

Daon Biometric Platform for Payment Security

Privately held Daon came on the market 15 years ago in the aftermath of the September 11, 2001 terrorist attacks, supplying U.S. government agencies and



Daon

other public sector clients with biometric and other identification software to secure the U.S. and other national borders. Subsequently, as legacy security technologies to combat hackers demonstrated declining effectiveness — in addition to being inconvenient and irritating to legitimate users — Daon started to offer financial services and other private sector industries biometric-based (fingerprint, facial, voice recognition, and more) security protection from mobile devices through its IdentityX software platform.

USAA, the 10th largest U.S. credit card issuer and the 6th largest U.S. debit card issuer, has used Daon software over the last year to supplement usernames and passwords for authentication of 1.3 million cardholders wanting mobile access to account information. With Fido-certified IdentityX, USAA can offer its customers their

choice of biometric recognition modality — fingerprint, voice, facial, etc. It could also ask for a fusion of multiple biometrics to add extra security. Those combinations can be presented in parallel or sequentially. Daon's software development kit (SDK) is embedded in the bank's client-side (front-end) library and provides identity management on the back end.

Beyond added security for account access, the steady increase in card-not-present (CNP) transactions as a percentage of total purchase transactions is expected to spur deployments of biometric technology. Fraud increases as criminals move to CNP channels to stay ahead of EMV chip card protection at the point of sale. Further incentive for more reliable security comes from the concurrent increase among CNP transactions in the number of legitimate purchases a merchant's risk management system declines owing to fear of fraud. These "false positive for fraud" transactions will only increase. Biometric security can successfully combat fraud problems when combined with geolocation and behavioral analytics technologies.

Daon has licensed IdentityX to MasterCard, which has started to offer the software, supplemented with intellectual property it owns related to payment protocols, to card-issuing customers worldwide as part of its Identity Check program. The first Identity Check application uses fingerprint sensors and cameras (for facial recognition) in smartphones to authenticate online payments. BMO in Canada, ICS in the Netherlands, and First Tech Federal Credit Union in the U.S. have completed or are in the process of testing Identity Check.

Cardholders enroll with their

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card issuer, receive an activation code, and then download MasterCard's Identity Check app. At an ecommerce payment page when they are prompted to verify themselves, the Identity Check app in their phone triggers a pop-up that asks for verification of the transaction — and of themselves. They hold up their phone as if taking a "selfie" picture, blink — to demonstrate "proof of life" — and the verification is completed. The

> see p. 2

Daon Biometric Platform for Payment Security

from page 1...

image is destroyed. Alternatively, a cardholder could verify their identity using fingerprints. Issuers give their cardholders a choice.

Conor White is President, the Americas at Daon in Reston, Virginia, www.daon.com. Bob Reany is Executive VP for Identity Solutions at MasterCard Worldwide in Purchase, New York, www.mastercard.com.

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