

P2P and the Mobile Payments Evolution: *Understanding the Rewards and Risks*



CUSTOMER CONVENIENCE. This is the driving force behind the more than 500 U.S. financial institutions that are quickly adopting the latest mobile solution: **“Person-to-Person”** (P2P) payments, which is empowering customers to easily and quickly send money to family and friends via email or text message. FIS, the world’s largest provider of banking and payments technology, now offers faster P2P payment services via the **ZelleSM Network** to their Mobile Banking Users. As a partner of FIS, 21CFS is ready to provide this same innovative service to our financial institutions customers as well.

The business case to add the payment service boils down to the ability to **offer more remote banking and online banking services**. An added plus, with P2P, there is **increased security** for both the sender and the recipient by not having to share financial account information in order to do the transaction. Instead, the transactions are run through the institutions’ ACH networks.

A tremendous advantage with P2P payments is the **convenience, speed, and ease-of-use**. Transferring funds from one person to another can be accomplished through a click of a button. Unlike many other payment solutions that involve several middlemen, P2P payments are between two parties. This means that **users don’t have to pay for expensive transaction, processing, or service fees**.

But in a time when fraudsters prey upon electronic transactions, there are some security concerns and risks unique to P2P. As your financial institution considers offering the P2P services to your mobile banking users, this quick list will equip you with an understanding of certain risks inherent to this service and how to be best prepared:

FRAUD: The biggest concerns involving P2P payments are fraud and security. While P2P payments are secure, they’re not infallible. There are chances of a fraudster hijacking a consumer’s account or creating a fake account to send or receive transactions.

FINES: The Consumer Financial Protection Bureau has been known to fine P2P platforms as the service “did not adopt or implement reasonable and appropriate data-security policies and procedures governing the collection, maintenance, or storage of consumers’ personal information.”

CYBERCRIME: Since the complete transaction is being undertaken online, including submission of documents, financial details, and bank details apart from the personal details, the chance of cybercrime cannot be eradicated.

IDENTITY THEFT: Your users may face an interception of their P2P transaction during their over-the-air transmission of data between the mobile phone and your bank or the ultimate recipient. Such an interception can result in identity theft, information disclosure and repeat attacks.



Here are some solutions to keep hackers at bay, and some expert tips to get your bank started¹:

- Make a **solid business case** to add the service;
- Gauge your **customers' desire** for P2P;
- Do your **due diligence** in choosing a P2P service provider;
- Set **transaction levels** for one-time, daily and monthly amounts for new users;
- Make sure to have **fraud monitoring and transaction throttles in place**;
- **Add additional "out of wallet" security features** to prevent account takeover fraud;
- **Market service to everyone**, including business customers.

The bottom line, with FIS partnering with Zelle to offer the P2P service, it will certainly improve the customer experience since it is a more secure platform. It is hosted within the bank's secure environment, uses the bank's protection, and gives customers real-time access to their funds that are held in an insured account. Understanding the advantages and risks, and how to keep hackers at bay will set your bank up for success.

Want to learn how to offer P2P services within your bank? Give the experts at 21CFS a call today!



We make you a priority so you can make your customers a priority.

¹ Source: <https://www.bankinfosecurity.com/p2p-payments-what-you-need-to-know-a-2483>