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New Venture Fights 'Phishing' Through Parallel eMail Channels

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Recent reports show that up to 90 percent of emails received at home and at the workplace consist of spam--or in their more vicious forms, phish, spyware and viruses. According to Joe Sowerby, CEO of Armored Online, Salt Lake City, no one should be surprised by this.

SowerbyJoe"Email was never designed to be a secure system-it was designed to be a many-to many system, when in reality companies want it to be a one-to-one system," Sowerby told MBA NewsLink.

For financial services companies, the problem is more acute. "When I'd ask banks about message security, they said they weren't doing much, and it didn't hit home until phishing came on," Sowerby said. "Consumers get emails from a company saying, 'don't open an email from us, because we wouldn't send you one-and that's when we realized the companies couldn't claim their own email because the criminals took the channel away."

Armored Online, created this year, is the brainchild of Sowerby and his partners. The idea for Armored Online incubated for a number of years, he said, dating back to his days at Apple, where he helped designed the company's client server division.

That's how I discovered how flimsy email is," Sowerby said. "We were sending each other test messages as a gag. Within my own group, we were building the servers, and we were sending each other messages, and it looked like it was coming from our CEO. That's easy to do, which is why phishing attacks are easy to do."

In 1998, as eSignatures were about to be come legal instruments, Sowerby and partner Jason Proctor started designing a web-based secure email system-the prototype of what would become Armored Online. "We had to table it because one, the certificate strategy at the time was prohibitively expensive, and two, Java was not ready for prime

Armored Online

2825 E. Cottonwood Parkway
Suite 500
Salt Lake City, UT 84121

800–704–4230
www.armoredonline.com

time as far as security goes. So we tabled it, I went into banking, and over the next nine years talking with banks had this project in the back of my mind."

But as phishing became increasingly prevalent--a recent study by the Gartner Group indicated that 73 million Americans received a phishing email in 2004, losing nearly $1 billion to fraud--it gave Sowerby the impetus to dust off the project and repurpose it, with the goal of focusing on security. "Because in reality, phishing will never go away," he said. "As spam went, so goes phishing."

"We came to the conclusion that if you can't stop phishing-and there are a lot of companies out there that say they can stop this-then the alternative is to create a separate channel," Sowerby said. "If you have a secure email message site, for a customer to receive it you have to send them a regular email-and the criminals take that over, too."

Armored Online creates a secure parallel channel for the customer. It features a dedicated, closed system that uses the Internet to directly connect a customer to the institution for secure communication and secure Web access. The private path provides maximum security for the institution and the customer. It also provides a guarantee to customers that all personal data, financial data and identity information are protected and safe from Internet criminals.

Sowerby also realized that browsers created the same problems as email. "The goals of browser design are directly at odds as to what a financial institution wants," he said. "For example, MP3 players are easily extensible, which is why you have man-in-the-middle attacks that are browser-based. So we developed a browser that doesn't accept cookies, or extensions, and we can privately brand it for clients.

This creates significant advantages, Sowerby said. "When you put those two things together-secured messaging and hardened browser-it can actually create return on investment for the bank," he said. "One, because we're digitally signing every message that goes through the system, it eliminates print and postage expense. For loan origination, it's phenomenal. It also gives some compliance advantages, because every message being signed gets digitally stamped. If customers have a certification, they can sign off on a loan."

The product also creates cross-sell opportunities, Sowerby said. "We think that the consumer wants this, and there is data that supports this," he said. "Reports show that

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customers would pay out of pocket for secure transactions. And that's what we're about-security."

The company has a product in pilot stage currently, with anticipation that a full launch will take place next year. "Our goal-our mission statement-is that we want to make the

Internet a safe place for business," Sowerby said. "I'm very nervous about online banking. I was in on the ground floor of designing systems. And really, it's not fair to the banks. We're hearing that people think we have the right approach."