
BITS BULLETIN

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

OCTOBER 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 emerging technologies, 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



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LETTER FROM THE CEO

We, like so many, were watching news coverage as the second plane hit the World Trade Center. We were stunned and anguished by the horrific unfolding tragedy so many witnessed firsthand. We will never be the same. The world will never be the same. The BITS office, with our sister organization, The Financial Services Roundtable, is located two blocks from the White House. Within minutes of our witnessing the second of two planes hitting the Trade Center came the news: a plane had crashed into the Pentagon and rumors were rampant that the Capitol and White House were targets. We took quick action to evacuate the BITS and Roundtable staff—concerned about everyone's well being, uncertain about what would happen next, and deeply troubled by the threat to the nation's stability.

As the dust has settled and the flames have subsided, it is a new America. We extend our heartfelt sympathies to those who have lost cherished family members, friends and colleagues. We think of the neighborhoods that are changed forever. We think of the extraordinary courage and service demonstrated by so many, under the most challenging and difficult of circumstances. The work to rebuild families, businesses and communities will take years. We all share in the responsibility and the challenge of rebuilding.

In this time of national grief, the nation's financial infrastructure remains strong. We commend the many individuals within our member institutions and those throughout the financial sector who are diligent in assuring the reliability and continuity of the nation's financial services infrastructure.

At the time of the terrorist attack, BITS was literally helping to coordinate the Banking and Finance Sector's part of the National Strategy for Critical Infrastructure Assurance. That is one example of the ongoing process that will not diminish—and in fact is escalating—as we all work to continue to build on this sector's long history of stability, reliability and continuity of services. BITS has created an interim Working Group on Contingency Planning and Disaster Recovery, chaired by Allan Woods, Vice Chairman and CTO of Mellon. We will be holding a one day Summit on Crisis Management on October 25th in Washington DC to bring together financial institutions, regulators, industry associations and government security executives as well as others to discuss what we can do cooperatively. While security has always been one of the highest priorities mandated to us by the CEOs who founded BITS, the security agenda has never been more important.

Catherine A. Miller

CEO, BITS



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Dan Schutzer, Citigroup, *FSTC Liaison*

COMMENTS FROM THE CHAIRMAN OF THE BOARD.

The events of September 11, 2001 have impacted all Americans and the entire world. But out of the ashes, we've seen evidence of what this country is made of. The outpouring of love, concern, appreciation and prayers, the revival of patriotism and love of country, the appreciation of our flag and the universal support for our President, our Congress and our military—these are evidence that the foundation of our nation has not been shaken by these tragic events.

We all feel a call to action and a need to play some vital role in our nation's healing process. I am committed to my role and the role of the entire BITS organization to further strengthen our economy by assuring consumers worldwide that the fundamentals of our financial services industry are safe, sound, reliable and secure. In the check processing warehouses, credit card industry, bank branches, securities firms, the insurance industry—throughout the financial services sector—individuals are working hard each day to make sure the nation's financial services infrastructure continues to function seamlessly and effectively.

We have learned some lessons the hard way in the past. We learned to make sure we had systems to back up systems to back up systems. This is where the word "redundant" has a positive connotation. One of the hallmarks of today's financial services industry is the extent to which we have gone to provide multiple ways to make sure a system stays up and running. We are risk managers. We often wish we did not have to demonstrate that skill—but being able to anticipate risks, plan to prevent them, and rebuild if they do occur are all things we have built into the nation's, and increasingly the world's, fabric of financial services. I've asked BITS to step up its efforts to focus on existing and emerging payments and settlement systems to be sure our industry maintains its role as providers of safe and secure delivery infrastructures.

Preparation for the year 2000 helped to offset the negative consequences from the recent terrorist attacks. Many of the backup systems and contingency plans that were put in place to prevent problems associated with Y2K gave us greater confidence in the face of the recent threats to the nation's economic stability. Nothing can be taken for granted, however. We have much more to do to protect against and prevent new risks—including those associated with cyber-terrorism—and we are hard at work to make that happen. To that end, BITS is holding a one day Crisis Management Summit on October 25th in Washington, DC. I'll be there to kick off the public/private sector event with Senator Robert Bennett (R-Utah) and John Tritak, Director of the Critical Infrastructure Assurance Office (CIAO), among others.

BITS continues to work aggressively—in partnership with our friends in government and throughout the private sector—to maintain the nation's critical financial services infrastructure. At the same time, we pray for the victims and families of this tragedy, the rescue workers and our nation's leaders. We pray for them wisdom and strength to make sound decisions about our nation's defense, economy and our efforts to rebuild.

Times like these reveal the truth about who we are as individuals, as corporations, as an industry and as a nation. I am strongly encouraged by the determination I see in communities throughout America and the world to withstand this test and emerge stronger and more cohesive than ever before. At BITS we are grateful for the opportunity to serve you. May God Bless America.

Sincerely yours,

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

FOCUS: THE CHANGING NATURE OF RISK MANAGEMENT

The financial services industry rests upon the *trust* of its customers. Even in the face of the tragic events of September 11, the industry was able to provide the core financial services that people depend upon and have come to expect. ATMs provided cash, checks were cleared, credit and debit cards continued to function, and purchases were approved at the point-of-sale as if nothing were different. None of this could occur without the diligent attention of many individuals and institutions—in both the private and public sector.

At the same time, the recent events underscore the importance of heightened attention to security issues. BITS has historically focused on security and risk assessment as a core function and priority area. That focus continues. Specific monitoring and reporting activities have been ramped up since September 11. For example, at the request of the BITS and Roundtable member institutions, BITS is providing daily updates to senior leadership in the industry about any uptick in security and fraud-related events. We are also in close touch with federal agencies responsible for the financial sector and security of systems.

Three actions that can be taken by institutions of all sizes to assist in maintaining the security of the financial services infrastructure include:

- **Be watchful** for exceptional activities.
- **Upgrade** the security on physical and virtual systems.
- **Participate** in industry and community activities to manage the uncertainties.

The financial services industry applies principles of risk management and sound business practices in order to assure the reliability and continuity of services. The following principles are identified in the draft National Strategy for Critical Infrastructure Assurance, being developed by the Banking and Finance Sector and coordinated by BITS, in response to Presidential Decision Directive 63. They are fundamental components of the Banking and Finance Sector's approach to risk management and sector stability:

- **Assessment and understanding** – Analysis of the infrastructure's strengths, intricacies, interdependencies, vulnerabilities and abilities to solve and resolve virtual as well as physical issues and concerns.
- **Preparation and prevention** – Steps that strengthen the sector's capacity to prepare for and defend against systemic attacks.
- **Detection and response** – Strategies for detection of and response to attacks on the information infrastructure of the banking and finance sector.
- **Reconstitution and restoration** – The ability to recover and restore services and functions to their normal state of operation.

A Sample of BITS Security-Related Initiatives

Following are examples of BITS activities that focus on security concerns. Most are managed through the BITS Security and Risk Assessment Steering Committee. Recent events require review of existing systems, implementation of improvements where needed, and increased cooperation among sectors of the nation's critical infrastructure, such as telecommunications, transportation and energy, as well as among and with all relevant federal and state agencies. For additional information about how to get involved, go to www.bitsinfo.org.

- **Crisis Management:** BITS is holding a Summit on Crisis Management to address coordination issues between the public and private sectors on October 25th in Washington DC from 10am to 4pm at the Ritz-Carlton. Discussion panels at this invitation-only event will focus on scenario potential and coordination management issues such as information sharing, communications and establishing key government and private sector contacts for effective crisis management.
- **Contingency Planning and Disaster Recovery:** BITS is forming an interim Working Group of individuals from each of our Member organizations with responsibility for contingency planning and disaster recovery. We anticipate heightened focus and concentration from regulators on these topics. The mission of this Working Group will be to develop financial services industry guidelines for contingency planning and disaster recovery, to ensure the financial services industry is able to quickly respond to unforeseen circumstances. Specifically, the Working Group will address issues across institutions and industries where interdependencies are critical. Contact Jennifer Dickerson, Jennd@fsround.org.
- **IT Service Providers:** BITS has developed a comprehensive *Framework for Managing Technology Risk for IT Service Provider Relationships*. This initiative has resulted in a risk management framework that helps institutions and service providers understand what is needed to provide a more secure infrastructure. The Framework incorporates all regulatory requirements to date. Contact Faith Boettger, Faith@fsround.org.

BITS
FINANCIAL SERVICES
ROUNDTABLE

• **FOCUS, CONTINUED**

- **Aggregation Services:** BITS organizes stakeholders to create appropriate foundations for various e-commerce activities. One of these functions is to generate safe and secure business practices and guidelines for provision of aggregation services. Traditional financial institutions as well as new entrants into the sector, many of which are not regulated by the banking agencies, are adopting the *BITS Voluntary Guidelines for Aggregation Services*. The Guidelines cover business practices for security, privacy, customer disclosures, data feeds and legal and regulatory requirements. Contact Leslie Mitchell, Leslie@fsround.org or Gary Roboff, Garyrobof1@aol.com.
- **Mobile Financial Services Security:** BITS is creating minimum business guidelines for delivery of wireless telecommunications and mobile financial services. Specific emphasis is on security and end-to-end reliability. This initiative—involving cooperation between the banking and finance sector, the federal government and the information and communications sectors—offers a model for other cross-sector critical infrastructure initiatives. Contact Jennifer Dickerson, Jennd@fsround.org.
- **Insurance in E-Commerce:** BITS is developing an E-Commerce Insurance Gap Analysis Matrix as a tool for identifying cyber-related events, impacts on the organization, gaps or issues with traditional insurance coverage and considerations for new cyber-insurance coverage. Contact Laura Lundin, Laura@fsround.org.
- **Fraud Reduction Program:** BITS has mobilized the industry's senior executives responsible for check, debit and Internet fraud. They are cooperating to share successful strategies, enhance databases and create business practices to address fraud problems in the infrastructure. Contact Robin Slade, Robin@fsround.org.
- **Lab Governance Committee:** This committee manages the operation of the BITS Financial Services Security Lab, which tests e-commerce products against security criteria developed by BITS. The Lab's Network Security Profile and the Monitoring and Intrusion Detection

Profile, examples of security criteria, will be posted for public comment on the BITS Security Lab site, www.predictive.com/bitslab, in October. Feedback on the profile documents is welcome, contact Laura Lundin, Laura@fsround.org.

Additional Security-Related Sector Activities in Which BITS Participates

A hallmark of the financial services industry is its commitment to cooperation within the sector and across sectors. BITS commends the following initiatives and encourages our Member institutions to participate:

FS/ISAC

The Financial Services Information Sharing and Analysis Center (FS/ISAC) allows the profiling of potential threats and vulnerabilities resulting in an early warning capability by an alert and notification system. Given the urgency of the September 11 crisis and the potential for the financial services industry to be a target for cyber-attack, the FS/ISAC is offering free, temporary membership for a limited time to qualifying financial institutions in order to gauge the activity of a broader section of the industry. Membership is being offered through certain industry associations. Temporary members can submit incidents on an anonymous basis, have access to alerts, and participate in industry questionnaires and results. Contact Peggy Lipps, Peggy@fsround.org.

PCIS

The Partnership for Critical Infrastructure Security (PCIS), of which BITS is a founding member, is a collaboration between industry and government to address national critical infrastructure risks and assure the delivery of essential services. The PCIS is launching a national media campaign to encourage businesses and individuals to harden their computer systems to support the Homeland Defense initiative. The campaign will begin with "Secure Your Computer" day, followed by periodic reminders of the need for continuous cyber hygiene. The concept is to develop top-level messages that all participants can share, allowing for individualized press releases and announcements by companies and organizations. Contact Peggy Lipps, Peggy@fsround.org.

Aggregation Services

Phase II of the Working Group's initiative, to establish sound practices for data feed and authentication technologies, has been launched. Sub-groups, which include Business Practices, Technology and Security, Consumer Education and Outreach, and Legal and Regulatory teams, have confirmed their charters and defined deliverables. The Working Group has set an aggressive schedule with final documentation due by February 15, 2002, in anticipation of presentation to the BITS and FSR Boards in April. Contact Leslie Mitchell, Leslie@fsround.org, or Gary Roboff, garyrob1@aol.com.

*Aggregation Services Working Group
Chair: Gayle Wellborn, Wachovia*

Authentication

The Authentication Working Group has identified a lack of customer acceptance as one of the leading barriers to the implementation of authentication tools. The group met recently to discuss ways to educate customers, business people and Members of Congress on the benefits of using authentication methods based on the risk characteristics of certain transactions. The group is also addressing the need to identify a shared liability framework and to tie authentication solutions to value propositions such as privacy and security. For more information, contact Jennifer Dickerson, Jennd@fsround.org.

*Authentication Working Group
Co-Chairs: Dan Schutzer, Citigroup
Bill Randle, Huntington Bancshares*

B-to-B E-Commerce

The B-to-B Working Group has launched a Know Your Customer initiative to develop financial service standards for prospective e-commerce partners. In concert with the BITS Working Groups on Authentication and the Role of Insurance in E-Commerce, this group's proposed deliverables will help reduce business risks, facilitate the identification and authorization of trade partners, allow interoperable electronic communications, and generally enable electronic trading activities. A kickoff members-only in-person meeting is scheduled for November 9. Contact Leslie Mitchell, 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*

Business Method Patents

Progress continues on an educational position paper concerning complexities associated with business method patents. Representatives of BITS conducted briefings for approximately 80 examiners at the U.S. Patent and Trademark Office (USPTO) on September 5. Topics included changes in the payments system, aggregation services, security, authentication and the trends associated with mobile financial services. For more information, contact Cheryl Charles, Cheryl@fsround.org.

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

Consumer Privacy

A new task force has been formed within the BITS Privacy Working Group, with a focus on business implications associated with implementation of P3P in Internet browsers. The group is looking especially for any negative consequences for consumers, and for any potential security-related problems. Plans for the second year of the BITS BAI Consumer Privacy Research are moving ahead. Member institutions within BITS and The Financial Services Roundtable interested in sponsoring this research are encouraged to contact Cheryl Charles for additional information at Cheryl@fsround.org.

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

EA/ECP/Check Safekeeping

The EA/ECP Steering Committee recently held a kickoff meeting for the National Check Safekeeping Campaign. The goal of the Campaign is to educate consumers, business people and Members of Congress on the benefits of electrification, truncation and check safekeeping. For more information, contact Robin Slade, Robin@fsround.org.

*EA/ECP Working Group
Chair: John Beran, Comerica
Check Safekeeping Working Group
Chair: Jerry Chambers, Bank of America*

Electronic Signatures and Documents (E-SIGN)

The E-SIGN Working Group's bimonthly teleconference calls on legal and regulatory issues have recently included speakers Jeff Gillespie,

· **UPDATE ON BITS INITIATIVES, CONTINUED**

· Chief Counsel from the Office of the
· Comptroller of the Currency, and David Barkely,
· Chair of the Governance Committee of MISMO,
· the Mortgage Industry Standards Maintenance
· Organization for e-commerce. Mr. Gillespie
· addressed proposed regulations on e-banking,
· and Mr. Barkely spoke on the challenges of
· moving the mortgage industry into an electronic
· environment. Other recent calls included presenta-
· tions by one of the BITS Member institutions on
· its template for E-SIGN delivery. The FDIC will
· update members of the Working Group on its
· research related to E-SIGN in an upcoming call.
· For more information, contact Jennifer
· Dickerson, Jennd@fsround.org.

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

· **Fraud Reduction Program**

· As a result of the recent terrorist activities, the
· Fraud Reduction Working Group has ramped up
· its regular meetings. The Group is tracking any
· potential upticks in fraud-related activities. The
· Steering Committee's most recent in-person
· meeting was in Seattle in August, the last meeting
· led by outgoing Chair Nancy Cloyd, Bank of
· America. The new Co-Chairs were introduced:
· Shirley Inscoe, Wachovia, and Bob Jones,
· FleetBoston. In addition to covering a broad
· range of anti-fraud projects managed by the
· Committee, members discussed the distribution
· of the Successful Strategies Database, a compre-
· hensive tool for determining strategies used for
· combating fraud, which will be revised in 2002 to
· track loss avoidance statistics contributed by the
· Statistics Working Group. For more information
· about the Fraud Reduction Program, please
· contact Robin Slade, Robin@fsround.org.

· *Fraud Reduction Steering Committee*
· *Co-Chairs: Shirley Inscoe, Wachovia*
· *Bob Jones, FleetBoston*

· **Information Technology Service Providers**

· The BITS *Framework for Managing Technology Risk*
· *for Information Technology Service Provider Relationships*
· has been vetted by financial regulators, financial
· services associations, BITS members and more
· than 30 service providers. It was officially
· endorsed by the BITS Board of Directors in
· September. Next steps include continued review
· of the document, inclusion of a new section on
· relationship termination, and the possible
· evaluation of the risks associated with different

types of outsourcing relationships. The
Working Group has formed three subgroups:
Education and Awareness, Applications and
Interoperability. For more information,
contact Faith Boettger, Faith@fsround.org.

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

Insurance in E-Commerce

The Working Group's conference calls focus
on monitoring the marketplace, including
addressing the movements in the reinsurance
market due to the challenges posed by
e-commerce-related insurance, and on
technology risk assessments for underwriting
cyber-insurance. After members of the Basel
Committee on International Banking
Supervision indicated that insurance would be
recognized in the new capital accord proposal
for operational risk, it was recognized that
insurance products could not only protect the
balance sheet by transferring risk, but could
also serve as leverage against a financial
institution's capital charge. This key develop-
ment will factor into the Working Group's
deliberations. For more information, please
contact Laura Lundin, Laura@fsround.org.

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

Mobile Financial Services

The draft Business and Technical Guidelines
for Mobile Financial Services document was
presented to a Forum in Santa Fe, New
Mexico in August. This Forum brought
together key players in the mobile technology
arena including carriers, device manufacturers,
software providers, regulatory agencies, and
financial institutions. The Working Group's
goal is for all industry segments to cooperate
to enable highly secure, ubiquitous, seamless
access when providing mobile financial
services. A final version should be completed
by year-end. For more information, please
contact Jennifer Dickerson,
Jennd@fsround.org.

Wireless Technologies Working Group
Co-Chairs: Kathy DeWit, Wells Fargo & Co.
Sam Phillips, Bank of America

ANNOUNCEMENT

The BITS Standards Steering Committee is reconstituting after a hiatus of several years. The financial services industry has an important opportunity to address gaps in focus, inclusion and coherence within and across key standards efforts—gaps that will continue to widen if action is not taken. The BITS Advisory Group approved a revised and expanded charter that was endorsed by the Board of Directors in September. Ramp-up of committee activities is now underway. There will be a conference call in October and an in-person members' meeting in November.

The Steering Committee's deliverables include: conducting an industry scan of standards efforts to better direct scarce industry resources; encouraging the convergence of message standards where such actions make sense; and forming a Financial Services Standards Council to help coordinate a more consistent industry approach to cross-standards issues. For more information, contact Gary Roboff, Senior Consultant, garyrob1@aol.com.

*Standards Steering Committee
Chair: Dan Schutzer, Citicorp*

MEMBERSHIP UPDATE

We are pleased to welcome the **Canadian Payments Association (CPA)** as a new affiliate member to BITS. CPA is headquartered in Ottawa, Ontario and was created in 1980 as a not-for-profit association of financial institutions to manage the development of the Canadian payments system and to set up and operate a national clearings and settlements system.

We also welcome new Financial Services Roundtable members **MBNA Corporation, Charter One Financial, Inc., Union Planters Corporation, Guaranty Financial Services, and MassMutual Financial Group.** MBNA Corporation, based in Wilmington, Delaware, is the largest independent credit card issuer in the U.S., providing insurance products, retail deposits and consumer loans. Charter One Financial, Inc., headquartered in Cleveland, Ohio, is a bank holding company with 436 branches. Retail investment products, business lending and mortgage banking are among Charter One's services. Union Planters Corporation has more than 850 branches and offers commercial and residential mortgages, credit cards and online banking services. Guaranty Financial Services, headquartered in Austin, Texas, offers money market accounts, savings, checking, certificates of deposit, construction loans and residential mortgages. MassMutual Financial Group, based in Springfield, Massachusetts, offers asset management and insurance products on a global, diversified basis to institutional, individual and corporate clients.

Pending final approval by the Board of Directors, **Aon Corporation** and **Providian Financial Corporation** will also become new members of the Financial Services Roundtable.

SCIENTIFIC AMERICAN GLOBAL SUMMIT

On November 13 and 14, BITS will participate in the Scientific American Global Summit on Privacy and Security in the Digital Age. Participants will examine privacy and security from a strategic perspective. Speakers include U.S. policy leaders on privacy, as well as government leaders in data protection. To learn more about the Summit, visit www.globalprivacysummit.net.

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Harrison Tempest, Chairman and CEO of ABN AMRO North America, is a pioneer in electronic banking. His insight into the opportunities, the risks, and the long-term future of finance on the Internet is sought throughout the industry. With its parent company in Amsterdam and its American holdings maintaining their local names, the bank is not well known outside industry circles. But the visionary services it is developing may become household practices as they are broadly adopted in the financial sector.

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

BITS: Why is ABN AMRO taking such an aggressive lead in moving toward e-commerce and e-banking?

Tempest: Technology is redefining interactions among people, businesses and governments worldwide. As that redefinition takes place, I believe the values of trust and accountability inherent in financial institutions can be, should be, part of the new environment being created. ABN AMRO has the resources in the relevant areas of expertise, as well as the global experience to be a major contributor to a reliable commercial environment and to be a market leader.

BITS: ABN AMRO is known for its creativity in selecting and optimizing strategic partnerships in e-commerce. Do you recommend the partnership approach for others? What caution do you advise?

Tempest: It makes the best business sense to partner with companies that have already developed the technology for the service we want to offer—much like purchasing a computer itself, which we wouldn't seek to build in-house, and which, from the partner's perspective, becomes more valuable with each additional user. It is sometimes a stretch for them to adapt to our stringent requirements for security, but they're willing to do so, and all of us benefit—our bank, our partners, and our customers.

BITS: When you contemplate outsourcing technology or other services, what are the most important concepts to keep at the forefront in establishing and managing a service provider relationship?

Tempest: The customer has no idea, when calling or otherwise accessing a bank or other financial institution, whether the service is being offered by in-house personnel or outsourced personnel or some combination. It simply does not matter to the customer, for whom everything that happens is a reflection of that bank, not some unseen technology provider. I think BITS' work on this topic, in which we've been very active, reflects this idea and takes major steps to address it in the *Framework for Managing Technology Risk for IT Service Provider Relationships*. Financial institutions of all types are going to be outsourcing more and more technology services, and it's vital to carry forward that sense of accountability for the customer's information. It's a competitive market issue in customer relationship management.

BITS: What do you believe will be the most notable impacts for financial institutions as a result of the latest regulatory guidance on outsourcing risk management?

Tempest: Some financial institutions are going to experience culture shock. Many companies that view outsourcing as a situation in which all aspects of the processing are turned over to the provider will have to go through a tough education and risk management identification process. In particular, the process for obtaining and comparing audit reports against control requirements will be time consuming. The financial institutions may not be prepared for the amount of effort it will take and the challenges inherent in the process.

BITS: In addition to these market issues, what kinds of technology are presenting the most significant challenges?

Tempest: Guaranteeing the identity of the person on the other end of the transaction and maintaining the security of information have to be at the top of the priority list. Our people have been very active with BITS and The Financial Services Roundtable on the authentication issue as well, and even testified before Congress on the E-Signature legislation.

BITS: You've said on several occasions that you expect banks will need to shift perspective to remain strong in the new environment—primarily in the types of business services they offer. In the near term, that might mean looking at new ways to participate in customers' procurement and payment activities and, over the longer term, investing in completely new kinds of service such as providing due diligence for corporate acquisitions and, from a purely technological angle, serving as application host for smaller institutions.

Tempest: Yes, banks have a unique identity in the marketplace as trusted third party. Considering how much of a premium there is on trust in the faceless Internet, this identity needs to remain at the core of the industry's development in new marketplaces. That's the single component that must not be lost.



Harrison Tempest