

New Advanced Identity Verification Technology based on Face Recognition and Mobile Intelligence can Replace Passwords and Security Questions, Increasing Customer Convenience while Removing Fraud and Identity Theft



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CEOCFO: *Mr. Mogollon, what is your approach to advanced identity verification at PersoKey, Inc, www.persokey.com?*

Mr. Mogollon: I think that times have changed. We have been using identification mechanisms that are very dated, starting with social security numbers that were established in the 1930s. The world has changed completely and is in need of a more secure and updated identity solution. Our company is basically developing the next-generation of identity

verification based on two factors –what you have and who you are. The first factor – what you have – is the SIM card on your phone which is the best device ID that we all carry in our pockets and can represent you as a token. The second factor –who you are –is a selfie taken with the camera in the smartphone. We combine your best device ID and the person who holds that phone and we start to build the best mechanism to understand who is behind the transaction.

CEOCFO: *When you are looking at someone’s face it does not always look the same. People change their hairstyle and perhaps grow a beard. How does it capture an image that will work no matter what variations a person has in what they look like any given day?*

Mr. Mogollon: That is a very good question. All of us personally are human beings and our bodies keep changing. However, the technology behind the face recognition has to be flexible enough to detect changes. What we look at is the face on multiple angles, including the mathematical representation of your face, which includes proportions from eyes, nose, mouth and so on, which multiple times keep constant, unless you have very severe alterations of the face. We also look at certain things like your beard and things like that as a secondary signal. However, for the most part our technology is able to recognize a person even if he has glasses or you grow a mustache or you shave your beard of you have different makeup. Therefore, technology is able to deal with those changes.

CEOCFO: *How would it work at the time of a transaction?*

Mr. Mogollon: What we need to think about is, at the time of proving who you say you are, it should be as simple as just taking a selfie or confirming your transaction from a trusted device with a few clicks. “If your face has not been registered with the platform before that is not a problem, because we have certain algorithms and technologies that can even calculate a score that tells us if we believe the face captured is yours”. If you are registered with the platform then we compare that capture of your face with a pre-recorded map of your face and within a couple of seconds, literally, you can get authenticated. This would be some calling a bank and saying, “I lost my card,” or “I need to do this wire transfer,” and then the bank would challenge you instead of asking you security questions. You would simply activate the app on your phone and pass verification using a selfie or using a mobile device for identification. It is very, very simple, reducing the time to authenticate by more than 80% while elevating the security of the transaction and protecting the customer identity.

CEOCFO: *Is the assumption that everyone will be doing everything with their phones as we move forward? Do people who prefer to use their laptops just get left behind?*

Mr. Mogollon: Of course not! People are used to getting things done quickly and transactions are different from very small transactions; let us say one transfer, P2P, Person to Person payment. A transaction of one hundred dollars might not require the same rigor that a one hundred thousand dollar wire transfer might require. The answer is that the authentication that is required needs to be adjusted by risk. For example, for a very low risk transaction all we might need is just to prove that you have the device ID with you. The SIM card actually allows you to prove that you have that device, that it belongs to you and maybe that takes less than one second to actually authenticate using that way. If we are talking about higher and higher risk transactions, in that case perhaps using location or using the face recognition will be required, depending on the transaction itself and depending on the device that you are using. Banks can create rules in our platform to verify people with higher levels of authentication as they are required by the risk of the transaction.

CEOCFO: *Where are you today in the development/commercialization process?*

Mr. Mogollon: We've just finished the first version of our platform, which includes the integration with mobile network operators (MNOs). Therefore, we have integration with Verizon, AT&T, Sprint T-Mobile and other carriers in the U.S. That gives us access to over 250 million mobile subscribers, so we can have an understanding of what the SIM card is running on the phone, who it belongs to, what the phone number is and for how long, if it is a pre-paid or a post-paid; all of that is available and aggregated in a trust score. On top of that we have developed a portal that banks can use in the call center. We even have an SDK that we can put in the banks mobile app or we can also have a Fintech company interacting totally online. We have developed all those solutions and they are available now for the banks. At the same time, we are now developing a version that will include the face and that will come in the next few months.

“Most companies are “silos” and provide a single solution putting the burden on the bank to integrate them all together... We have combined everything into one single solution... instead of trying to connect all the solution components yourself, you plug into our simple solution that has everything inside and you do not need to integrate anything.”- Frank Mogollon

CEOCFO: *What have you learned throughout the development process? What might have changed from the original concept?*

Mr. Mogollon: I guess that is something that is super critical. When I started the company I thought, “Ok, we need to do something in face for sure and we need to do it this way and this way and this way.” I quickly realized that that is fantastic for certain transactions, but for other transactions we needed to tone down the friction or that level of authentication that is required. Therefore, having been able to adapt is important, having been able to listen to prospective investors in important. We pivoted the company in September of last year when we realized that what we were building was great, but it would only work on a particular set of transactions. At that time I realized that we need to have a different version of the product that helps us to authenticate people faster for transactions that might not require that level of rigor. Therefore, learning how to be flexible and learning how to listen to customer feedback or investor feedback is critical to basically be able to build something that is best in class.

CEOCFO: *What has been the reaction when potential customers have looked at this?*

Mr. Mogollon: First of all, I do not think there is something in the marketplace that combines everything that we are putting together in that solution. Therefore, that itself is interesting. However, when they see the demo their reaction is typically, “It is beautiful!” That is what most people say; that this is beautiful. I was recently in a conference in Washington DC, showing it to people, including one of the largest manufacturers of mobile devices in the US. Those people are very, very critical of the design of their solution. As a result, I was invited to present it to their leadership team as a solution that could add value to their mobile wallets. The reactions are “Wow” and “Beautiful”. It really eliminates much of the frustration that is today required when people are authenticated by banks.

CEOCFO: *What is the competitive landscape? It seems that many people are working on or at least putting forward a great many ideas about how to prevent fraud. Why is PersoKey better, different, more user friendly; all of the good things that we want?*

Mr. Mogollon: Fraud is really very complicated to solve. It is not going to be solved with a simple solution. There are many, many companies that add value in the fraud space; including us. What I can see is that we are different in several ways. The first one is that if you look at what is out there, “most companies are “silos” and provide a single solution putting the burden on the bank to integrate them all together”. One company provides a face recognition solution. Another company provides a voice recognition solution. Another company provides device ID solutions. We have combined

everything into one single solution. The second differentiating factor is we made our solution very easy and low cost for banks to implement. Our platform can be up and running in less than two hours. We can give you, as a client, access to our platform for your call center and you will be up and running within a couple of hours, literally. None of our competitors can actually do that. Since we have bundled everything into a single platform the cost of implementation and integration diminishes dramatically. Therefore, instead of trying to connect all the solution components yourself, you plug into our simple solution that has everything inside and you do not need to integrate anything. We can even send a text to the device or the mobile phone on behalf of the bank. I think this is perfect for the majority of banks and credit unions that are looking for a simple cost effective easy-to-integrate solution, and very effective in eliminating fraud.

CEOCFO: *What have you learned from past experience in bringing a product to market in the fraud prevention industry and the people that are looking to make decisions? What do you understand that perhaps others who might be new in the overall industry do not?*

Mr. Mogollon: My years at American Express have taught me a lot about what banks are looking for from their perspective. I understand how difficult it is to integrate solutions, how difficult it is to make resources available at the bank, because of my experience of more than thirteen years with Amex. I really wanted to make something simple, something that is easy and fast and cost effective to integrate. I know decision makers look at how effective the product is, what the coverage of the product is, how easy it is to integrate and what would it cost me. When you look at all those factors, I am building a solution that can basically accommodate and be the best in class in every single one of these dimensions. It is cost effective, fast to integrate and very effective at eliminating fraud and most importantly, convenient to the customer; convenient in reducing the frustration of answering questions and replacing it with a very simple, simple authentication that requires just a few clicks on a smartphone. Those are the experiences, balancing the security and the convenience and at the same time making the solution easy to integrate and cost effective.

CEOCFO: *How do you get your foot in the door to present Persokey?*

Mr. Mogollon: I have been very fortunate. I have been someone who has a name and the credibility in the marketplace. When I was with American Express I was in charge of fraud for online, mobile, identity theft and data breach detection. I created many, many capabilities in Amex interacting with companies like Apple, Google and Facebook. Then you learn. You learn many of these things and you make a lot of contacts with all the banks and companies. Therefore, for me being someone who understands this very deep and has the credibility and the reputation in the marketplace; it allows me to open doors that perhaps would be more difficult for someone who is just a technologist. I typically engage banks or a potential client through contacts that I have in my network. Those contacts can also be attending a conference where I am a speaker, so doing the rounds as a speaker in identity theft as an expert in this field helps me to be able to showcase the new technologies such as biometrics, blockchain security, the device ID and the SIM card authentication, as a mechanism of building the best system from the thought leadership perspective. Then that helps me basically get some attention from the big players and that allows us to book a demo. When they look at the demo it is basically a much easier path to implementing our solution with a new client.

CEOCFO: *Are you seeking partnerships, funding or investors at this point?*

Mr. Mogollon: Right now we are running an early stage funding round. We already have a strategic investor. It is someone who has strong connections in the logistic industry. However, we are running early stage funding with some angel networks and early stage funds in Arizona. Our goal is basically to have our first clients using our solution this year, grow our company, and go to SERIES A funding early next year. For partners, we are starting conversation with key companies that currently offer software platforms to banks and credit unions, and who will benefit of having our security platform as a plu-in for their clients.

CEOCFO: *What is the takeaway for our readers? What should people remember about PersoKey, Inc?*

Mr. Mogollon: What I would like them to remember is that after chip cards, we the humans, we the consumers, became the weakest link in the ecosystem. Unfortunately, the bad guys have moved from attacking the plastic to attacking the person. Therefore, it is in everyone's interest to protect our identities. More and more we are going to need the consumer to take a more active role in owning those identities. Therefore, PersoKey is the company that is going to be able to empower the consumer to own their own identity by basically having their biometrics, having their mobile ID as part of our system, that they own and they control, instead of static data that can be compromised. We are moving away from data such as secret questions, which are stored in databases that can be breached by the fraudsters. We want to move to a system where consumers are able to own their identity themselves powered by biometrics such as their face characteristics, their mobile device and so on. I want them to think of a more secure system, where people control their own identity in a more convenient and more secure system, instead of trusting some company with databases with security questions that can be easily breached.