Secure Payments Task Force Steering Committee
Federal Reserve Bank of San Francisco
August 17-18, 2016 Meeting Summary

Welcome and Opening Remarks[1]

Gordon Werkema, Federal Reserve Payments Strategy Director, opened the Secure Payments Steering Committee (SPSC) meeting and introduced Esther George, President of the Federal Reserve Bank of Kansas City and senior sponsor of the Federal Reserve's *Strategies for Improving the U.S. Payment System (Strategies)* paper. Ms. George welcomed meeting participants and expressed appreciation for the SPSC's efforts. She stated that the payment security landscape continues to evolve at a rapid pace, representing a major challenge to the industry. Ms. George reiterated that the Federal Reserve is committed to maintaining the public's trust in the payment system and thanked participants for their continued leadership in the Secure Payments Task Force (SPTF).

Todd Aadland, Payments Security Strategy Leader, reviewed the meeting objectives and agenda. In addition, Mr. Aadland welcomed Brad Mares, Target Corporation, who was recently elected to the SPSC as a representative of the business end-user segment, to his first Steering Committee meeting. Mr. Mares introduced himself to the SPSC.

Work Group Activities and Deliverables

Catherine Parsons Dhamija, Deloitte, facilitated an in-depth discussion on the current direction of SPTF work group efforts. For each work group, SPSC members discussed industry challenges, desired industry outcomes, and several proposed solutions/deliverables to advance the desired outcomes. Work group chairs agreed to socialize the SPSC's recommendations with their respective work groups during the two-week period following the meeting. A brief summary of the discussion for each group is provided below.

<u>Payment Identity Management</u>

SPSC members generally agreed with the existing industry challenge defined by the Payment Identity Management (PIM) Work Group but suggested the Work Group make minor tweaks to the language. Steering Committee members also suggested the Work Group consider an additional industry challenge related to the lack of identity management standards in the end-to-end lifecycle of the payment process. In addition, SPSC members recommended modifying the desired outcomes to focus on adoption of recommended PIM practices rather than on fraud reduction (because it is difficult to measure fraud reduction attributable to a particular mitigant). SPSC members had differing views on whether the issue of incentives for stakeholders to implement PIM practices represents a major industry challenge. It was agreed that the issue of incentives would be discussed at a later time since it applies broadly across multiple work group efforts. Regarding the Work Group's effort to map out PIM processes in specific use cases, Steering Committee members suggested that the Work Group prioritize the use case for card-not-present transactions since the relative risk of these transactions is higher than other types.

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[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.

SPSC members discussed several potential solutions that the PIM Work Group could deliver to address the industry challenges and achieve the desired outcomes. Members discussed the possibility of publishing a document for industry participants containing effective PIM practices, emphasizing that such a document needs to be use-case specific, practical, easily adoptable, and supported by a wide-range of industry participants. In addition to the guidance document, Steering Committee members also discussed several potential solutions to drive adoption of PIM best practices in the industry (for example, by publishing an adoption roadmap, establishing a common set of PIM policies, practices and protocols, etc.). SPSC members suggested that the Work Group consider these potential solutions.

Information Sharing for the Mitigation of Payments Risk / Fraud

SPSC members generally agreed with the existing industry challenges and desired outcomes defined by the Information Sharing Work Group. Steering Committee members emphasized the challenge that industry participants lack a common understanding of fraud and recommended prioritizing the work effort of the subgroup tasked with standardizing fraud metrics. SPSC members also discussed the challenge that firms are currently not sharing sufficient information with each other, citing financial, legal, and reputational risks as well as lack of incentives. SPSC members suggested that the Work Group remove consumer education and awareness from its current desired outcomes and associated work efforts, noting the need for the group to focus more attention on efforts that will improve information sharing among payment system participants that process, store, and transmit payment information.

SPSC members discussed several potential solutions that the Information Sharing Work Group could deliver to address the industry challenges and achieve the desired outcomes. To help improve the quality of publicly available fraud data, SPSC members discussed potential solutions, ranging from identifying and recommending fraud data enhancements to the applicable sources to defining the ideal set of fraud data to collect and identifying or establishing a channel to report the data. To help improve information sharing between payment system participants, SPSC members discussed potential solutions ranging from publishing a list of available cybersecurity information sources to establishing an industry ombudsman to close information sharing gaps. SPSC members recommended that the Work Group investigate the ombudsmen model in place in the United Kingdom as a means to further clarify and refine the ombudsmen solution. One Steering Committee member suggested an additional solution: establishing a central data collection utility as a means to increase the availability of standardized fraud data and to facilitate real-time detection of anomalous transactions. The Work Group chair agreed to bring this suggested solution to the Work Group for its consideration.

Data Protection

SPSC members generally agreed with the existing industry challenges and desired outcomes defined by the Data Protection Work Group. With respect to the desired outcome for industry participants to adopt baseline requirements for protecting sensitive payment data, SPSC members suggested adding language stating that these requirements should be developed with broad involvement of relevant stakeholders (i.e. those that process and store data).[2]

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[2] Steering Committee members also suggested that the Work Group clarify that the term 'data' includes both data at rest and in motion.

SPSC members discussed several potential solutions that the Data Protection Work Group could deliver to address the industry challenges and achieve the desired outcomes. Steering Committee members generally endorsed a solution to publish education and awareness for industry participants on best practices for protecting payment data. SPSC members also discussed the development of a toolkit that outlines methodologies for different payment system participants to manage risks related to payment data throughout the end-to-end payments process. In addition, SPSC members discussed recommending a set of minimum requirements for protecting payment data by payment system participant, but suggested that the Work Group consider combining this solution with the data protection toolkit solution (discussed above).

Law and Regulation Coordination

SPSC members reviewed and provided input on the initial charter of the Law and Regulation Coordination Work Group, which is scheduled to launch in the next few months. Steering Committee members discussed a range of industry challenges specific to law and regulation, including a lack of consistency among existing regulations, a lack of a level playing field between payment system participants, inconsistent application of regulations by regulators, and unintended consequences of new regulations. With respect to desired outcomes, Steering Committee members discussed having a legal framework that encourages information sharing between law enforcement and financial institutions. SPSC members also expressed the desire to identify specific cases where laws and regulations pose challenges. In addition to industry challenges and desired outcomes, Steering Committee members discussed alternative ways to structure the Work Group, emphasizing the importance of bringing the right experts to the table. SPSC members discussed a triage model in which a designated team will review task requests and route them to the appropriate subject matter experts. Mr. Aadland stated that the Federal Reserve team would iterate on this clearing house model for SPSC consideration.

Big Picture Impact of SPTF and Final Outputs

SPSC members engaged in table discussions on their aspirational vision for the SPTF. Participants were asked to brainstorm ideas for how the SPTF could have a substantial impact on the payments industry, setting aside potential constraints and currently-held beliefs. Steering Committee members discussed a range of aspirational ideas, including an ecosystem in which users are constantly authenticated, a payment system that is accessible to everyone (i.e. 100 percent financial inclusion), an environment where payment data have zero value to fraudsters, and a system with a robust identity management flexible enough to accommodate different types of transactions.

Following the table discussions, SPSC members discussed techniques to advance potential ideas into final outputs. Steering Committee members underscored the importance of broader industry outreach to seek input on nascent ideas. To that end, one SPSC member suggested that the SPTF draft and seek public comment on specific, non-binding resolutions (e.g. "the SPTF believes the industry should build solution X"). Mr. Aadland stated that the Federal Reserve team would iterate on this concept for SPSC consideration. Steering Committee members also reemphasized the need to bring the right experts to the table when developing final outputs. In addition, members discussed funding mechanisms for industry participants to implement worthwhile solutions (e.g. government-funded research and development grants). A few SPSC members asked about the role of the Federal Reserve in producing final outputs. In response, Susan Foley, Federal Reserve Board, stated that the Federal Reserve is providing facilitation and other support to the SPTF as the SPTF develops

its final outputs, but emphasized that the outputs would be developed and ultimately approved by the SPTF. These final outputs are envisioned in the *Strategies* paper as recommendations to the Federal Reserve. Ms. Foley stated that the Federal Reserve would have the opportunity to respond publicly to the SPTF's final outputs through other channels following their release.

Faster Payments Update: Commentary Period and Final Deliverables

Connie Theien, Federal Reserve Bank of Chicago, provided an update on the commentary period for the SPTF to review faster payment proposals (with a focus on security aspects), which is scheduled to begin on October 1. Ms. Theien stated that the Federal Reserve plans to help SPTF members prepare for the upcoming commentary period by providing education on the process, tools, and information resources. She noted that these topics would be covered through several channels – including drop-in calls, webinars, and reference materials posted to Task Force Knowledge Central – in the coming weeks.

Ms. Theien also provided an update on the Faster Payments Task Force (FPTF) final deliverables, highlighting that the FPTF now plans to publish its final report in two releases. The first release – targeted for publication in December – will cover foundational concepts, such as background on the FPTF work effort and an update on the payments landscape. The second release – targeted for publication in mid-2017 – will contain the faster payment proposals and assessments, challenges and opportunities related to implementing faster payment systems, and recommendations and next steps. It was also noted that three SPTF members recently joined the safety and security subgroup of the FPTF work group focused on challenges and opportunities.

Work Product Communication Plan

Ms. Theien provided an overview of a proposed communication plan to help advance SPTF work group efforts, including a timeline and key milestones. She stated that following this meeting, work group chairs would follow up with their respective work groups to discuss and solicit input on the SPSC's recommendations. In addition, she stated that the full SPTF would have the opportunity to review and comment on proposed updates to work group efforts (as applicable). Ms. Theien also noted that the SPTF would have the opportunity to seek feedback from the wider stakeholder community on work group efforts. She also noted a longer-term plan for the SPTF to publish a progress report to promote key task force accomplishments and discuss recommendations and next steps. In response to a question, Ms. Theien stated that the Federal Reserve frequently presents at outside conferences to promote SPTF efforts. SPSC members agreed with the proposed plan.

Meeting Planning and Closing Remarks

Mr. Aadland reviewed a list of future meeting dates over the next several months and associated discussion topics. In addition to the previously-scheduled teleconference calls in the next few months, Mr. Aadland noted the addition of a SPSC call in September for Steering Committee members to receive an update on the direction of the work groups (once the chairs have had the chance to follow up with their respective work groups). In addition, he noted the November SPTF meeting will include a joint portion with the FPTF to focus on faster payment proposals as well as an SPTF-only portion. For the November meeting, one Steering Committee member suggested moving the proposed end time of the last day earlier to accommodate travel schedules. Mr. Aadland closed the SPSC meeting and thanked meeting participants for their contributions.