

Secure Payments Task Force Federal Reserve Bank of Chicago November 9-10, 2015 Meeting Summary

Welcome and Opening Remarks

Gordon Werkema, Federal Reserve Payments Strategy Director, opened the Secure Payments Task Force (SPTF) meeting, noting that both task forces have made significant progress since the SPTF last met in August. Mr. Werkema highlighted that over the past several months, the SPTF has established a solid foundation to pursue its mission to address fraud risk and advance the safety, security, and resiliency of the payment system. Mr. Werkema reminded attendees that their engagement and collaboration are critical to the success of the SPTF and the broader payment system improvement strategies. He underscored that the Federal Reserve is committed to working with payment stakeholders to help turn the vision of a faster, safer, and more efficient U.S. payment system into reality. Mr. Werkema also formally introduced Todd Aadland, the recently named Payments Security Strategy Leader, and thanked Barb Pacheco, Senior Vice President, Federal Reserve Bank of Kansas City, for her leadership of the payment security strategy work. Mr. Aadland welcomed participants and reviewed the meeting agenda as well as the SPTF's objectives and success statements.¹

Glossary of Terms

Kandice Alter, Assistant Vice President, Federal Reserve Bank of Chicago, provided an update on the task force [glossary of terms](#). She noted that the purpose of the glossary is to enhance task force collaboration and promote the consistent use of terminology across work products. Ms. Alter reviewed the sources used to develop terms and definitions for version 1 of the glossary and noted that the next version will incorporate new terms suggested by the task force work groups focused on the legal and security effectiveness criteria for faster payment solutions. Ms. Alter reviewed the process for adding and revising terms and encouraged attendees to visit the Glossary of Terms Café, a designated area at the meeting where attendees could submit suggestions for additional terms.

Faster Payments Task Force Effectiveness Criteria

Steve Mott, CEO, BetterBuyDesign, provided an overview of the SPTF Security Criteria Work Group (Work Group) he led that helped to refine the definitions, considerations, and effectiveness scale of four security criteria that ranked high in importance and generated substantial discussion at the August 25-26 SPTF meeting.²

Kylie Stewart, Financial Services Project Leader, Federal Reserve Board, thanked Mr. Mott and all the volunteers on the Work Group for their expert advice, as well as the wider SPTF for their input at the August 25-26 meeting. Ms. Stewart provided an overview of draft 4 of the effectiveness criteria, which was recently circulated to FPTF and SPTF members, noting key improvements made to the security criteria by the Work Group. Aside from the Work Group's recommendations, Ms. Stewart noted that draft 4 incorporates feedback from several other sources, including recommendations from a legal criteria work group, input from discussion sessions at FTFP and SPTF meetings, and results of surveys soliciting feedback from members of both task forces. Ms. Stewart noted that the drafting team also took into account the Consumer Financial Protection Bureau's consumer protection principles for new faster

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.

² The four security criteria are S.5 (fraudulent or erroneous payments), S.8 (security controls), S.10 (end user privacy), and S.11 (end user authentication). In addition to these four criteria, the Work Group voluntarily provided recommendations related to other security criteria, in part, to help align them with the suggested edits made to the four criteria under consideration. Work Group members also provided suggested additions and edits to the glossary of terms.

payment systems.³ Looking ahead, Ms. Stewart stated that the drafting team plans to soon publish draft 5 of the criteria, which will incorporate additional feedback from both task forces as well as the wider payment community.

Faster Payments Task Force Work Plan Update

Sean Rodriguez, Federal Reserve Faster Payments Strategy Leader, reviewed the Faster Payments Task Force's (FPTF) mission, objectives, high-level work plan, timeline, and key deliverables. Mr. Rodriguez stated that the FPTF recently revised its approach for developing final work products, highlighting that it plans to implement a qualified independent assessment (QIA) process for evaluating faster payment solution proposals. Mr. Rodriguez stated that the FPTF ultimately plans to publish two reports. The first report will summarize the QIA results along with comments from task force members and responses from proposers. The second report will discuss strategic issues and gaps to be addressed for successful implementation and adoption of faster payments in the United States. Mr. Rodriguez noted that the Federal Reserve would likely pursue an RFP process to hire an independent professional services firm to lead and conduct the QIA process.

Mr. Rodriguez addressed a series of questions and comments regarding the QIA process. One SPTF member raised a concern that the firm hired to conduct the QIA process may not have sufficient background on the payment system improvement effort. In response, Mr. Rodriguez noted that the FPTF is considering setting up an advisory board to help educate the QIA team on key task force activities. Another SPTF member raised a concern regarding the independence of the hired QIA firm, noting that it may have a relationship with a solution proposer. In response, Mr. Rodriguez acknowledged the challenge of avoiding conflicts of interest and assured the task force that several strategies will be assessed to respond to this concern. In response to a question, Mr. Rodriguez stated that the QIA process will not result in a single winning proposal. He noted that, rather than comparing submitted proposals against one another, the QIA team will assess each proposal individually against the criteria. Mr. Rodriguez stated that the process is intended to illuminate potential solutions to the marketplace, underscoring that once the QIA results are published, it will ultimately be up to the industry to select and implement a faster payment solution.

Ms. Stewart reviewed the FPTF's proposal assessment architecture, a plan outlining the proposal process from start to finish. Ms. Stewart highlighted the steps solution proposers would take to submit a proposal for assessment. She also noted that the FPTF plans to establish a 'capability showcase' prior to the proposal submission process, which will allow component providers to demonstrate individual tools and technologies that could support faster payment solutions. Although only end-to-end solutions will be assessed during the QIA process (individual components will not be assessed), the showcase will give component providers the opportunity to pair up with FPTF members that plan to submit an end-to-end solution proposal for QIA. Ms. Stewart noted that the Federal Reserve would not facilitate matching between component providers and proposers.

Faster and Secure Task Force Integration Plan

Mr. Aadland reviewed a proposed integration plan for the FPTF and SPTF, illustrating points in the proposal assessment architecture where the two task forces might collaborate. In particular, Mr. Aadland noted that the SPTF has the opportunity to (i) provide input to the faster payments effectiveness criteria related to security, (ii) develop and showcase security components for faster payment solutions, (iii) join a FPTF work group that will develop and submit a full solution proposal (iv) provide comments on the QIA results, and (v) contribute to the FPTF's final report that will identify strategic issues and barriers to implementing a safe, ubiquitous, and faster payments capability.

³ The principles are available on the Consumer Financial Protection Bureau's website at http://files.consumerfinance.gov/f/201507_cfpb_consumer-protection-principles.pdf.

SPTF members met in table breakout groups to discuss the proposed integration plan and whether to endorse it. In addition, SPTF members provided suggested edits to the plan and identified the intersection points that they believed would be most beneficial. The SPTF attendees endorsed the integration plan and offered several enhancements for consideration. Mr. Aadland noted that the Federal Reserve would review and respond to the feedback received from SPTF members on the integration plan.

Advising the Federal Reserve on Payment Security Matters

Marianne Crowe, Vice President, Federal Reserve Bank of Boston, presented a summary of the feedback received from SPTF members at the August meeting on opportunities for the Federal Reserve to support industry efforts to strengthen payment security. Ms. Crowe noted that the SPTF advocated for the Federal Reserve to help accelerate the development and industry-wide adoption of payment security standards. Ms. Crowe also noted the SPTF's suggestion for the Federal Reserve to research approaches for aligning stakeholder incentives to adopt payment security standards, technologies, and practices. In addition, Ms. Crowe noted that the SPTF advised that the Federal Reserve expand its education and outreach to the industry on several topics, including cyber risk, mobile payment security, and government activities in payment security. Ms. Crowe reminded participants to review and respond to an upcoming public request for comment regarding several proposed changes to the Federal Reserve Payment Study's survey design, including expanded questions related to payment fraud.⁴

Identifying Task Force Work Groups

Mr. Aadland reviewed a list of ideas generated at the August SPTF meeting and further refined at the September Steering Committee meeting, for potential SPTF work groups to help address its priority topics in payment security. Mr. Aadland also summarized initial feedback collected from SPTF members on the ideas during the November segment calls.

SPTF members then divided into breakout rooms for a work group exposition to review all eight work group topics in detail, including the initial problem statement and proposed work effort.⁵ Following the breakout session, SPTF members were asked to vote on the top work group topics they would prioritize launching in 2016. The table below lists the six work group ideas included in the poll as well as the distribution of votes. As shown in the table, the four topics that received the largest share of votes are: (1) *Payment Identity Management Framework/Enrollment Effectiveness*, (2) *Fraud Detection Protocols and Information Sharing*, (3) *Law and Regulation Coordination*, and (4) *Data Protection/Security of Stored Data*.

Poll: Which work group topics would you prioritize launching in early 2016? (Pick Two)

Answers	Responses	Percentage
Fraud Detection Protocols and Information Sharing	26	20%
Law and Regulation Coordination	26	20%
Adequacy of Security Standards	3	2%
Authentication Control	14	11%
Data Protection/Security of Stored Data (Merged)	23	18%
Payment Identity Mgmt Framework/Enrollment Effectiveness (Merged)	39	30%

Task Force Work Group Charter Development

SPTF members volunteered for breakout groups to draft initial work group charters for the top four work group topics (identified above). Within the breakout groups, SPTF members reformulated work

⁴ The request for comment is now available on the Federal Reserve Board's website at <http://www.federalreserve.gov/boarddocs/press/foiadocs/2015/20151125/foia201511252.pdf>.

⁵ During the exposition, SPTF members were also asked to vote on whether to combine pairs of work group topics with overlapping work efforts. Two pairs were ultimately combined: (1) *Data Protection and Security of Stored Data* and (2) *Payment Identity Management Framework and Enrollment Effectiveness*.

group topic names, problem statements, success measures, activities/deliverables, and defined resource requirements. Following the breakout session, representatives from each group presented the revised charter and associated details to the full SPTF. Mr. Aadland noted that the Steering Committee would review the draft charters at its call on December 10 and provide guidance on which work groups to launch by Q1 2016. In response to a question, Mr. Aadland stated that it would be advisable to limit the number of initial work groups to two due to resource constraints but noted the possibility to launch additional work groups in the future.

Engagement Planning

Connie Theien, Vice President, Federal Reserve Bank of Chicago, led a discussion of a proposed task force and community engagement plan, noting the plan's objectives and deliverables. Ms. Theien reviewed the plan's proposed collaboration tools, guidelines and standardized procedures for communications (such as guidelines for attribution and sharing task force materials), and reporting on task force engagement rates. When polled, a majority (63%) of SPTF members agreed that the SPTF should solicit broad stakeholder (non-task force) input on key issues and task force work products. Ms. Theien also asked attendees to submit suggestions for trade associations and industry groups that would be beneficial for the SPTF to engage to help it achieve its objectives. In response to a question, Ms. Theien noted that collaboration tools would be available to members of both task forces. When polled, the vast majority (92%) of task force members agreed that the proposed engagement plan would enhance the effectiveness of the SPTF.

Future Meeting Dates

Mr. Aadland thanked participants for their contributions and high level of engagement during the meeting. Mr. Aadland stated that the Steering Committee will meet via teleconference on December 10 and that calendar dates for 2016 SPTF meetings would soon be finalized.