

BANKING & INVESTMENTS

Biometric thumbprints, iris scans and facial authentication ... Oh my!

CULedger brings innovative security technology to state

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With emerging technologies like biometric thumbprint verification, iris scans and voice and facial authentication, CULedger is on the cutting edge of fraud prevention in the financial industry.

“Call centers across the credit union industry, and really any vertical industry that has a call center, are attacked on a regular basis by people who are attempting to take over accounts and who are fishing for information,” Vice President of Innovation and Product Development and CULedger Co-founder Rick Cranston said.

CULedger is poised to make that more difficult, he said. Cranston is also the director of business and product development at Mountain West Credit Union.

When conducting financial business on the phone, neither party—the banker or the customer—can definitively prove the identity of the other, Cranston said.

“The reality is, on any call, you really don’t know who I am. I tell you who I am, but I can’t prove it. The same for you—I don’t know who you are,” Cranston said. “The key here is to get credit unions and members to know who they are dealing with. Using technology—in this case, a biometric thumbprint—you call into a call center and say, ‘I am interested in transferring \$100,000 from my credit union account to my Wells Fargo account. Can you help me out?’

“The representative would say, ‘Great, thank you for calling. Let me authenticate (your identity),’ and your phone would give a buzz, and you would give a biometric thumbprint ... that is the initial piece, but there will be things like iris scans, voice authentication, facial authentication ... It just goes from there,” Cranston said.

At its core, CULedger is a shared-ledger technology that creates an online system, through which multiple certified parties can securely exchange information and conduct transactions, with those exchanges certified



PHOTO COURTESY OF CULEDGER

NEW ID TECHNOLOGY – A CULedger team works on new technologies to protect the credit union industry from fraud.

by all the organizations participating in a permissioned network. To do this, CULedger uses industry-leading distributed ledger technology that is being adopted by financial institutions worldwide.

Distributed ledger technology utilizes what is called block chaining, which is the same underlying technology used by cryptocurrencies like Bitcoin, Cranston explained, though CULedger does not use Bitcoin. A consortium of about 70 organizations across the United States and Canada provided funding for a proof of concept for call center fraud prevention technologies, which have been developed by CULedger.

Fraudsters will “go from institution to institution to institution, whether in Wyoming, Colorado, Arizona—our three (MWCU) states, or any other states—and they will continue to look for information,” Cranston said. “What we have created potentially is the technology that will allow for a near-instantaneous authentication ...

in a new, unique, incredibly fast way to fight that fraud.”

CULedger announced the formation of CULedger, LLC, the new credit union service organization, with credit unions as the vast majority owners, in August.

“CULedger is an opportunity for credit unions to be leaders of innovation in financial services,” Rudy Pereira, President/CEO Premier America Credit Union and chairman of the CULedger steering committee. “Getting involved now in CULedger and CULedger, LCC, will offer credit unions the ability to participate in shared-ledger technology that is on path to reshape the credit union industry as a whole in the years to come.”

CULedger is a national initiative, but the idea sprung from credit unions like the Mountain West Credit Union.

“Our goal is to implement the network and platform across the country, because this is a huge trend. How do we stay safe—that is the question,” Cranston said. “Some projections are

that the levels of identity theft and fraud will double by 2020.”

Call center fraud prevention is only the first innovation CULedger plans, Cranston said.

“From there, we will begin to implement the technology for teller lines, for example, in smaller credit unions that might not have a call center, and then it will also include not only home banking but mobile apps as well,” he said.

CULedger began in 2016 as an endeavor between Credit Union National Association and Mountain West Credit Union Association to develop a concept for a credit union system-wide permissioned distributed shared ledger platform. It has since grown with collaboration between CUNA, the Mountain West Credit Union Association, Best Innovation Group, and other credit union system partners.

CULedger is holding informational sessions for credit unions interested in investing in the new company through the fall, including one in Wyoming.