

Secure Payments Task Force Meeting Federal Reserve Bank of Kansas City March 2-3, 2016 Meeting Summary

Welcome and Opening Remarks¹

Esther George, President of the Federal Reserve Bank of Kansas City and senior sponsor of the payments improvement strategies for the Federal Reserve System, welcomed meeting participants to the first in-person Secure Payments Task Force (SPTF) meeting of the year. Ms. George stated that the U.S. payment system is at a critical juncture, noting that advancing technology has created both opportunities for payment system innovation and challenges that contribute to the threat landscape. She stated that both task forces have made significant progress since the Strategies for Improving the U.S. Payment System paper was published one year ago, highlighting the development of SPTF work groups to improve the security of existing payment networks. Ms. George expressed her appreciation to members for their high level of engagement and collaboration over the last year and stated that she looks forward to seeing measurable improvements in security that will result from future task force efforts. Ms. George also thanked Gordon Werkema, Todd Aadland, and Sean Rodriguez (Federal Reserve Payments Strategy Director, Secure Payments Strategy Leader, and Faster Payments Strategy Leader, respectively), for their leadership of the payment security strategy work.

Accomplishments, Objectives, and Work Plan

Mr. Aadland welcomed meeting participants and highlighted key SPTF accomplishments in 2015, including the development of the Faster Payments Effectiveness Criteria related to security, ongoing support of Federal Reserve efforts to enhance payment security, and the development of work groups to tackle high-priority issues in payment security. Mr. Aadland reviewed the meeting agenda, the SPTF's core objectives, and a high-level draft work plan for 2016. He noted that the work plan is organized around four categories: the three core SPTF objectives and a fourth category capturing all other SPTF work. Mr. Aadland highlighted that members would have the opportunity to use Knowledge Central, the recently-launched collaboration website, to collaborate on task force work efforts. In response to a question, Mr. Aadland stated that enhancements to Knowledge Central would be incorporated into the site on a staggered basis, specifying that low-cost, high-value enhancements take priority.

Work Group Update

Tammy Hornsby-Fink, Federal Reserve Bank of Richmond, reviewed the process used by the SPTF over the last several months to develop and prioritize work groups and provided an update on the top four work groups that emerged from the process. She noted that two work groups – Payment Identity Management and Information Sharing for the Mitigation of Payment Risk / Fraud – are now active, with 41 and 17 members, respectively.² Although the other two work groups – Data Protection and Law and Regulation Coordination – are not yet active, Ms. Hornsby-Fink noted that the SPTF would have the opportunity to fine tune the charters for these groups over the next several weeks. Ms. Hornsby-Fink also discussed the decision to launch a fifth work group – called the Standards Assessment Team – that will support other work groups by conducting a high-level assessment of relevant payment security standards.³ In addition, she reviewed the governance structure for SPTF work groups, highlighting the roles and responsibilities of various work group positions (e.g. chair, vice chair, member, Federal Reserve Liaison, etc.). She expressed her appreciation to the five Steering Committee members that assumed

¹ Nick Billman, Counsel, Federal Reserve Bank of Kansas City, reminded those in attendance to participate in a manner consistent with antitrust and other applicable laws.

² Payment Identity Management launched in January 2016. Information Sharing for the Mitigation of Payment Risk / Fraud launched during the working sessions on March 2 (see below).

³ The Standards Assessment Team was launched during the working sessions on March 2 (see below).

work group leadership positions and noted the need for volunteers from the task force for vice chair positions.⁴

Task Force Engagement Plan

Connie Theien, Federal Reserve Bank of Chicago, provided an overview of an anniversary campaign to expand the awareness of the work completed since the Strategies for Improving the U.S. Payment System paper was published. The campaign includes a one-year progress report that highlights accomplishments across all strategies and previews next steps as well as opportunities for stakeholder involvement. Ms. Theien noted that her team distributed communication toolkits to members to support their communication with external stakeholders regarding the campaign. Ms. Theien asked members to participate in table top discussions to provide feedback on the communication toolkits and the broader engagement plan. Several members suggested adding communication templates targeted at specific stakeholder segments to the toolkits. A few members asked for more specificity on task force deliverables within the communication templates. SPTF members also noted the importance of engaging with key security groups in the industry and suggested appointing SPTF ambassadors to liaise with these groups.

Ms. Theien provided a few additional updates regarding the engagement plan. She stated that work groups would have the opportunity to regularly engage with the full task force – for example, to provide updates on key deliverables or solicit input on work products – via Knowledge Central as well as during full task force meetings and calls. She noted that approximately one-third of members had signed up for Knowledge Central and encouraged all other members to sign up given the plan to use it for future communications. In addition, Ms. Theien stated that SPTF members would receive a revised participation agreement in the next few weeks, noting that members would have about 60 days to review and sign the agreement.

Information Sharing Case Study

Brian Peretti, United States Treasury, presented to the task force on the benefits of information sharing in the financial industry. He stated that the vast majority of the financial infrastructure in the United States is owned and operated by private firms and underscored that it is critical for these firms to receive up-to-date threat information to make informed risk decisions. Mr. Peretti presented a case study of a series of distributed denial-of-service (DDoS) attacks that occurred in 2012 and 2013, noting that the information sharing techniques deployed by financial institutions during these attacks were highly beneficial. Specifically, financial institutions targeted during the first wave of attacks shared the attack method to other financial institutions, allowing those targeted in the second wave to pre-emptively sharpen their defenses and minimize service disruptions. Mr. Peretti stated that his office works frequently with FS-ISAC, the Federal Reserve, and various government agencies on information sharing efforts, highlighting that his office engaged with the Department of Justice a few years ago to help deal with antitrust concerns that have historically created barriers to information sharing in the private sector. He encouraged SPTF members to engage in efforts to improve information sharing within the financial industry.

Working Sessions

SPTF members attended working sessions to further advance the deliverables of SPTF work groups. Two work groups – Information Sharing for the Mitigation of Payment Risk / Fraud and the Standards Assessment Team – conducted their initial launch meetings, while the Payment Identity Management work group met for the second time since its launch in January. During the working sessions, participants refined work group charters, began to define subgroups and detailed work streams,

⁴ The five work group chairs are: 1. Nancy O'Malley, MasterCard (Payment Identity Management), 2. Glen Ulrich, U.S. Bank (Information Sharing), 3. Reed Luhtanen, Wal-Mart Stores, Inc. (Data Protection), 4. Victoria Strayer, TSYS (Law and Regulation Coordination), and 5. Stephen Mott, BetterBuyDesign (Standards Assessment Team). The Standards Assessment Team will not have a vice chair position.

and further developed work group artifacts. Participants also discussed the cadence and timing of future work group meetings and calls. Following the working sessions, the three chairs – Ms. O’Malley, Mr. Ulrich, and Mr. Mott – provided a report out on work group activities to the full task force. The chairs also answered questions related to scope of work and interdependencies across groups. In response to a poll, all respondents agreed or strongly agreed that they had the opportunity to share their perspectives during the working sessions.⁵

Faster Payments Initiative

Mr. Rodriguez provided an update on the Faster Payments Task Force (FPTF) initiative. He reviewed the FPTF’s mission, objectives, key deliverables, high-level work plan, and timeline, highlighting that the FPTF recently finalized and approved the Effectiveness Criteria.⁶ Mr. Rodriguez stated that the Federal Reserve is close to signing a contract with the firm that will conduct the qualified independent assessment (QIA) process. He underscored the FPTF’s aggressive timeline for deliverables: proposal submissions will begin in April 2016, the QIA process will conclude in November 2016, and the final report with assessment results will be published in March 2017. To meet this timeline, Mr. Rodriguez stated that a high-level QIA process has been developed, noting that the selected QIA firm will define a more-detailed process. In addition, Mr. Rodriguez stated that an advisory group composed of members of both task forces will provide oversight and counsel to the selected QIA firm. In response to a question, Mr. Rodriguez clarified that the QIA process is not intended to pick winning and losing proposals but rather to assess proposals and illuminate potential solutions to the marketplace.

Daniel Gonzalez, Federal Reserve Bank of Chicago, provided an update on the Faster Payments Capability Showcase, a forum for providers to show off components that can support an end-to-end faster payment system. Mr. Gonzalez stated that the FPTF held Capability Showcase “Office Hours” at its February meeting, during which component providers set up information tables to demonstrate their components. He provided a live demo of the online Capability Showcase portal, a website that allows providers to upload videos demonstrating the features of their components.⁷ He clarified that while the portal allows providers to specify the Effectiveness Criteria met by a component, components submitted to the portal would not go through the QIA process. In response to a question, Mr. Rodriguez stated that the Capability Showcase would remain open during the QIA period to facilitate continued collaboration between full end-to-end solution proposers and component providers. The possibility for continued collaboration, he noted, better equips proposers to fine tune and bridge gaps in their proposals in response to the initial round of QIA feedback.

Mr. Aadland reviewed the SPTF/FPTF Interaction Plan, highlighting areas where the SPTF will contribute to the QIA process and noting changes made to the plan in response to feedback from the November meeting.

Decision-Making Framework

Ed O’Neill, Federal Reserve Bank of Chicago, summarized a draft task force Decision-Making Framework that can be used to approve task force work products that require supermajority consensus, noting that the draft is similar to the framework approved by the FPTF. He highlighted the key steps within the framework’s decision process and demonstrated how the framework would be applied in two example cases. Mr. O’Neill then asked SPTF members to participate in table discussions to provide feedback on the framework. A few members raised a concern that the framework may give individuals in a segment

⁵ SPTF members were asked to respond to the statement “I had the opportunity to share my perspective during the working sessions today.” The results are as follows: Strongly Agree (72%); Agree (28%); Disagree (0%); Strongly Disagree (0%).

⁶ The FPTF approved the Effectiveness Criteria with a 97 percent consent rate, with consent from seven out of the eight industry segments, and a participation rate for the vote of 77 percent. The final version was published on FedPaymentsImprovement.org on February 2, 2016.

⁷ The portal, which was launched on January 19, 2016, is accessible to members of the general public who elect to submit a Faster Payments Capability Showcase, as well as to members of the FPTF and SPTF. More information regarding the portal is available at <https://fedpaymentsimprovement.org/faster-payments/task-force/showcase/>.

with only a few members disproportionate influence. Several members suggested adding provisions to the framework to increase the transparency of actions taken by the task force chair. In response to a poll, 78 percent of respondents agreed that the draft Decision-Making Framework was near perfect or needed only minor revisions.⁸ Mr. O'Neill noted that the Federal Reserve would revise the framework based on the feedback collected and provide an update to the SPTF at a future meeting.

Closing Comments and Wrap Up

Mr. Aadland reviewed calendar dates for 2016 meetings and asked members to submit suggestions on convenient locations for in-person meetings. In response to a poll, the vast majority of respondents (97 percent) agreed or strongly agreed that the topics covered during the meeting were relevant to advancing the objectives of the SPTF.⁹ Mr. Aadland thanked participants for their contributions and high level of engagement during the meeting.

⁸ SPTF members were asked to respond to the statement: "The draft of the Decision-Making Framework discussed today is..." The results are as follows: Close to perfect as is (19%); On target, just needs minor revisions (59%); Directionally correct but needs major revisions (22%); Off target, back to the drawing board (0%).

⁹ SPTF members were asked to respond to the statement: "I feel the topics covered were relevant to advancing Secure Payments Task Force objectives." The results are as follows: Strongly Agree (50%); Agree (47%); Disagree (3%); Strongly Disagree (0%).