, including, without limitation, credit institutions and payment institutions.

Online Identity Verification: why banks are the solution

In the past decade, the buzzwords "disruptive" and "innovation" have taken hold of the payments industry, along with many others. Online payments from the bank account, e-wallets, NFC, third-party access to the account - you name it, the payments industry is destined to look very different in 2020 from what it did in 2010. Less well-known to the general public, but equally as important in a rapidly changing marketplace, is the advance of electronic identity services. And as one might expect in a fast developing sector, a wide range of choice has developed over the past few years with no one actor yet predominating.

In the social media space, companies like Facebook, Twitter and Google have developed services to enable people to authenticate themselves to access their accounts on various



platforms outside their core services (for instance, logging on to the comments section of a newspaper website with one's Facebook credentials is now frequent). For "high value" services such as online purchases or subscriptions, however, **consumers are still reluctant to use credentials tied to platforms used for openly shared data** (sharing your holiday pictures is one thing, sharing your passport details is quite another). Therefore, whilst multiple players are busy trying to carve out a foothold, **banks, as trusted handlers of sensitive information, are possessed with a golden opportunity to occupy a hard-to-replicate position in the e-identity space.**

To some extent, this is already happening. Bank ID in Sweden and Nem ID in Denmark both rely on the strength of the online banking account to enable Swedish and Danish citizens to prove their identity in order to access public and certain private services. And when you think about it, it's easy to see why banks are preferred to other actors in this regard.

Banks and other payment service providers have a durable competitive advantage for a number of reasons:

- a) Rich and accurate customer data (thanks to "Know your Customer" information).
- b) Proven, fraud-resistant authentication mechanisms.
- c) Experience of a collaborative network.
- d) Reach encompassing all citizens.
- e) Trustworthiness. Consumers trust their own bank with their sensitive data.

The online bank account is primed to become a central hub for online activity. Most of us already consult our account balance on our computer or mobile app on a regular basis. Some of us also hold insurance through our bank. We already trust our bank with much of our most precious data. It's easy to see, therefore, why consumers would be eager to extend the benefits of the online bank account to validate their age or other sensitive information.

What is Identity Verification?



We can define identity verification as an electronic means of proving that you are who you say you are and that the attributes you claim to possess, (name, age, address and so forth), really are your own. The immense importance of this in facilitating online transactions is obvious.

But lest we get too caught up in this brave new world, we shouldn't forget some important facts. **The fundamentals of identity won't disappear** (your name and date of birth will still be the basic characteristics by which outsiders can judge that you are who you say you are), **but it will mean that people can prove they really are who they say they are in a simple and straightforward way.**

In a traditional bricks-and-mortar business, identity verification is relatively straightforward: a merchant requests your ID (national ID card, passport etc.), you hand it over, and, presuming everything is OK, receive your goods (e.g. cigarettes and alcohol in a supermarket). But in other settings it can be onerously time consuming. If you want to apply for a loan, for instance, you will probably have to manually fill out sheets of paper and attach copies of your passport and credit history, and send bundles of paper back through the mail.

Shifting to a digital setting still has its challenges. How can merchants be sure their customers are who they say they are when both sides never physically interact? Can merchants be confident that purchases carried out are not tainted by fraudulent activity?

This is where banks, with all their experience of processing complex, sensitive transactions, come in. **With MyBank, consumers and businesses can already re-use their existing online banking account credentials to instruct their banks to provide sensitive data to third parties** and purchase items via a credit transfer, or approve electronic Mandates. Need to validate the name, age and address of your customer? Who better than your bank to confirm this?



The online bank account is already the central repository for sensitive data in the form of payment information - it makes sense to re-use information linked to existing processes to facilitate the expansion of new services. Banks are legally obliged to investigate that you are who you say you are before letting you create an account. Therefore banks are clearly well positioned to confirm to others the same information on your behalf.

With electronic Mandates and e-payments already live, MyBank is launching an **Identity Verification pilot** in the last quarter of 2015. This pilot will bring together Payment Service Providers, merchants and other actors to road test a service which aims to offer simple, secure and effective identity verification services through the online banking account on a pan-European basis.

If you're interested, please drop us a line in the comments section below, or contact us directly at info@mybank.eu.