



THE COMPUTERWORLD HONORS PROGRAM

CASE STUDY

ORGANIZATION:

E*TRADE FINANCIAL

PROJECT NAME:

Complete Protection Guarantee

Summary

As the financial industry's challenger brand, E*TRADE FINANCIAL is constantly looking for ways to improve the customer experience and its offerings, including deploying comprehensive measures to ensure the security of personal and account information. The Company maintains strict physical, electronic and procedural safeguards that are designed to meet or exceed industry standards and back it up with the industry's first customer security promise – the E*TRADE Complete Protection Guarantee. E*TRADE FINANCIAL provides this guarantee to its customers, which covers them against fraud losses that may result from the unauthorized use of a brokerage, banking or lending account. The Guarantee complements E*TRADE's multi-layered approach to customer security. The layers of security work to promote customer education; thwart phishing, keylogging and spying; identify high-risk electronic transactions; and provide multi-factor customer authentication. E*TRADE FINANCIAL also offers customers a two-factor authentication hardware-based token program, called the Digital Security ID that renders a customer's account virtually impenetrable to identity theft.

Introductory Overview

E*TRADE FINANCIAL is a global financial services company that provides an integrated offering of trading, investing, banking and lending solutions to retail and institutional customers. E*TRADE FINANCIAL, at the core, is a technology-based company; and the expectations customers have of the Company, versus a traditional brokerage or banking firm, are very different. Customers expect speed and convenience, competitive prices, innovative products, and above all, advanced security.

Identity theft is a real concern for today's consumers, both online and offline. Perpetrators are becoming increasingly sophisticated, placing an increasing number of consumers at risk. With this in mind, online security is a partnership between E*TRADE FINANCIAL and its customers, one that involves advanced technologies, preventive measures and consumer education. E*TRADE deploys the industry's most aggressive security initiatives and solutions to safeguard its systems and protect its customers, all of which are designed to exceed industry standards.

LOCATION:
*New York, New York,
United States*

YEAR:
2006

STATUS:
Laureate

CATEGORY:
*Finance, Insurance and Real
Estate*

NOMINATING COMPANY:
RSA Security



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E*TRADE FINANCIAL led the industry in early 2005 when the Company announced it would be the first financial services firm to make a two-factor authentication security solution widely available to its U.S. retail customers. Branded “E*TRADE Complete™ Digital Security ID”, the additional security measure incorporates a SecurID “token” from RSA Security to help prevent unauthorized access to a customer’s account. The solution provides customers with a unique password every sixty seconds that renders a customer’s account virtually hack-proof.

This past January E*TRADE FINANCIAL led the industry once again with the introduction of the E*TRADE Complete Protection Guarantee, the first of its kind program that provides complete fraud coverage, as well as complete bill payment protection and complete privacy protection to all E*TRADE customers. The E*TRADE Complete Guarantee covers any fraud losses within an E*TRADE account that result from the unauthorized use of investing, banking or lending services.

Benefits

The E*TRADE Complete Protection Guarantee provides customers with peace of mind when transacting online with E*TRADE FINANCIAL. Many consumers do not maintain the protection necessary to keep their home PCs safe from fraudsters. In addition, they may not be aware that they are placing their home PC at risk, and thus their identity, by not maintaining basic protections.

E*TRADE FINANCIAL recognizes consumers must feel confident when they are transacting online. The E*TRADE Complete Protection Guarantee provides customers with an explicit commitment that E*TRADE FINANCIAL will stand by them if they are victimized by fraud in their E*TRADE banking, lending or investing account.

The Complete Protection Guarantee was a first of its kind promise to individual investors. As a catalyst for change, the actions by E*TRADE FINANCIAL has prompted others in the industry to make similar pledges, benefiting all investors. In addition, E*TRADE FINANCIAL remains the leader in offering token-based two-factor authentication as an options for its customers – the gold standard in customer authentication.

The Importance of Technology

A number of U.S. regulatory agencies have focused the spotlight on the rising threat of online fraud to consumers. Recently, the FFIEC issued a letter urging bank members to consider implementing stronger forms of authentication and conduct transaction risk assessments by the end of 2006. In addition, the SEC posted an online communication to online investors which counseled them to better protect themselves against online fraud.

Online fraud is a continuing problem and fraud protection is a crucial issue that consumers face daily. E*TRADE FINANCIAL recognized early on that comprehensive protection is important to financial consumers. The Company’s universal approach to customer protection includes the over arching promise of a protection guarantee in addition to the deployment of many technologies, including:

Digital Security ID: A two-factor authentication device that acts as an added customer protection to prevent account compromises in the event of a keylogging or phishing attack. This solu-



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tion is optional and available to all customers.

Real-time account validation system: Applicable to our QuickTransfer money transfer facility, a customer can add and validate his/her ownership of an outside account.

Anti-fraud, anti-theft program: E*TRADE flags unusual patterns in bank accounts. If such a pattern pops up, E*TRADE calls the customer to alert him/her.

Cash transfer security measure: When a customer places a wire transfer request or sets up an ACH transfer request, he or she must wait for an email with a unique confirmation number to be entered. The email message can also be sent to a customer's cell phone or PDA.

Phishing monitoring and response: E*TRADE has implemented the industry's best practices from RSA Cyota -- in detecting and responding to phishing attacks. This allows us to detect attacks immediately and shut down fraudulent sites as soon possible.

Strong authentication for all customers: Working with RSA Cyota, E*TRADE FINANCIAL provides a higher level of transactional authentication for all customer accounts. Based on factors such as a digital on-line fingerprint and account activity, customers may be asked for additional authentication for selected high risk transactions.

Free keylogger and spyware prevention: E*TRADE makes free software available to all its customers to detect and prevent keylogger viruses and spyware. Most financial fraud is committed via keylogger viruses stored on a customer's personal computer.

Protecting customer account information by:

Requiring customers to enter a unique user ID and password to access their account information on-line

Using firewalls and other security technology to protect our network and systems from external attacks

Enabling our servers with Secure Sockets Layer (SSL) technology to prevent unauthorized parties from viewing the non-public personal information that you provide or access during a secure session (Look for the padlock icon on the browser)

Employing VeriSign's digital certificate services to authenticate a customer's identity each time he/she transacts on our website

Originality

When the E*TRADE Complete Protection Guarantee was launched this past January, the program was the first of its kind in the financial services industry.

The ground-breaking E*TRADE Complete Protection Guarantee includes:

Complete Fraud Coverage: E*TRADE Securities or E*TRADE Bank will cover losses arising from fraud in an E*TRADE account that results from the unauthorized use of its investing, banking or lending services

;Complete Payment Protection: In the unlikely event that a customer's brokerage, banking or loan payment is not sent as instructed, that customer will promptly be provided with full reimbursement of any related fees, penalties or finance charges



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Complete Privacy Protection: E*TRADE will not sell a customer's personal information to third-party marketers for any purpose

Our program was the first of its kind in the financial services industry.

Success

Our efforts to deploy the most comprehensive security measures to ensure the protection of personal and account information builds on our overall customer value proposition to deliver positive growth for the business. Our CPG program is fully operational and has increased customer confidence by providing our customers with that added peace of mind with regard to security. Customers and potential customers are rewarding E*TRADE for its aggressive approach to security by bringing more of their business to the Company. For example, customers who elect to use our Digital Security ID token-based solution typically expand their relationship with E*TRADE, on average increasing their cash held with us by approximately 20 percent.

N/A

Difficulty

The most difficult aspect of deploying a multi-layered security solution is ensuring that we do not place an unacceptable amount of friction on the customer transaction process. Our biggest concern is introducing well-intended roadblocks that would interfere with legitimate business. Our approach of testing solutions in advance of a full roll-out, and ensuring that we educate customers about the importance of security, has proven effective.