



Compliance Corner

FEDERAL RESERVE BANK OF PHILADELPHIA

Prepared for institutions supervised by the Consumer Compliance & CRA Unit

On-line Account Aggregation: Benefits and Risks

by Eddie L. Valentine, Supervising Examiner

On-line account aggregation is a relatively new technology, which is gradually gaining acceptance by consumers. Aggregation services gather consumer financial information from many web sites (e.g., bank, brokerage, mutual funds, etc.) and present that information in a consolidated format to a consumer. Typically, the aggregator obtains personal account information from these web sites by using customer-provided usernames and passwords. Financial institutions are beginning to offer this service hoping that they can use the information about a consumer's finances to cross sell their own products.

The key technology behind this new development in personal finance is screen scraping. Screen scraping employs the use of sophisticated software and a consumer's on-line account login information to access data from PIN-protected accounts. Typically, a financial institution provides on-line account aggregation service under its brand name through a third-party service provider. That service provider serves as a prime

contractor, specializing in gathering (screen scraping), storing, protecting, and presenting information to the consumer.

What are some benefits of on-line account aggregation?

There are a number of benefits of on-line account aggregation from both the consumer's viewpoint and for financial institutions providing the service.

Consumer Benefits

Consumers can obtain updates on data such as checking and savings accounts, mutual funds, 401k accounts, frequent flier and rewards accounts, travel reservation services, credit cards, and loans at a single web site utilizing only one login. This eliminates the need to visit multiple web sites and record or remember many PINs in order to obtain account information. Furthermore, at the same site consumers can get payment due or low balance reminders, on-line payment services, and, through some aggregators, financial planning features that track net worth. Moreover, the consumer can see a comprehen

IN THIS ISSUE:

On-line Account Aggregation: Benefits and Risks CC1

Consumer Complaint Function CC3

CIRCULATE TO:

- Compliance Officer
- Compliance Manager
- Compliance Staff
- _____
- _____
- _____

sive picture of their overall financial picture in a single convenient format, which enables more efficient budgeting and planning.

However, consumers should be aware that information culled from other web sites might not always be the most current data. The accuracy of the information will depend on the frequency of the screen scraping process to refresh data.

Financial Institution Benefits

The primary benefit of on-line account aggregation for financial institutions is their ability to expand customer relationships by leveraging their position as trusted financial intermediaries. The access to customer information is considered a gold mine for marketing purposes. If that information is properly massaged, financial institutions can cross sell an array of financial products, which may be offered based on the profile contained in the aggregation database.

What are some risks associated with on-line account aggregation?

There are several complex, risk-related issues associated with on-line account aggregation. However, for the purpose of this article, the focus will be on consumer compliance-related risks. Some of these issues include the safety of a consumer's money (security) and their personal information (privacy), as well as the liability associated with any unauthorized access to accounts. If a hacker accesses the information stored with an account aggregator, he or she may misuse it to the detriment of the consumer, who might then blame the financial institution for an unauthorized transaction. For this reason, account aggregators must protect the consumer's privacy and security.

Which consumer laws and regulations are impacted by aggregation services?

Aggregation business models and services are rapidly evolving, as are the underlying legal and operational structures. Federal Reserve Board staff is currently studying aggregation risks and the impact they have on current federal laws and regulations. Following is a brief discussion of some of the key compliance-related risks of aggregation services listed by law or regulation.

Regulation E - Electronic Fund Transfers.

The Federal Reserve Board took official note of the Regulation E issues raised by aggregators by requesting comments on aggregation issues in connection with a proposed revision to the Official Staff Commentary to Regulation E. The proposal requested information on how aggregators operate or plan to operate, on whether aggregators provide or plan to provide bill payment or other EFT services, and to what extent agreements exist between aggregators and account holding institutions.

There are two key Regulation E issues related to aggregation services which financial institutions should consider:

- Financial institutions and aggregation service providers should consider the possibility that providing customers with an automatic login feature to conduct electronic fund transfers on other entities' web sites could trigger the application of Regulation E. The automatic login feature allows customers to click a hyperlink and thereby

cause the usernames and passwords stored at the aggregator to be used to log into other web sites. Financial institutions that provide this feature might be deemed to offer, in essence, an access device for electronic fund transfer services.

- Financial institutions that provide their customers with usernames and passwords for electronic banking should be aware of possible exposure to liability under Regulation E. The potential exposure arises when the customer shares those usernames and passwords with an aggregator. If an attacker then steals the usernames and passwords from the aggregator and performs unauthorized transactions, it is unclear under the current regulation which party would bear responsibility for an unauthorized transfer.

Regulation P - Privacy of Consumer Financial Information

Financial institutions that provide aggregation services should be aware of various legal provisions protecting the confidentiality of consumer information that might affect aggregation activities. It is critical that financial institutions understand the application of the privacy provisions of Regulation P to the consumer information they collect. Financial institutions are strongly encouraged to proceed carefully before disclosing consumer information acquired in connection with aggregation services for any purposes other than providing the aggregation services sought by the customer.

continued on page CC4

The Federal Reserve's Consumer Complaint Function: A New SRC Responsibility

The *Federal Trade Commission Act* requires each of the federal bank supervisory agencies to establish a separate division of consumer affairs and to institute a procedure for handling consumer complaints regarding unfair or deceptive acts or practices of banks under their jurisdiction. Accordingly, the Board of Governors of the Federal Reserve System instituted a formal Systemwide procedure for handling consumer complaints regarding state

knowledge of an act or practice of a state member bank that the person considers unfair or deceptive may use the complaint procedure. While a consumer complaint may arise under an existing federal statute or Board regulation, a complaint may also be directed at an act or practice that is either expressly authorized or not prohibited by current federal or state laws or regulations. However, the complaint process does not apply to (i) requests for general information,

procedures for providing the Board with quarterly reports on the number and substance of complaints against national and insured state nonmember banks.

For a number of years, the consumer complaint function of the Federal Reserve Bank of Philadelphia was housed in the Department of Community and Consumer Affairs. Effective December 3, 2001, the consumer complaint function resides

Any person with knowledge of an act or practice of a state member bank that the person considers unfair or deceptive may use the complaint procedure.

member banks in January 1976. The procedure is designed to serve two purposes. First, it assures consumers of prompt and responsive action on their complaints involving state member banks. Second, it provides a mechanism for identifying those acts or practices at commercial banks that may require further investigation and possible regulatory action by the Board.

The Board's complaint procedures are not limited to customers of the state member bank in question or to those acts or practices that are already the subject of federal regulation. Any person with

such as statistical data; (ii) requests for publications; or (iii) complaints about such matters as monetary policy, fiscal agency functions, or Treasury issues.

The Board's consumer complaint procedures cannot be used in connection with complaints against banks other than state member banks. These complaints are referred to the agency with jurisdiction over that institution. However, to provide the Board with comprehensive current information on complaints against commercial banks not under its direct supervision, the OCC and the FDIC have established ongoing

within Supervision, Regulation and Credit. Future additions of *SRC Insights* and *Compliance Corner* will contain brief updates on the number and type of complaints received by this Reserve Bank.

For more information on the consumer complaint function, contact John Fields, Supervising Examiner (john.fields@phil.frb.org) at (215) 574-6044 or Connie Wallgren, Consumer Compliance and Community Reinvestment Act Examinations Unit Manager (connie.wallgren@phil.frb.org) at (215) 574-6217. ■

A financial institution that provides aggregation services should ensure that its privacy policy accurately reflects the categories of information that it collects and discloses in its aggregator role, which may differ from the types of information that the financial institution collects and discloses with respect to customers of its own products or services. Given that a financial institution that offers aggregation services may have access to a customer's entire financial portfolio, the financial institution may need separate notices for its aggregation customers in order to permit these customers to make an informed decision about the bank's privacy policies and practices.

Fair Credit Reporting Act

Financial institutions also should be aware of the possible application of

the *Fair Credit Reporting Act* (FCRA) to the sharing of information collected through aggregation activities. Under the FCRA, a financial institution may freely disclose to other parties its own transaction or experience information that bears on consumers' creditworthiness, personal characteristics, or mode of living. However, the sharing of information that does not relate to a bank's own transactions and experiences, whether to affiliates or other unrelated third parties, may trigger the requirements of FCRA.

If an aggregator discloses to nonaffiliated third parties consumer information that it compiled from other financial institutions, such as deposit account information, the aggregator could be considered a consumer reporting agency under certain circumstances, even if the aggregator has received a consumer's consent for such disclosures. Consumer reporting agencies are subject to a variety of requirements under FCRA. Additionally, aggregators that share such information with their affiliates could be considered consumer reporting agencies under certain circumstances, unless they comply with FCRA's notice and opt-out provisions.

Conclusion

Financial institutions that offer on-line account aggregation services should implement effective controls for managing the associated risks and complying with legal and policy requirements. Customer disclosures should be effective in averting potential customer confusion about the bank's roles and responsibilities and the nature of risks associated with the products or services offered.

If you have any questions regarding on-line account aggregation services, please contact Supervising Examiner Eddie L. Valentine (eddie.valentine@phil.frb.org) at (215) 574-3436 or Connie Wallgren, Consumer Compliance and Community Reinvestment Act Examinations Unit Manager (connie.wallgren@phil.frb.org) at (215) 574-6217. ■



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