

E-Banking in Ireland.

***Finalysis' contribution to the report of McCann Fitzgerald, Solicitors, to the Institution of International Trade of Ireland, July 2000.
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Until the mid '90s the web was widely viewed as something of an electronic advertising site, possibly also as an efficient alternative to the postal system. Today, its revolutionary impact on business, whether in terms of cost or in terms of new market revenues, is being generally recognised.

Current projections of Internet business growth are impressive - viz

- By 2003 in the US - \$1,500 billion (Forrester Research)
- By 2003 Worldwide - \$2,500 billion (Merrill Lynch)

In Ireland, 1 in 6 adults is currently using the Internet for purchases, an increase of 20% over the last year.

While the opportunities for Internet banking are increasingly being recognised, so also are the challenges, eg

- A pervasive demand for instantaneous but secure payment systems - in the face of exposure to computer viruses and fraud - and, of equal concern to banks,
- A significant loss of relationship control - in favour of the consumer

In relation to security, a figure now much quoted is that only 1% of transactions are conducted online, but 50% of all repudiated transactions originate on the Internet. Understandable bank concern with security and such fraud - reinforced by natural bank conservatism - explains the relatively slow, if now accelerating, rate of growth in E-Banking in Ireland.

At the point of sale, the current dominant method of consumer payment is the credit card. However, a vendor selling on the Internet, without access to the purchaser's signature, has the problem of identifying the purchaser. It has, accordingly, fallen largely to the banks in Ireland to manage the problem of authentication and to facilitate secure payments.

PAYING ONLINE.

At the time of writing, the proportion of Irish businesses transacting on the web is reported at a modest 9%. Accordingly, and not surprisingly, banking services to date have been somewhat slow to emerge and between banks remain uneven. Banks are, however, now responding to the challenge and are developing new services rapidly. For this review, we detail the various service offerings of the main banks.

Bank of Ireland's Business Online System: is an Internet based banking system (replacing that bank's former PC based Password system). It is not credit card dependant and, utilising one-off digital certificates (Baltimore Technology), currently offers worldwide payment capabilities. To access this service it is necessary to have an account with Bank of Ireland and to access the Internet via Internet Explorer, when the application software can be downloaded. Business Online can also be used to support credit card purchases, domestic and foreign. (When used to effect foreign currency transactions Business Online transmits the transaction details leaving actual settlement of

value to the relevant clearing systems, some days later).

The above Business Online system is intended primarily for business users. Bank of Ireland has just announced the imminent establishment of its Net Guardian service, an equivalent arrangement for the personal consumer. Designed by Trintech, (see below), it is described as 'a virtual credit wallet' with the customer's credit card number again being reserved by the bank. Rollout of this service is scheduled for this autumn.

Ulster Bank: introduced its Anytime Internet banking service late last year, specifically for its smaller corporate customers (SMEs). To access the service, the customer needs a PC browser and an Internet Service Provider (ISP). The customer is then issued with a registration number and a pass phrase. As with Bank of Ireland, Baltimore Technology is used to generate the digital certificate, to identify and authenticate the transaction. Anytime, currently limits the value of transactions accommodated to £10,000 but, the bank advises, this limit is to be increased shortly, when the bank will also add the facility to effect currency purchases.

Allied Irish Bank: advanced in its PC based technology, AIB does not, at the time of writing, have an online payment system for SMEs. However, the rollout of the bank's Transact-Online service for SME customers is scheduled for this autumn and will then be available to all AIB Visa cardholders, with digital certificates providing authentication and security.

Trintech: On the business to consumer front, the Trintech Group has just announced the early availability of its innovative product, PayWare mAccess which will enable consumers to pay for purchases using their mobile phones. This product will also authenticate the cardholder and transfer card payment details from the mobile (or other wireless device, eg personal digital assistant) for settlement through the payment processor. Financial institutions will thereby be able to expand their credit card services considerably and to support secure purchases by mobile, (eg Bank of Ireland's Net Guardian, above).

This facility represents a significant advance for e-banking and also severs the current reliance of e-banking on the PC/Laptop. The timescale suggested for introduction for this service is this year-end, with a rapid uptake by the financial institutions considered likely.

As the above review indicates, at the time of writing online payment facilities for SMEs are somewhat restricted and uneven. However, bank and other promotions suggest that services will expand dramatically over the coming months.

We consider the current status of receiving payments online.

MERCHANTS RECEIVING ONLINE.

Ulster Bank's Acquisition Service is capable of receiving domestic or foreign credit card payments and, subject to prior bank validation, merchant users of the system do not need to be customers of Ulster Bank. For lower volumes, the merchant can use an approved Payment Service Provider (the PSP also provides an important assurance to the purchaser that the vendor is not bogus), for which he, typically, pays 50p per transaction. For larger volumes, the merchant can have a secure server, cost approximately £750. Normal bank charges for Internet-based credit card transactions are + 4%. An essential feature of this service is that the purchasers' credit card number is reserved by the bank and is withheld from the merchant

Bank of Ireland: another service introduced to support the merchant in selling and in receiving secure payment in Bank of Ireland's CLIKPAY service introduced late last year, which service, like that of Ulster, is available to approved non own-bank customers. Using this system, credit card users can CLIKPAY to Merchants. Through use again of a PSP, the merchant can then receive automated, fully authenticated credit card payments at all times of day, eg Indigo, a well known merchant customer of the bank, offers a 'Superstore' facility providing access to a wide range of merchandise. Bank of Ireland advises that this service is shortly to be extended to include Laser cardholders.

Allied Irish Banks: AIB's current Internet Payment Service (IPS) is an industry class solution, confined for the moment to larger corporates receiving high volume, (IR£ and foreign currency), credit card payments.

Immediately, these merchant services offer convenience, security and confidentiality to purchasers, domestic and foreign, and accessibility and full confidence to merchants. They represent valuable business-to-business, (increasingly also, business to consumer) opportunities, at reasonable cost. The further development and expansion of these merchant services appears to offer the most rapid and secure route to the secure generalisation of E-business and E-banking.

SOME OTHER IMMINENT SERVICES.

Ancillary E-Banking services currently available include:

- **Online Services for Expatriates:** Bank of Ireland provides an Internet based service for Irish expatriates - FSHARP; the service includes facilities for deposits, fund management and payments via debit and credit cards.
- **Unison, TV and Mobile Banking:** arrangements are in progress between Unison and the leading banks to provide international banking services via Unison's Digital TV and WAP mobile access. The timescale to availability here is projected at 6 months.
- **Online Currency Dealing:** Ulster Bank advises that it is shortly to introduce its online currency dealing service Tradergold. This service will enable corporates to monitor market prices and then to execute the orders - greatly improving transparency and cost competitiveness between banks.
- **Share Dealing Online:** scheduled to go online in the final quarter of this year is an Internet Share Dealing Service introduced by Davy Stockbrokers, in association with Bank of Ireland. Davy Direct will enable Irish investors to deal in all of the major stock exchanges, (facilitated by the recent introduction of electronic trading in the Irish stock exchange). The service will enable instant dealing, price verification and portfolio review.
- **Electronic Purses:** AIB is currently piloting its SmartCard/Electronic Purse. Mondex, similarly, launched its SmartCard pilot scheme in Blanchardstown in July. For the moment, these Smart Cards are at an early developmental stage and are confined to certain pilot areas, with limited functionality.
- **Internet Guide for SMEs:** to encourage its customers to avail of the E-Business opportunities of the Internet, Bank of Ireland has established a new 'Set Up Online' guide for SMEs, advising on essential steps, and supported by an information website, www.boi.ie/setuponline. This initiative is further encouraged by a bank offer of a Website Development Loan, up to £20,000, to assist customers to go online.
- **Other:** other Internet banking services are either offered or supported by the main banks

mortgage processing, motor financing, investment advice, invoice discounting etc.

FOREIGN BANK SERVICES.

A review of E-banking services offered by the foreign banks operating in Ireland indicates that these banks - which are not heavily involved with SMEs - have not needed to be proactive in providing Internet services, broadly finding current electronic services adequate for their major corporate clients. Further, European E-Banking initiatives taken by, eg Barclays, HSBC, Royal Bank of Scotland, BPVA (Argentina) and by Deutsche Bank have to date made little impact in Ireland. Among the most potentially significant of these services is, perhaps, Deutsche Bank's current proposal to introduce an Internet clearing and settlement system - ultimately critical to international E-Banking effectiveness and speed. Interestingly also, and representing something of a departure from normal banking, Barclays is currently introducing a free electronic procurement service for SMEs.

CONCLUSION.

While Irish banks have, relative to the US and Europe, been a little slow to embrace the banking potential of the Internet - arguably a function of investment cost versus apparent low market demand - the former very real obstacle of security has now largely been resolved and secure and efficient payment procedures are becoming available at an impressive speed. To take advantage of existing E-Business opportunities, both domestic and foreign, SMEs should consider establishing their own websites and using merchant facilities to make themselves more accessible to purchasers. This increased demand will provide its own dynamic to ensure that current and future banking services are rapidly generalised, at competitive prices.

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