AIB / ORBISCOM Innovation to Pioneer New Era of Credit Card Security on the Web

29th February 2000

A new era of confidence in eCommerce in Ireland and worldwide was heralded today (Tuesday 29th February 2000) when AIB Bank announced a 'global first' in conjunction with Orbiscom, a new independent Irish payment technologies company. Using Orbiscom technology, AIB will deliver a pioneering, secure internet payment service to its credit card customers under the transactonline brand, later this year. The announcement marks the latest step in the roll-out of AIB's strategy to embrace and leverage potential return from its internet based activities.

The new technology, which AIB has now integrated into its credit card clearing system, will enable customers to purchase products and services on the web using their credit card but significantly, without transmitting their credit card number over the internet.

Kevin Kelly, Managing Director, AIB Bank said: "From AIB's perspective, the benefits are clear. At corporate level, we have openly stated our intentions to embrace the potential of the internet. transactonline will add value to our already very competitive credit card products, specifically on the internet. Such are the benefits for the Irish online consumer that we expect to enable at least 50,000 Irish Visa cards with transactonline in the first 12 months, a proportion of which will be conversions to the AIB card. These cardholders, with their most fundamental safety concern resolved, will be inclined to spend increasing amounts online, with resultant cumulative income benefits to AIB. We estimated that transactonline enabled cardholders will be spending over IR£100m online annually by 2002.

transactonline will be a lead product in growing the customer base of 24hour-online, AIB's internet banking service, by over 300% this year to 100,000".

Research* shows that concerns about the potential for abuse of credit card information on the internet, is a major deterrent to participation for all segments of the e-payments chain – consumers, merchants and card issuers alike. Significantly, existing technologies, while addressing some of the issues, do not comprehensively address these concerns.

According to Kevin Kelly, "Using transactonline, AIB will address the needs of both merchants and online consumers. The primary focus has been on providing retailers with the ability to accept credit card payments online. The corollary is that customers must be willing and able to spend online. AIB's transactonline will generate a new confidence among consumers, increasing their inclination to spend online. This should, in turn, encourage businesses to proceed with the implementation of their eCommerce strategies."

The new service will be accessed by customers through AIB's award winning internet banking service, www.24-hour-online.ie. On an AIB visa card replica, the system will

generate a 16-digit alternative (called an O-Control™) for the AIB cardholder's real Visa card number. This Orbiscom controlled number will be transmitted over the internet to the merchant's web site who will process the transaction in exactly the same way as any other credit card transaction. Importantly, users can attach additional controls over the use of the number - for example, it may be valid for only one transaction and for a specific maximum amount. Users can generate as many O-Controls™ as they require, on demand.

Merchants will also benefit because each online O-Control™ they receive will have been verified and authorised against predetermined criteria specified by AIB and the cardholder. The generated O-Control™ has all the characteristics of a Visa card number so retailers will treat the payment identically to any other credit card transaction – with no technological or administrative modifications. When an O-Control™ is received by AIB, the Bank's payment system will unravel the O-Control™ and process the transaction, as normal. The Orbiscom solution has been accepted by Visa Card International for use over their international clearing and settlement systems.

"AIB is delighted to be the first to adopt this innovative technology. It will allow us to deliver a leading edge product to our customers and to continue to be a pivotal player in the domestic and international payments arena. Our new product will ultimately be recognised as a milestone in the development of eCommerce here and internationally - further strengthening Ireland's position as a hub for eCommerce activities and innovation" said Billy Andrews, General Manager, Electronic Banking.

AIB Bank will offer this unique service to over 300,000 of its Irish Visa card customers from August of this year. Additional eCommerce developments from AIB will be forthcoming in 2000.

Background Information

Research

Ernst & Young research (1998) highlighted major consumer concern about the potential for abuse of credit card and personal information on the internet. Seventy percent of consumers who had yet to make an internet purchase were uncomfortable sending credit-card numbers over the Web and almost half of consumers with internet access researched online and then purchased by fax or telephone.

The abuse or fraudulent use of credit card and personal information is also a major concern and impediment to eCommerce merchants and card issuers. Internet fraud losses are estimated to be as high as 30% of merchant sales on some sites. A Visa International survey reported that approximately 50% of credit card payment disputes are internet related although internet transactions represent less than 1% of card sales volume.

Amarach's Trendwatch Technology Survey (Q4: 1999) indicated that just over 1 in 8 (13%) of all Irish internet users had purchased goods or services over the internet in the preceding

12 month period. It estimated the actual number of online purchasers at approximately 58,000. Average spend is IR£133 per quarter suggesting an annual collective online spend of some IR£31m.

Notably, Amarach's earlier Eir-Commerce survey (July 1999) cited 'nothing available I want to buy' as an important reason (32% of respondants) for not purchasing online closely followed by 26% who had concerns about providing their credit card details over the internet. Some 20% had no means of paying online.

In the USA, where internet usage and functionality is at a more advanced stage, a very recent US survey (Frederick Schneiders) sponsored by eFunds, indicated that nearly 85% of Americans are concerned with the security of online transactions, such as credit card purchases on the web.