

# Secure Payments Task Force

## Loews Chicago O'Hare Hotel

### August 25-26, 2015, Meeting Summary

The meeting began with a brief video message from Esther George, President and CEO, Federal Reserve Bank of Kansas City and executive sponsor of the payment improvement strategies for the Federal Reserve System. Ms. George welcomed participants to the first in-person Secure Payments Task Force (Task Force) meeting, noting that the meeting officially kicks off work toward the collective goal of a secure payment system—one that can be protected from the rapidly evolving threat environment and maintain public confidence. Ms. George stated that by establishing this Task Force, the Federal Reserve hopes to provide a collaborative forum for participants to identify and take action on key priorities that support our collective goal. Ms. George closed by expressing her gratitude to Task Force participants for their commitment of time and talent to this endeavor.

#### **Secure Payments Task Force Mission, Structure, Objectives, and Timelines**

Gordon Werkema, Federal Reserve Payments Strategy Director, outlined the Task Force's mission and structure, as well as the Steering Committee's responsibilities. Mr. Werkema noted that the Secure Payments Task Force will work hand in hand with the Faster Payments Task Force to help ensure that any new faster payment solution is also secure. Mr. Werkema also noted that the Task Force's Steering Committee will help guide and support Task Force efforts by representing the views of their respective stakeholders and by gathering perspectives from Task Force members and experts outside the Task Force.<sup>1</sup>

Barbara Pacheco, Senior Vice President, Federal Reserve Bank of Kansas City, provided a high-level overview of the Task Force's objectives and timeline for key deliverables. With respect to objectives, Ms. Pacheco stated that in addition to coordinating with the Faster Payments Task Force, the Secure Payments Task Force would identify and pursue improvements to payment security and advise the Federal Reserve on payment security matters. Ms. Pacheco noted that Task Force meetings and activities are designed to be highly engaging for members, highlighting that the Task Force would have the opportunity to establish workgroups in which members can work collaboratively on key security issues.

#### **Breakout Activity 1: Defining Success of the Secure Payments Task Force**

Meeting participants met in small groups to discuss their hopes, fears, and perspectives on how to define success for the Task Force. When asked what they hope the Task Force will have achieved by next year, Task Force members discussed the importance of establishing common language so that Task Force members are equipped to discuss key security issues. Members also expressed the importance of establishing a framework and roadmap to help develop and successfully drive the adoption of payment security standards. Several members expressed the fear that the Task Force's progress would be too slow and that competing interests of its members could impede progress. Members also expressed the concern that the Task Force would set goals that are unnecessarily broad in scope and impossible to achieve. Task Force members generally agreed that the definition of success for the Task Force should include developing a framework that will help the industry achieve a measurable reduction in fraud. Such a framework should be flexible enough to allow payment system participants to manage an ever-changing threat environment, and at the same time promote – rather than hinder – innovation. Members also noted

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<sup>1</sup> The Steering Committee consists of 16 Task Force members elected by Task Force participants associated with a particular stakeholder category. Stakeholder categories include financial institutions, non-bank payment providers, end users, other stakeholders – e.g. payment networks, consultants, academics and others.

that success would balance the unique interests of payment system stakeholders. Task Force and Steering Committee members will review and consider the output from this breakout activity during future meetings to finalize Task Force success statements.

### **Faster Payments Task Force Overview and Effectiveness Criteria**

Sean Rodriguez, Federal Reserve Faster Payments Strategy Leader, reviewed the Faster Payments Task Force's mission, objectives, work plan, timelines, and structure. Mr. Rodriguez noted that, historically, fragmentation in the United States has hindered the development of a ubiquitous faster payment solution. As a result, bringing industry participants together to help them reach agreement on effective faster payment approaches is a priority for the Federal Reserve.

Ken Isaacson, Senior Vice President, Federal Reserve Bank of New York, reviewed the draft effectiveness criteria for evaluating alternative faster payment approaches. Mr. Isaacson noted that the Task Force would provide feedback on the second draft of the security criteria, and that the criteria would continue to develop through an iterative process of collecting feedback from both task forces. One participant expressed a concern that the Federal Reserve may be providing too much structure around the criteria development, which may reduce the Task Force's autonomy. Mr. Isaacson noted that the Faster Payment Task Force has created some of this structure as it has worked on the criteria since the first meeting in June. Mr. Isaacson noted that structure is necessary to help the several-hundred-member Task Force organize and advance this effort, and acknowledged that balance is needed between structure and autonomy. Mr. Isaacson stressed that the Federal Reserve has and will continue to consider the perspectives of Task Force members by soliciting and reflecting their collective feedback. Another participant asked whether faster payment approaches should be assessed against existing rule sets (e.g. NACHA rules and the Uniform Commercial Code). Mr. Isaacson encouraged Task Force members to think broadly about rules and regulatory regimes, considering them applicable but also noting that in some cases an approach may not fall within a particular set of rules or regulations.

### **Breakout Activity 2: Security Criteria Exercise**

Meeting participants met in small groups to provide feedback on the faster payments security criteria. Each breakout group focused on two of the 12 security criteria. Participants suggested wording changes to help clarify the criteria, identified gaps in the criteria, and made other recommendations for the two task forces to consider. Mr. Isaacson noted that the Federal Reserve will process and reflect the feedback received during this exercise and incorporate it into the fourth draft of the criteria that will be shared with both task forces.

### **Task Force Objective: Advising the Federal Reserve on Payment Security Matters**

Barbara Pacheco, Senior Vice President, Federal Reserve Bank of Kansas City, discussed one of the objectives of the Task Force to advise the Federal Reserve on payment security matters. As background, Ms. Pacheco presented high-level findings from the Payment Security Landscape Study, a research effort conducted by the Federal Reserve in 2014 to enhance its understanding of end-to-end payment security in the United States. Ms. Pacheco discussed a number of weaknesses identified by the study as well as potential opportunities to improve the security of the U.S. payment system.

Marianne Crowe, Vice President, Federal Reserve Bank of Boston, presented the Federal Reserve's current actions and potential future plans to improve the security of the U.S. payment system. Ms. Crowe focused on the Federal Reserve's efforts to promulgate and foster the adoption of payment security standards, improve the quality of publically available fraud data, enhance the security of payment services it offers to financial institutions, and provide education and academic research on payment security.

Geoff Gerdes, Senior Economist, Federal Reserve Board, and Mary Kepler, Senior Vice President, Federal Reserve Bank of Atlanta, provided an overview of the Federal Reserve Payment Study which reports national aggregate payment trends to the industry based on surveys of depository institutions, payment networks, issuers, and processors. Ms. Kepler noted that the Federal Reserve recently added a section on fraud data to the study to help provide a benchmark on fraud rates for the industry. Mr. Gerdes asked Task Force members to review and respond to an upcoming public request for comment regarding several proposed changes to the study's existing survey design, including expanded fraud questions and the inclusion of annual survey updates, and on a separate ad-hoc effort to pursue new sources and methods for collecting and summarizing fraud data.<sup>2</sup>

### **Breakout Activity 3: Advising the Federal Reserve on Payment Security Matters**

Meeting participants met in small groups to identify opportunities for the Federal Reserve to support industry efforts to strengthen payment security. Participants were assigned to one of four topic areas: standards and protocol development, standards and protocol adoption, education and outreach, and academic and policy research. Each group brainstormed a list of potential opportunities the Federal Reserve should consider and reached agreement on the three they believed were most important. The participants were invited to suggest potential opportunities for Federal Reserve support within the other three topic areas. The Federal Reserve will compile the output from this breakout activity and discuss its initial views on the most promising opportunities to the Task Force and Steering Committee during future meetings.

### **Task Force Objective: Determining Areas of Focus and Priorities for Action**

Zach Markiewicz, Lead Risk Specialist, Federal Reserve Bank of Kansas City, focused on the Task Force's objective to determine areas of focus and priorities for action by presenting the results of a survey of Task Force members. The survey solicited feedback on participants' experience with payment methods, payment security areas of interest, potential areas of focus for future Task Force efforts, and views on the importance of various payment security initiatives. Mr. Markiewicz highlighted those payment security topics that respondents rated as "high" in interest and important for Task Force focus. Topics that were rated as "high" in interest include authentication and authorization, fraud control and management, mobile device and mobile application security, verification services, and data integrity. Topics that were rated "high" for importance include authentication and authorization, infrastructure/network/system security, security of end-users' access devices and applications, and mobile device and mobile application security.

### **Breakout Activity 4: Identifying Task Force Workgroups**

Meeting participants met in groups to identify and begin to define potential workgroups that will help the Task Force address the priority topics in payment security. Participants self-selected into one of four areas of focus: payment identity management and authentication, fraud/risk technologies (solutions and best practices), fraud/cyber information sharing and privacy protections, payment network rules and regulations.<sup>3</sup> Participants began the activity by brainstorming a list of payment security problems related to their area of focus. Participants then identified up to three potential workgroups by categorizing the brainstormed ideas into high-level issues that may be solved by a dedicated subgroup of the Task Force. For each potential workgroup identified, participants defined roughly the workgroup's purpose, scope of work, and key success measures. Task Force and Steering Committee members will review and consider

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<sup>2</sup> The public request for comment will be posted to the Federal Reserve Board's public [website](#) in October 2015.

<sup>3</sup> The Federal Reserve identified the areas of focus through research, industry outreach, and a survey of Task Force members.

the output from this breakout activity during future meetings to determine the workgroups they will ultimately establish.