

New Patent-Pending Technology Protects Check Images Online

As you know, I have been a long-time advocate for the protection of sensitive consumer information. Today, I want to talk about the inherent risk of online check images and about a new innovative approach to the problem.

Presentation of check images online is on the rise. Most large banks already offer online check viewing and over the next few years, the number is likely to grow as more banks start truncating checks (converting them into images). But for all of their convenience, online check images also present risk exposure, since they contain a wealth of sensitive information including routing number, account holder's name and address, phone number, and even a perfect image of the account holder's signature. In many cases, the check also contains the consumer's driver's license number, which in nineteen states is still the consumer's social security number. Truncating the paper trail and moving check images online certainly creates cost savings opportunities and consumer convenience, but it also creates another target for fraudulent activity.

The topic has become particularly pertinent with the recently published FFIEC guidelines on Internet banking security. Under the guidelines, banks must conduct a risk-analysis of their online offering and provide risk-based protection of sensitive customer information. In follow-up clarifications, the FFIEC made it clear that check images indeed fall under the definition of "sensitive customer information".

The Internet channel deserves attention because it combines the reach of a global network with the automation potential of computers. When used productively, computers can lower product costs and improve service levels. But in the hands of a fraudster, computers can be just as efficient in automating a fraudulent scam to steal consumer information or access multiple accounts.

Information obtained from check images (including an exact facsimile of the account holder's signature) can be used for perpetrating offline check fraud as well. In the past, the risk of check fraud was limited to the balance in the account, but today the proliferation of equity lines and their linkages to checking accounts raises the exposure to that of the available credit lines (often tens of thousands of dollars).

Online check images present a security challenge because they are just under the surface, only a click away. While textual data can be easily masked (Many banks "X" all but the last four digits of an account number, for example), but the same formula cannot be used to protect check images.

Of course, the information can be protected by enforcing stronger authentication measures, but that approach presents problems of its own. Whereas most consumers say they want tighter security, few actually have the appetite for additional inconvenience. By their nature – security and convenience pose opposing requirements. Whereas security focuses on closing doors and limiting access, convenience thrives on open doors and easy access.

One company has recently introduced a solution which approaches the problem in a whole new way. The approach is so simple, that most people respond with a "why haven't I thought of that". Instead of stacking padlocks and security measures, The 41st Parameter (www.the41.com) realized that the actual elements that cause a check image

to be 'sensitive' (such as the signature or address) actually have little or no value to the account holder. When was the last time that you pulled up a check image to see what your signature looks like? So the company developed a solution that masks the sensitive elements on the fly. ImageMask™ blurs sensitive areas on the check, rendering it useless to fraudsters (see image below), yet it does not alter or destroy the original digital image stored in the bank's database. When a check image is requested by the online user, ImageMask creates a masked check image that is sent to the viewer instead of the unmasked original.

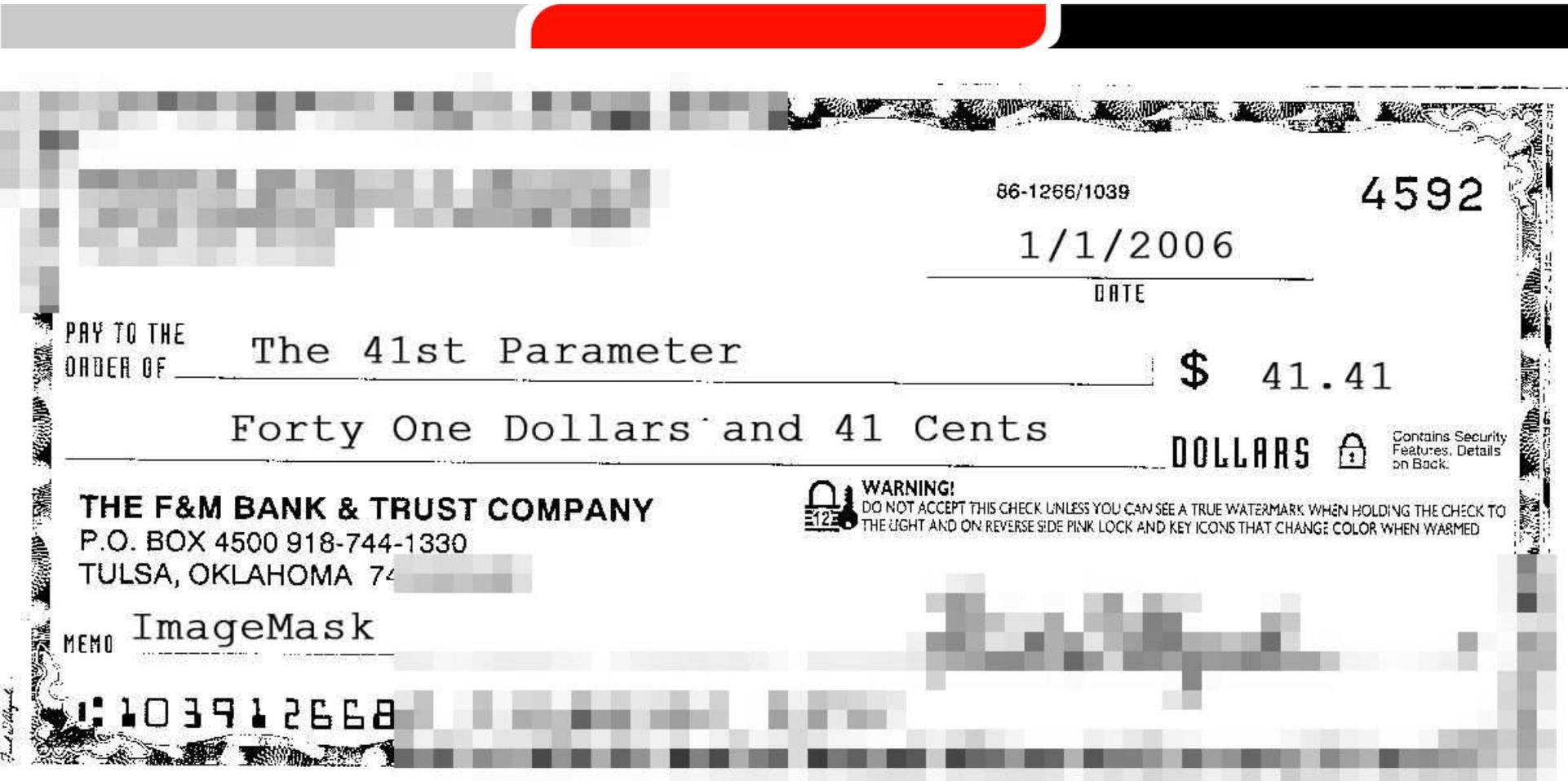
The approach's appeal lies in the fact that it provides a visual and very tangible sense of security as well as reducing the pressure for strong authentication measures.

Many banks are looking for visual cues to increase the customer's tangible sense of security. Unfortunately, implementing visual authentication measures has a number of drawbacks. Visible authentication measures tip your hand and thus reduce the shelf-life of the strategy. Visual measures also may be perceived by some customers as an inconvenience. Check image masking, on the other hand, does provide visual feedback without suffering from any of these disadvantages.

By masking the checks, they are no longer considered "sensitive customer information" which eases the pressure to implement stringent authentication measures.

It is often the simple, yet novel innovations that make our life easier. I believe that intelligent masking and desensitizing of check images should play an important role in any bank's online security strategy.

ImageMask



Courtesy of The 41st Parameter www.the41.com 480-776-5500