Applying new technologies to existing payments mechanisms has resulted in new breeds of payments, as well as new breeds of financial services. Therefore, financial institutions are no longer limited to providing customers with paper statements, face-to-face visits and touch-tone telephone services. Now they can give customers access to images of paper checks, account balances and demos of product offerings all via the Web. Account aggregation could be considered the natural next step.

Pioneered by non-bank technology companies such as Ezlogin.com, VerticalOne and Yodlee, account aggregation is a financial service that offers consumers a way to consolidate — typically on a Web site — the account information they now maintain on various Web sites. By furnishing the service provider with their user names and passwords, consumers can view information from their checking, savings, credit card, brokerage, mutual funds and reward programs in one place electronically.

Early resistance
Even though some consumers find this online consolidation feature attractive, few financial institutions embraced account aggregation when it was introduced. Because aggregation service providers often populated their sites by screen scraping, or “lifting” customer information from the data owners’ Web sites — generally without the site owners’ knowledge — the service met with considerable resistance. In fact, First Union Bank of Charlotte, North Carolina, filed a complaint against Secure Services, Inc., provider of the Paytrust.com’s “Smartbalance” e-billing feature. Among First Union’s concerns were alleged unauthorized access to information, trademark and copyright infringement, misrepresentation of a relationship with First Union and misleading customer information. First Union later dropped the suit after reaching an understanding with Secure Services.

Shifting attitudes
Since First Union filed its complaint in December 1999, two key developments have alleviated many of the early concerns. First, there is an increasing awareness that account aggregation not only assists consumers in managing their financial and personal information, but it also offers benefits to financial institutions. Yodlee collected demographics that suggest the most active users of account aggregation services are a highly profitable market segment that can be categorized as “highly educated, affluent, early Internet adopters.” These individuals tend to be Web-savvy and deal with multiple online accounts to manage their financial and personal information. Offering account aggregation services presents financial institutions with cross-selling opportunities, a way to enhance existing customer relationships, and perhaps more important, a tool for retaining valuable customers. Realizing the business as well as consumer benefits, financial institutions are entering into distribution partnerships with non-bank providers to include account aggregation in their suite of Web product/service offerings. Institutions such as American Express, Chase Manhattan Bank, Citigroup, Fidelity Investments, Morgan Stanley Dean Witter & Company, and even First Union have partnered with non-bank technology companies to support their own private-label aggregation sites. Now, instead of “scrapping” data from sites, many providers are receiving direct data feeds, which provide more accurate and timely updates of customer information.

A second factor is that various financial industry participants have started to discuss the roles and responsibilities of account aggregation providers. During
the first quarter of 2001, the Office of the Comptroller of Currency (OCC) issued OCC Bulletin 2001-12, which discusses guidelines for financial institution-provided aggregation services and suggests control mechanisms financial institutions should consider when they offer aggregation services (www.occ.treas.gov/bulls01.htm). Furthermore, the Bank Industry Technology Secretariat (BITS) has released guidelines to help the industry respond uniformly to aggregators. Among the issues BITS contemplates are security, technology and standards; privacy and information use; financial aggregation business practices; customer education; and the legal and regulatory framework associated with account aggregation (www.bitsinfo.org/aggregator.html). In addition, in June 2000, the Federal Reserve issued a Request for Comment to Regulation E in which it asked how aggregators operate or plan to operate, whether aggregators provide or plan to provide bill payment or other electronic funds transfer (EFT) services, and to what extent agreements exist between aggregators and account holding institutions. That comment period ended last year, and a Fed response is forthcoming. As a result of all these discussions, guidelines have been established that have begun to clarify the roles and responsibilities of service providers, financial institutions and consumers.

Increased interest
All of these developments are evidence of the growing interest in ensuring that account aggregation is a viable and secure financial service. As the involved parties continue to clarify roles and responsibilities, comfort with the technology behind the service will likely increase and encourage new participants to enter the market. Variations of the original aggregation model of a third-party managing the aggregated information are already emerging. A company called ettaché.com in Mountain View, California, provides an account aggregation platform that allows the client to retain ownership of aggregated data in-house. Included among ettaché.com’s customers are Heritage Commerce Corporation and Franklin Covey Company.

Another service provider, CashEdge Inc., has created Transaction-Enabled Aggregation, which transitions account aggregation from a purely financial information management tool into a financial transaction tool. The New York-based company has designed a funds transfer service that works with all major aggregation platforms to enable consumers to move money among their accounts at any of the 20,000 financial institutions in the United States. Current CashEdge distribution partners include Royal Bank of Canada, Laurentian Bank and Yahoo Finance.

On the horizon
Finally, on the horizon is the ability to send and receive e-mail, pay bills and make purchases and person-to-person payments from aggregation sites. Integration of transactional features such as these likely will result in account aggregation becoming even more attractive to consumers and thus more will go online to conduct financial transactions. The “trust advantage” enjoyed by banks, savings institutions and credit unions may draw such consumers to financial institutions that incorporate account aggregation in their suite of Web product/service offerings.