

Mobile Banking Security Requires a New Approach

Knowledge@Wharton: Is there a way to regulate global banks consistently for mobile payment services, compared with other banking products and services?

Steven Beattie: Bank regulatory authorities are moving with a consistent approach to anti-money laundering roles. There are certain key basic frameworks you have to have in place to have an effective AML [anti-money laundering] program. So, I do see commonality of framework. You need to be thinking about knowing who your customers are. You need to be monitoring for transactions. And clearly you need to be following a risk-based approach.

One size does not fit all in terms of controls and regulation, and governing across different products and services. They are going to find that the one-size-fits-all approach does not work well when trying to roll out these new products. It's going to eat substantially into their margins. I think that's going to increase the challenges for banks, which are rolling out mobile money products. It's going to eat substantially into margin. It'll make it very difficult to reach out broadly to customers, because you'll have heavy control over these types of products.

Until there's a complete understanding of this, this will be a challenge. And they're going to be trying to find a prior regulatory construct and overlay for some innovative products that are introducing an entirely new way to undertake business and transaction flow globally.

My hope is that the industry's able to step back, fully understand the risk associated with these products, and right size the controls and the regulatory expectation. That's going to be critical, because an overgrowth of controls and regulation on this is going to dampen the opportunity to roll out these products. It's going to lessen the impact of the banks in the terms of their ability to roll out a well controlled product by contrast to another, lesser regulated entity.