THE MOBILITY OF CASH

by Steve Brown

Ah, the amazing feeling you get when you touch and smell crisp, clean, new $20, $50 or $100 bills. That feeling is certainly hard to beat for any self-respecting banker. Indeed, much has been said about the cash that finds its way into and out of your wallet. Eventually, all paper money wears out because it is handled so much and it must be replaced. It is interesting to note that the $1 bill lasts about 18 months (and represents nearly 50% of all money printed every year because it is handled so much and wears out so frequently); the $5 bill lasts 2Ys; the $10 lasts 3Ys; the $20 4Ys and the $50 and $100 last about 9Ys. Given the growth in mobile banking activity, it makes you wonder how it will ultimately impact the production, use and circulation of money. Mobile banking is certainly finding an audience, with recent surveys finding almost 33mm Americans have accessed their bank accounts using a mobile device. To put that in context, that means about 14% of all wireless subscribers in the U.S. used this channel, a 21% increase over the prior 6 month period. A recent American Banker survey on the subject found 42% of banks currently offer mobile banking and another 40% plan to do so in the next 12 months. By asset category, 76% of banks with assets $10B or more currently offer mobile; 58% of those with assets $1B to $10B do so; 42% of those with assets $100mm to $1B have mobile and 36% of banks with assets $100mm or less offer it. This tool is quickly gaining adoption and bankers are moving to meet the challenge head on. The large numbers of banks that offer mobile now or are expected to do so in the next year, are also driving enhanced features and benefits to the user. For instance, the same American Banker survey found features going into mobile applications include the ability to deposit checks (55%); person to person payments (46%); mobile payments (27%); personal financial management or budgeting (20%); location based offers or coupons (20%); click to call capabilities (18%) and near field communication "click to pay" payments (17%). These are all interesting areas for users, but they also open the bank up to additional security and other risks. Aite Group did some research in this area and found that 75% of financial risk management executives in one survey believe the mobile channel poses risk but threat vectors are not yet fully understood and another 88% feel the mobile channel will be the next big area of financial services fraud. Meanwhile, 25% of risk management executives said they plan to increase spending on mobile banking security, but they are waiting to see where threats will materialize. Perhaps seeking to get ahead of this, the Fed did its own research on mobile banking recently and found 21% of mobile phone owners have used mobile banking in the past 12 months to check account balances (90%), transfer money between accounts (42%), receive a text message alert (33%), make a bill payment (26%) or locate an ATM (21%). It also found people who were not using mobile banking said the main reason was that their banking needs were already met without it (57%), they were concerned about security (48%), they didn't trust the technology to properly process transactions (22%), the cost of their data plan was too high (18%) or it was too difficult to see on the mobile banking screen (17%). No one thinks cold hard cash will go away anytime soon and mobile banking still has a ways to go to reach full adoption, but the trajectory is impressive. In the meantime, it is at least fun to note that the Bureau of Engraving and Printing produces about 38mm notes each day - 95% of which replace cash in circulation.

Related Links:

PCBB 2012 Executive Management Conference

BANK NEWS

Lost Phone

A study by Symantec left 50 non-password protected smartphones out in major cities and found that while a surprising 50% were returned, 90% of them were accessed for more than just contact information (files were reviewed, email was read etc.). In about 45% of the cases, the phone finder tried to access a corporate network with the phone and in 43% of the cases mobile banking was accessed.

Interest Rates

Two Fed Board nominees told the Senate Banking Committee that the pace of the economic recovery will determine whether the FOMC holds interest rates at historically low levels through 2014.

Down Sharply

The OCC reports banks generated $2.5B in trading revenues in 4Q, some 70% less than 3Q and 27% less than the same period in 2010. The OCC cited "a noticeable reduction of risk appetite" as the primary reason.

QR Codes

Those funky black and white squares that look like a Rorschach ink blot test have been scanned by 14mm consumers or about 6.2% of the total mobile audience. Meanwhile, almost 40% of consumers aged 25 to 34 have scanned a QR code.

Still Recession

A survey of affluent Americans by Ipsos Mendelsohn making more than $100,000 shows 63% still think the U.S. is in recession and 55% think the economy wonÃ¢Â€Â™t fully recover until 2013 or later.

Europe

Roubini Global Economics predicts Europe will see a recession in 2012 and both Portugal and Ireland will follow Greece down the debt restructuring rabbit hole.

Clarification

Yesterday we should have been clearer in our explanation about unemployment duration when we pointed out from 1948 until early 2009, the average duration of unemployment was 13.6 months and is now 40.8 (but didn't state it was months). Both are months and not weeks.