

## **ELEPHANT TALK (ETAK): Walking the Walk**

Yesterday, I spoke with Steve Gersten, who heads sales, marketing and business development for both ValidSoft and Elephant Talk in North America. Gersten is a veteran of the software industry and he believes that ValidSoft's solutions for the \$100-billion-plus global credit card and banking fraud problem is far out ahead of the nearest competitors.

Within a few weeks, ValidSoft expects to be awarded the EU Privacy Seal, something that will further separate the company from the rest of the pack. The EU has the most stringent rules in the world for certifying IT products and privacy compliance -- and ValidSoft will be the only company of its kind to earn the distinction of having the EU Privacy Seal. It will be reassuring to buyers and benefit ETAK around the globe.

Electronic fraud is a delicate subject and one that the world's big banks do not like to advertise. When you look at the numbers below you'll better understand the massive losses and costs banks are compelled to recover through their creative and inventive bank and credit card charges:

- \* Card-not-present fraud cost the U.S. financial industry a whopping \$52 billion in 2008!

- \* Card-present credit and debit card cost fraud cost the U.S. financial services industry another whopping \$50 billion in 2008!

- \* Internet banking fraud cost the U.S. financial services industry \$15 billion in 2008.

- \* Telephone fraud cost the U.S. financial services industry \$15 billion in 2008.

The above numbers total a staggering \$132 billion in one year, but without a new and effective solution to this problem market research firm, Gartner, predicts that the cost of card fraud to the industry will increase threefold during the next three to five years.

Gersten himself, an ideal customer to use online banking services, won't do it because of the obvious (and not-so-obvious) risks that abound!

What the industry refers to as "man-in-the-middle" and "man-in-the-browser" attacks can't be stopped by antivirus and anti-hacking technologies. And the currently applied solutions are expensive, risky and require high administrative commitment.

As you can see, any company that can deliver a superior solution for bank and other financial firms' fraud stands to become amazingly successful!

### ***Mobile Matters***

ValidSoft's financial fraud solution is what techies call "out of band," meaning that it doesn't use the Internet -- a playground for fraudsters with more holes than

Swiss cheese.

Instead, ValidSoft engineers created an elegant solution that verifies and authenticates individuals and transactions using mobile telecom systems. In contrast to the openness of the Internet, mobile communications was built to be secure, and that's where Elephant Talk Communications enters the picture.

ETAK has mastered the backend of mobile systems and partnered with major telecom players. Together in one company, ValidSoft and Elephant Talk can deliver the total solution and the ubiquity of mobile phones is the key to success because it will allow banks to easily "connect" with customers through their cell phones.

The value proposition is really quite simple, and therefore equally eloquent: You give the bank your cell phone number and that information, combined with the ValidSoft solution, allows the bank to guarantee that your transactions are completely safe.

A decade ago there were fewer than 500-million mobile subscriptions worldwide. Now there are about 4.6 billion. In rich countries cell phone subscriptions outnumber the population, while in many poorer countries as much as half the population has gone mobile already.

To tap the cell phone population, Elephant Talk has made significant inroads into European markets by working with partners like Vodaphone; and in South America, too, ETAK is gaining momentum in major markets.

For its part, ValidSoft has devoted nearly a decade to developing and rigorously testing its technology. Now that ValidSoft is owned by and integrated with ETAK, ValidSoft is ready to convert banks that have completed required trials and should soon nail down at least one major customer.

Once that happens, ValidSoft will begin generating revenues based, in part, on a per-transaction model -- an annuity that keeps on giving and giving. After the first success, and as other banks come aboard, ValidSoft will scale up its solutions and the sales numbers will very quickly reach the level of staggering.