

MONEY MOVEMENT AND INFO TO KNOW

by [Steve Brown](#)

We found it interesting that Facebook reported about 8.7% of its user accounts may be false or duplicates (a staggering 83mm such accounts). That got us wondering what sort of look a banker might get if a regulatory team arrived for an examination and the first thing you said was, "Welcome to our bank. We think nearly 9% of our accounts might be fakes or duplicates." Sure, the standards a bank must follow around account controls, signatories and the like are much more extensive than social media sites, but the sheer magnitude of this account issue is shocking nonetheless. Even stranger still, consider stories in the press that the company plans to allow its users to pay bills or transfer money through the site. We bring this up because money is moving around at what seems to be an ever-increasing pace. You used to have to carry around gold nuggets, then came cash, then checks and now everything is moving digital and mobile. You have time to deal with this issue (and we are sure you have plenty of others items already on your full plate), but from time to time we think an informational update helps to keep you on top of things, so we discuss this today. Note that a January 2012 Nielsen survey found 66% of Americans aged 24 to 35 now own a smartphone. Also, in March of this year, the Fed released a report that found 21% of all mobile phone users have used mobile banking in the past year and another 11% said they expected to do so in the next 12 months - a total of 32% of those who have a smart phone. This also compares to another March survey from Aite/ACI. It found that 30% of U.S. respondents have made a mobile payment in the past 6 months and 62% said mobile banking is more important to them than mobile payments. On the security front, a good place for banks to start with in the mobile arena is the technology policy division of the Financial Services Roundtable, know as BITS. In May of this year, BITS released its list of the top six areas of concern for banks offering mobile banking services. The list was compiled from a group of mobile experts at many of the largest financial institutions, so it is something you can leverage. Areas of concern cited in the analysis were: #1 rapid growth (mobile banking is continually changing and is expected to become a favorite financial usage channel, increasing security risk); #2 security controls (mobile threats are growing and targeted attacks on mobile phones are increasing so more controls are needed); #3 more unregulated players (as demand increases so does the supply from non-regulated and foreign players increasing potential risk); #4 privacy (geolocation mapping and customized coupons increase data control, security and fraud risks); #5 education of users (customers need to understand how to manage the risk of their own devices in order to protect the bank itself); #6 innovation (new services are coming online so fast it is difficult to keep up, so risk management is critical in this area). Finally, consider a study released in July by Pew Research. It found a huge 65% of technology experts surveyed said they expect consumers will fully embrace and use a smart device for purchases in the next 8Ys. If true, that time will pass quickly, so staying on top of these changes is critical. There will be twists and turns along the mobile path, but certainly digital wallets, online shopping and the like, will eventually have a profound impact on the banking industry.

BANK NEWS

Standard Charter

Rumors in banking circles swirled that the Treasury and Fed were "extremely upset" at the NY DFI due to the lack of communication and coordination regarding the allegations it brought against Standard Charter.

Consumer Credit

According to the latest Fed data, outstanding balances on consumer credit rose at a 3% annualized rate in June. Auto paper, student loan and other non-revolving facilities jumped at a 7.4% annual rate, while revolving credit (credit cards) declined 5%.

Remittance

The CFPB raised the limit for applicability on its final remittance transfer rule from 25 to 100 per year. Thus, community banks that do not exceed the 100 foreign transfers limit will not be subject to the additional disclosure requirement for fees, exchange rate and amount received, items that maybe hard to track for banks utilizing certain networks. In addition, the rule also provides guidance for transfers scheduled in the future. The rule goes into effect Feb. of 2013.

Square & Starbucks

Starbucks said it will invest \$25mm in Square, the company that allows person-to-person and small business credit card payments. In addition, Starbucks said that Square will process all its credit card/debit card transactions.

Google Wallet

The NFC-enabled application will now let the consumer choose what bank credit cards to load on the phone. Previously, the structure was each bank had to opt in (and few chose to do so with the exception of Citigroup).

Home Building

For the first time in 4Ys, Union Pacific Railroad is bringing rail cars out of storage to handle higher lumber demand (carloads are up 10% YOY) from builders.

Less Corporate Profit

Using information from the IRS, Census Bureau and other public reports, The Commerce Department reduced estimates of U.S. corporate after tax profits by \$155B (for the period 2009 to 2011). The analysis found pretax profits climbed 27% percent in 2010 vs. 32% reported prior (no longer largest on record) and climbed 7.3% (vs. 7.9%) in 2011.

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