



VETT and the OBeP framework Simply Secure™

Verified Electronic Transaction Technology (VETT)

About VETT

Intellectual Property patent number GB2367411 now referred to as VETT was filed in June 2000 and received UK grant of patent on 28th July, 2004 and is patent pending in Europe, North America and Canada.

VETT is designed to enable secure transactions between remote parties to facilitate commerce and enable paperless operation. Consumers will be able to access VETT through the Internet, Mobile phone (text and calls), Telephone, Fax, Post and face-to-face for the real world. The ubiquity of VETT overcomes most of the restriction imposed by other technologies and fully addresses accessibility issues.

"One could say that VETT is the Martini of transaction technology, anytime, anyplace, anywhere".

VETT will enable the irrevocable transfer of funds from virtually any form of financial account facility giving the payee a real-time guarantee of payment. VETT will also facilitate secure remote transactions for Credit and Debit Cards. This new technology will enable Merchants, Banks and other financial institutions to leverage current systems and assets. Further, it will minimise costs and help to deliver significant returns on current and future investment for remote banking and also Cardholder not Present (CNP) transactions.

Introduction

For some years commerce has been moving online driving an ever greater need for secure transactions which is only part of the story. To maximise commercial potential for remote commerce 'Users' (individuals, organisations, companies and Governments) must have confidence and trust in the systems and processes.

The European Payments Council (EPC) recognise this fact and have been working with the European Commission, Banks and other Associations to define a secure mechanism and set of scheme rules to facilitate commerce for a single European payment area. A task force (ePTF) was set-up in 2004 to design and recommend a 'best-of-breed' framework to enable the banks to compete with others such as PayPal who are starting to penetrate a market previously dominated by the banking industry.

About the market place

The market for secure remote transactions is far wider and more dynamic than that which is defined as online payments. There is more to the market than just the transfer of funds between accounts and the settlement funds which is traditionally the domain of the banking industry.

Within national boundaries financial institutions have established products and services which reflect local and national market operations. And in some regions such products and services have been introduced to meet the demands of the market.

The payment market includes:

- Online shopping for real world and online entertainment, white goods, software and food.
- Business related purchasing for wholesale supplies, data services, consultancy and online trading platforms.
- Financial sector for account transfers, payment orders (insurance, pensions and mortgages) bills including Utilities and Credit cards.
- Public sector for local and government services, VAT and other tax matters.

New Markets

The internet (in reality REMOTE commerce) has delivered a whole new range of opportunities across new markets and opened the doors to sectors previously reserved and considered the domain of the technology industry.

One major difference with VETT is that it treats a 'payment' as just one form of a 'transaction'. So the opportunities for VETT are dependant on 'how' and for 'what' purpose a transaction is deployed. This new and expanded market place for VETT will encompass:

- **Authorised Debit** a new banking instrument which will be seen by many as a natural development for the direct debit mandate. Authorised Debit will start life as a bill settlement system and develop to include P2P, B2B, EBPP, top-ups and a lot more.
- **Identity Verification** which could leverage the humble credit/debit card and enable individuals to say 'this is who I am'. This instrument will enable banks to leverage current resources and assets to generate new and profitable revenue streams.
- **Signatures**; just imagine the advantages, the administrative savings and revenue potential for a product that allows almost anyone to sign a document with a single phone call from almost any phone worldwide.
- **E-voting** for board meetings, shareholder meetings, local and national elections.

The aim of this document is to provide an overview of the potential for VETT and to generate dialogue between Financial Institutions, National and European Agencies and the Management of VETT and to raise the profile of a technology that could well offer a step change for more than just the financial services market. Can the banking industry really afford to let valuable assets lie idle?

Rationale and Advantages

VETT does not require consumers to modify their behaviour or to use any special hardware or software or devices, which offers a unique advantage over the majority of existing platforms and systems. Research published by DataMonitor shows that an estimated 84 million consumers will have Online Banking facilities by 2007. Also remember that VETT facilitates access via telephone and branch banking, figures not referred to above, highlights the market potential.

The European Payments Council are recommending to the banks in SEPA (Single European Payments Area) to adopt the OBeP mechanism. Data from EPC shows that Banks across Europe are moving towards the OBeP operational model providing a large market base to work from.

VETT design parameters are based on employing existing systems to leverage value from the time and money that banks and commercial organisations have already invested into the market for electronic transactions. It should also be noted that while OBeP is a suggested framework, VETT is a real technology.

Advantages to Consumers

- Familiar – the instruments are in regular use today across Europe.
- Access to VETT in combination with trusted banking systems will help to promote confidence for remote commerce.
- Payment for a purchase is guaranteed enabling Merchants to complete and ship goods/services immediately.
- Provides for a wider choice of payment options. The consumer can choose between cash, account facility or use credit for greater protection.
- Allows the consumer to specify and authorise delivery to an address other than their account address.
- Account details are never exposed to the Merchant, Employees or any other third party. (No personal account data will help minimise fraud).
- Consumers can settle immediately or repeat the order process to generate offers from other Merchants and then select the most competitive offer. This will be of particular benefit to business and for organisations that are required to use a tendering process – availability can be time related.
- Complies with the EU Distance Selling Directive to maximise consumer protection.

Advantages to Merchants

- VETT is not restricted to online sales but will compliment both mail and telephone order operations.
- VETT transactions provide a unique reference number which will enable Straight Through Processing (STP – paperless back office operation) and a transparent audit trail.
- The unique reference number also serves to match payment to invoice which will minimise unallocated cash.
- With cash settlement VETT provides an irrevocable payment guarantee, and for consumer credit options VETT will minimise repudiation and reduce charge-backs. Offering choice guarantees a wider market.
- Consumers use a Trusted Third Party (Bank, MasterCard, Visa, etc.) to Witness their authorisation of a transaction, to acknowledge receipt of the Merchant terms & conditions and confirmation for the delivery address.
- VETT is not a proprietary technology and so will not restrict Merchants to a prescribed list of system vendors.
- Consumers can use Cash; any recognised bank facility or a Credit account facility as a source of funds.
- VETT also provides marketing tools which will help Merchants to maximise the potential of their sales message.
- Minimise the Merchant's exposure to Employee and/or third party fraud.

Advantages to Financial Institutions

- VETT provides for more than just online Payments – the technology will open the market for an extensive range of new revenue generating opportunities – Identity, Signatures and E-voting and many more.
- VETT transactions provide a unique reference number which will enable Straight Through Processing (STP – paperless back office operation).
- Banks will be able to leverage current and future spending on systems, infrastructure and knowledge based operations more effectively.
- VETT is a single solution that will facilitate cross border transactions based on common and existing infrastructures for virtual and real-world operations reducing IT costs.
- A powerful bank based system that will provide a real alternative to the growing number of third party non bank services.
- VETT will open the market for banks to offer 'value added' services to most Users for example, loans, insurance etc...
- VETT does not require customers to interface with encryption technology.

Status

The Intellectual Property for VETT gained grant of patent on 28th July, 2004 with patent pending for Europe, North America and Canada.

VETT have raised the necessary funding to enable management to promote the IP to its target market in the UK and Europe and have established relations with a major platform provider to the payments market and are now actively seeking to develop marketing relationships in Europe with interested parties.

Important

There are NO security; operational or compatibility issues for VETT which can be best described as technology neutral. The role of VETT management is to promote and license the use of it's unique IP. This position will allow financial institutions (Banks, Card Companies, Associations and Regulators) to control scheme rules, cross border settlement and to develop their own time-lines for migration.

Business Case

Dr Michael Solmony of Transaktionsinstitut produced a report for the European Payments Council 'Online Banking as a European Internet Payment System' presented 23rd March, 2006. The 'Summary' from Dr Solmony recommends:

Consolidation of existing systems to provide consumers with an integrated system that will enable payments to be made to direct to Merchants from the User's bank account'. Dr Solmony cites the OBeP as an option but then goes on to say 'security issues to be treated by EPC security Task Force'.

VETT exceeds the specification outlined by the EPC e-Payment Task Force.

- By design VETT will integrate with the User's bank account and credit card.
- Ubiquity, VETT can be accessed via Mobile, Telephone and the Internet.
- VETT will leverage all existing and any new systems that banks employ.
- There are NO security or interoperability issues with VETT.



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Operational Scenarios

Retail purchase using VETT, a consumer can place an order:

- By phone to a Supplier/Vendor or via a manned or automated Call Centre, by fax, by mail, via a digital TV interface or over the Internet.
- VETT is not proprietary or restricted to any particular medium.

To complete a transaction the consumer can access the confirmation and authorisation operation in a variety of ways:

- Immediate confirmation of order – The User will simply close the session with the Merchant's facility and open a new session with their preferred bank or financial institution.
- Delayed payment – can be made via landline, Mobile (Text or voice), the Internet and even face-to-face through an Approved Agent (bank branch or Post Office).

Please make special note that VETT is not hampered by issues that have been identified with the OBeP framework.

VETT provides for Consumer access to any available account facility which can include any of the following:

- Current account (Cash),
- Savings account (Cash),
- Loan account
- Credit Card account (Scheme rules for credit cards apply)
- Loyalty account (substitute for cash e.g. Air-miles, Nectar)
- Trusted Third Party, (Privately organised facility) for a trading exchange.
- Stored Value Cards or Near-field systems (Pre-paid debit cards, etc)

New scenarios

- Identity Verification, when applying for credit, opening an account, for an insurance policy, mortgage or Police ID check, buying a mobile phone.
- Remote Signature to confirm and authorise a contract for a loan, mortgage, for a passport or driving licence.
- E-voting for meetings when away from the office, or for local and national elections.

A transaction can be so much more than just a simple payment.



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Outline of a VETT transaction

(The description below is intended to provide a generic overview of a VETT transaction a more specific description for operation will depend upon the application).

The User connects to a Website, reviews the available services, selects a service and then selects the VETT option to complete the instruction.

Details for the service are compiled and stored with a Unique reference awaiting authorisation. A copy of the compiled instruction is sent to the User electronically.

The User can now connect independently to their bank, access their online account facility in the usual manner and then select the VETT option. The User is prompted to enter only the Unique reference noted above.

VETT will locate the instruction from its database and report details to the User, and request authorisation for the instruction.

The User's authorisation will trigger a confirmation message from the User's bank to the Website Operator and a payment to the Operator's trading account.

The Website Operator will then process the User's instruction and deliver the required service.

Observations

The User provides their Name, a communications address and will specify the delivery instructions. (For a purchase via a Web Merchant the User will specify the delivery address).

The User does not expose their account details to the Website Operator, their employees or any other third party.

Connection details for Online Account Access (or number for Telephone Banking) are provided to the User by their bank.

All details for the instruction are routed via a second channel to VETT prior to the authorisation process. The User need only enter the Unique reference to identify the Merchant, the Merchant Bank, details of the instruction and the transaction value which will minimise administrative errors.

Conclusion

VETT does not require the User to employ any special device or software which also means no upgrades or replacing lost, stolen or broken items. Further, VETT is much more than a payment system. VETT is a secure transaction instrument, internet payments are just one of many potential applications.

VETT is unique because a transaction requires all participants to take two separate actions. And the processes are complimented by the fact that no one party ever has access to all of the transaction data. Quiet simply VETT deploys THREE factor authentication; it cannot be hacked and is resilient to Phishing.