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What is digital wallets?

A digital wallet (or electronic wallet) is a financial transaction application that runs on mobile devices. It securely stores your payment information and passwords. These applications allow you to pay when you're shopping using your mobile or smart device so that you don't need to carry your cards around.

How does a digital wallet work?

Digital wallets use the wireless capabilities of a mobile device, such as Wi-Fi, magnetic signals and Bluetooth, to transmit data. Technologies used by digital wallets include the following:

- Near-field communication (NFC). Enables two devices to connect to one another and the devices need to be within 3 to 4 inches of each other for NFC to connect.
- QR codes. These barcodes store information and use a smartphone's camera and scanning system. The QR code confirms payment is sent to the right person or business.
- Magnetic secure transmission. This is the same technology used by magnetic card readers when a credit card is swiped in the card machine's slot. The smartphone uses an encrypted field that the point-of-sale system reads.

When consumers hold their phone over the point-of-sale system, the digital wallet conducts the transaction

Do I Need a Digital Wallet?

You don't necessarily need a digital wallet. However, they offer a convenient way to pay for your purchases because you don't have to carry cards around. This also increases card security—you can't lose your cards if you don't carry them.

