

Secure Payments Steering Committee Meeting Federal Reserve Bank of Dallas, Houston Branch February 8-9, 2017 Meeting Summary

Welcome and Opening Remarks¹

Todd Aadland, Payments Security Strategy Leader, welcomed participants to the Secure Payments Steering Committee (SPSC) meeting and introduced the newest member, Christopher Danvers, American Airlines Federal Credit Union, representing the Secure Payments Medium Financial Institution segment. Mr. Aadland noted the various work accomplished by the Secure Payments Task Force (SPTF) in 2016, including the establishment of work groups and related progress and the review of faster payments proposals, which provided strong positioning for continued work in 2017. Additionally, he explained the proposed modification to the Task Force Declaration proposal process, allowing the Federal Reserve liaisons to now work with the work group chairs, and received consensus from the SPSC for this change. The revision will be circulated to the SPTF in coming weeks. Lastly, Mr. Aadland quickly reviewed the meeting objectives and the agenda.

Steering Committee Roundtable

The SPSC shared observations from the payments industry pertaining to security. Some noted the international climate, such as Brexit, which may place complexities on the payments industry. In regards to the domestic environment, there was clear consensus as to the regulatory and compliance pressures the industry faces. From a security stand point, some referred to the need to safeguard personal information. In response, some SPSC members acknowledged the need to educate consumers on the information shared when making transactions.

Work Group Overviews

Mr. Aadland asked the work group chairs to provide updates on their Work Group's efforts. In some cases, this also provided an opportunity for chairs to seek feedback on specific work group deliverables from the SPSC through facilitated discussions.

Law and Regulation Coordination Work Group

Suzanne Martindale, Consumers Union, noted that the Law and Regulation Coordination Work Group had their first meeting in January 2017. The Work Group is currently modifying its charter to highlight that the Work Group will not have standalone work efforts, per se, but rather intake requests from Task Force participants and/or Work Groups and triage each request for appropriateness prior to fulfilling the request. To facilitate this process, the Work Group is creating triage criteria and a request form to be used by SPTF members when placing a request. While pleased with current participation, Ms. Martindale noted that additional representation from the financial sector would be beneficial for the Work Group. However, she noted that if a particular subject matter expert is not a member of the Work Group, the Work Group will seek support from the SPTF in order to handle a request.

Standards Assessment Team

Steve Mott, BetterBuyDesign, explained that the current work that the Standards Assessment Team (SAT) is working on will conclude in Q1 2017. He noted that SAT's Analysis

¹ John Yanish, Federal Reserve Bank of Minneapolis, reminded those in attendance to participate in a manner consistent with Anti-Trust and other applicable laws.

Report, which highlights its work to date, is nearly complete. The report will be socialized with work group chairs in the coming weeks. The Analysis Report shows how eight identified security controls fit into the payments industry and potential ways to strengthen these controls. Mr. Mott noted the availability of SAT for additional work based on the needs of the work groups.

Payment Identity Management Work Group

Nancy O'Malley, MasterCard, provided an overview of Payment Identity Management's (PIM) accomplishments and solicited feedback from the SPSC through a facilitated discussion. Ms. O'Malley reviewed PIM's three phases of work. She noted the large amount of preparatory work was needed to construct the eight use cases in order for the Work Group to advance to Phase 3, which promotes industry adoption of a common set of payment identity management policies. Ms. O'Malley noted that PIM is on schedule to present its Work Group Final Report for a Decision Making Framework (DMF) vote in mid-2017.² However, the Work Group sought feedback from the SPSC to ensure that the Work Group Final Report is directionally correct. Specifically, the SPSC was asked to consider the relevancy of a number of topics – payment use cases and narrative, authenticator summary, stakeholder perspectives, and recommendations – which the SPSC agreed were directionally correct. Much of the surrounding conversation pertained to the stakeholder perspectives and the recommendations. Members of the SPSC noted the need to expand the stakeholder perspectives to be less card-centric in order to be all encompassing of the marketplace. Additionally, when analyzing the recommendations, the SPSC suggested enhancing the recommendations to be more action oriented, identifying metrics for the industry to use when measuring progress, and introducing a potential road map to guide the industry.

Information Sharing for the Mitigation of Risk/Fraud Work Group

Glen Ulrich, U.S. Bank, provided an overview of the Information Sharing for the Mitigation of Risk/Fraud Work Group efforts and solicited SPSC feedback during a facilitated discussion pertaining to the Work Group's first three phases of work – documenting sources of fraud and risk information sharing, broadening distribution of actionable information, and establishing an industry ombudsman. The Work Group created two draft proposals called Standard Fraud Reporting, which outlines recommendations to standardize fraud reporting by payment type, and Data Sources and Curator Requirements, which suggests a publically available living document of information sharing data sources and is maintained by a central point of contact. The majority of the SPSC was in agreement that both drafts remain relevant and are clear. The SPSC had healthy dialogue surrounding the Standard Fraud Reporting proposal and ensuring there are appropriate safe guards protecting industry participants when sharing information.

Data Protection Work Group

Ed O'Neill, Federal Reserve Bank of Chicago, highlighted the work accomplished by the Data Protection Work Group, but noted that milestones regarding the draft of Data Protection Principles have recently been missed due to leadership transitions within the subgroup working on this effort.³ The Work Group continues to review feedback obtained from the previous SPTF meeting and intends to present an updated version at the March SPTF meeting. Similar to the other work groups, the Data Protection Work Group solicited feedback from the SPSC on its work. The first part of the conversation pertained to the inventory of sensitive payment data and associated risks by payment type, which leverages PIM's eight use cases. The SPSC provided

² Each work group will produce its own Work Group Report, which includes narratives on its background, deliverables, recommendations, and continued work.

³ Mr. O'Neill reported on the Data Protection Work Group for Reed Luhtanen, Work Group chair.

detailed feedback intended to enhance the inventory of sensitive data and associated risks for many of the payment types. Mr. O'Neill then explained the proposed sections of the Data Protection Framework – landscape of standards, inventory of sensitive payment data and risks, data protection principles, and baseline security requirements. Upon discussion, the SPSC was in agreement with these components and recommended that the Work Group also consider the inclusion of recommended security requirements in the overall framework.

Faster Payments Status Update

Sean Rodriguez, Faster Payments Strategy Leader, updated the SPSC on the Faster Payment Task Force's (FPTF) work. He first spoke to the faster payments proposals received in 2016, and proposals and corresponding independent preliminary assessments that went to the SPTF and FPTF for review. In addition to these reviews, he explained that McKinsey is participating in a horizontal review aimed at identifying strengths and gaps across proposals. Mr. Rodriguez mentioned that the FPTF's Final Report Part One, which provided background information, an overview of the payments landscape, global implementation, and the benefits of faster payments, was released at the end of January. The FPTF's Final Report Part Two is scheduled for release in mid-2017. Part Two will provide recommendations to the industry and is intended to set up the conversation for participants to move the payments industry forward.

Annual Review of the Work Groups

Mr. Aadland facilitated a discussion on the PIM and Information Sharing work groups. This process is outlined in the Secure Payments Task Force Work Group Guidelines specifying that the Task Force Chair in consultation with the SPSC will annually review the work groups. The discussion covered a number of topics – progress towards milestones, work group composition, and industry relevance. There were no recommended changes for PIM; however, for Information Sharing it was recommended that global topics be de-prioritized until other deliverables are finished. The SPSC agreed with the overall assessment results and recommendations for both work groups. Most of the discussion surrounded the composition of the work groups, such as the segments of the industry represented and the level of participation by members.

Stakeholder Engagement and Communication Planning

Connie Theien, Federal Reserve Bank of Chicago, and Gloria Dugan, Federal Reserve Bank of Chicago, introduced potential ways for the SPTF to distribute its deliverables to the industry. They specifically focused on targeting the appropriate audiences and designing content to be easily digestible. To accomplish this, they plan to seek input both from the SPTF and industry stakeholders. This feedback will help determine packaging of the deliverables, potentially by types of stakeholders, and could include an online resource center or a payments security hub. The SPSC noted that the agreed upon final product should be a living document to allow for longevity. A Design and Delivery Advisory Team was proposed with a planned launch in March. The SPSC agreed on the content of the proposed planning.

Role of the Federal Reserve in Advancing Payment Security

Mr. Aadland, Ms. Theien, and Shonda Clay, Federal Reserve Bank of Chicago, noted that the Federal Reserve is discussing internally the feedback and requests that it has received from both task forces. They reminded the SPSC that the Federal Reserve does not have mandate authority related to security of payments, but encouraged the SPSC to continue to communicate openly. Consistent with a commitment to collaboration and transparency, she noted plans to seek stakeholder input, as appropriate, on future payment system improvement activities and initiatives in the latter half of 2017. Much of the discussion with the SPSC

pertained to the issue of adherence to standards and self-regulation. Mr. Aadland noted that there should be continued dialogue as the SPTF continues working.

Closing Remarks and Next Steps

Mr. Aadland provided an overview of the agenda planned for the March SPTF meeting. He noted the importance of keeping the SPTF up to date on various work group deliverables, as well as the work being accomplished by the FPTF. Additionally, further detail supporting the Federal Reserve Payments Study will be provided to the SPTF. Mr. Aadland stressed the importance of continuing security dialogue across all segments of the payments industry. Finally, he thanked the SPSC for attending.