

# Fraud Definitions Work Group

## In-Person Meeting Summary

January 29-30, 2020

THE FEDERAL RESERVE  
FedPayments Improvement



The Fraud Definitions Work Group convened for its final in person meeting at the Federal Reserve Bank of Atlanta on January 29 and 30. During this meeting, the Federal Reserve and work group members focused discussions primarily on the draft industry adoption roadmap for the Fraud Classification Model for Payments (Model). Additionally, the Federal Reserve shared how it plans to continue engaging the industry in order to advance the work streams and reviewed potential complimentary payment attributes, key benefits and value propositions for the Model. The meeting concluded with an overview of the activities planned leading up to the industry publication of the Model and roadmap.

### Agenda Topics

- **Opening Remarks**
- **Fraud Classification Model for Payments**
  - ◇ **Draft Industry Adoption Roadmap**  
*Discuss work group feedback on the roadmap as well as planned industry engagement and communications*
  - ◇ **Payment Attributes to Complement the Model**  
*Review potential payment attributes to provide to the industry as a way to initially tie the Model to an organization's payments and/or fraud events*
  - ◇ **Conveying the Model's Value to the Industry**  
*Review key benefits of the Model and related value propositions developed in collaboration with members of the Communications & Engagement subgroup*
  - ◇ **Work Group Model Support and Adoption**  
*Discuss support of the Model with work group members as well as potential adoption of the Model*
  - ◇ **Path to Publication**  
*Highlight the key activities planned in the next few months that will lead to the industry publication of the Model and roadmap*
- **Secure Payments Update**  
*Provide update on other initiatives led by the Federal Reserve Secure Payments team*
- **The Path Ahead for the Work Group**  
*Review near-term focus for the work group*
- **Closing Remarks/Reflections on the Work Effort**



## Opening Remarks

*Jim Cunha and Dave Sapenaro*

Jim Cunha, Senior Vice President of Secure Payments and Fintech from the Federal Reserve Bank of Boston, welcomed members of the work group to the in person meeting in Atlanta, GA. Cunha then introduced Dave Sapenaro, First Vice President and COO of the Federal Reserve Bank of St. Louis, who has assumed the executive leadership role of this effort that was previously held by Ken Montgomery, First Vice President and COO of the Federal Reserve Bank of Boston.

Sapenaro introduced himself to the group and shared some of his recent roles in the Federal Reserve System, including leadership and oversight of the payments improvement efforts over the past several years, and emphasized his commitment to this effort and his support of this group.

Cunha concluded the opening remarks by reviewing the agenda topics and key objectives of the meeting.

## Draft Industry Adoption Roadmap

*Mike Timoney, Beth Reynolds and Mollie Stevens*

Mike Timoney, Vice President of Secure Payments from the Federal Reserve Bank of Boston, opened the discussion on the draft industry adoption roadmap by reminding the group that, while activities outlined in the roadmap are suggested courses of action, they should continue to be viewed as potential activities. As such, anything depicted in the roadmap could be adjusted. Timoney also reminded the group that these efforts are not intended to result in any mandates or regulations. Instead, it is to bring the industry together to classify fraud more consistently and in a more timely fashion.

Reviewing the draft industry adoption roadmap at a high level, Timoney recapped the intent of each work stream that has been shared in past work group discussions before turning over the floor to Beth Reynolds, Senior Consultant for Secure Payments from the Federal Reserve Bank of Kansas City, and Mollie Stevens, Industry Relations Representative from the Federal Reserve Bank of Chicago, who would be reviewing each of these work streams in greater detail.

Related to the Fraud Surveys and Studies Work Stream, the work group discussed the different surveys and studies currently in the industry, and how timelines may differ between organizations when it comes to potentially incorporating the Model in to their work. Reynolds noted that for all work streams, some organizations may either be ahead or behind the overarching timeline outlined in the roadmap as there are several factors to consider.



During the discussion of the Model Adoption and Evolution Work Stream, the group offered several considerations around how to message the value of the Model to the industry. Additionally, work group members noted that tying Model adoptions to hot topics in the industry, such as the customer experience or faster payments, may prompt or enable additional action from the industry.

The group concluded the roadmap discussion by reviewing the Fraud Information Sharing Work Stream. Some work group members affirmed the direction of the work stream, while others still expressed concerns that having this work stream on the roadmap could imply that the Fed will require fraud information sharing across the industry and the significant cost that would result from that effort. Based on the work group feedback, this has evolved to be an exploratory effort led by the Federal Reserve (versus a formal work stream), focusing on how both domestic and international initiatives have advanced fraud information sharing and identifying applicable practices and/or lessons learned. Based on insights gained, the Federal Reserve would then evaluate next steps.

The roadmap discussion also included suggestions that applied to all of the work streams. These ideas included:

- Emphasizing the challenge of industry participants speaking different languages, or using different terminology, when classifying and/or discussing fraud
- Sharing the work group's journey of developing the Model and how the Model addresses numerous industry challenges
- Clearly articulating the potential value the Model can provide as it relates to understanding fraud and the resulting ability to act on that understanding to better detect, mitigate, and/or prevent fraud

Reynolds and Stevens thanked the work group members for the discussion and indicated that their feedback would be considered for incorporation into the roadmap and/or into how the Model is positioned to the industry. **PAGE 2**



## ***Payment Attributes to Complement the Model***

*Mike Timoney*

Timoney began by recapping past work group conversations on how the Model's classifications provide information on what fraud occurred and how it was perpetrated, but that payment transaction details are not apparent solely based on the classifications.

He went on to describe that classified payments will enable high-level trends analysis, but including attributes with an already classified payment can provide additional insight into payment details. While attributes have not been a focus of the effort, the work group was supportive of including some payment characteristics (or attributes), but noted that the initial list should be simple and include ones that the industry could easily identify or leverage.

Timoney noted these attributes would be incorporated into the messaging and packaging of the Model and supporting definitions when published to the industry.

## ***Conveying the Model's Value to the Industry***

*Dorothy Anderson and Maryellen Thielen*

Dorothy Anderson, Assistant Vice President of Marketing and Industry Communications from the Federal Reserve Bank of Chicago, began by sharing that the Federal Reserve has begun to focus on articulating the projected value provided by the Model.

She noted that a sub group of work group members have been working with the Federal Reserve to draft anticipated benefits of the Model and thanked them for their contributions. She then introduced Maryellen Thielen, Industry Communications Program Specialist from the Federal Reserve Bank of Chicago, to review value propositions and related benefits for the Model.

Thielen reviewed projected benefits of the Model, looking both at an organizational level and industry wide, as well as short, succinct value propositions to articulate the value of the Model.



## ***Work Group Model Support and Adoption***

*Connie Theien and Jim Cunha*

Connie Theien, Senior Vice President of Industry Relations from the Federal Reserve Bank of Chicago, introduced this topic by expressing that the most powerful way to promote the Model, the supporting definitions and the adoption roadmap is through advocacy from the work group members, highlighting the many ways for work group members to demonstrate their public support.

All work group members present at the meeting indicated their strong support and willingness to continue advocating the group's work within their organization, their customer base (as appropriate), and with the industry in presentations at various events.



Cunha then shifted the conversation to Model adoption, noting that the Federal Reserve recognizes that the industry has several considerations when evaluating adoption, including competing priorities, executive approval processes, and/or dependencies on other industry partners.

Work group members shared their initial thoughts on how their organizations might evaluate adoption and how the actual adoption process may differ among payments stakeholder types as well as among individual organizations.



## Path to Publication

Maryellen Thielen and Mollie Stevens

Thielen highlighted several activities planned to begin preparing the industry for the upcoming publication of the Model, the supporting definitions, and the adoption roadmap. She noted that in the coming months, the Federal Reserve will prepare industry messaging, educational resources, and a user-friendly version of the Model. These materials would then be used to socialize the Model across the industry through various communication mediums, such as conferences, webinars, print media, social media, etc.



Stevens then shared that in addition to the industry communications to promote this work, the Federal Reserve is planning targeted engagements with select industry stakeholders for the purpose of encouraging Model adoption, through organizational use as well as potential incorporation into fraud surveys and/or studies.

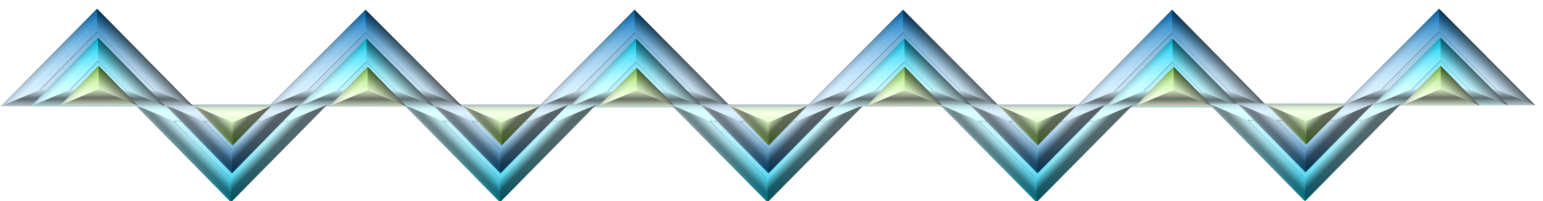
## Secure Payments Update

Mike Timoney

Timoney began the update with a focus on synthetic identity payments fraud by reminding the group that the Federal Reserve had published its second [industry whitepaper on synthetic identity payments fraud \(PDF\)](#) in October, which identified behaviors and characteristics that indicate potential synthetic identities. He noted the third industry whitepaper is expected to be published in Q1/Q2 2020 and will highlight industry practices and approaches to mitigating synthetic fraud. Timoney noted that in the coming year, the team will focus on advancing practices to better detect and/or mitigate synthetic identity payment fraud.



He concluded his update by sharing that the Federal Reserve plans to explore how artificial intelligence/machine learning (AI/ML) can further current Secure Payments efforts, such as in fraud detection or general identity management. This research will also evaluate how the industry can utilize AI/ML, specifically in the context of payment security and mitigating payments fraud.



## The Path Ahead

Mike Timoney

Timoney shared some of the key activities planned to advance the Model, the supporting definitions, and the adoption roadmap to completion prior to industry publication, with a focus on developing a brand for all of these items and determining how to best package them together.



# Closing Remarks

Jim Cunha and Dave Saperano

As the final in person meeting came to a close, work group members shared their reflections on the overall work effort, their work group colleagues, and advice for the Federal Reserve moving forward. Everyone noted their mutual respect of their Federal Reserve and work group colleagues and how much they've enjoyed being part of this effort.

Cunha and Saperano closed the meeting thanking the work group for all of their contributions to this effort and commending them on the group's accomplishments.

## Meeting Attendees

- **Dorothy Anderson**  
*Federal Reserve Bank of Chicago*
- **Dondi Black**  
*FIS*
- **Tim Boike**  
*Federal Reserve Bank of Chicago*
- **Jim Cunha**  
*Federal Reserve Bank of Boston*
- **Natalie Diana**  
*Bureau of Fiscal Service, Department of Treasury*
- **Chris Guard**  
*State Employees' Credit Union of North Carolina*
- **Mike Herd**  
*Nacha*
- **Kin Wah Koo**  
*Federal Reserve Bank of New York*
- **Rakesh Korpai**  
*JPMorgan Chase*
- **Lee Kyriacou**  
*The Clearing House*
- **Roy Olsen**  
*American National Bank & Trust*
- **Rene Perez**  
*Jack Henry & Associates*
- **Kim Plaugher**  
*Navy Federal Credit Union*
- **Beth Reynolds**  
*Federal Reserve Bank of Kansas City*
- **Dave Saperano**  
*Federal Reserve Bank of St. Louis*
- **Mollie Stevens**  
*Federal Reserve Bank of Chicago*
- **Krista Tedder**  
*Javelin Strategy & Research*
- **Connie Theien**  
*Federal Reserve Bank of Chicago*
- **Maryellen Thielen**  
*Federal Reserve Bank of Chicago*
- **Mike Timoney**  
*Federal Reserve Bank of Boston*
- **Eric Tran-Le**  
*Guardian Analytics*

