

CENTRAL BANK OF EGYPT
Egyptian Banking Institute



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Current Trends

Wearable Technology in Banking

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Introduction

While the world is still embracing mobile innovation and determining additional use cases for adoption, wearable technology is building upon this foundation to directly embed the power of smart devices to accomplish banking transactions. Today, we're closer than ever to wear a full branch experience.

To improve the adoption of wearable technology in payments, banks, device manufacturers, and lifestyle brands must work together. They must focus on strengthening its security and making it more user-friendly for customers. Most importantly, they must bridge the digital gap to make it more accessible for customers living in different areas of society.

At the same time, banks will need to be careful not to turn a blind eye to their older customer base which will continue to rely on branches and paper communication. Wearables will require banks to confront the reality of customer age differences and not only concentrate on the younger age groups. Accordingly, wearable technology shouldn't replace bank branches, but complement them.

Definition

The terms "wearable technology", "wearable devices", and "wearables" all refer to smart devices with embedded digital technology that is designed to be worn rather than carried to accomplish banking transactions instead of depending on internet or mobile banking. Therefore, developing apps for wearables can help banks meet customers' fast-evolving demand for digital interaction in the era of digitization.

The most common types of wearables are smartwatches and fitness trackers. They use services like Apple Pay and Samsung Pay to connect a device with a consumer's bank account.

Benefits of adopting Wearable Technology:

A few scenarios where wearables can provide great benefits:

- Wearable devices such as smartwatches or smart rings allow for the convenience of easy mobility and making quick “on-the-go” purchases by offering a seamless lifestyle that consumers have been expecting.
- Wearables offer consumers better access to convenient payment options on Android and iOS platforms and resulted in gaining the interest of players in the financial sector.
- Wearables could give customers notifications & alerts on the availability of new banking promotion features, a monthly statement, monitoring account balances, and the possibility of an overdraft.
- Wearables could allow banks to fine-tune anti-fraud processes. For example: instead of automatically blocking suspicious transactions, some of which may be legitimate, they can contact the customer in real-time to determine the right course of action.
- Wearables have the potential to be geo-tracked by incorporating **geo-location** features, which would enable banks to use convenience features such as helping customers find the nearest ATM, as well as letting customers make inquiries, transfer funds, and perform other transactions anytime & anywhere.
- Near field communication (NFC)¹ technology in wearables enables consumers to pay for items anywhere by simply putting their smartwatch near an **NFC-equipped** point-of-sale.

Challenges of Wearable Technology:

Technology & infrastructure:

Many merchants still have outdated POS systems that can't process NFC transactions to accept payments from wearable devices. To overcome this, some companies like Starbucks created their own apps that can provide mobile payments without the need for NFC-equipped point-of-sale. But the problem becomes as consumers will not want to wear separate devices for every retailer/ Merchant they visit, as that means that consumers would need a wearable device for every store they visit which is unreasonable.

Recent uses of Wearable Technology:

Customer preferences:

For some people, there is no real advantage to using wearable technology as many people prefer carrying around a wallet wherever they go. So why would they think of linking a wearable device with their bank information when all they have to do is take out a card. Accordingly, companies who specialize in wearable technology should think of how to make consumers feel that they need wearables as if it is their only option. On the other side, banks have to invest in developing banking-related wearable devices and their affiliated apps to make sure that the customer is satisfied.

Privacy & Security concerns:

People will use wearables, commonly in public spaces where network safety is not guaranteed. For this reason, banks should make sure all data, including PIN and account details, is encrypted, which means that a high level of data security is required. Furthermore, wearables should support advanced remote features that enable customers to perform a remote erase of all sensitive data if their wearable device is lost or stolen.

Some of the prominent players who have taken steps to promote wearables for payments include Disney, Lyle & Scott, Visa, Apple, and Mastercard as follows:

- **Lyle & Scott** - British menswear designer, Lyle & Scott, works with Barclaycard bank to create a contactless payment jacket. It is a chip in the cuff of the jacket that lets consumers pay for purchases without having to take out anything.
- **The Disney Magicband** - Disney created the Disney Magicband to let visitors to the park pay for different services & tickets.
- **Wearable technology for athletes** - During the Rio Olympics, athletes sponsored by Visa were given payment rings, payment bands, and smartwatches to help them make payments.
- **Apple Watch** - It uses the Apple Pay service to make contactless payments through the watch.
- **Ringly** - Mastercard has partnered with tech company, Ringly, to allow customers to use rings as a method of payment.

All of these wearable devices connect with bank accounts to allow consumers to make payments.

Some examples of banks adopted wearables:

Nordic banks:

Swedbank and Nordea, the latter being the largest bank in the Nordic region collaborates with Fidesmo specializes in wearables. Both banks are giving their customers with a Mastercard debit card the option of “tokenizing” the card and adding it to the wearable device. This means that any contactless transaction made with the wearable device is debited from their Mastercard account.

AXIS Bank:

Axis Bank became the first bank in India to launch its own range of wearable contactless payment devices ‘Wear N Pay’, these wearable devices are directly linked to the customers’ bank account and function like a regular debit card. Axis Bank’s new ‘Wear N Pay’ devices are available in a variety of accessories like bands, key chains, and watches.

BBVA Bank:

BBVA launches the Apple Watch app. BBVA developed this app so customers can also be aware of their overall financial position and check the total balance of their accounts; it can also display the difference between income and expenses for the day or the changes that have taken place since the last access. Another feature is the immediate access, which enables users to check their balance anytime.

Bank of America:

Bank of America and contactless payment platform provider FitPay have agreed to extend wearables payment services to the bank’s customers. The collaboration between Bank of America and FitPay will enable the bank’s credit and debit cardholders to make contactless payments directly from wearable devices at NFC-enabled point of sale (POS) locations.

The collaboration includes ensuring that all devices meet the bank’s technical usage, security, branding, and consumer experience requirements.

Qatar Commercial Bank (CB):

Commercial Bank, the leading digital bank in Qatar, has launched a new digital feature that enables payments through smartwatches. Commercial Bank cardholders have to register their CB Credit or Debit card details into their wearable smartwatch using the devices’ applications, and then make contactless payments by simply waving their smartwatch at any contactless supported payment terminals.

ADIB Egypt: BEAT

BEAT is a new Wearable payment device by ADIB in the form of a Wrist Band where a customer's card is built-in. BEAT wristband is launched to enable customers to easily pay for their purchases by bringing their wristband into close proximity to the POS terminals and the transaction will be done in seconds.

QNB Al Ahli:

QNB AL Ahli introduced its wearable prepaid payment wristband for contactless payments to offer an innovative, fast and convenient payment tool to customers anytime & anywhere.

Mashreq Tick Pay:

Mashreq Tick Pay is a bracelet with a smart chip that enables customers to make contactless payments in a safe and secure way by holding the bracelet near the contactless-enabled terminal.

saib Pay Band:

saib introduces "saib payband" for electronic payments, the electronic bracelet is worn in hand while the transaction is executed by tapping the bracelet over the electronic point of sale.

ARAB Bank: Bandpay

Arab Bank introduced contactless payment bracelets "BandPay" so customers will be able to make contactless transactions and payments from their accounts securely and on the go without the need to carry their debit cards.

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