

California Bankers Association  
Regulatory Compliance Conference

# *Mobile Banking Update*

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## Topics

- Mobile Overview
- Consumer Benefits & Concerns
- Regulatory News:
  - Telephone Consumer Protection Act
  - Americans with Disability Act
  - CFPB Proposed Prepaid Rules
  - Other
- Faster Payments Developments
- Q&A



# Facts about Mobile

- 87% of U.S. adults have a mobile phone
- 71 % of mobile phones are smartphones
- 22% of mobile phone users have made a mobile payment
- Security of mobile banking is a top concern for consumers
- Common uses of mobile banking:
  - check account balance/recent transactions
  - transfer money between user's accounts
  - receive alerts from bank
  - mobile deposit
- Wells Fargo has 15MM active mobile customers (Feb. 2015)

*Source: Federal Reserve Report, "Consumers and Mobile Financial Services" March 2015*

# Mobile: What's New and Noteworthy?

- Using mobile phone for ATM transactions (e.g. NFC transactions, Cardless ATM)
- Mobile Banking Apps for Wearable Devices
- Using camera on mobile device to assist with banking functions
  - take picture of biller info/QR code to pre-fill bill pay data
  - take picture of driver's license to pre-fill application data
- Use of beacons and location-based services
  - consent to track user's location
  - using geo-location to detect suspicious activity
  - delivery of specialized content or offers
- Mobile/Digital Wallets abound (Android Pay, Apple Pay, Current C, PayPal, Samsung Pay)



# Biometric Authentication: The New Frontier



- Using Touch ID on mobile device
- Facial Recognition using camera on device
- Detecting Eye Vein Pattern
- Wearables that detect pulse/heartbeat

***Consider:*** Do these meet FFIEC guidance?

**Risk:** Reliance on a third party to authenticate your customer

# Consumer Benefits

“I've been making banking transactions and buying online through my iPhone for years. I have yet to experience a negative experience. I am very careful to only deal with sites I already have a relationship with. Being cautious is the number one protection.”

– Danielle, Seaside, CA

# Consumer Benefits: An Advocate's Perspective

- Tools for better money management  
(e.g. text alerts can prevent overdrafts)
- Saves time and effort  
(e.g. mobile bill pay; mRDC)
- May appeal to un/underbanked

# Consumer Concern: Privacy

“I am concerned about my privacy on my phone. I try not to do banking and other financial matters on the phone for fear of someone taking my identity.”

– Andrea, Barre, MA



# Consumer Concern: Security

“I don't want to do banking on my phone or actually do anything financial on my phone. I don't donate to causes or charities on my phone. I don't feel like our "smart phones" are smart enough to protect our most important data.”

- Laurel, Oakland, CA

# Telephone Consumer Protection Act FCC Declaratory Ruling (July 2015)

## Impact to Mobile

Consent is Required for automated calls/text messages to consumers **BUT**

Banks have exemption for 4 types of calls (no consent required for):

- Notification of pending money transfers
- Fraud/Suspicious Activity Alerts
- Notice of possible breach of customer's information
- Steps consumers can take to prevent or remedy harm of security breach

**Special requirements** must be met for these exemptions. Calls/texts must be delivered without any charge and cannot be counted against consumer's allotted minutes or texts in their carrier plan.

# Full Disclosure



# ADA Applies to Mobile

- Mobile and online banking experiences should be delivered in compliance with the Americans with Disabilities Act (ADA)
- Department of Justice expects websites and mobile applications to be accessible to users with disabilities ***and will enforce compliance***
- DOJ Rules are expected in April 2016
- Two standards to consider when developing mobile capabilities:
  1. Web Content Accessibility Guidelines 2.0 (WCAG 2.0)
  2. Web accessibility standards for federal government agencies (Section 508 of the Rehabilitation Act)

**Consider:** Do you have an ADA compliance program for digital?  
How are you auditing it?  
Can your technology vendors meet ADA expectations?

# CFPB Proposed Prepaid Rules

- Proposed rules cover mobile accounts in which funds are stored; do not cover mobile wallets that only hold payment credentials
- Proposed rules cover peer-to-peer payments:

*A prepaid account capable of person-to-person transfers is an account that allows a consumer to send funds by electronic fund transfer to another consumer or business. An account may qualify as a prepaid account if it permits person-to-person transfers even if it is neither redeemable upon presentation at multiple, unaffiliated merchants for goods or services, nor usable at automated teller machines.*

- Final rules expected in early 2016
- *For more:*  
[http://files.consumerfinance.gov/f/201205\\_cfpb\\_GPRcards\\_ANPR.pdf](http://files.consumerfinance.gov/f/201205_cfpb_GPRcards_ANPR.pdf)

# Regulatory Guidance Impacting Mobile

- **FTC** -- .com Disclosures (Updated March 2013)
- **FTC** - Mobile Privacy Disclosures (Feb. 2013)
- **CA Attorney General** - Privacy on the Go (Jan. 2013)
- **Remittance Transfer Rule** – provisions about disclosures made on a mobile device (See Regulation E §1005.31)
- **Regulation Z** – specific font size requirements for open end credit disclosures (Regulation Z §1026.6(b)(2)(i))
- **CFPB** - Tips to Consumers when Using Mobile Devices (June 2013)
- **CFPB** - Inquiry into Mobile Financial Services (RFI issued June 2014, Comments submitted Sept. 2014)
- **CFPB** – Principles for Faster Payment Systems (July 2015)
- **FCC** - TCPA Declaratory Ruling (July 2015)
- **DOJ Rules** – website and mobile accessibility (expected April 2016)
- **FFIEC** – Internet Banking Authentication (2005 & 2011 supplement)

**Consider:** *Your own Privacy Policy*, does it specifically address online/mobile/digital? Are your mobile practices consistent with the policy?

# CFPB Payments Principles

## *Consumer Protection Principles: CFPB's Vision of Consumer Protection in New Faster Payment Systems*

Released July 2015

### Principles:

1. Consumer Control Over Payments
2. Data and Privacy
3. Fraud and Error Resolution Protections
4. Transparency
5. Cost
6. Access
7. Funds Availability
8. Security and Payment Credential Value
9. Strong Accountability Mechanisms that Effectively Curtail System Misuse

# Same Day ACH

- Builds on existing, next-day ACH Network capabilities
- NACHA Same Day Rule adds two new same-day settlement windows to the ACH Network
- Rule requires that all Receiving Depository Financial Institutions (RDFIs) receive same-day transactions and provide faster funds availability to customers
- Roll-out begins September 2016
- More: <https://www.nacha.org/rules/same-day-ach-moving-payments-faster>





# **Faster Payments Task Force Update**

## ***Establish a Faster Payments Task Force to:***

***Identify and evaluate approach(es) for implementing a safe, ubiquitous, faster payments capability in the United States***

**Represent...**  
views on future needs for a safe, ubiquitous faster payments solution

**Address...**  
other issues deemed important to the successful development of effective approaches

**Assess...**  
alternative approach(es) for faster payment capabilities



# Faster Payments Task Force Update

## *High-Level Work Plan and Timeline*

### PHASE 1

Development of process and criteria for identifying and assessing approaches

June—Sept 2015\*

*Plan the work...*

### PHASE 2

Iterative development and evaluation of approach proposals

Sept 2015 – June 2016\*

*Do the work...*

### PHASE 3

Review and publish assessment results and recommendations

June—Dec 2016\*

*Document the work...*

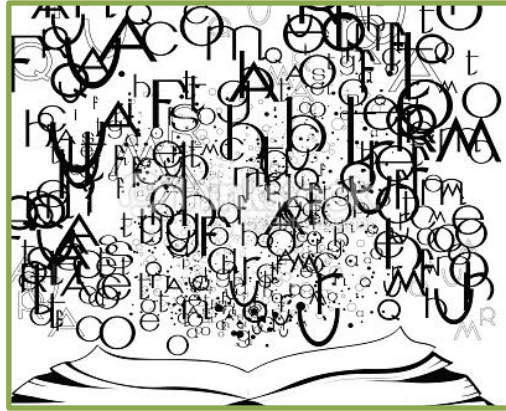
**\*Original Work Plan Timeline Dates**

# Faster Payments Task Force Update

## Key Deliverables



Decision Making Framework  
Phase 1 – Completed in August



Glossary of Terms  
Phase 1 – Completed in September



Effectiveness Criteria  
Phase 1 – In-Progress



Proposal Assessment Architecture  
Phase 2 – In-Progress



Final Work Product Deliverables  
Phase 3 – In-Progress

Questions and  
***THANK YOU!!***