PLANNING, WORKING & LEARNING ABOUT TECHNOLOGY

by Steve Brown

Bankers are really busy at this time of year. Bonus calculations are underway, final plans are being made for 2013 and last minute sales for the current year are being wrapped up. Customers are being thanked for their business during 2012 and employees are enjoying holiday parties. This is a good time of the year because it is usually filled with enough joy and happiness to make any banker boost their optimism for the upcoming year. As you close things off for 2012, we share some results of a recent PWC technology survey to help get you thinking about 2013. It found that near field communication (NFC) is an interesting technology, but its adoption remains oddly slow. Recall that NFC sets standards for smartphones and other devices. NFC allows phones and devices to communicate with each other when "tapped" together or when they are brought into close proximity (to exchange data). NFC lets consumers pay for coffee at Starbucks or buy lunch at McDonald's with a tap of the phone to a device at checkout. The promise of NFC is that one day none of us will need to carry a plastic credit card in a wallet. NFC allows the phone to become the credit card in digital form. While this all sounds good and it is happening, the study found less than 3% of smartphones are NFC enabled. Rules, technology issues, costs and other factors mean we still have a ways to go before NFC and the digital wallet are commonplace. The next interesting thing from the study is that it found only 5% of smartphone owners used their phones to buy goods or services today, but 50% of consumers say they would be interested in using their phone as a debit or credit card. This indicates consumers want more flexibility in their phone capabilities and are open to the technology, but we have to teach business owners it is in their interest to make such a change to attract customers. Demand is building, so over the next few years, this will be an interesting area for community banks to monitor and to focus product offerings, as things evolve. Another area community banks will find interesting relates to traditional payment options. Here, research shows 85% of all retail transactions are still paid for using cash or check. That is changing, but it also indicates there are a more good years of growth for community banks to roll out and maintain remote deposit capture (RDC) services. In fact, other surveys find less than 5% of small businesses currently use RDC, despite the fact the technology is now about 8Ys old (2004). As the data shows, RDC can still make an impact on your customers, so keep going. Returning to the PWC survey, we find 63% of consumers said mobile payment security was their greatest area of concern. As the popularity of mobile payments continues to increase, banks and other providers will continue to seek solutions here to increase adoption levels. To help your customers protect themselves, we suggest they follow the advice of security experts and take at least some basic steps. Some of these include only using trusted WiFi providers; turning on the phone's remote wipe service (to erase data remotely if the phone is stolen or lost); installing mobile tracking (to locate the phone or direct police); turning on encryption and password to protect information on the phone (available on newer phone models); and making sure apps installed on the phone are from a reputable source. Finally, warn customers to read online reviews from trusted sources to limit the risk of inadvertently installing malware. Technology can be fun and this time of year phones frequently are given as gifts. The more your customers adopt this technology, the more you need to know, so we hope this information helps you keep up to speed as you begin to focus on your plans for the New Year.

BANK NEWS

TAG

A WSJ story indicates mutual fund companies are bracing for a flood of money from U.S. banks, following the expiration of the transaction account guarantee (TAG) at the end of this year. Experts say funds sitting in the noninterest bearing accounts insured through TAG have been used largely by businesses and municipalities and $250B or more could move from banks to mutual fund companies. Community banks can protect themselves from losing deposits by working with business customers to help them separate funds among different accounts so they have $250k insurance on each one (as long as the accounts are held by separate legal entities).

M&A

In a deal that would end the independence of the New York Stock Exchange (NYSE) Euronext will sell itself to rival IntercontinentalExchange Inc. (ICE) for about $33.12 per share or $8.2B in cash and stock.

Repurchase

GM said it will spend $5.5B to buy back a block of stock from the Treasury, taking ownership from 26.5% to 19.0%. The Treasury is seeking to sell off its remaining GM shares over the next 15 months, as it winds down bailout programs following the crisis.

Muni Risk

The cost of financing for municipalities could surge, if the President's proposal to eliminate or modify tax exemptions for local and state governments goes through. The move is part of a broader program to close loopholes and increase taxes on wealthier investors, but could also impact insurers, bond prices, liquidity and other factors for bank qualified municipal bonds as well (currently, estimates show the federal government forgoes $32B per year in taxes as a result of the muni exemption). Keep your eyes on this one to monitor any potential impact to your bank and we'll let you know what ultimately happens.