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**MOBILE COMMERCE – THE FUTURE IS NOW**

Major global trends have emerged and are creating a potential sea change in the communications, retail and financial services landscape. Mobile phone usage has reached saturation in several Asian countries; smart cards with wave and walk contactless payments technology have seen tremendous adoption and growth, especially overseas; consumers quickly discovered the convenience of prepaid merchant cards, and retailers found that customers increase spend with each visit and do so more regularly over the course of a month; online banking use is outpacing other retail banking channels, and mobile banking and payments, using mobile handsets as a debit or credit card and for online banking functions, is taking hold outside the US and is poised to do so here.

These trends have traction and are forecasted to grow. Mobile phones are ubiquitous, even in developing countries, where 800 million mobile phones were sold in the past three years. In the US, mobile phone usage is close to 70% market penetration. Smart card mobile payments worldwide reached \$3.2 billion in 2003 and are estimated to exceed \$37 billion by 2008, with 27 million smart cards in circulation in the US in 2006 and 582 million throughout the world. And the market for prepaid merchant cards took-off and now exceeds \$180 billion.

As global technology trends continue to grow and begin to converge toward more robust mobile banking and payments, financial institutions in the US face serious challenges to organic growth. Well into a second difficult year, increased competition, the flattened yield curve and commoditized products have compressed margins while credit deteriorates and credit costs rise. Credit unions must look to fee revenue to counter downward pressure on earnings. However, adding fees, increasing deposits, or expanding margins is not simply a necessity, it is a matter of survival.

*Mobile Commerce continued from the cover*

In this hyper-competitive market, the mega-banks have the advantage of scale, more advanced technology, a thriving secondary market and more diverse revenue streams, posing a real threat. To endure and prosper, credit union senior management recognizes the immediate need to find new services to create value, increase loyalty, strengthen their brand, and grow.

Phones are not only far more secure than cards, they are “smarter,” too. Relevant information such as account balances, a mortgage payment coming due, stock prices, authorizations and retail promotions can be communicated, and in real-time. The improved functionality provided by the mobile channel, including viewing direct retail offers and contactless payments at point-of-sale, differentiate it from its online counterpart. Mobile, with its on-the-go convenience and fast wave-and-pay paperless transactions is attracting consumers.

Research predicts that 35% of online bankers will use mobile banking in the next three years. With Internet banking growing at an annual rate of 27% in the US by 2010, the number of households using online banking could be in excess of 56 million; this points to 17 million mobile banking households in 2010 in the US alone – a substantial market.

The mobile channel is particularly attractive to the 18 to 25-year olds of Generation Y. Gen Y, also known as Echo Boomers, is one of the largest demographic groups in the US. With 45 million people, this segment comprises 15% of the population, surprisingly more than the 35 million Baby Boomers at almost 12%. This demographic will adopt mobile banking more quickly than the general population, even factoring the mobile channel into their choice of bank. Capturing this key demographic segment will be crucial to any credit union’s success as Gen Y’s need for financial services matures and grows, accounting for \$2.45 trillion in spending by 2015. With a future this bright, credit unions of all sizes would be well advised to invest in the mobile channel.

*Thanks to Tom Spitzer, Chief Executive Officer and President of Tyfone USA, for contributing this article. Tom is a well-known statesman in Oregon and served as a member of the board during the reorganization of SAIF, Oregon's state accident insurance fund. He currently serves on several other corporate boards, including National Worksite Partners and Insurance Advisors. He is best known as the co-developer and Managing Partner of M Financial Holdings, a renowned independent financial services company. He is a member of both the American and California Bar Associations. Tyfone provides a unified, complete mobile financial services platform including mobile banking, mobile contactless payments, and on-demand merchant relationship services. Tyfone focuses solely on financial institutions to address their particular market challenges and increase revenues.*



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