



Banks Batten Down

Financial institutions have put convenience before security in their online interactions with customers. Identity theft is changing that.

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Phishing begat pharming. The rogue employee stealing data evolved into conspiracy rings of people getting jobs solely to lay their hands on customer data. The crooks keep coming up with more devious and efficient ways to steal customer data and turn those ill-gotten identities into cash.

Banks sit at the forefront of trying to break that chain. Yet even as they scramble to head off threats, they haven't changed much about the way they interact with customers online. Few ask for more than an identifying number--often a Social Security or account number--and a simple password. Customer convenience has loomed larger than fear of cybercrooks.

But fear might be starting to win out. Last week, the largest U.S. online banker, Bank of America Corp., moved toward a stronger authentication process for its 13.2 million online customers, which it will offer free and make mandatory by year's end.

Other banks are likely to follow, as customers start looking at security before choosing an online bank, and banks realize they have to do more than just reassure customers that E-commerce is safe. "They need to do something because lost customer data is having an effect on consumer confidence related to online transactions," says Tony Caputo, CEO at SafeNet, an IT-security advisory firm.

Bank of America's new SiteKey service is designed to thwart scams in which customers think they're entering data on the bank's Web site, when they're actually on a thief's site built to steal data. That can happen through so-called pharming tricks, in which a worm tells a PC to reroute someone typing a bank URL into a browser to another site that looks like the bank's.

Bank of America's SiteKey applies what's known as two-factor authentication. When enrolling in SiteKey, a customer picks an image from a library and writes a brief phrase. Each time that person signs on, the image and phrase are displayed, indicating that the bank recognizes the computer from which the customer is signing on and letting the customer know the site really is the bank's. He or she