
BITS BULLETIN

A REPORT OF ACTIVITIES FROM BITS, THE TECHNOLOGY GROUP FOR THE FINANCIAL SERVICES ROUNDTABLE

JANUARY 2000

The BITS Bulletin is designed to keep the membership of The Financial Services Roundtable fully informed about the activities of BITS and rapidly evolving developments in electronic commerce and payments.

BITS MISSION

The BITS Mission is to foster the growth and development of electronic banking and commerce in an open environment that will encourage greater choice and efficiency in financial software, access devices, networks and processing capabilities for the benefit of financial institutions and their customers. Throughout its work, BITS will seek to enhance financial institutions' roles as trusted intermediaries. BITS will facilitate development of superior market-driven technologies that will strengthen the financial service customer relationship, enhance brand value, and maintain the industry's position at the heart of the payments system.



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LETTER FROM THE CEO

Happy New Year and congratulations to our industry on successfully making Y2K a non-event!

Most of us are still writing checks despite predictions decades ago about paperless banking. Although electronic banking is increasingly the predominant mode of financial transaction, some 18 billion checks are still being written at point-of-sale.

Electronic Check Presentment (ECP), which addresses the economies of the industry's check processing functions, has been a BITS priority for some time. In this issue of the *BITS Bulletin*, we take a closer look at the industry's commitment to ECP, an initiative that could save financial institutions more than \$580 million in the next few years if adequately implemented. In a related initiative, BITS' Electronification Alternatives Task Force was created to explore ways of taking paper out of the system at the earliest possible point after ECP. The article on page 3 provides an update on the status of these initiatives.

The BITS Security Lab this month welcomes its first Founding Corporate Partners, with eFunds, a subsidiary of the Deluxe Corporation, leading the way. Other major technology providers will also be announced as Founding Corporate Partners. The Criteria Development process has made rapid progress and testing of products will begin in the first quarter.

BITS has been asked to brief several senior government officials on the Security Lab and other BITS initiatives. (See article on page 8.) Those informative meetings began in the final months of 1999 and will continue throughout the first part of this year.

The Shared Utilities initiative, with an emphasis on the impact of public networks, is exploring business-to-business as well as consumer-to-business ramifications of Internet-based networks and financial services. Recommendations will be forthcoming at the April meeting.

The current Privacy research is drawing to a close, with results that will benefit the industry in various ways, especially in understanding customer needs and communicating with those customers.

In this new year, our industry can look forward to accelerated movement in the dot.com revolution, along with even more dynamic consolidation within the financial services industries. BITS is looking forward to the challenges ahead. Specifically, we will support the expansion of membership in The Financial Services Roundtable to include integrated financial services securities and insurance companies; continue to make e-commerce security a top priority through promoting the BITS Financial Services Security Lab and related activities; and continue to provide leadership for the industry in e-commerce developments.

Catherine A. Miller

BITS

FINANCIAL SERVICES
ROUNDTABLE

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COMMENTS FROM THE CHAIRMAN-ELECT OF THE BOARD

January is traditionally the time to look both forward and backward. Looking ahead in 2000, I see BITS continuing its role in the vanguard of e-commerce developments affecting financial services. And, I am pleased to be able to take a more active role in BITS' work as I succeed Ed Crutchfield as Board Chairman in April. I'll have more to say about Ed's impressive leadership as that time approaches, but for now, Ed has asked me to provide comments for this issue of the *BITS Bulletin*.

Looking back, I note that some have labeled 1999 as the Year of the Internet Tidal Wave. "That wave hit corporate America as a whole in 1999, when companies large and small recognized that the impact of the Internet would not be confined merely to Silicon Valley or to the proliferating dot-com start-ups," said *The New York Times* ("The Economy Transformed, Bit by Bit," December 20, 1999).

We will also remember 1999 as the year that we prepared for the Y2K conversion and the year that the financial reform law finally became a reality. By the time this appears, we will know how well prepared we were for Y2K.

With financial modernization being implemented, and Y2K concerns addressed, our industry now has the opportunity to move rapidly into a more dynamic, truly integrated financial services industry—with an emphasis on rapidly. The impact of the Internet and the speed with which Web-based changes have occurred may make some of us feel that we are in a Darwinian world. Yet our industry's record of resilience and risk-averse steadfastness is a strength in the face of monumental change and dizzying innovation.

BITS' key initiatives on shared utilities, privacy, and electronic alternatives, in addition to the new Security Lab, are yielding invaluable results to help us get where we need to go in e-commerce. Major results will be reported in April at the Roundtable's Annual Meeting. In the meantime, I urge my colleagues to learn more about how BITS' work affects you and to give us your full support.



James H. Blanchard
Chairman and CEO
Synovus Financial Corp.
Chairman-Elect, BITS Board of Directors

Electronic Check Presentment (ECP) – A Look at Commitments and Implementation

In September 1998, the BITS Board of Directors established a goal of 100 percent of large financial institutions to process 50 percent of their checks through ECP by 2001. BITS Board Chairman Edward Crutchfield asked for Roundtable banks to commit to ECP and 44 of them have made the commitment to date. The BITS Advisory Group, composed of the CIOs, CTOs, and other senior executives of 14 of the largest financial institutions, has specified that SVPCo and ECCHO be the principal drivers to implement the ECP program, with BITS' support.

While support for, and commitment to, ECP remain high, various factors have delayed a rapid realization of the goals industry-wide, as resources have been diverted to Y2K conversions, merger activities, and other technical investments. Currently, 37* financial institutions are participating in ECP exchanges and have acquired some form of capability to send, receive or post from electronic check files (see box on page 4). With Y2K conversions completed, additional banks are expected to implement ECP during 2000 and 2001.

During 1999, BITS initiated an ongoing data collection and reporting process to measure the progress being made toward ECP goals. As of October 1999, banks are reporting the receipt of approximately \$123 billion per month for some 79 million checks. Of these, about 56 million checks totaling \$80 billion are being posted each month (see table below). Additional details will be reported in future issues of the *BITS Bulletin*.

**ECP Implementation, 1999
Average Monthly Volumes**

	Receive* (ECP)		Post* (ECP)	
	Volume (000)	\$ (millions)	Volume (000)	\$ (millions)
1Q99	76,277	\$162,825	50,032	\$82,259
2Q99	81,918	\$159,383	54,189	\$82,841
3Q99	84,116	\$135,703	53,272	\$77,876
Oct-99	78,523	\$122,678	55,978	\$80,395

*Definitions:

Receive: Defined as on-us items that are received as ECP files from the Federal Reserve, correspondents, and other institutions.

Post: Defined as on-us items sent for posting to DDA from electronic transmissions from other institutions and the Federal Reserve.

Dialog on ECP Continues

Michael J. Pasiectki, Senior Vice President of Enterprise Operating Services at Chase Manhattan Bank, has led the BITS ECP initiative as Chair of the ECP Task Force. He talked to *BITS Bulletin* about the progress made and the challenges ahead.

“The most obvious step to getting the industry to coalesce behind ECP is maintaining a top-down, consistent focus within each financial institution towards ECP.”

*Michael Pasiectki
Chase Manhattan Bank*



BITS: You have been involved with the ECP initiative from the outset. We keep talking about obtaining the “critical mass” needed to make ECP work for the entire industry. Given the latest data, would you say we are on track?

Pasiectki: We’re some 12 months into this and the latest reported statistics show increases of about 11 percent in posted volume and about 3 percent in receive volume. This progress is to the credit of SVPCo and ECCHO, along with BITS. But, we still have a long way to go to realize the industry-wide benefits. The challenge is to get CEOs committed to implementation in deed as well as word if we are to achieve the goal of 100 percent of large banks processing one-half of all checks through ECP a year from now.

It is good news that the Federal Reserve has recently taken steps towards regulatory reform that will enable the use of images to replace paper returns in a more friendly, consistent manner. This will help banks move forward with ECP. Clarification of the return item capability addresses one of the barriers to ECP and, with the benefits of implementation becoming more widely understood, I see ECP ramping up in 2000. In addition, the resources diverted to Y2K conversion can now be used for other technology innovations like ECP.



BITS: What are some specific steps needed to keep the momentum going in ECP?

Pasiecki: I'm pleased that a lot of things that need to be done are getting done. For example, over the past year, SVPCo and ECCHO have made significant progress in educating the industry on the benefits of ECP and in laying the groundwork for the delivery of nationwide ECP services. But the most obvious step to getting the industry to coalesce behind ECP is maintaining a top-down, consistent focus within each financial institution towards ECP. That means making implementation a priority in the technology queue at the bank and allocating the budget and other resources needed. BITS has been, and continues to be, a major force in keeping this issue in the forefront with the CEOs.

David Walker is Executive Director of the Electronic Check Clearing House Organization (ECCHO), based in Dallas, Texas. Formed in 1990, ECCHO is owned by its member banks and its primary objective is the development and promotion of ECP. BITS endorsed ECCHO as the national provider of ECP rules and collaborated with ECCHO in 1999 in offering educational forums to banks on ECP. Mr. Walker talked with the *BITS Bulletin* about ECP implementation and concerns.

BITS: We reported last July that BITS had requested ECCHO to send out a survey to banks requesting two types of ECP data, with a goal of reporting on the volume for each bank as well as industry data on ECP. What were the results and how is ECCHO tracking the ECP numbers?

Walker: The latest reported data is shown in the table on page 3. After evaluating the initial results of the survey, modifications were made and banks are now reporting on both inclearing and ECP volumes monthly. Our survey includes a mix of ECCHO members, SVPCo banks and other banks that made commitments through BITS, so the result is a good industry profile.

BITS: What, in your view, is the greatest obstacle to getting more banks committed to ECP?

Walker: ECP is different from other industry initiatives in that its success depends on banks cooperating with other banks. The financial incentives are based on the numbers of banks participating. So, those banks who have committed to ECP but have not yet implemented are not going to realize financial value until they begin to implement—and the industry's benefits will not be realized until a significant number of banks have implemented. ECP has not typically been regarded by many bank CEOs as a major business objective requiring commitments along with activities such as mergers and acquisitions or Y2K conversion. However, the implementation of ECP needs to be continually recognized at the CEO level as a major bank project with significant business value for the bank and the industry at large. These business values include both significant short-term financial value and longer-term strategic check conversion value. Because other major business events will keep occurring at a bank, the BITS ECP implementation goals will only be achieved in parallel with other high-priority objectives.

37* financial institutions participating in ECP exchanges in 1999:

- ABN/AMRO's European American Bank
- Bank of America
- Bank of Hawaii
- Bank of New York
- Bank One
- Bankers Trust/Deutsche Bank
- Centura Bank
- Chase Manhattan Bank
- Citibank
- Comerica
- First Tennessee
- First Union
- FleetBoston
- Frost National Bank
- HSBC Bank USA
- Huntington National Bank
- KeyBank
- M & I Data Services
- Mellon Financial Corp.
- Mercantile Bank Corp.
- PNC Bank
- *Puerto Rico (PR) Clearinghouse Assn.
- Summit Bank
- Union Bank of California
- Wells Fargo Bank
- *PR Clearinghouse Assn. Represents 13 financial institutions

ECP Forums

The Bank Administration Institute (BAI) will present three ECP Forums this year to help financial institutions understand and implement ECP. Endorsed by BITS and ECCHO, the forums will provide the fundamentals needed for developing a business model and determining the operational and software needs for ECP implementation.

Dates and locations:

- May 8-9, Baltimore
- May 22-23, Dallas
- June 5-6, Chicago

For details, contact Brian Black, BAI, at 312/683-2301, or Alice Cho, BITS, at 202/289-4322

Electronification Alternatives Initiative Complements ECP Effort

The Electronification Alternatives (EA) Task Force was formed in March 1999 to focus on next steps beyond electronic check presentment (ECP). BITS endorsed ECP as the first step in the electronification process and recommended that all Roundtable members commit to electronifying checks as early as possible in the system in order to realize industry savings ranging from \$580 million to \$2 billion over the next seven years.

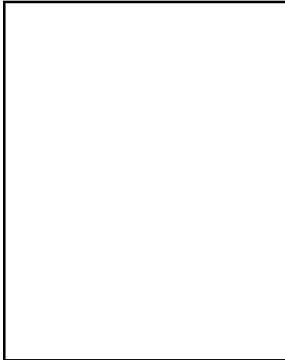
The Electronification Alternatives initiative depends on the critical mass of banks committed to ECP in order to achieve the additional benefits associated with alternatives, such as POS MICR conversion to ACH, check truncation at bank of first deposit with image on demand, and check truncation at bank of first deposit with image to follow. The EA Task Force, working with other organizations and BITS working groups, has identified the range of electronification activities and projects currently underway, has mapped those alternatives as they fit in the current payments systems, and has developed a check processing cost model to analyze various

electronification options. Educational efforts on both ECP and EA activities will continue in collaboration with organizations like ECCHO, SVPCo and the Federal Reserve.

Janet Smith, Executive Vice President, Payment Systems, Wachovia, co-chairs the EA Task Force with John Beran, Executive Vice President and CIO, Comerica. Both of them spoke to *BITS Bulletin* on recent activities and electronification issues.

BITS: Through its mapping and identification activities, the EA Task Force has concluded that financial institutions will need a suite of electronification products to meet the needs of a diverse set of customers if the industry is to successfully manage the migration from paper to electronic payments. What are some examples of these products?

Smith: They are a diverse mix of payment and protection products, largely at the point-of-sale (POS), to meet the needs of many different kinds of merchants—ranging from the “Moms and Pops” to the large retailers. Other factors that dictate product types are level of risk management required, for example, check verification, account validation, guarantee. It is not necessarily true that a bigger merchant will have a lower level of risk. Numerous large supermarkets have many repeat customers; it depends on the size and mix of payment types, the mix of customers, the sophistication level of the merchant (ACH product or EFT transaction). There are many variables.



Janet Smith, Wachovia

BITS: Current data indicate that some 18 billion checks are written at the POS. Check safekeeping (or check truncation) is considered key to the financial services industry’s realizing the benefits of the various electronification efforts. What are the highlights of the results of the BITS check safekeeping survey?

Smith: The survey shows good news from this initial sampling. Twelve banks represented on the BITS Board responded to the survey. These banks have combined assets of more than \$1.7 trillion or 31% of total banking industry assets. In addition, 22 community banks responded to the survey through the Independent Community Bankers of America (ICBA). These community banks are representative of the geographic and asset mix of ICBA members.

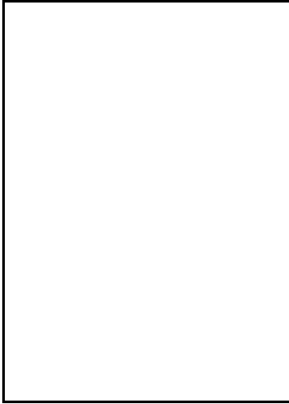
The survey shows that customers are adopting safekeeping. Those banks actively marketing it are doing better than those that are not. The responses clearly indicate that, given incentives, customers will accept check safekeeping. Safekeeping has been particularly effective with new accounts, primarily due to aggressive marketing of these accounts.

In the last three years, use of safekeeping has grown significantly. Two years ago, only three of the BITS Board banks reported that 50% or more retail accounts were using safekeeping, but by ‘99, seven institutions reported that percentage, and some ranged as high as 88%. I was pleasantly surprised to see that all but two of the large institutions make image statements an option to customers. I believe this is quite promising, with the potential for more mass adoption with this option available.

In the small banks, five of the 22 had fully converted 100% of retail accounts to safekeeping. It seems we’ve come a long way in consumer acceptance and our fears may be dated. The survey seems to validate this.

BITS: The EA Task Force has created a high-level management summary and technical manual to guide financial institutions in using the economic model developed on electronic alternatives to checks. Tell us how this model and accompanying management tools can be used by individual institutions and what it will mean to the industry.

Beran: One, we need to create a level of understanding of what the model is and how financial institutions can use it to benchmark their own operations against it, then make specific plans on how to do more efficiently what they do. Another focus is that the model will help bring different parts of the organization together to develop an integrated and holistic approach to electronification.



John Beran, Comerica

BITS: Various organizations and BITS working groups are collaborating on initiatives to rationalize and leverage payments infrastructure. In particular, the retail industry has been involved in exploring options in check truncation and reducing check fraud, and a Cross-Industry Payments Council has been formed to work on aspects of the Shared Utilities initiative. How would you describe the benefits of such collaboration and particular results achieved by the EA Task Force?

ELECTRONIFICATION ALTERNATIVES, CONTINUED

Beran: It's critical that as an industry we understand all of the different systems, operations and organizations in place that we own or manage that do the same thing. And, it is critical that we make the right assessments about those entities so that we're not redundant in our efforts. We need an integrated, holistic approach to payment systems. We shouldn't create a new vertical organization every time we have a challenge. Instead, we should leverage existing structures and make them work across all payment systems.

UPDATES ON ONGOING INITIATIVES

Shared Utilities Project

A December 15th meeting sponsored by the BITS Council focused on Business-to-Business (B-to-B) issues related to the Shared Utilities initiative and, specifically, to the impact of public networks on the financial services industry. Major e-commerce arenas in B-to-B were discussed, including authentication of counter parties, credit verification/extension, electronic billing, procurement management, and international funds transfer. After further analysis, reports are being developed on current and emerging needs as well as problems and solutions in each business area. The Shared Utilities Public Network Task Force will then evaluate priorities and make recommendations to the BITS Board of Directors at the April Roundtable Annual Meeting.

Similar reviews are underway in the following Consumer-to-Business (C-to-B) e-commerce payment arenas: general purpose credit card, retailer credit card, debit card (both online and offline), cash, money transfer, check, and other payment mechanisms such as digital wallets and online cashier checks. The results in these categories will be incorporated into the April report. For more information, contact Kit Needham, BITS, 202/289-4322.

*Industry Infrastructure Steering Committee
Co-Chairs: Austin Adams, First Union
Webb Edwards, Wells Fargo
Joe Sponholz, Chase.com
Allan Woods, Mellon*

UPDATES ON ONGOING INITIATIVES, CONTINUED

BITS Privacy Initiative

The results of the quantitative phase of the research on consumers' attitudes related to information use and privacy issues will be reported in January. Plans are developing for a cooperative BITS/BAI longitudinal study on similar topics. For more information, contact Cheryl Charles, BITS, 202/289-4322.

*Research and Communications Steering Committee
Chair: Gary Roboff, Chase Manhattan Bank*

BITS Financial Services Security Lab and Other Security Activities

The Security Lab welcomed its first Founding Corporate Partners in January (see related article on page 7). The criteria development process has made rapid progress and the first "beta" product test is expected to take place in January or February. BITS is still seeking wide participation in the development of criteria, with documents posted on the Global Integrity website (www.globalintegrity.com).

The Authentication Product Profile is currently under review by the Lab Governance Committee. Access Control and Administration Product Profile, along with Management Control and Monitoring Profile, are the next two criteria profiles in queue. Participants are needed for all profile development efforts.

Recent BITS activities to promote the Lab include: letters sent to CEOs of all Roundtable members by the BITS Board of Directors who endorsed the lab unanimously and invited support; continuing Executive Briefing Conference Calls; a presentation to the IFX EBPP Working Group last month; and a presentation and a booth at the President's Council on Y2K Conversion Information Security Year 2000 Workshop in early December in Washington, DC.

BITS Executive Briefing Conference Calls continue to attract Roundtable members to learn about the Lab. Some 40 individuals from 20 organizations have participated in these hour-long conference calls which provide briefings on the Security Lab. Eight individuals have joined the Ambassadors program to actively promote the Lab.

A 2nd annual symposium on security issues is planned for May, co-sponsored by BITS and the *American Banker*. A Symposium Planning Committee, including members from banking, securities, insurance and technology companies, is working on the agenda, speakers and exhibitors.

The Financial Services Information Sharing and Analysis Center (FS-ISAC), formally announced in October, provides a means for regulated U.S. financial services companies to share security-related incidents, threats, and solutions in an anonymous and non-attributable way. Information from the ISAC is available only to members. Most BITS Board companies and some Roundtable member companies are members of the ISAC. For more information, contact Steve Katz, Chief Information Security Officer, Citigroup, 212/830-8114, or Stash Jarocki, Depository Trust Corporation (DTC), 212/855-8831. For information on the BITS Security Lab, criteria development, or membership, contact Peggy Lipps or Faith Boettger, BITS, 202/289-4322.

*Security & Risk Assessment Steering Committee
Co-Chairs: Bill Randle, Huntington Nat'l Bank;
Peter Browne, First Union
Lab Governance Committee Chair: Dan Nealis,
Chase Manhattan Bank*

Fraud Reduction Update

The BITS Fraud Working Group has scheduled the next Retailer Forum for April 2000 in Houston, Texas. Following up on issues discussed at the September '99 Retailer Forum, BITS has been working with major check printers to explore ways that banks and check printers can cooperate to combat new account fraud and check re-orders.

The Fraud Working Group is forming a new subcommittee to assess the fraud implications and risk exposure for debit cards, along with checking accounts opened online. The subcommittee will explore how individual institutions are measuring debit card fraud losses, what industry loss definitions exist, and what prevention techniques are proving to be successful.

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Bob Hill is Leader of Market Strategies at eFunds Corporation, a new business initiative of the Deluxe Corporation (see box below). eFunds has joined the BITS Financial Services Security Laboratory as its first Founding Corporate Partner.

Webb Edwards is Executive Vice President and CTO at Wells Fargo & Company. He is also President of Wells Fargo Services Company. He serves on the BITS Advisory Group, where his strong leadership and grasp of strategic issues has helped guide BITS' initiatives. He is co-chair of the BITS Industry Infrastructure Steering Committee.

This is a continuing series of interviews with members of the BITS Board of Directors, BITS Advisory Group and other key leaders in electronic commerce and financial services.

The BITS Financial Services Security Lab and its value to e-commerce security

BITS: What do you see as the value of the Security Lab to eFunds and other technology providers?

Hill: eFunds has a legacy of significant participation with the financial services industry in handling payments. Included in our expertise is helping financial institutions with verification for checking accounts, and supplying software and processing services to enable ACH and EFT payments. Participation by eFunds and other providers in the BITS Security Lab enables a high level of active discussion on how financial institutions can leverage payment technologies to engage more fully in secure e-commerce. We are looking forward to being involved in the criteria development process and to being able to provide expertise in this environment.

When we looked at creation of this company, we considered potential relationships in the marketplace to bring about solutions much faster. We see great potential in alliances. Hopefully the Lab will promote such alliances for the benefit of the customers we serve. We believe that our expertise and the technologies we now have in place are unique. Vendor participation in the early development of criteria, combined with discussion on customer expectations, will produce better products and services. The Lab's role of enabling such discussions is extremely valuable to both our industries and our customers.

BITS: What do you as a banker see as the value of the Security Lab to technology providers?

Edwards: They get feedback one time instead of getting it from each of us independently. They get consistent, impartial feedback on particular products—and by knowing the established criteria beforehand, they know what the industry wants, and can build towards that. With the *BITS Tested Mark*, technology providers can market their products with a higher level of confidence that the banks will look at those products favorably. We will be looking for that Mark. The Lab's work is designed to be robust; therefore, the Mark gives a tremendous advantage to those vendors who qualify for it. As bankers, we will know that their products have gone through a rigorous testing process.

BITS: How do you see the Lab's testing process and the *BITS Tested Mark* affecting the future of e-commerce, especially financial services?

Hill: We think that the process and certification will accelerate adoption by all parties involved in electronic payments and

e-commerce—increasing trust and confidence in their security. The role of that certification for suppliers will certainly speed the development of technology because of the ability to test a product a single time by an unbiased third party instead of repeatedly for different markets. It will also promote the development of common answers at a broader, industry-wide, infrastructure level, instead of the "one-offs" that are plaguing the industry, especially right now in the area of securing debit transactions on the Web. We need critical mass in order to generate volumes and build interoperability between systems, and the Lab will help to provide it.

BITS: Wells Fargo has been among the first financial institutions to include language about the BITS Security Lab and the *BITS Tested Mark* in its purchasing documents, showing strong support for the testing process. What do you see as the value of the testing process and the Mark?

Edwards: The first and biggest value is that individual institutions will be able to avoid the time and resources involved in individual testing of the same products. The Lab gives us a single, coordinated way to test the same products that we all need to test. Second, we can then build on the results of the Lab's work. We can connect our own testing process to what is coming out of the Lab, again saving time and resources. As a result, we will get a better product overall. The combined process of the coordinated testing the Lab provides, plus our additional testing as we build on the Lab's results, will help us get better quality products. If problems are found with a product during the testing process at the Lab, we can bring it to the vendor's attention with the result that changes will be made and we will ultimately get a better product.

(continued on page 8)

eFunds was created in April 1999 as a strategic new business initiative of the Deluxe Corporation, combining under single management several entities (that had been part of Deluxe) into a leading electronic payment and protection business. eFunds combines Deluxe Electronic Payment Systems, Inc.; DebitBureau(SM); Chex Systems, Inc.; Deluxe Payment Protections Systems, Inc., which provides SCAN(SM); and eFunds (Tustin), an electronic check conversion business. eFunds is involved in nearly 15 billion payment transactions per year, with end-to-end payment capability extending from POS to transaction settlement. It has ties to more than 80,000 financial services company locations, 85,000 retail outlets, and thousands of ATMs nationwide.

BITS PROFILE, CONTINUED

*Webb Edwards
Wells Fargo & Co.*

BITS: You have been actively involved with BITS and its initiatives from the beginning. What potential do you believe the Lab has for affecting the future of e-commerce?

Edwards: There is some potential that the Lab's testing process will help us get to interoperability. If, in the testing process, we find out that bridges are going to be needed between applications, we can work with the vendors to achieve standards of interoperability that in turn will help to foster the growth of e-commerce. Customers want us to get to "any-to-any" kinds of services. If the Lab helps us do that by certifying the security of a wide variety of devices, products and channels, that will help consumers in the end—and the growth of e-commerce will be one of the results. Also, the more widely the *BITS Tested Mark* is seen and used, it will signify a level of safety and soundness that will help to foster confidence in remote transactions and other forms of e-commerce.

ONGOING INITIATIVES, CONTINUED

Fraud Reduction, continued from page 6

The Fraud Working Group voiced strong support for the Financial Services Technology Consortium's (FSTC) Project on Signature Comparison Technology for Check Fraud Detection. According to the 1998 ABA Check Fraud Survey, about 28 percent of total check fraud losses is attributed to forged maker's signature. The FSTC project will evaluate new image signature verification technologies based on financial industry requirements, determine the operational implications for integrating the technology with check item processing systems, and assess the business case for adopting the technology. According to **Nancy Cloyd, Chair of the BITS Fraud Working Group**, "The BITS Check Fraud Working Group views this project as a great opportunity to further the goals of BITS in identifying successful strategies to combat check fraud for the entire financial services industry." For more information, contact Alice Cho, BITS, 202/289-4322.

ONGOING INITIATIVES, CONTINUED.....

IFX Forum and Standards Update

The IFX Forum is working with Intuit to coordinate the convergence of OFX2 and IFX. Version 2 of OFX affects the functionality of personal financial management packages.

ACORD, the standards-setting body for the insurance industry, has joined with the IFX Forum to cooperate in the development of XML standards for the electronic exchange of data in the insurance and banking industries. The collaboration is typical of recent announcements of alliances between standards bodies to consolidate development.

The BITS Standards Steering Committee has compiled a list of key contacts at financial institutions represented on the BITS Advisory Group and the BITS Council. This group will be informed of key developments in standards affecting financial institutions. For more information, contact Kit Needham, BITS, 202/289-4322.

*IFX Forum Chair: Kit Needham, BITS Senior Director
Standards Chair: Libby Ghekiere, Bank of America*

RECENT BITS ACTIVITIES

BITS has been asked to brief various senior government officials on the Financial Services Security Lab and other BITS initiatives. These meetings began in December 1999 and continue throughout the first part of this year.

BITS representatives, including Gary Roboff of Chase.com (Chair, BITS Research and Communications Steering Committee), met with Peter Swire, Chief Counselor for Privacy, Office of Management and Budget (OMB), to discuss BITS' privacy and security initiatives. Regular exchanges of information with BITS were suggested, as well as BITS' participation in a privacy/authentication study soon to begin under the leadership of the National Academy of Sciences.

BITS CEO Catherine Allen, Bill Randle of Huntington National Bank (Co-Chair, Security and Risk Assessment Steering Committee), and others met with Roger Ferguson, Vice Chair of the Federal Reserve, and Steve Malphrus, Federal Reserve Staff

Director for Management, with responsibility for Y2K issues. They visited the Fed's Y2K Command Center and discussed BITS' initiatives on Y2K, privacy, security and shared utilities.

Catherine Allen, Bill Randle and others, including The Roundtable's Ed Hill (Director, Regulatory Affairs), visited with Elizabeth Echols, Executive Director, White House Electronic Commerce Working Group. The focus was on BITS' initiatives on privacy, security, shared utilities and e-commerce.

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