Fraud Definitions Work Group
In-Person Meeting Summary
June 4-5, 2019

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The Fraud Definitions Work Group held their second in-person meeting at the Denver Branch of the Federal Reserve Bank of Kansas City on June 4 and 5. During this meeting, the Federal Reserve discussed the intended audience and use of the Payments Fraud Classification Model (Model), reviewed the proposed approach to gaining industry adoption and provided an overview of engagement opportunities to communicate the work group's progress to the broader payments industry. In addition to these topics, the majority of the two days included testing the Model through reviewing anonymized payments fraud use cases, which led to continual refinement and development of the Model.

Agenda Topics

Day 1:

- Opening Remarks

- Fraud Classification Model: Intended Audience/Possible Use
  Brainstorm possible uses of Model, with consideration given to the intended audience(s) of the Model as well

- Fraud Use Case Testing Exercise: Review and Discussion
  Review recent use case testing exercise completed by the work group and discuss possible refinements needed to the Model

- Fraud Classification Model Testing and Refinement
  Leveraging new payments fraud use cases, continue to test and refine the Model

- Industry Adoption Roadmap: Approach and Considerations
  Review proposed approach for developing roadmap along with considerations for determining industry adoption targets and the optimal path(s) for achieving those targets

Day 2:

- Opening Remarks

- Industry Engagement and Communications Plan
  Review the makeup of the Community Interest Group and discuss the potential strategies and methods by which we can engage this group and the broader industry

- Continue Building Model: Definitions, Attributes and Additional Levels
  Refine definitions supporting the Model's classifications, begin discussing the use of attributes with the Model, and explore the use of additional levels within the Model

- Secure Payments Initiatives: Synthetic Identity Payments Fraud
  Review another effort being led by the Fed's Secure Payments team and discuss the connection with the efforts of this work group

- The Path Ahead (60-Day Outlook)
  Review near-term focus and plans for next in-person meeting

- Closing Remarks

Opening Remarks
Ken Montgomery

Ken Montgomery, First Vice President and Chief Operating Officer of Federal Reserve Bank of Boston and Payments Security Strategy Leader, welcomed the Fraud Definitions Work Group (FDWG) to their second in-person meeting. Montgomery summarized the group's progress made to date and laid out what the group hoped to accomplish over the course of the meeting.

Fraud Classification Model
Mike Timoney

Intended Audience / Possible Use

Mike Timoney, Vice President of Secure Payments, began the session by asking work group members to share how their organization and/or industry segment may use the Model, including the intended audience.

Several themes emerged from that discussion, with many work group members noting that a common taxonomy adopted across the payments industry would allow for better communication both within organizations and potentially across the industry, leading to a better understanding of fraud. This, in turn, may allow for further opportunities to streamline fraudulent events, identify control points to mitigate fraud and help promote customer education on how to better protect themselves from fraudulent activity.

Model Testing and Refinement

Timoney continued the discussion by reviewing the results of the recent Use Case Testing Exercise, which asked work group members to run a number of anonymized payments fraud use cases through the working version of the Model. Timoney highlighted areas of alignment and facilitated additional discussions, which were derived from the testing exercise results.

A key takeaway from this testing exercise and resulting dialogue was the need for clear, crisp definitions in order to promote a consistent understanding and application of Model. Additionally, the group noted the importance of ensuring that the Model is intuitive and can be used by various industry groups classifying fraudulent events.

Further dialogue around the Model led the group to determine that the classifications and definitions throughout the Model must account for both physical and digital payment methods, or clearly distinguish which are applicable for the particular classification and/or definition.

Timoney concluded by discussing the concept of attributes that could be used to supplement the classifications within the Model, helping to provide more context as to how the fraud occurred. Work group members continued to brainstorm potential attributes for the Model, building on ideas contributed through the aforementioned testing exercise. The group agreed that these attributes could potentially be sourced from a combination of the classifications within the Model and the payment transaction information for the fraudulent event in question.

Note: The Fraud Classification Model section covers all agenda topics directly related to the Model.

Industry Adoption Roadmap: Approach and Considerations
Jim Cunha

Jim Cunha, Senior Vice President of Treasury and Financial Services Group, provided an overview of the approach to the industry adoption roadmap the FDWG is tasked with creating to promote the Model. He emphasized that widespread industry adoption of the final recommended Model is necessary in order to facilitate better information sharing, improved understanding of fraud and potential fraud mitigation opportunities. Cunha highlighted various examples of what the industry adoption roadmap could look like, while noting that there are several paths that could lead to achieving the end-state goal of widespread adoption and consistent use of the Model.

Industry Engagement and Communications Plan
Tim Boike

Tim Boike, Vice President of Industry Relations, provided an overview of the subject matter expertise and industry roles represented by the Fraud Definitions Community Interest Group, comprised of close to 800 industry stakeholders interested in following, supporting, and advocating for the FDWG efforts. Boike shared potential methods of engaging with the Community Interest Group, including a series of interviews discussing additional payments fraud use cases to help inform the Model and ultimately inviting the Community Interest Group to participate in testing the Model. In a webinar held June 25 for the Community Interest Group, Federal Reserve and work group members highlighted progress-to-date on the Model and anticipated opportunities for broader Community Interest Group engagement.

Secure Payments Initiatives: Synthetic Identity Payments Fraud
Mike Timoney

Timoney presented an overview of the Synthetic Identity Payments Fraud effort, another Secure Payments work stream led by the Federal Reserve. This effort is related to the FDWG effort, as one of the key challenges in defining and speaking about payments fraud holistically is the lack of a universal definition for synthetic identity fraud. The Federal Reserve has engaged industry experts to better understand this issue of synthetic identity fraud as it relates to payments, including causes, contributing factors, and the overall impact. This collaboration with the industry will continue in efforts to determine gaps in fraud mitigation efforts and explore potential opportunities to address these challenges.

The Path Ahead (60-Day Outlook)
Jim Cunha

Cunha provided a high-level overview of the near-term focus, with an emphasis on continuing to build out the Model and resolving some of the outstanding items that were identified during the meeting. Cunha concluded by reviewing the focus of the next in-person meeting taking place in July, noting that the group would continue to refine the Model and determine the high-level strategy for the adoption approach and roadmap.

Closing Remarks
Ken Montgomery

Work group members shared their reflections on the meeting and the work effort itself, with positive sentiments on progress made to date, but emphasized the need to continue advancing the work through focused dialogue and iterating towards a solid Model. Montgomery closed the meeting thanking the group for the rich dialogue and briefly touched on the key takeaways captured for further discussion and future advancement by the group.

Meeting Attendees

- Dorothy Anderson, Federal Reserve Bank of Chicago
- Dondi Black, FIS
- Tim Boike, Federal Reserve Bank of Chicago
- Jim Cunha, Federal Reserve Bank of Boston
- Natalie Diana, Bureau of Fiscal Service, Department of Treasury
- Adriana Guaderrama, First Century Bank
- Chris Guard, State Employees' Credit Union of North Carolina
- Cheryl Gurz, Citizens Bank
- Mike Herd, NACHA—The Electronic Payments Association
- Rakesh Korpal, JPMorgan Chase
- Kin Wah Koo, Federal Reserve Bank of New York
- Lee Kyriacou, The Clearing House
- Danny Luong, PricewaterhouseCoopers
- Ken Montgomery, Federal Reserve Bank of Boston

- Roy Olsen, American National Bank & Trust
- Carla Palma, formerly PepsiCo
- Al Pascual, Javelin
- Kim Plaugher, Navy Federal Credit Union
- Andrés Rapela, Federal Reserve Bank of Boston
- Beth Reynolds, Federal Reserve Bank of Kansas City
- Sergio Rodriguera Jr., SAS
- Kathy Stokes, AARP
- Connie Theien, Federal Reserve Bank of Chicago
- Mike Timoney, Federal Reserve Bank of Boston
- Eric Tran-Le, Guardian Analytics

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To learn more about the Fraud Definitions Work Group, join the Community Interest Group by updating or submitting your FedPayments Improvement Community profile and selecting "ACH, Wire and Check Fraud Definitions" as a topic of interest.