

- *Frost & Sullivan Best Practices Award*
- *IRG: 74(TI)*
- *Practice Leader: Dr. Sudeep Basu*
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New Product Innovation, Mobile Identity Authentication Europe, 2011

Frost & Sullivan's Global Research Platform

Frost & Sullivan is entering its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The Company's research philosophy originates with the CEO's 360 Degree Perspective,* which in turn serves as the foundation of its TEAM Research** methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2011 European New Product Innovation Award in the field of Mobile Identity Authentication to ValidSoft Ltd for the development of VALid-POS.

Significance of the New Product Innovation Award

Key Industry Challenges Addressed by VALid-POS

In recent years, banks and financial institutions have implemented various security measures to combat against malicious adversaries which could take the form of data phishing or simply hacking the banking system. Unfortunately, we perceive other challenges prevalent within the banking industry. The following are the key challenges commonly faced within this space.

Rising Number of Card Frauds

Currently in Europe, more often than not, most cards are smart chip and personal identification number (PIN) protected to effectuate any transaction. In this instance, cash machines and point-of-sales (POS) terminals could adeptly confirm the presence of a microchip that verifies the card's PIN code. As such, it could prove to be a viable defense to counter any card cloning. However, attackers still manage to circumvent such security protection and utilize cloned cards in countries wherein the presence of the microchip is not verified. Hence, we could still witness the number of card fraud incidents still increasing.

False Positive Concerns

Another key concern for banks is the false positive incidents triggered by potential fraudulent transactions. Leveraging on their risk analysis engines, each incredulous transaction will be automatically blocked. However, the increasing number of such incidents could severely hamper the bank's reputation and cause rising customer churn.

Furthermore, it could incur unnecessary additional operating expenses to validate the transaction with the customer.

In an effort to counter these challenges, ValidSoft based in Dublin, Ireland has come to the forefront and devised a potent card fraud prevention solution. The solution termed VALid-POS, intrinsically examines the proximity of the user's mobile phone and card for each transaction. Thus, the solution empowers banks to effectively overcome potential fraudulent transactions.

Key Benchmarking Criteria for New Product Innovation Award

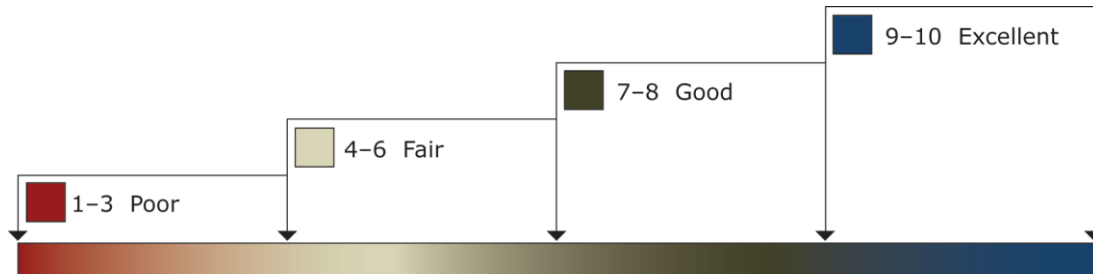
For the New Product Innovation Award, the following criteria were used to benchmark ValidSoft's performance against key competitors:

- Innovative Element of the Product
- Leverage Leading Edge Technologies in Product
- Value Added Features/Benefits
- Increased Customer ROI
- Customer Acquisition/Penetration Potential

Decision Support Matrix and Measurement Criteria

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Matrix (DSM). The DSM is an analytical tool that compares companies' performance relative to each other with an integration of quantitative and qualitative metrics. The DSM features criteria unique to each award category and ranks importance by assigning weights to each criterion. The relative weighting reflects current market conditions and illustrates the associated importance of each criterion according to Frost & Sullivan. Fundamentally, each DSM is distinct for each market and award category. The DSM allows our research and consulting teams to objectively analyze each company's performance on each criterion relative to its top competitors and assign performance ratings on that basis. The DSM follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are shown in Chart 2.

Chart 2: Performance-based Ratings for Decision Support Matrix



This exercise encompasses all criteria, leading to a weighted average ranking of each company. Researchers can then easily identify the company with the highest ranking. As a final step, the research team confirms the veracity of the model by ensuring that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

Chart 3: Frost & Sullivan’s 10 Step Process for Identifying Award-Recipients



Best Practice Award Analysis for ValidSoft

The Decision Support Matrix, shown in Chart 4, illustrates the relative importance of each criterion for the New Product Innovation Award and the ratings for each company under evaluation. To remain unbiased while also protecting the interests of the other organizations reviewed, we have chosen to refer to the other key players as Competitor 1 and Competitor 2.

Chart 4: Decision Support Matrix for New Product Innovation Award

<i>Measurement of 1-10 (1 = lowest; 10 = highest)</i>	Award Criteria					
	Innovative Element of the Product	Leverage Leading Edge Technologies in Product	Value Added Features/Benefits	Increased Customer ROI (small change)	Customer Acquisition/Penetration Potential	Weighted Rating
Relative Weight (%)	20%	20%	20%	20%	20%	100%
ValidSoft	9	9	9	9	9	9
Competitor 1	7	7	7	7	7	7
Competitor 2	5	5	5	5	5	5

Criterion 1: Innovative Element of the Product

Headquartered in Tullamore, Ireland, ValidSoft has devised an innovative solution to extricate suspicious transactions and effectively determine legitimate banking operations. The solution codenamed VALid-POS was released early this year.

Via their unique offering, whenever a customer effectuates a transaction at the cash machine or a payment at any POS terminal, ValidSoft’s VALid-POS can astutely examine the location of the card and the user’s mobile phone simultaneously. As a result, whenever a bank transaction attempt occurs and the mobile phone is identified to be positioned far away, the solution could aid the bank to instantly trigger an automated call or text message to ensure the operation is legitimate. This in turn could prove critical to ultimately thwart attempted theft or card tampering.

Leveraging on ValidSoft’s strategic collaborations with numerous financial institutions and mobile carriers, the solution could thereby aptly authenticate each bank transaction and deter card fraud. In recent years, card fraud or commonly referred as card skimming, is persistently growing owing to diverse sophisticated technologies utilized by attackers and thieves. Therefore, ValidSoft’s solution represents a novel mechanism to overpower this concern.

Further to this, the VALid-POS solution effectuates the proximity examination of the mobile phone and attempted transaction in an anonymous manner. As such, the solution does not disclose any location-related information to banks. Whenever the mobile phone is distant from the attempted transaction, the solution instantly notifies the bank and simultaneously activates an automated call or text message to verify the authenticity of the transaction. Resultantly, banks do not have access to customers' whereabouts and their specific locations, in contrast to the general belief that the solution reveals customers' locations. Thus, such pertinent information is fundamentally retained and customers' privacy is preserved.

Owing to these unique features, ValidSoft has outperformed its competitors as depicted in Chart 4.

Criterion 2: Leverage Leading Edge Technologies in Product

Central to the VALid-POS solution is ValidSoft's proprietary technology engine. Developed on the Java platform, the patent-pending technology vastly empowers the solution to examine the myriad bank transactions in real time.

As mentioned above, owing to the steadfast characteristics of the technology, the solution could there upon gain access to critical-sensitive data from banks and mobile carriers in a secure and legal manner. Consequently, the solution could thereby run its own risk analysis and notify banks for any doubtful transaction attempts. Thus, the solution offers a comprehensive security defense against card fraud activities.

Criterion 3: Value Added Features/Benefits

Given that the VALid-POS solution could ably interconnect with the mobile carriers' network and banks' infrastructure, all the authentication processes could be effectuated in a non-intrusive manner. As a result, all security and verification measures are done without adversely affecting other banking operations that run simultaneously.

Further to this, owing to dynamicity and robustness of the solution, it could adeptly examine 400000 bank transactions per second. This represents a vast technology advancement compared to competing solutions. Resultantly, banks could highly leverage on Validsoft's solution to secure countless transactions without hindering other critical business operations.

That apart, via the EuroPrise recognition, it is regarded as one of the selected solutions exempted from the requirement of customer opt-in. As the solution does not require any download and installation of any specific mobile apps, customers are automatically incorporated into ValidSoft's platform. This thereby represents a value added proposition for customers to safeguard their account from any attacks or tampering efforts.

Moreover, the solution could directly interconnect with any type of handheld device. Thus, it is not restricted to a specific OS platform or mobile device type. This in turn could further escalate the significance and value-add offered by the solution.

Criterion 4: Increased Customer ROI

Another noteworthy advantage for banks utilizing ValidSoft's solution is that it could help them to better understand fraud attempts by attackers and systematically eradicate false

positive incidents. Typically, whenever a transaction is perceived to be suspicious, banks opt to block the transaction altogether. Therefore, in instances wherein it is executed by a legitimate customer, it could subsequently incur additional processes to re-activate the card or account. Therefore, Validsoft's offering could prove to be fundamental to overcome this false positive concern.

Moreover, it could offer a novel mechanism to verify each suspicious operation by triggering an automated text message or call. Generally, from a cost perspective, rectifying false positives incurs unnecessary additional operating expenses; one such example is making calls to customers who may potentially be in foreign countries. However, via VALid-POS's automated text message or call, customers are merely required to revert using a short code to validate the transaction. Thus, the solution could eventually serve as a viable platform to effectively reduce operating expenses.

Furthermore, the solution could seamlessly integrate with bank's existing analysis engine. As such, it could empower bank's risk analysis and further upgrade their customer service. With the false positive incidents effectively addressed by the VALid-POS solution, banks could thereby channel their efforts to strategically combat other type of attacks such as data phishing.

Owing to the ease of deployment capacity of the solution, banks could seamlessly incorporate the solution without remodeling their existing infrastructure. With the EuroPrise recognition, critical sensitive data is ultimately secured and transmitted between ValidSoft and banks.

Criterion 5: Customer Acquisition/Penetration Potential

A noteworthy element of the solution is that it has been awarded the prestigious European Privacy Seal (EuroPrise) earlier this year. This demonstrates that the solution is intensely fully compliant with the EU data protection and privacy law. As a result, pertinent mobile network data obtained by the VALid-POS engine could be legally and securely exchanged amongst the mobile carriers, banks and ValidSoft. This recognition directly indicates the viability and prowess of their solution to combat card fraud. Owing to its cutting edge technology expertise, ValidSoft could astutely verify the authenticity and integrity of each bank transaction together with customer's mobile phone.

With the recent announcement of their strategic partnership with Visa Europe, the solution could thereby be employed to its member banks all across Europe. With this collaboration, we could foresee ValidSoft to further engage with other prominent financial institutions and spur the growth of their business portfolio. Presently, ValidSoft is focusing its effort to further penetrate into numerous countries across the globe such as Australia, Hong Kong, Mexico, Spain, Belgium and The Netherlands. We could thereby anticipate ValidSoft to have a dominant and leading role within this space in years to come.

The CEO 360 Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360 Degree Perspective model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The 360 degree perspective is also a “must-have” requirement for the identification and analysis of best-practice performance by industry leaders.

The 360 degree model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies’ growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the 360 degree perspective into their analyses and recommendations:

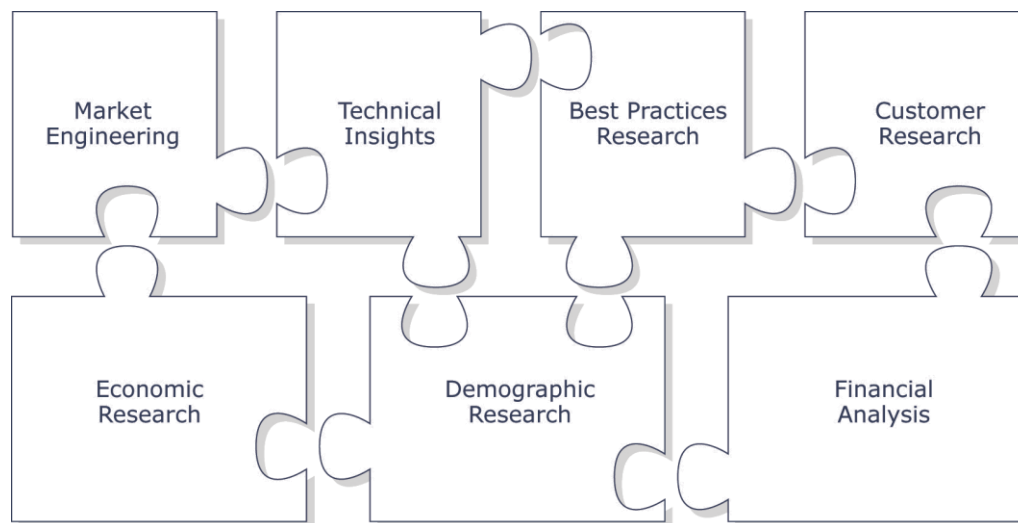
Chart 5: How the CEO's 360 Degree Perspective Model Direct Our Research



Critical Importance of TEAM Research

Frost & Sullivan's TEAM Research methodology represents the analytical rigor of our research process: it offers a 360 degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that the successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 6: Benchmarking Performance with TEAM Research



About ValidSoft Ltd

Headquartered in Tullamore, Ireland, ValidSoft is a leading card fraud prevention company in the European region. A subsidiary of Elephant Talk Communications Inc., ValidSoft's solutions are telecommunications based which offers utmost security for financial institutions and customers alike. With the strategic collaboration with Visa Europe announced this year, we could foresee ValidSoft to further penetrate into other parts of the world and establish themselves as an eminent player within this space in coming years.

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.