
BITS BULLETIN

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

JULY 2001

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 MANDATE

- Facilitate the growth of electronic commerce
- Facilitate development of superior, market-driven technologies
- Maintain the financial services industry's role at the heart of the payments system
- Sustain consumer confidence and trust by ensuring the safety, soundness, privacy and security of financial transactions
- Leverage resources and infrastructure across the industry



.....

LETTER FROM THE CEO

The Information Age presents special opportunities and risks for the financial services community. Our member financial institutions collect substantial amounts of information about account holders. Technology is allowing us to meet customers' financial needs with unprecedented precision and speed. But holding that information also carries new responsibilities, including security and privacy protection measures, additional training of staff, and more aggressive risk management.

A most basic component for dealing with information risk is secure computer systems. The BITS Financial Services Security Laboratory was designed to ensure that software products contain the necessary security features. BITS accomplishes this by generating security criteria attuned to the special needs of financial services companies, then encouraging vendors to test their products against the criteria. The first BITS Tested Mark was awarded in May to Hewlett-Packard's Virtualvault 4.0 for having passed all testing requirements.

BITS has created a series of voluntary business guidelines to help financial institutions provide a more secure environment for managing financial information and transactions. The first was the *BITS Voluntary Guidelines for Aggregation Services*, developed with input from technology vendors and regulators, as well as financial service industry representatives. The aggregation project is now in its second phase, preparing to address business requirements and data feed and authentication technologies. The second publication in the works, the *BITS Framework for Managing Information Technology (IT) Service Provider Relationships*, is also being crafted with active participation from technology companies and regulators. The first draft of the *Framework* was well received at a forum in Chicago in June. A third set of voluntary guidelines will deal with the unique challenges presented by wireless technologies. The Wireless Technologies Working Group held a successful forum in late May, bringing together key industry participants to begin drafting minimum business practices. A second forum will be held in August in Santa Fe to vet the work.

Efforts to ensure the integrity of the nation's critical infrastructure, including financial services, are essential. BITS, for example, is assisting with the next phase of development of the Financial Sector's portion of the National Plan for Critical Infrastructure Protection. BITS Senior Director Peggy Lipps testified before the Joint Economic Committee in June on the contributions BITS and other members of the financial sector have made toward a sound public/private partnership in this arena. We will keep BITS members posted as these efforts develop.

The continuing commitment of BITS members to these initiatives transcends financial specialties. Participation has been active from securities, insurance, and integrated financial companies. For all of us, trust is fundamental to our business. Please support these risk management efforts by incorporating them into your business requirements.

Catherine A. Miller

CEO, BITS

BITS Board of Directors

Chair: James H. Blanchard, Synovus Financial Corp.
Vice Chair: Charles K. Gifford, FleetBoston Financial
Leslie M. Baker, Jr., Wachovia Corporation
James Dimon, BANK ONE CORPORATION
Richard D. Fairbank, Capital One Financial
Jerry A. Grundhofer, Firststar Corporation
David E. Hayes, Security Bank (ICBA)
Richard M. Kovacevich, Wells Fargo & Company
Kenneth D. Lewis, Bank of America Corporation
Martin G. McGuinn, Mellon Financial Corporation
Eugene A. Miller, Comerica, Incorporated
Denis J. O'Leary, Lab Morgan, J.P. Morgan Chase & Co.
Thomas A. Renyi, The Bank of New York Co., Inc.
Edward B. Rust, Jr., State Farm Mutual Insurance
Rudy E. Schupp, Republic Security Bank (ABA)
G. Kennedy Thompson, First Union Corporation
David C. Weinstein, Fidelity Investments
Robert Willumstad, Citigroup
Frank Wobst, Huntington Bancshares

Founding Board Members Emeritus

Spencer F. Eccles, Wells Fargo & Company
Terrence Murray, FleetBoston Financial

BITS Advisory Group

Austin Adams, BANK ONE CORPORATION
David H. Annis, Hartford Financial Services
Tim Arnoult, Bank of America Corporation
Harry Baxter, BancorpSouth, Incorporated
John R. Beran, Comerica, Incorporated
Danne Buchanan, Zions Bancorporation
David M. Carroll, First Union Corporation
Rodney D. Chard, Whitney Holding Corporation
Terry Chenault, Ford Financial
Bill Chenevich, Firststar Corporation
Brenda Clancy, AEGON USA, Inc.
Jan Cloyde, City National Corporation
Marjorie Connelly, Capital One Financial Corp.
Brian Cregg, Allfirst Financial, Inc.
Jean E. Davis, Wachovia Corporation
C. Webb Edwards, Wells Fargo & Company
Frank J. Fanzilli, Jr., Credit Suisse First Boston
Grayson Hall, AmSouth Bancorporation
Elizabeth James, Synovus Financial Corp.
Darrell Kehl, State Farm Mutual Insurance
John V. LaGrasse, American General
Rich Malone, Edward Jones Investments
Doug D. Milway, National City Bancorporation
Donald Monks, The Bank of New York Co., Inc.
Bill Nigh, Synovus Financial Corp.
Bill M. Randle, Huntington Bancshares
Linda Rinner, Northern Trust Corporation
Louis Rosenthal, ABN AMRO
Stephen A. Schutze, ABA
Kate Sullivan, Citigroup, Inc.
Patrick Swanick, KeyCorp
Viveca Ware, ICBA
Leigh Williams, Fidelity Investments
C. Leon Wilson, BB&T Corporation
Allan P. Woods, Mellon Financial Corporation
TBD, FleetBoston Financial Corporation
TBD, ING Americas
TBD, J.P. Morgan Chase & Co.

Additional Members

Nancy Cloyd, Bank of America Corp., *Fraud*
Rhonda MacLean, Bank of America Corp., *Security*
Dan Schutzer, Citigroup, *FSTC Liaison*

COMMENTS FROM THE CHAIRMAN OF THE BOARD.

Risk management is fundamental to the success of our businesses and the confidence of consumers. Forces beyond our control—from the impact of new technologies to increasing globalization—are changing the dynamics and raising the stakes. I am pleased to report to you that BITS continues to help us navigate these turbulent waters.

For example, BITS has worked closely with the Basel Committee on Banking Supervision, especially its Electronic Banking Group, chaired by Jerry Hawke, US Comptroller of the Currency. Although the Committee has no formal supervisory authority, its guidelines have a strong and important influence throughout the world. The Committee encourages convergence toward common approaches among regulators and the institutions they regulate. I recommend, if you have not already, that you look at the Committee's "Risk Management Principles for Electronic Banking," developed with assistance from BITS.

The Basel Committee is developing a new Basel Capital Accord. One of the major premises of this work is that "a capital adequacy framework that is more sensitive to risk and promotes strong risk management practices will contribute to financial stability globally." When the results of this work are implemented related to assessment of a financial institution's operational risk, the outcome will enable a security-sophisticated institution with a strong risk management profile to have a lower capital reserve requirement. The work BITS is doing in security, aggregation, wireless and information technology (IT) service provider management relates to strengthening our institutions' risk management policies. Similar potential exists with the new Insurance in E-Commerce initiative. These initiatives either have already enabled us, or will soon, to expedite the adoption of business rules and guidelines that help manage operational risk—with application and value far beyond national boundaries.

The BITS security criteria being developed through the work of the BITS Financial Services Security Lab and the Security and Risk Assessment Steering Committee are being used to enhance the security of our institutions and our vendors' products. The *BITS Voluntary Guidelines for Aggregation Services* have been presented to the Basel Committee's Electronic Banking Group as a model for other countries. Similarly, the *BITS Framework for Managing Information Technology (IT) Service Provider Relationships* will help establish a secure framework not just for those of us in the United States but in international arenas as well. Catherine Allen, CEO, Teresa Lindsey, Chief of Staff, and Gary Roboff, Senior Consultant, each made recent presentations on these topics to international groups, including the Basel Committee on Banking Supervision, the Organisation for Economic Cooperation and Development (OECD), the Bank for International Settlements and the United Kingdom's Association for Payment Clearing Services (APACS).

As always, I genuinely appreciate your generous involvement and enthusiastic support. Have a great summer!

Sincerely yours,



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

FOCUS: INFORMATION USE AND RISK MANAGEMENT

BITS' Response to the New Challenges in Fraud, Identity Theft, Privacy Protection, and Insurance

Information in cyber-finance takes many forms—from customer identification to personal information to account data—and financial institutions must protect and manage that information in increasingly sophisticated ways. With each advance in technological capability comes a corresponding risk of compromise at one or more points in the transaction or transfer of the information. BITS is addressing some of the most challenging issues related to information use and risk management.

Fraud

The most “traditional” and pervasive kind of fraud in the financial world is check fraud, although other forms are accelerating with the rise of Internet use. The 2000 ABA Deposit Fraud Survey estimated a 15% annual increase in check fraud for the banking industry, with fraud losses up 33% between 1997 and 1999 (from \$512 million to \$679 million). However, banks participating in the BITS/ABA fraud reporting process saw check-related losses actually decline at a rate of 9.6% in 2000, compared with an increase of 11.5% in 1999. This success can be attributed to the sharing of information developed through this successful program and to the integration of best practices identified in our quarterly review meetings.

Nancy Cloyd, Executive Vice President of Bank of America, is currently Chair of the BITS Fraud Reduction Steering Committee. Upon her retirement in August, she will leave a record of solid accomplishment as well as a reputation for being a national leader in fraud management. Our industry owes her a debt of gratitude for her leadership in this vital area.

The BITS' Advisory Group approved in June a request by the BITS Fraud Reduction Steering Committee to begin a joint project with the FSTC on check fraud detection in a truncated environment. The goal of this project, influenced by the Federal Reserve Board's proposal under the Check Truncation Act, is to determine current technologies available and future technologies needed to combat fraud associated with image-replacement documents, as well as truncation in electronic check presentment (ECP).

BITS' Legal Working Group specializing in Fraud Reduction is monitoring federal legislation to create a computer network to link the databases of over 200 US banking, securities and insurance regulators to combat financial fraud.

The Electronification Working Group has published a White Paper, “Electronification of the Paper Check in the

US Payments System: A Retail Banker's Fraud Risk Perspective,” and an article in the September 2000 issue of the *RMA Journal*, “A Retail Banking Perspective on Fraud Risk and the Electronification of the Paper Check.”

In few other arenas are the benefits of cooperation so quickly apparent—for the industry and for consumers—as when financial institutions join together to combat fraud.

Identity Theft

Also known as “true name fraud” or “account takeover fraud,” identity theft is a rising threat throughout e-commerce, but with particular risks for financial institutions. R. King Milling of Whitney National Bank spoke to the Roundtable membership in May about Whitney's experiences with identity theft, leaving no doubt of the immediacy and seriousness of the threat. Among industry leaders in combating this threat is Comerica, Inc. This issue's back-page profile interview, including tips for preventing or responding to identity theft, is with Comerica's President and CEO, Gene Miller.

Among the drivers in Comerica's decision to launch a major public campaign on the threat is the fact that the Federal Trade Commission estimates that about 700,000 individuals are affected by ID theft every year, and the number is growing. Financial institutions are gearing up across the country.

The solutions to this problem are both technological and social. BITS has groups working on authentication technologies and on compliance with the new E-SIGN law, but massive employee training and public education are also required.

Privacy

Not only is identity theft being reported at increasing rates, the BITS BAI Consumer Privacy Research Project results show that the risks of both fraud and identity theft are of concern to consumers. As few as 5% report experiencing identity theft, and 11% report experiencing credit card fraud—but many more say they know someone who has experienced such crimes—and even more are worried that it might happen to them.

BITS
FINANCIAL SERVICES
ROUND TABLE

FOCUS, CONTINUED

Although consumer use of online financial services is growing, it is clear—from this research and other research on the topic—that consumer concerns about privacy and security of information are major impediments to the growth of their use of such financial services. This is particularly true when it comes to consumers’ taking steps to actually conduct financial transactions in an online environment. So, just as the financial services industry is taking seriously new issues related to risk management in the online environment, so are consumers. There is good news in all of this, supported by the BITS BAI research findings.

Consistent with BITS’ earlier research results, consumers see protecting privacy and security as a shared responsibility—especially in the online environment. That is, both consumers and their financial institutions have roles to play in assuring the confidentiality, security and accuracy of information about consumers. “Privacy is a partnership” is not only a theme that has clearly emerged from this research, the newest BITS BAI results show that consumers are demonstrating—through their actions—their commitment to this shared responsibility.

At the same time, there is a communications and education gap that the industry needs to address proactively. Initiatives like Comerica’s “Identity Protection Week” are steps in the right direction. So are all the educational messages being provided through financial institutions’ web sites and in their privacy notices to provide consumers with practical guidance for protecting their privacy and security. BITS’ work in this area is focused on guidance for the industry, in turn leading to education for consumers that fosters positive experiences and increased use of the opportunities afforded through new technologies. One of the most critically important underpinnings of effective risk management concerning information use is training of financial institution personnel—to assist consumers who have questions, concerns and problems; and to prevent the risks from occurring in the first place.

Insurance

The cyber-world poses new kinds of risk for financial institutions. It is vital to understand the evolving risk management challenges and the role of insurance in e-commerce risk management. This is an area of concern where BITS’ expanding membership—now evolving to include more significant participation from the insurance and securities sectors—can generate cross-industry understanding of shared risks and the most effective solutions.

Assessing and underwriting against the threats posed by computerized fraud, risks of privacy invasion, and new kinds of exposures to loss require rapid and complete understanding of the new technology environment. BITS’ Working Group on Insurance in E-Commerce is surveying the broad scope across all sectors in raising awareness of new potential risk transfer needs—needs that may be magnified as the concentration on operational risk components by capital-setting regulatory agencies and critical infrastructure protection increases.

Experts have already offered analyses of provisions of traditional insurance policies that create gaps in coverage for new cyber-related exposures, challenges in interpreting new cyber-insurance policies, the underwriting assessment process for new cyber-insurance policies, and legislative and regulatory issues involved in insuring cyber-activities. The possibilities for developing standards, or building on guidelines BITS has already developed for specialized areas such as aggregation services and IT service provider relationships, are under discussion.

Public/Private Partnership

The necessity for a public/private partnership to address risk management was highlighted in recent Congressional testimony by Louis Rosenthal of ABN AMRO, Chairman of the BITS E-SIGN Working Group. He commended Congress for passing the E-SIGN legislation, which creates the national legal structure for using electronic signatures for financial and other business transactions, in part to secure these transactions against fraud. He also shared goals for resolving difficulties encountered in implementation so that companies and consumers can conduct business electronically with confidence and ease.

UPDATE ON BITS INITIATIVES

Fraud Reduction Program

The BITS Advisory Group approved at its June meeting a proposal by the BITS Fraud Reduction Steering Committee to begin a joint project with the FSTC on check fraud detection in a truncated environment. Presented by Ed Potter of the Committee, the goal of this project—influenced by the Federal Reserve Board's proposal under the Check Truncation Act—is to determine current technologies available and future technologies needed to combat fraud associated with image-replacement documents, as well as truncation in electronic check presentment.

The Steering Committee in June discussed the work of its Working Groups. The Statistics Working Group is collecting fourth-quarter loss-avoidance data from BITS banks piloting loss-avoidance definitions. Data will be included in a joint database being developed by the Successful Strategies and Statistics Working Groups. The Debit Card Working Group continues to work on metrics for debit card losses. The Legal Working Group will review issues in identity theft, including consumer education and an assessment of state and federal legislation. The Electronification Working Group continues to review changes to Reg E and their effects on financial institutions. For more information, contact Robin Slade, BITS, 505.466.6434, Robin@fsround.org.

*Fraud Reduction Steering Committee
Chair: Nancy Cloyd, Bank of America*

Privacy Protection

The Final Report from the BITS BAI Consumer Privacy Research project, available in July, will include Business Implications, Executive Summary, and annotated slides, and will be provided to members of BITS, The Financial Services Roundtable and BAI. Sponsoring institutions have already received the Final Report from Focus Groups, 140 data slides, briefing decks, a preliminary analysis of business implications, and a full-day briefing. The Research and Management Teams for the project are developing plans for the second year of research. This project's baseline of such consumer research was established prior to implementation of the privacy provisions of the Gramm-Leach-Bliley (GLB) Act. For more information, contact Cheryl Charles, BITS, 202.289.4322, Cheryl@fsround.org.

*Privacy Working Group
Interim Co-Chairs: Enid Miller, Mellon
Mary Jones, FleetBoston*

Role of Insurance in E-Commerce

This new Working Group was created to help financial institutions respond to the evolving risk management challenges and the role of insurance in e-commerce risk management. For insurance coverage issues, a matrix will be created with exposures to loss, gaps or issues with traditional coverage applying, and considerations for new cyber-insurance coverage needs. The group will also analyze standards currently available for assessing an organization's security and that of its technology service providers. The third key focus of the group is raising awareness of the importance of these issues, in concert with other organizations. A subset of the new Working Group met in May, and in June the group participated in a roundtable with the Surety Association of America as association members examined the impact of e-commerce on the risk profiles of financial institutions and their fidelity bond coverage. For more information, contact Laura Lundin, BITS, 202.289.4322, Laura@fsround.org.

*Insurance in E-Commerce Working Group
Co-Chair: Jeff Grange, Chubb
Co-Chair: TBD*

Security and Risk Assessment (SRA)

The Security and Risk Assessment Steering Committee is currently focused on the National Plan for Critical Infrastructure Protection, specifically the Banking and Finance Sector's portion. In a broader context of security issues, BITS Senior Director Peggy Lipps testified in June before the Joint Economic Committee of Congress on BITS' contributions to national public- and private-sector organizations dedicated to security issues. In July, BITS holds a meeting to provide input to National Plan development.

The Steering Committee and the Lab Governance Committee met in May, with a roundtable for the BITS Security Lab member technology companies. A special session focused on continuing the preparation for GLB 501b implementation. The May 14 announcement of Hewlett Packard's Virtualvault 4.0 being awarded the first BITS Tested Mark is available on the BITS website. Among the profiles being developed by the Lab, the Application Security Profile was approved by the Lab Governance Committee for posting on the BITS website for 30-day comment period. For more information, contact Peggy Lipps or Laura Lundin, BITS, 202.289.4322, Peggy @fsround.org, Laura@fsround.org.

*SRA Steering Committee
Chair: Rhonda MacLean, Bank of America
Lab Governance Committee
Chair: Bill Sentenac, Wells Fargo & Co.*

· **UPDATE ON BITS INITIATIVES, CONTINUED**

· **Electronic Signatures and Documents**
· **(E-SIGN)**

· Working Group Chair Louis Rosenthal, ABN
· AMRO, testified June 28 on behalf of BITS and
· the Financial Services Roundtable before a House
· Subcommittee on implementation of the E-SIGN
· Act. He explained some of the challenges encoun-
· tered in carrying out the law's provisions, offering
· practical insights and recommendations. BITS' E-
· SIGN discussion forum continues to focus on
· approaches to implementing E-SIGN law and to
· addressing related business problems. For more
· information, contact Jennifer Dickerson, Peggy
· Lipps, or Ben Stafford, BITS, 202.289.4322,
· Jennd@fsround.org, Peggy@fsround.org,
· Ben@fsround.org.

· *E-Signatures and Documents Review Group*
· *Chair: Louis Rosenthal, ABN AMRO*

· **Aggregation Services**

· The Working Group is now entering Phase II,
· which will focus on open and interoperable data
· feed and authentication technologies. The kickoff
· meeting will be July 11. The group will define and
· publish business requirements and rules and will
· identify the appropriate supporting technologies.
· Four subgroups are proposed: Business Require-
· ments and Rules, Technology and Security, Legal
· and Regulatory Issues, and Education and Out-
· reach. The group continues to disseminate and
· promote the implementation of the Phase I
· *Voluntary Guidelines on Aggregation Services*. For
· more information, contact Leslie Mitchell, BITS,
· 202.289.4322, Leslie@fsround.org, or Gary
· Roboff, garyrobof1@aol.com.

· *Aggregation Services Working Group*
· *Chair: Gayle Wellborn, First Union*

· **Authentication**

· Current solutions being implemented in the
· marketplace do not always interoperate, they
· require different infrastructures, and they exist as a
· patchwork. BITS conducted an initial cross-
· industry meeting in May to bring together authenti-
· cation solution providers within the financial
· services industry to identify the goals of the
· represented organizations and establish a frame-
· work for cooperation. For more information,
· contact Jennifer Dickerson or Peggy Lipps, BITS,
· 202.289.4322, Jennd@fsround.org,
· Peggy@fsround.org.

· *Authentication Working Group*
· *Chair/Co-Chairs TBD*

· **Information Technology Service Providers**

· A draft of the *BITS Framework for Managing*
· *Information Technology (IT) Service Provider Relation-*
· *ships* was presented at a forum in Chicago in
· June. It is being vetted among service providers,
· financial institutions, associations, and regulators,
· and will be presented to the BITS and FSR
· Boards for endorsement in September. Contin-
· ued industry feedback is being sought as the
· *Framework* is developed. The document is not an
· audit checklist, but a series of considerations for
· managing outsourced IT services, designed to
· help financial institutions implement and main-
· tain safe, private, and secure practices for their
· customers at every stage of their transactions.
· For more information, contact Faith Boettger,
· BITS, 202.289.4322, Faith@fsround.org.

· *IT Service Providers Working Group*
· *Co-Chairs: Sharon O'Bryan, ABN AMRO*
· *Jim Dempster, Metavante; Viveca Ware, ICBA*

· **EA/ECP/Check Safekeeping**

· The EA/ECP Steering Committee is discussing
· approaches to removing barriers to electroni-
· fication of checks. Next steps include working
· with SVPCo and ECCHO to identify current
· obstacles, summarizing achievements to date
· and current participation by financial institutions,
· educating consumers and legislatures, and
· reviewing the next draft of the Check Trunca-
· tion Act. For more information, contact Robin
· Slade, BITS, 505.466.6434, Robin@fsround.org.

· *EA/ECP Working Group*
· *Chair: John Beran, Comerica*

· *Check Safekeeping Working Group*
· *Chair: Jerry Chambers, Bank of America*

· **B-to-B E-Commerce**

· The Working Group is coordinating with the
· Working Groups on Authentication and Insur-
· ance. The B-to-B group now focuses on Know
· Your Customer issues, with discussion of
· defining protocols, message sets, standards and
· best practices for establishing online relationships
· with new business partners. The group is also
· providing its schematic on shifting from paper
· to e-commerce to serve as a starting point in the
· Insurance group's analysis of products currently
· available to e-commerce transactions. For more
· information, contact Leslie Mitchell, BITS,
· 202.289.4322, Leslie@fsround.org.

· *B-to-B E-Commerce Working Group*
· *Co-Chairs: Rodney Chard, Whitney National Bank;*
· *Peter McNally, Assurant; Janey Place, Mellon*
· *Authentication SWAT Team*
· *Chair: Dan Schutzer, Citigroup*

UPDATE ON BITS INITIATIVES, CONTINUED

Business Method Patents

A subgroup met in May to discuss proposed federal legislation, preparing to develop a position paper on business method patents for use as an educational tool, both for Members of Congress and for the industry. BITS works with other industry groups and the US Patent and Trademark Office in a collaborative educational process to help develop a library of financial services "prior art"; and to assist member organizations with their intellectual property strategy. BITS plans to develop educational briefings at the US PTO's request for US PTO examiners on the topics of smart cards, wireless technologies, security and the payments system for a US PTO Technology Fair to be held September 5-6, 2001. For more information, contact Cheryl Charles, BITS, 202.289.4322, Cheryl@fsround.org.

*Business Method Patents Working Group
Co-Chairs: Mark Kessler, J.P. Morgan Chase & Co.
David Schreiber, Citigroup*

Wireless Technologies

The Working Group has begun to craft minimum business practices for financial institutions to follow, to maximize security, as they enter the wireless market. As a basis for the requirements, the group is using responses to its December 2000 Request for Information (RFI) to technology providers. The Working Group held an invitation-only forum in May, and a second forum, in August, will reflect the first outreach to broaden the membership to include technology vendors, government representatives, and banking agency regulators. For more information, contact Jennifer Dickerson, BITS, 202.289.4322, JennD@fsround.org.

*Wireless Technologies Working Group
Co-Chairs: Kathy DeWit, Wells Fargo & Co.
Bill Randle, Huntington National Bank*

BITS Staff

Catherine Allen, CEO
Catherine Anderson, Communications Manager
Tanya Bailey, Director, Meetings
Wattie Bennett, Executive Assistant
Faith Boettger, Senior Consultant
John Burke, Outside Counsel
Cheryl Charles, Senior Director
Jennifer Dickerson, Senior Director
Jennifer Houghton, Administrative Assistant
Teresa Lindsey, Chief of Staff and Senior Director
Peggy Lipps, Senior Director
Laura Lundin, Senior Director
Stefanie Meeks, Manager, Member Relations
Leslie Mitchell, Director
Gary Roboff, Senior Consultant
Iris Simpson, Administrative Assistant
Robin Slade, Project Manager
Ben Stafford, Project Manager
Keviar Warner, Administrative Assistant
Heather Wyson, Administrative Assistant

MEMBERSHIP UPDATE

We extend a warm welcome to the following four new members of The Financial Services Roundtable and BITS, reflecting the increasingly vital role of the insurance industry in financial services: Chubb is a global holding company with subsidiaries primarily in property and casualty insurance. Household International is a holding company with principal subsidiaries in middle-market consumer loan products. Prudential is a leading issuer of life, personal lines, property and casualty insurance. Zurich is the largest issuer of commercial property-casualty, health and accident insurance in the multinational, middle market and small business areas.

We also welcome three new affiliate members to BITS. America's Community Bankers (ACB), a trade association, assists members by promoting public policy and providing education in community banking. Credit Union National Association & Affiliates (CUNA) is a trade association providing business development services and representation for their member companies. Spectrum EBP, L.L.C helps banks by offering technology standards for electronic bill presentment and payment. The participation of affiliates in BITS provides mutual benefits.

If you have any questions, contact Stefanie Meeks, Manager of Member Relations, at Stefanie@fsround.org or at 202.289.4322.

B I T S
FINANCIAL SERVICES
R O U N D T A B L E

BITS
805 15th Street, NW, Suite 600
Washington, DC 20005
Tel 202/289-4322
Fax 202/289-0193
bits@fsround.org
www.bitsinfo.org

Gene Miller, Chairman, President and CEO of Comerica Incorporated and Chairman of the Board of Directors of The Financial Services Roundtable, has guided Comerica to a leadership role in the industry. This leadership is demonstrated in many ways, including Comerica's online banking services and in the priority the institution is putting on technologies and training for combating identity theft.

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

BITS: Mr. Miller, you have been among the most proactive banking leaders in the country on the subject of identity theft. How serious is the problem, both for financial institutions and for consumers?

Miller: All financial institutions and consumers share the problem because they are both at risk, and both will pay in time, cost, and reputation for any failure to solve the problem. Banks and consumers have to share in the solution.

The Federal Trade Commission's Identity Theft Hotline gets between 2,000 and 3,000 complaints and inquiries every week. Current government estimates for the number of people affected by identity theft every year are near 700,000 and rising.

BITS: What is Comerica doing to combat the threat?

Miller: Comerica is aggressive about its technology, providing stringent security measures at each point of its transactions.

Comerica continually trains its colleagues to ensure that operations at all customer service points maintain top-quality vigilance.

Comerica also focuses intensely on customer education. Twice last year, Comerica held "Identity Protection Week" to enhance the awareness of our customers and, working with the local media, to bring further attention to the subject and offer tips on how customers can protect themselves. The bank also launched a community education campaign and installed a toll-free number linked to specially trained employees. Victims can request an Identity Theft Recovery Kit, which contains valuable information relative to contacting law enforcement, the credit bureaus, and their financial institutions.

Comerica also shares prevention tips at meetings of local community organizations, places messages on its ATMs and customer statements, and has similar information on its website.

BITS: What have been the key success stories among all these initiatives you have launched?

Miller: We are very pleased to have been able to reach so many consumers with our Identity Theft message. On average, approximately 25% of every group we spoke with had been a victim of identity theft or knew someone who had. We've also shared our program with other financial institutions, trade organizations, and regulators.

BITS: What are good sources of help for financial institutions?

Miller: Individual banks and full-service financial firms are taking a range of approaches, including taking advantage of the kits offered by the American Bankers Association, such as the Identity Theft Communications Kit. It includes guidance for the bank as well as consumer checklists.

Gene Miller

BITS: From your perspective as a national leader in this arena, what do you see as the most important priority for financial institutions in dealing with identity theft?

Miller: Education. There has to be complete recognition—and it may be developing now—that identity theft is not an isolated phenomenon that reaches only a limited aspect of the financial industry. It threatens the historic and fully justified claim to the public trust that is at the core of the industry's identity. Combating this threat should be in the top range of any institution's priorities.

There also has to be a strenuous campaign of awareness, both inside the institution, among the employees, and outside, among customers, so that all of us can work together to keep accounts safe from intrusion.