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April 11, 2007

SMS one time password

My bank recently launched one time passwords delivered via SMS. Am I rushing to sign up?
No!

When you first look at it, it seems to be an attractive and cost effective solution to the issue of identity theft. But when you look into it there are issue for both the user and the bank.

On my side the issue I have is denial of access. I travel a lot and there are issues with SMS delivery. The first issue is my phone company may not have an agreement to deliver where I am traveling. The second is SMS is a best effort delivery. The phone company will try to deliver it. They will not guarantee it will get there, or if it does how long it will take. Remember these are one-time passwords and they should have a time to live as a security feature. You are also sitting there at your laptop waiting to log in; you want the password now, not in 10 minutes.

There is also the issue of network coverage. My wife's parents live in an up market housing estate in one of the countries larger cities. It just happens to lack mobile coverage. So if I want to bank there I am out of luck. I have encountered many other black spots traveling up and down the coast (the area with the highest population in the country!)

So if I sign up I know I am going to get locked out of my own account. It is not a question of if, but just when. And if that is when is when I need to do some crucial banking, I will not be happy. So I am not signing up (remember I do not have the issues of losing money, the bank does)

There is also the cost side. The assumption is this is low cost. It requires similar back end solution to a real token (say Vasco, or Identita). So the savings is based on the token cost. Assume the token costs \$25. The Mobile solution incurs SMS charges. Assume a bulk discount rate of \$.10 and the user banks once a day. That is \$36.50 a year. Let's be more generous and go low at once a week, \$5.20 a year. With a token life of 5 years it is hard to see the savings.

The savings in these types of solution usually come down to CAPEX – OPEX discussions. There is often a misperception in business that OPEX is free compared to CAPEX. The fact is you still spend money. The accountants will play with it in different ways. But you are spending.

The final issue for the bank is to look at the customer satisfaction. My bank is not enforcing the use of this technology. I feel it is because they know there are limitations. If a solution is going to prevent people from doing business and generate customer service calls that also needs to be factored into the overall cost (both tangible and intangible).

Identity theft is very topical. It is good to see people taking initiative. But at the end of the day some solution may prove to be better than others

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