Secure Payments Task Force and Joint Meeting with Faster Payments Task Force
Oak Brook, IL
November 14-16, 2016 Meeting Summary

Welcome and Opening Remarks[1]

Todd Aadland, Payments Security Strategy Leader, welcomed participants to the Secure Payments Task Force (SPTF) meeting. He thanked the SPTF participants for their continued commitment to work group deliverables and their ongoing participation. Mr. Aadland highlighted new members to the task force, introducing them individually. He also noted that the industry survey to collect feedback on work group deliverables has been extended to the end of November. He then reviewed the meeting objectives and agenda.

Panel Discussion: Global View of Payment Security

Mr. Aadland moderated the discussion on how foreign institutions are promoting security in the payments industry. The panel included Gwen Beauchemin, Payments Canada, and Jim Mortimer, VocaLink. Panelists provided an overview of their institutions' presence in promoting secure payments. Both agreed adopting security tools is important, with or without a mandate. When considering how standards are adopted, Ms. Beauchemin explained that national and international rules typically do not align. Mr. Mortimer agreed, adding standards often vary by country. In terms of global interoperability, Mr. Mortimer noted that the security rules of origination and destination countries can be very different. Ms. Beauchemin agreed and promoted streamlining this aspect of the payments environment. Panelists had differing views on the future of the global landscape and where to focus. Ms. Beauchemin stressed analyzing the innovation that can come out of developing countries. Mr. Mortimer pointed to stronger interoperability, especially as the need for real-time cross border transactions grows.

Payment Identity Management: Overview of Use Case Mappings and Breakout Discussions

Nancy O'Malley, Mastercard, explained that the Payment Identity Management (PIM) Work Group is completing the first phase of its work, developing and documenting risk-based guidance on PIM practices for the industry. To date, the PIM Work Group has mapped out identity management practices employed across the various points in the payment processing chain for eight use cases: ACH, wire, check, signature, PIN, card-not-present payment card transactions, and two emerging access methods.[2] The mappings included payment flows, standards, and potential risks and security methods. Ms. O'Malley noted that the use cases allow for the Work Group to analyze strengths and weaknesses of identity management tools used in different payment methods. She stressed their importance as this information has never been comprehensively documented before.

SPTF meeting participants provided feedback on PIM use cases during breakout discussions, specifically on whether the mappings are factually correct, additional security

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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.
[2] The two emerging payment types are wallet and contactless.

methods or controls, whether the language is appropriate, and any additional suggestions or comments. After the discussions, Frazier Evans, Booz Allen Hamilton, commented on the valuable input provided during the breakouts, namely the card PIN and card signature use cases. He explained that the PIM Work Group would review and incorporate the feedback. Once that is complete at the end of December/early January, the Use Case Template will be presented to the SPTF for approval, following the SPTF Decision-Making Framework (DMF) process. The final step will be publishing the Use Case Template for industry use.

Panel Discussion: Law and Regulation

Suzanne Martindale, Consumers Union, moderated the discussion on how laws and regulations shape the payments industry. The panel included Michael Benardo, FDIC; Sarita Frattaroli, CFPB; and Bryan Schneider, CSBS. The panelists each explained how their institutions have a hand in regulating the industry in different capacities. When asked to consider challenges in the industry, Mr. Benardo pointed to the limited authority regulators have. For instance, he noted that the FDIC only has authority over certain entities, but not transaction types. Therefore, this adds to the complexity of the landscape. Mr. Schneider agreed; as a state regulator, he explained the challenges entities face when crossing state lines as there can be much variation in law. In regard to the evolving market, Ms. Frattaroli and Mr. Schneider recognized the challenge regulators face when trying to factor in future innovations for current laws. Mr. Benardo noted that at the federal level, they are careful to neither stifle innovation nor mandate specific technology. Mr. Benardo and Mr. Schneider touched on the importance of the Cybersecurity Assessment Tool, which was developed by the Federal Financial Institutions Examination Council to help institutions determine their potential risks and preparedness. Finally, when asked how the SPTF can implement change, Mr. Benardo noted how challenging it is to change laws, but stressed the importance of reaching out to the correct regulators based on the SPTF's concerns. Meanwhile, Ms. Frattaroli discussed a CFPB program that promotes consumer friendly innovation as a starting place to formulate ideas.

Law and Regulation Coordination: Work Group Overview

Matt Davies, Federal Reserve Bank of Dallas, announced the formal launch of the Law and Regulation Coordination Work Group. He explained that the current action plan is to assist the work groups when legal and regulatory gaps related to security in the payments industry have been identified, to determine the appropriate solution, and to coordinate with the appropriate bodies to bridge the gaps. Mr. Davies noted that this group would have the same Federal Reserve support as the other work groups but that the structure for work group membership would differ. Core membership would include a limited number of participants who are actively engaged with the SPTF. They would be responsible for triaging and approving work group requests, as well as working on Law and Regulation Coordination Work Group efforts based on approved requests. Ad hoc participants would participate in approved work group efforts based on their specific expertise. The triage process would begin with a formal submission of a request and an assessment of the requirements – such as Secure Payments Steering Committee (SPSC) participant sponsorship – to form a work group effort. The triage process by the Law and Regulation Coordination Work Group will share the results of the request with the submitter and sponsor. He mentioned that the Work Group's deliverables may be provided to a different work group for input or directly to the SPTF. The deliverables must follow work group guidelines and go through the DMF process. Finally, he encouraged SPTF members to join the Law and Regulation Coordination Work Group.

Task Force Declaration Process Proposal: Overview and Table Discussion

Ed O'Neill, Federal Reserve Bank of Chicago, provided an overview of a draft Task Force Declaration proposal process. In this process, the SPTF will develop and approve declarations to request action in the payments industry in order to promote security. Examples of declarations provided included inviting the payments industry to participate in SPTF events on a specific area of concern or asking industry participants to address issues identified by the SPTF. For a declaration to be in scope for the SPTF, it must be relevant to payment security and be a topic that is not supported by current SPTF work group efforts. Mr. O'Neill noted that all declarations must be submitted using a formal request form and be sponsored by a SPSC member. The approval process would begin with a review by the SPTF chair in consultation with the SPSC. If the declaration is approved at this level, the SPTF then has the opportunity to review and approve it via the DMF.

The SPTF members participated in table discussions to provide input on the scope, requirements and submission process, and submission and review process. Many comments arose from the table discussions, though SPTF members generally agreed with the current version of the draft Task Force Declaration proposal process. One member expressed interest in broadening declarations to international payments topics, but still be relevant to the United States payments system. There was also discussion surrounding the sponsorship of a SPSC member. One member felt that the SPTF member should be able to interact directly with the SPSC and another suggested that the proposer's segment member should be assigned to them as their sponsor. Lastly, some tables discussed the need for a timeline for each of the steps in the process. Mr. O'Neill noted that Federal Reserve staff supporting the SPTF would incorporate the feedback into the Task Force Declaration proposal process and provide a revised version to the SPSC for its endorsement. Overall, the SPTF mostly agreed that this declaration process was clear and appropriate [3]

Data Protection: Overview and Table Discussion

Mayank Bhatt, SWIFT, provided an overview of the Data Protection Work Group's objectives and planned solutions specifically highlighting the Work Group's development of the baseline Data Protection principles. Mr. Bhatt noted that the Work Group considered potential data protection risks and analyzed current standards. From this work, the Work Group grouped the principles into four high-level themes: integrity and compliance, devaluation of data, access control, and data security classification. He mentioned that the principles are meant to be broad and flexible so that all institutions can appropriately apply them. To finalize the draft of the Data Protection principles, Mr. Bhatt asked the SPTF to examine the document and provide feedback.

Each table was asked to consider whether the selected principles generally provided a good baseline for the Work Group and if the provided details properly reflected the respective principle. Overall, the SPTF found the selected principles to be a good baseline, though, some table discussions stressed the importance of adding a principle related to privacy. The SPTF also generally agreed with the details of each principle, except for data security classification. The task force decided that this principle needed additional clarification and some table discussions mentioned adding success metrics to it.

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[3] SPTF members were asked to respond to the statement: "Is the declaration process clear and appropriate?" The results are as follows: Very Clear (31%); Mostly Right (63%); Directionally Correct (6%); Very unclear (0%).

Update on Payments Study

Mary Kepler, Federal Reserve Bank of Atlanta, updated the SPTF on the Federal Reserve Payments Study. She noted that the survey process is complete and that a summary report should be finished by the end of 2016. Ms. Kepler also stated in Q1 of 2017, topical reports will be released to provide additional detail on certain topics, and in Q2 of 2017, a spreadsheet containing all of the study's data will be released to the public. Additionally, she mentioned that at the June 2017 SPTF meeting, there will be an in depth discussion on the fraud data results. Finally, annually (between the triennial reports), the Federal Reserve will conduct two interim studies to generate volume and value trends, including fraud trends.

Information Sharing for the Mitigation of Risk/Fraud: Data Sources, Gaps Overview, and Breakout Discussion

Peter Tapling, Early Warning, reviewed the Mitigation of Risk/Fraud Work Group's objectives and planned solutions, an effort under the Information Sharing Work Group. He explained that they are currently in their first phase of work: completing a comprehensive list of information sharing data sources currently available in the industry. Mr. Tapling stressed that the list is to be viewed as a directory, and the Work Group does not place any specific value on the sources. The list is categorized by how the Work Group anticipates the data might be used. He noted that the Information Sharing Work Group intends to make this a living document and to publish it to the industry, but noted that the Work Group is working through an appropriate strategy to achieve this goal. Mr. Tapling asked SPTF members to break out into their segments to provide feedback on the list.

Heather Wyson-Constantine, American Bankers Association, recapped the discussions from the breakout sessions and discussed next steps. Ms. Constantine commented on the extent and quality of feedback from the breakout sessions. Much of the discussions centered on accessibility of the list and unintended consequences. She agreed to take that concern back to the Work Group to consider. She also noted that the Work Group intends to identify an entity to own and maintain the list.

Closing Remarks for SPTF Meeting

Mr. Aadland thanked meeting participants for the active discussion and participation throughout the SPTF meeting. He recognized the additional work ahead and encouraged interested SPTF members to join a work group. Specifically, he noted the importance of engagement in the newly-launched Law and Regulation Coordination Work Group. Mr. Aadland provided a brief preview of the joint SPTF and Faster Payments Task Force (FPTF) meeting highlighting the purpose to engage with FPTF members and discuss the faster payment proposals. Mr. Aadland closed the SPTF meeting by sharing a proposed schedule of 2017 SPTF meeting and again thanking participants for a productive day and a half.

Welcome and Opening Remarks for Joint Meeting[4]

Gordon Werkema, Federal Reserve Payments Strategy Director, welcomed participants of the FPTF and SPTF to the first-ever joint task force meeting. Mr. Werkema thanked participants for their continued commitment and contributions to improving the U.S. payment system. Mr. Werkema also recognized several Federal Reserve executives – Connie Theien,

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[4] Nick Billman, Federal Reserve Bank of Kansas City, reminded those in attendance to participate in a manner consistent with Anti-Trust and other applicable laws.

Federal Reserve Bank of Chicago; Susan Foley, Federal Reserve Board; Barb Pacheco, Federal Reserve Bank of Kansas City; Todd Aadland, Payments Security Strategy Leader; and Sean Rodriguez, Faster Payments Strategy Leader – for their continued leadership in advancing the Strategies to Improve the U.S. Payment System initiative. He then introduced Mr. Aadland and Mr. Rodriguez.

Mr. Aadland and Mr. Rodriguez welcomed participants and provided an overview of the SPTF and FPTF efforts to date, respectively. Mr. Aadland thanked SPTF members for their ongoing commitment to advancing payment system security. Mr. Rodriguez recognized individually the 19 FPTF proposers and thanked them for their commitment to the FPTF mission.

Faster Payment Proposal Q&A Session

For the remainder of the day, FPTF proposers hosted Q&A sessions on their proposals in breakout rooms. The purpose of the Q&A sessions was to assist task force participants in their efforts to provide commentary on the proposals and QIA results. Members of both task forces rotated among the breakout rooms to discuss and ask clarifying questions on the proposals.

Closing Remarks and Wrap Up for Joint Meeting

Mr. Aadland and Mr. Rodriguez thanked members for participating in the joint meeting. Mr. Aadland reminded SPTF participants that segment drop-in calls would be held before the end of the year. Mr. Rodriguez noted that the education phase of the commentary period is now complete and reminded members of both task forces that they have until the end of the year to submit comments on the proposals and QIA results.