



Person-to-Person Payments for Banks

The Simple, Secure Approach for Today's Consumers



P2P Payments for Banks

The Simple, Secure Approach for Today's Consumers



Introduction

Consumer demand for online payments is skyrocketing. After nearly a decade of positive experiences with online banking, ecommerce, bill pay and transfer services, consumers are looking for new online payment solutions, particularly the ability to send money easily and securely to friends, family and others.

Person-to-person (P2P) payment solutions have experienced significant growth since the launch of PayPal in 1999. There are several internet-based payment networks in the market; however, none offer consumers the convenience of managing their transactions from within the context of their existing and trusted banking relationships.

With more than 70 million individuals currently banking online, consumers clearly rely on the convenience and security of the online banking channel. Growing consumer demand for online payment services combined with their trust and usage of online banking provides a compelling opportunity for banks to offer P2P services to their customers, meeting unmet consumer demand.

The Opportunity

P2P payments represent a growing trend in electronic payments and an exciting new opportunity for banks. Email and mobile P2P payments, offered from within a bank's online and mobile banking channels, are a compelling way for banks to capitalize on this opportunity. The convenience and security of using a service offered directly from one's online and mobile banking portal has a compelling value proposition for consumers.

According to 2009 research from the TowerGroup, the U.S. noncash P2P market reached \$1.1 trillion with three billion P2P transactions in 2008. The report notes that while checks are in decline, they attributed for more than \$1 trillion of the noncash P2P payments volume. Furthermore, the analyst group identified 2009 as a crucial year for financial institutions to implement P2P solutions as a means to retain current customers and acquire new ones. Clearly, a tremendous market opportunity exists for banks in the highly lucrative, and largely untapped, P2P payments space.

81 percent of respondents would use a P2P service if offered by their financial institution.

Combined, the consumer demand for payment services and their existing trust and usage of online banking provide a very compelling opportunity for banks.

Consumers have indicated a preference to use a P2P payments service from their bank. According to CashEdge's 2009 consumer survey, 77 percent of consumers would prefer to use a P2P payments service offered through their bank compared to an independent service, such as PayPal. Consumers want simple, convenient and secure email and mobile P2P payments capabilities and prefer the security of their bank for their online money movement needs. In fact, nearly 70 percent of survey respondents felt that a P2P service offered through their bank would be both more secure and more convenient than an independent service. These numbers speak clearly to the value proposition a bank P2P service offers to consumers.

P2P payments also offer significant advantages for banks, including the ability to capture millions of new transactions, generate new revenue income, attract new customers and increase loyalty among existing customers. Furthermore, a P2P service will also help banks drive the continued adoption of their core online and mobile banking channels, which already represent huge priorities and investments for most institutions.

An Industry First

CashEdge was founded on the belief that consumers and small businesses should have complete control of their money, with the ability to move their money seamlessly to anyone at anytime. That vision of simple, convenient money movement for consumers and small businesses is the driving force behind CashEdge's Intelligent Money Movement™ platform, the foundation for the Company's industry-leading online funds transfer products. With nearly ten years of success in online money movement and risk management, CashEdge launches the industry's first, and only, P2P payments service for banks, POPmoney.

P2P Payments for Banks

The Simple, Secure Approach for Today's Consumers



POPmoney allows bank customers to "Pay Other People" (POP) anywhere, at any time, requiring only a recipient's email address, cell phone number or bank account information. This revolutionary new service is completely built around a customer's current banking relationship. Offered directly from within the bank's current online and mobile banking applications, POPmoney provides convenient and secure email and mobile payments directly from a customer's bank account.

POPmoney is the first, and only, P2P payments service for banks.

POPmoney enables bank customers to send and receive money directly from their primary banking accounts – without the need to establish accounts with an independent service or manage balances outside their existing banking relationships. POPmoney is built on the same Intelligent Money Movement platform that powers seven of the top 10 banks and processed nearly \$50 Billion in online funds transfers in 2008. In contrast, "closed-loop" P2P payments networks, such as PayPal and Obopay, are standalone services that require users to set up a new financial account directly with them. By creating new accounts, consumers are forced to decentralize their financial management and maintain balances outside of their core bank accounts. Users must log into these services directly to send money, as well as to receive and withdraw money in most cases.

In contrast, POPmoney is a service that enables banks to directly offer their customers P2P payments. Consumers whose banks offer POPmoney can leverage their existing accounts and relationships to send and receive money. There is no need to set up new accounts and passwords, maintain separate balances, or track payment activity through a new interface. Customers can centrally manage their money, while at the same time benefit from the ease and convenience of electronic payments. They simply log in to their bank's site using their existing online banking account information, navigate to the POPmoney service, and follow a simple, one-time registration process. Once registered, people who bank at participating financial institutions can send and receive payments directly at their bank.

A sender needs only the email address, cell phone number, or bank account information of the recipient to make a payment. Recipients receive an SMS text or email notification that they have received a payment. Recipients who bank at a POPmoney participating financial institution can deposit their payment through their online or mobile banking application. Recipients whose bank does not offer POPmoney can simply and securely deposit their payment into the bank account of their choice through the POPmoney.com site.

Managing Risk

Risk management and fraud protection are the cornerstones of CashEdge's money movement services. For nearly a decade, CashEdge's online financial applications have been used at hundreds of leading financial institutions, including the majority of the nation's largest banks. CashEdge's comprehensive approach to risk identification, measurement, monitoring, prevention and mitigation combines automation and human intelligence, and focuses on critical points in the lifecycle of a customer, account and transaction, individually and collectively. Through this process, CashEdge is able to monitor and mitigate risk on behalf of its customers – a service that is not easily available from any other source.

POPmoney utilizes the same risk management methodology, along with several new security features that further protect banks and their customers from security and/or fraud risks. Using proprietary tools, CashEdge scores each P2P transaction in real-time while the user is still in session. Based on the outcome of the evaluation, various ID verification methods may be launched to validate the identity of the sender in session. CashEdge risk models utilize over 75 different variables, such as transaction attributes, account attributes, user attributes, behavior patterns, and known fraud data across the network of CashEdge clients. The comprehensive nature of the models enables CashEdge to identify fraud while vastly reducing the number of false positives.

Banks using POPmoney can customize their risk parameters by setting up specific limits for P2P transactions (per transaction, daily, monthly and outstanding limits). Banks can also configure velocity checks such as limiting the number of transactions per day per user, limiting the number of contacts a user can add, etc. In addition, CashEdge's qualification rules engine enables banks to automatically enable users with positive transaction history to graduate higher limit transactions.

The TowerGroup identified 2009 as a crucial year for financial institutions to implement P2P solutions as a means to retain current customers and acquire new ones.

P2P Payments for Banks

The Simple, Secure Approach for Today's Consumers



CashEdge's fraud models:

- Are tailored for online ACH transactions – CashEdge is the industry leader in risk mitigation in online ACH
- Utilize fraud data from the vast network of over 650 CashEdge clients
- Score transactions in real time enabling in-session authentication for high-risk transactions
- Detect and stop over 98% of fraud

CashEdge's comprehensive approach to risk management combines automation and human intelligence, and focuses on critical points in the lifecycle of a customer, account and transaction, individually and collectively.

CashEdge further manages P2P payments risk with its "Intelligent Transaction Secret" concept – a robust security feature that does not require the sender or the receiver to remember passwords and secrets. The sender is asked to provide the mobile phone number of the receiver for high value transactions, and the mobile phone number provided is sent an automated numeric secret via SMS that the receiver must provide when attempting to pick up the funds. This added security measure helps enable POPmoney to ensure that funds are delivered to the right person.

From the onset of each transaction, CashEdge acts to protect and secure all personal and sensitive data and information. CashEdge leverages industry-leading intelligence tools and a comprehensive strategy that combines automation and human intelligence to prevent fraud and phishing scams. POPmoney provides access to best-of-breed risk management capabilities and databases to manage risk at the customer level – not just at the transaction level. Overall, CashEdge's risk management for POPmoney is designed to protect the sender in a robust fashion ensuring that only the owner of an account can send money and protects the receiver to ensure that only the intended recipient of the money is able to pick up the funds.

The Future

As the preeminent provider of online money movement services to financial institutions for nearly a decade, CashEdge is uniquely positioned to deliver a comprehensive P2P payment solution for banks. The introduction of POPmoney undoubtedly provides banks with the edge they need to grow revenues and increase customer satisfaction. Banks must continue to anticipate consumer behavior and changing preferences and respond with new solutions that will simplify consumers' lives and give them the control over their financial transactions they desire.

Today, POPmoney includes SMS capabilities and offers WAP and downloadable mobile application support for Smartphones like the iPhone, enabling banks to extend their P2P functionality to the mobile banking channel. In the future, CashEdge will complement this P2P payment service with new upgrades that offer bank customers the ability to request money from peers as well as a send/request payment feature for small businesses. For banks, the potential and possibilities are tremendous, and the time is now.

About CashEdge

CashEdge is the leader in Intelligent Money Movement™ services that enable financial institutions to engage customers in new ways. CashEdge's Intelligent Money Movement services provide a single point of access, through an online banking or mobile application, for multiple easy-to-use consumer and small business transfer routes. CashEdge's industry-leading products include OpenNow®/FundNow® for new account opening; TransferNow® for Consumers, which includes Me-to-Me Transfers and Third Party Transfers; POPmoney™ for person-to-person payments; and TransferNow for Small Businesses, which includes Invoicing and Payments, Me-to-Me Transfers, Employee Payments and Vendor Payments. These products are supported by industry-leading risk management capabilities that leverage comprehensive, proprietary technology, helping institutions mitigate risk and decrease fraud exposure.

CashEdge currently serves hundreds of leading financial institutions, including seven out of the top ten largest banks in the country. The Company has offices in New York, Silicon Valley and India. For more information, visit www.cashedge.com.