



# The Importance of Online Banking

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## Today's Agenda

- Importance of Online Banking
- Origin of Online Banking
- What Can It Do For Me?
- Advantages
- Disadvantages
- What's Next?



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## Importance of Online Banking:

Businesses and Governments rely on efficient and rapid access to banking information for cash flow reviews, auditing and daily financial transaction processing. Online banking offers ease of access, secure transactions and 24-hour banking options.

Online banking helps to eliminate trips to the bank and allows the user to make financial decisions with updated information.



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## Origins of Online Banking



- The advent of the Internet and the popularity of personal computers presented both an opportunity and a challenge for the banking industry.
- For years, financial institutions have used powerful computer networks to automate millions of daily transactions; today, often the only paper record is the customer's receipt at the point of sale. Now that its customers are connected to the Internet via personal computers, banks envision similar economic advantages by adapting those same internal electronic processes to home use.



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# Origins of Online Banking

- Banks view online banking as a powerful "value added" tool to attract and retain new customers while helping to eliminate costly paper handling and teller interactions in an increasingly competitive banking environment



# History



**HISTORY OF ONLINE BANKING**  
BROUGHT TO YOU BY YODLEE

**START**

**1983**

The Bank of Scotland offers Nottingham Building Society (NBS) customers the first Internet banking service in the UK and calls it "Electronic Clearing" via a television set and a telephone to send transfers and pay bills; this service formed the basis for online banking as we know it today.

**1994**

**1993**  
Online banking is built into Microsoft Money personal finance software. 100,000 households begin accessing bank accounts online. (Online Banking Report, Jan. 2012)

The Stanford Credit Union creates the first online banking website.

**2001**

Yodlee opens its doors, creating the first account aggregation software and giving consumers the ability to view all of their financial accounts in one place.

**1 MILLION ONLINE USERS**

Eight US banks have at least 1 million online users each. 16 million US households are accessing bank accounts online. (Online Banking Report, Jan. 2012)



# History



**2005**

As banking moves online, rules must shift with the times. FDIC announces rules and regulations for financial institutions. Fis to carry out risk-based assessments, evaluate customer awareness programs, and implement security measures to authenticate remote account access.

**YOURBANK**

Direct banks (banks that operate without a physical branch) begin to offer their services primarily online: ING Direct, PC Financial (Canada), First Direct (UK), HSBC Direct and eTrade Bank (US).

ING DIRECT  
 First Direct  
 HSBC Direct  
 eTRADE FINANCIAL

Consumer PFM portals like Mint.com start to gain popularity among users as easy-to-use and well-designed tools to manage their finances.

**2007**

**Pocket Power**  
 Apple launches the iPhone and a shift from banking via personal computer to banking via smartphone begins.

**2009**

84 million US households accessing bank accounts online (Online Banking Report, June 2009)

Bank branches are consolidating. Ratio of the US population to bank branches shifts from 9,340 in 1970 to 3,684 in 2009. Branches are increasingly less important to consumers and banking moves to kiosk and online solutions.

Year	Ratio of Population to Bank Branches
1970	9,340
2009	3,684



# History



**CHANGING CUSTOMER DEMOGRAPHICS AND EXPECTATIONS WITH THE RISE OF GEN Y**

- 70 million people in the US between ages of 18-32
- They prefer debit cards, are accustomed to online banking, online purchasing and live a mobile lifestyle
- Privacy is not a concern
- Consume info in snack-size and expect instant information gratification
- Rapidly shifting to mobile banking, 72 million US adults will use mobile banking in 2012

Source: Genbank Partners

**GLOBAL FINANCIAL CRISIS**

Genworth data indicates that over 1/3 of consumers felt some level of financial vulnerability

Consumers want help reducing debt and increasing savings. In a survey of 5,000 consumers, 40% said they would benefit from personal finance management tools. (TowerGroup research)

**2011**

Online banking goes mainstream. Even late adopters choose to bank online and according to the American Bankers Association (ABA), the majority of Americans aged 50+ prefer online banking over visiting a branch or ATM.

**2012**

Yodlee's platform touches 35 million people globally.

**WHAT'S NEXT?**

We're entering an era of social banking. There will be a convergence of online banking, PFM, social networking, payments, rewards, mobile, and gaming. PFM will no longer be just a tool, but an experience and a platform for insights and innovation woven into all digital experiences.

**GLOBAL USAGE OF PFM TOOLS (Millions of Users)**

Year	Usage (Millions)
2010	33
2011	44
2012P	53
2013P	62
2014P	70

+ CAGR 13.0%

**YODLEE**

f /Yodlee  
 t /Yodlee



## What Can It Do For Me?

- **Activity Review** – Accounting staff and other approved employees can access routine banking activity such as deposits, cleared checks and ACH or wired funds quickly through an online banking interface. This ease of review helps ensure the smooth processing of all banking transactions on a daily basis, rather than waiting for monthly statements. Errors or delays can be noted and resolved quicker, potentially before any impact is felt.



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## What Can It Do For Me?



- **Productivity** – Online banking leads to productivity gains. Automating routine bill payments, minimizing the need to physically visit the bank and the ability to work as needed rather than on banking hours may decrease the time involved in performing routine banking activities. Additionally, online search tools, banking actions and other programs can allow staff members to research transactions and resolve banking problems on their own, without interacting with bank employees. Some month-end reconciliations can be automated.

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## What Can It Do For Me?

- **Lower Banking Costs** – Banking relationships and costs are often based on resource requirements. There are more demands on employees to work and assist with wire transfers, deposits, research requests and other banking activities often incur higher banking fees. Opting for Online banking minimizes business overhead and banking expenses.



## What Can It Do For Me?



- **Reduced Errors**– Utilizing online banking reduces banking errors. Automation of payments, wires, ACH or other consistent financial activities ensures payments are made on time and may prevent errors caused by keyboard slips or user error. Additionally, opting for electronic banking eliminates errors due to poor handwriting or mistaken information. In many cases, electronic files and daily reviews of banking data can be used to double or triple check vital accounting data, which increases the accuracy of financial statements.



## What Can It Do For Me?

- **Reduced Fraud**– Increased scrutiny of corporate finances through audits and anti-fraud measures requires a high level of visibility for all financial transactions. Relying on online banking provides an electronic footprint for all accounting personnel who modify banking activities. Online banking offers visibility into banking activities, which makes it harder for under-the-table or fraudulent activities to occur.



## Advantages



- Generally secure, but make sure that website you're using has a valid security certificate.
- Twenty-four-hour access.
- You can access your account from virtually anywhere.
- Conducting business online is generally faster.
- Many features and services are typically available online. (Loans, investments, interest rates, etc.)



## Disadvantages



- Not always secure. Identity theft is always a danger.
- Some online banks are more stable than others (cyberspace sites without branch backup).
- Some customer service can be below standard.
- Not all online transactions are immediate. Keep track of all online transactions in case of errors.



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## What's Next?

- “Brick-to-Click” banks.
- “Virtual” Banks.
- High End Television Systems.
- “Super ATM’s”.
- Mobile banking .



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