

Secure Payments Task Force Meeting Federal Reserve Bank of Charlotte November 1-2, 2017 Meeting Summary

Welcome and Opening Remarks¹

Todd Aadland, Secure Payments Strategy Leader, welcomed Secure Payments Task Force (SPTF) members to the meeting. Mr. Aadland stated that the Faster Payments Task Force (FPTF) disbanded in the summer, following the release of its part 2 of its final report, and thanked SPTF members for their participation in the FPTF deliverables. 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 via a prerecorded video message. Ms. George thanked SPTF members for their continued commitment and engagement to the task force work and emphasized that ongoing collaboration is critical to the security of the nation's payments system.

Mr. Aadland introduced Dave Sapenaro, the recently appointed Federal Reserve Payments Strategy Director, to provide opening remarks. Mr. Sapenaro introduced himself and stated he is excited to work with SPTF members in his new role. Connie Theien, Federal Reserve Bank of Chicago, welcomed new members of the task force and provided an overview on the SPTF's mission and objectives, and finally Mr. Aadland reviewed the meeting objectives and agenda.

Information Sharing Data Sources DMF Vote Results

Peter Tapling, Early Warning, provided background on the Information Sharing Data Sources Deliverable, which recently went through the task force's decision-making framework (DMF) voting process. Mr. Aadland shared the preliminary results of DMF vote, highlighting a 99 percent consent rate, with 55 percent of eligible members participating in the vote. He also reviewed a detailed breakout of the voting results by segment and noted that 22 comments were recorded during the voting process. Mr. Aadland stated that the data sources would be published soon after the voting results are officially finalized, noting that the DMF results, including comments submitted through the process, will be made public.

Task Force Microsite and Communications Plan

Meagan Musgrave, Federal Reserve Bank of Chicago, provided a preview of the SPTF microsite – a website that provides background on the SPTF and hosts SPTF work products. She noted that the site is currently in the production and testing phases and is expected to launch later in November. Ms. Musgrave demoed the microsite and illustrated how it can be used by the public to engage with the SPTF.

¹ John Yanish, Deputy General Counsel, Federal Reserve Bank of Minneapolis, reminded those in attendance to participate in a manner consistent with antitrust and other applicable laws.

Amma Guerrier, Xenith Bank and member of the SPTF's design and delivery team, and Gloria Dugan, Federal Reserve Bank of Chicago, provided an overview of the task force communications plan, noting that the SPTF and Federal Reserve are partnering in an effort to engage industry stakeholders. They noted that a communication toolkit, including e-mail and communications templates and a listing of FAQs, would soon be distributed to task force members to help them promote task force efforts.

Payment Lifecycles and Security Profiles

Mr. Aadland moderated a discussion on the SPTF's Payment Lifecycles and Security Profiles deliverable with four steering committee members: Chris Danvers, American Airlines Federal Credit Union, Reed Luhtanen, Wal-Mart Stores, Inc., Suzanne Martindale, Consumers Union, and Peter Tapling. Mr. Luhtanen provided background and an overview on the Profiles, noting that it was joint effort between the Payment Identity Management (PIM) and Data Protection work groups. Ms. Martindale reviewed the results of a September work group vote on the Profiles, noting a 62 percent consent rate. She also noted that 75 pages of substantive comments were received on the draft Profiles. Mr. Danvers stated that although a 62 percent consent rate is technically sufficient to move the deliverable forward to a full task force DMF vote, the work group decided to delay the DMF vote in order to fully understand and address the concerns that were raised during the work group vote. Mr. Tapling noted that the steering committee has been engaged to help the work group reach consensus on outstanding issues and areas of disagreement.

SPTF members then broke out into segment discussions to review and discuss specific portions of the Profiles, with the goal to identify major showstoppers. Following the sessions, Steering Committee members provided an overview of the discussions within each segment group. Major discussion topics included concerns about the use of the term "open standards," scope creep, and whether the document would be used by bank examiners. Mr. Aadland stated that the Steering Committee would review the output from the sessions over the next few weeks and recommend modifications to the Profiles.

NIST Cybersecurity Framework Panel and Declaration Proposal

Tammy Hornsby-Fink, Federal Reserve Bank of Richmond, moderated a panel discussion on the NIST Cybersecurity Framework (CSF). The panel comprised Ryan McNaughton, NABC, Patrick Quentmeyer, U.S. Treasury, and Charles Wallen, Spectrum. The panelists provided an overview of the CSF and its objectives, highlighting its risk-based approach to managing cyber threats. They also highlighted the framework's flexibility, noting that institutions can use it to identify their current and desired state with regard to cyber posture and to take steps toward the desired state. Panelists also noted that the framework provides organizations with a common vocabulary, allowing them to communicate effectively regarding cyber issues.

Ms. Hornsby-Fink discussed a member-submitted proposal for the SPTF to endorse the NIST CSF as the recommended cyber risk-management approach for the U.S. payments ecosystem. She

also provided an overview of the SPTF's Payment Security Framework, one of the SPTF's draft deliverables, noting that the NIST CSF proposal could potentially alter the work effort on the Payment Security Framework. She noted that because the NIST CSF provides a holistic approach to addressing cyber issues, there may not be a need to develop a separate framework specific to payments.

SPTF members broke out into table discussions to discuss the NIST CSF proposal. Following the breakouts, several SPTF members noted that they generally agreed with the proposal. A few noted that if the proposal is approved, there may be value in providing ancillary guidance specific to payments. A few SPTF members objected to a phrase in the proposal stating that the SPTF would endorse all future versions of the NIST CSF. Ms. Hornsby Fink noted that work group members would consider the feedback from the breakout sessions and provide an update at a future meeting.

Standardized Fraud Reporting

Ed O'Neill, Federal Reserve Bank of Chicago, moderated a discussion on the benefits of standardized fraud reporting with three panelists: Andrew Churchill, MIDAS Alliance, Manish Nathwani, Shazam, and Seth Ruden, ACI Worldwide. The panelists discussed the importance of using consistent definitions across the industry to ensure common understanding and measurement. They also discussed the potential benefits of being able to make cross-comparisons on fraud rates. The panelists noted that a major challenge in standardizing fraud reporting is getting the major industry players on board and in alignment. They also discussed the challenge of enforcing any such standards.

Mr. O'Neill provided an update on the Data Protection Work Group's Standard Fraud Reporting Proposal. He noted progress made on the proposal since the June SPTF meeting, including updated fraud reporting types and definitions based on SPTF feedback during the meeting. Mr. O'Neill also noted that work group members had initial discussions with the major payment card networks on the proposal.

SPTF members broke out into table discussions to discuss the updated Standard Fraud Reporting Proposal. Following the table discussions, a few tables provided an overview of their discussions. Several SPTF members generally thought the proposal would provide value to their organizations. A few SPTF members recommended clarifying the purpose of the proposal. Mr. O'Neill noted that the output from the breakout session would be compiled and sent to the work group for consideration.

Next Steps and Closing Remarks

Mr. Sapanaro provided an overview of the SIPS next steps paper, highlighting the refreshed strategies and tactics the Federal Reserve intends to pursue over the next few years to support

broad improvements to the U.S. payment system.² With respect to security, he stated that the Federal Reserve plans to conduct a study on payments fraud, security vulnerabilities, contributing factors to those vulnerabilities, and potential approaches to mitigate them. Beyond security, he noted that the Federal Reserve is launching other work efforts related to speed and efficiency, including supporting industry efforts to establish a governance framework for faster payments. He also highlighted that the Federal Reserve will assess its settlement services to support real-time retail payments and will also assess whether it should provide other service provider roles. Mr. Sapenaro stated that the Next Steps paper affirms the Federal Reserve's commitment to move the ball forward on payment security initiatives with industry support.

Mr. Aadland thanked SPTF members for their participation. He noted that the Steering Committee will review the information collected on the Payment Security Lifecycles over the next few weeks.

² *Strategies for Improving the U.S. Payment System: Federal Reserve Next Steps in the Payments Improvement Journey* is available online at <https://www.federalreserve.gov/newsevents/pressreleases/files/other20170906a1.pdf>.