
BITS BULLETIN

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

JUNE 2002

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

.....

LETTER FROM THE CEO

• Another Annual Meeting has come and gone—it's hard to believe summer is already beginning! This spring has been an eventful one, beginning with welcoming Jim Rohr as BITS' new Chairman at our Annual Meeting in April.

• Jim is already doing an outstanding job in leading BITS. In May he led the BITS CEO Forum in New York City, where we talked with members of the press and others about the industry's "hottest" topics. We had a lively discussion of many pressing issues, including cybersecurity and cyberthreats, crisis management, operational risk, aggregation services and the changing payments environment.

• We continue to focus on crisis management. Our Crisis Management Working Group is helping the industry increase its preparedness for emergencies, both cyber and physical. On July 11, BITS is holding a forum, "Telecommunications in Times of Crisis," to increase awareness and prepare financial services companies for an event that affects the security and reliability of telecommunications links. The forum will feature a full day of in-depth sessions focused on the U.S. Critical National Security and Emergency Preparedness Telecommunications Program. We're strongly encouraging members to attend in order to deepen their understanding of telecommunications preparedness issues.

• We've also been continuing our campaign to educate members about operational risk. This month we held the BITS Operational Risk Forum, bringing together financial institutions, regulators and service providers to give perspectives on how to manage operational risk. Topics included board fiduciary responsibility, the role of insurance in mitigating operational risk and financial institution case studies.

• In this issue of the *BITS Bulletin*, we're turning our attention to another issue of critical importance to the financial services industry: identity theft. Identity theft has been rising, bringing heartache to consumers while costing institutions and our customers more and more each year. BITS has always viewed fraud prevention as a high priority. The BITS Fraud Reduction Steering Committee brings industry leaders together to share best practices for dealing with identity theft and other crimes.

• Thank you for your continued involvement in BITS' initiatives. Have a wonderful summer!

Catherine A. Miller

CEO, BITS



COMMENTS FROM THE CHAIRMAN OF THE BOARD.

BITS Board of Directors

Chair: James E. Rohr, PNC Financial
Vice Chair: Charles K. Gifford, FleetBoston Financial
James H. Blanchard, Synovus
Timothy C. Coughlin, Riggs National Bank Corp.
David Coulter, J.P. Morgan Chase & Co.
James Dimon, BANK ONE CORPORATION
Richard D. Fairbank, Capital One Financial
Jerry A. Grundhofer, U.S. Bancorp
David E. Hayes, Security Bank (ICBA)
Thomas E. Hoaglin, Huntington Bancshares
Richard M. Kovacevich, Wells Fargo & Company
Kenneth D. Lewis, Bank of America Corp.
Martin G. McGuinn, Mellon Financial Corp.
Eugene A. Miller, Comerica Inc.
Page Ogden, Britton & Koontz (ABA)
Dean O'Hare, The Chubb Corporation
Thomas A. Renyi, The Bank of New York Co., Inc.
Edward B. Rust, Jr., State Farm Mutual Insurance
G. Kennedy Thompson, Wachovia Corp.
David C. Weinstein, Fidelity Investments
Robert Willumstad, Citigroup

Founding Board of Directors Emeritus

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

BITS Advisory Group

Austin Adams, BANK ONE CORPORATION
David H. Annis, The Hartford Financial Services
Tim Arnoult, Bank of America Corporation
Gregor Bailar, Capital One Financial Corp.
Harry Baxter, BancorpSouth, Inc.
John R. Beran, Comerica, Inc.
Danne Buchanan, Zions Bancorporation
David M. Carroll, Wachovia Corporation
Rodney D. Chard, Whitney Holding Corporation
Terry Chenault, Ford Financial
Bill Chenevich, U.S. Bancorp
Brenda Clancy, AEGON USA, Inc.
Jan Cloyde, City National Bank
Brian Cregg, Allfirst Financial, Inc.
Jean E. Davis, Wachovia Corporation
C. Webb Edwards, Wells Fargo & Company
Ted Gerbracht, Jr., Credit Suisse First Boston
Jerry Gross, Washington Mutual
Grayson Hall, AmSouth Bancorporation
Kenneth M. Harvey, Household International
Theodore J. Hoepner, SunTrust Banks
Darrell Kehl, State Farm Mutual Insurance
Michael C. Keller, Nationwide Insurance Enterprise
Rich Malone, Edward Jones Investments
Gerald F. McQuaid, FleetBoston Financial
Doug D. Milway, Marshall & Ilsley Corp.
Donald Monks, The Bank of New York Co., Inc.
Robert Muth, HSBC Bank USA
Ameet Patel, J.P. Morgan Chase & Co.
Clayton D. Pledger, Compass Bancshares
Bill M. Randle, Huntington Bancshares
Linda Rinner, Northern Trust Corp.
Louis Rosenthal, ABN AMRO
Stephen A. Schutze, ABA
Timothy G. Shack, PNC Financial
Kate Sullivan, Citigroup
David M. Szego, Riggs Bank
Viveca Ware, ICBA
Lisa L. White, Synovus
Leigh Williams, Fidelity Investments
C. Leon Wilson, BB&T Corporation
Allan P. Woods, Mellon Financial Corp.
William K. Wray, Citizens Financial Group, Inc.

Steering Committee Chairs/Liaison

Shirley Incoe, Wachovia Corporation, *Fraud*
Bob Jones, FleetBoston Financial Corp., *Fraud*
Rhonda MacLean, Bank of America Corp., *Security*
Dan Schutzer, Citigroup, *FSTC Liaison and Standards*

When I took the role of Chairman, I knew that leading BITS would be challenging and educational. I knew that the executives who participate in BITS were a smart and savvy group, and that their accomplishments were impressive and diverse.

Now, with the first two months under my belt, I have to confess that the level of energy and commitment with which BITS operates exceeds my expectations. BITS gets results.

What kind of results? In April, BITS published the *BITS Technology Risk Transfer Gap Analysis Tool*. Through a matrix of sample scenarios and corresponding gaps in traditional insurance, the *Gap Analysis* guides financial institutions on the potential impacts e-business activities present to their organizations. The *Gap Analysis* covers common obstacles encountered when applying traditional insurance products to new or magnified exposures, and improves awareness of issues that can be the basis for discussions with management and insurance professionals. It can also be helpful in conducting an internal risk transfer analysis. An excerpt of the *Gap Analysis* appears on page 5.

BITS has also in the past few weeks planned two forums related to operational risk and crisis management. The first is the BITS Operational Risk Forum on June 5, where such issues as regulatory perspectives and the role of insurance in operational risk were discussed. On July 11, the BITS forum "Telecommunications in Times of Crisis" will allow leaders in our industry to discuss interdependencies and identify solutions with telecommunications leaders and educate us all on what government-sponsored priority access systems are available to us. Those of you who have benefited from previous BITS Forums know how valuable these opportunities are. Those of you who haven't, mark your calendar, and prepare for an invaluable opportunity to learn from the best in the business.

It is an honor to step into the role of Chairman of the BITS Board of Directors, and to follow Jim Blanchard, a distinguished and highly respected leader in our industry. We are lucky to have been able to benefit from his leadership, and are grateful to hear he will continue to contribute his thoughts and insights—and valuable time—to BITS.

If there is one key message for all of our members, it is to encourage each and every one of you to participate in BITS' activities. The value of your membership lies in the access you have to your peers, and the conversations you have as you analyze and shape the financial services industry's technological and business landscape.

Sincerely,



James E. Rohr
Chairman, President and CEO
The PNC Financial Services Group
Chairman, BITS Board of Directors

FOCUS: IDENTITY THEFT

One of BITS' most compelling objectives is preventing fraud. In addition to the hardship it causes consumers who experience it, criminal misuse of financial institution resources costs the industry billions of dollars each year. The prevalence of these crimes also costs us in intangible ways, most importantly in its erosion of consumer trust. This year, BITS is helping the industry identify new, innovative ways to prevent fraud before it happens and to stop it when it does occur.

Identity Theft Trends

Identity theft is expensive. Though numbers are hard to come by, the cost of direct losses from identity theft are substantial—not to mention the cost of staffing and maintaining fraud departments, which can cost millions of dollars annually. Add to that the other indirect costs associated with identity theft—including those associated with assisting in correcting credit bureau files, working with law enforcement, and lost opportunity costs—and the number becomes staggering. One estimate finds the total cost of identity theft to financial institutions increasing 30 percent per year to total \$8 billion by 2005.

The boom in identity theft is being fed by the rapid growth of electronic payments and e-commerce. Indeed, electronic payments are booming as well, rising from approximately 5 billion in 1979 to 30 billion annually, and debit card use is growing by 30 percent annually. Internet use increased from 59 percent in 2000 to 70 percent in 2001, and the fastest-growing online activities are shopping, banking and bill payment. The downside is that with this growth comes new opportunities for criminals to perpetrate fraud. According to a Meridien Research study, payment-card fraud on the Internet alone will increase from \$1.6 billion in 2000 to \$15.5 billion by 2005.

Despite the public's embrace of e-commerce, concern about fraud—and about identity theft in particular—is rising among consumers. Increasingly, consumers are being proactive about protecting their information. That is a healthy trend, however, more action is needed. Of particular concern is identity theft, and for good reason. In cases of large-scale identity theft, individuals often have little legal recourse and can spend years cleaning up their ruined credit.

The BITS Fraud Reduction Program

Since the BITS Fraud Reduction Program was launched in April 1998, it has brought solid results and significant cost savings to its participating institutions. During the last year, the BITS Fraud Reduction Steering Committee, led by

Co-Chairs Shirley Inscoe, Wachovia, and Bob Jones, FleetBoston, and The Financial Services Roundtable, represented by Ted Doremus, held two forums with key representatives from financial institutions, government and law enforcement.

BITS and The Financial Services Roundtable held these meetings with federal law enforcement officials to address problems and identify ways the industry can slow the growth of identity theft. The meetings were held to create ways to better equip the financial services industry to combat identity theft and discuss how the industry and law enforcement can work together to prevent it. Attendees at the meetings included, in addition to BITS and Roundtable members, representatives from the Secret Service, FBI, FTC and the Social Security Administration.

The group came up with several proposals for mitigating check fraud, including:

- Creating a privately-funded organization to advocate for and assist identity theft victims, particularly those with more complex cases.
- Creating a system in which financial services companies or their service providers could check social security numbers and identities against the Social Security Administration's database.
- Having credit bureaus share with lenders information they have about stolen identities.
- Installing alert systems at credit bureaus that would notify the credit bureau of unusual activity.
- Ensuring that no government websites display individuals' social security numbers.

The Financial Services Roundtable is looking at ways these ideas can be incorporated into future legislation.

The BITS Fraud Reduction Steering Committee recently formed the Identity Theft Working Group. A white paper to educate members on identity theft will be this Working Group's first deliverable. To become more involved in this effort, contact Robin Slade, robin@fround.org

UPDATE ON BITS INITIATIVES

Aggregation Services

The Working Group has released an RFI to help refine voluntary guidelines that will enable the shift of aggregation infrastructure to a data feed environment with more robust security and functionality, and stronger authentication. Responses are being analyzed and summarized by a team of Working Group members and incorporated into a revision of the *BITS Voluntary Guidelines for Aggregation Services*. The Consumer Education team has completed a presentation to address consumer advocacy groups' questions and concerns about their constituents' interest in and use of aggregation services. Contact Leslie Mitchell, leslie@fsround.org or Gary Roboff, garyroboff1@aol.com.

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

Authentication

As part of the Working Group's efforts to define the current landscape, a first draft of a paper describing authentication business issues has been prepared. The document frames four basic issues that financial institutions should focus on, including what attributes financial institutions authenticate and what authentication functions financial institutions should perform. This work has been circulated to the broader Working Group for comments and suggestions. Contact Jennifer Dickerson, jennnd@fsround.org

*Authentication Working Group
Co-Chairs: Dan Schutzer, Citigroup
Louis Rosenthal, ABN AMRO*

BITS Product Certification Program

The Lab Governance Committee (LGC) congratulates Rhonda MacLean, Bank of America, on her designation as Private Sector Coordinator for Treasury's Critical Infrastructure Protection Partnership. Sam Phillips, Bank of America, will take her place on the Committee. BITS thanks Rhonda for her support and welcomes Sam in his new role. The LGC has identified middleware as the next product class profile to be developed. The industry-defined security criteria continue to be translated into the Common Criteria Schema, and the Common Criteria – Master

Security Requirements and the Network Security Package are complete. The LGC is revitalizing marketing of the BITS Product Certification Program. For more information, visit www.bitsinfo.org or contact Jennifer Dickerson, jennnd@fsround.org or Ben Stafford, ben@fsround.org

*BITS Product Certification Program
Co-Chairs: Bill Sentenac, Wells Fargo & Co.
Eric Guerrino, The Bank of New York*

Consumer Privacy

The Working Group meets on a monthly basis to discuss issues related to information management, results from BITS' and other consumer research, and topics associated with implementation of privacy-enabling technologies such as P3P. The Working Group is creating a white paper to be released by fall 2002 on the business implications of the second round of consumer research. Contact Cheryl Charles, cheryl@fsround.org

*Privacy Working Group
Co-Chairs: Mary Jones, FleetBoston
Enid Miller, Mellon; Leigh Williams, Fidelity*

Crisis Management

The Business Practices Working Group continues to meet biweekly to share information on business continuity practices, and is working closely with The Business Roundtable, the Securities Industry Association and other industry sectors on crisis management efforts. The Scenario Building and Event Management Working Group is drafting processes and procedures for use in a crisis. These processes and procedures will be compiled into a "virtual manual" with sections on preparedness, activation and notification, crisis assessment, information management, messaging and other related topics.

On July 11, BITS will hold a forum, "Telecommunications in Times of Crisis," to increase awareness of telecommunications issues and prepare financial services companies for an event that affects telecommunications links. Contact Peggy Lipps, peggy@fsround.org

*Crisis Management Working Group
Chair: Allan Woods, Mellon Financial Corp.*

Fraud Reduction

The Steering Committee held an in-person meeting May 2 and 3, with a presentation by Searchspace, and the formation of a Collections Working Group to address the increase in the volume of disputed fraud claims. The Identity Theft Working Group, led by Joe Triano, Citigroup, is developing a white paper to quantify the problem of identity theft and outline suggestions to strengthen the cooperative relationship between government, law enforcement and the financial services industry. The white paper will also present successful strategies for identity theft prevention. The Statistics and Successful Strategies Working Groups' Truncation Task Force has completed a draft white paper on check fraud mitigation in an electrified environment. The Negative Employee Database Working Group has completed vendor interviews and has narrowed the selection to two companies. Both companies have agreed to participate in a 90-day pilot, beginning in July or August, with several BITS member organizations. Those interested in participating should contact Robin Slade, robin@fsround.org

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

Information Technology Service Providers

The Working Group continues to collaborate with Roundtable and financial and technology associations to educate all stakeholders on the *BITS Framework for Managing Technology Risk for Information Technology Service Provider Relationships*. The Working Group now has three subgroups, which are evaluating IT service provider vendor management best practices, security assessment and business continuity requirements for adherence to industry, regulatory and *Framework* requirements as well as cross-border issues. A conference call on cross-border outsourcing management issues in light of concerns about the conflict in India and Pakistan was held June 11. 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 *BITS Technology Risk Transfer Gap Analysis Tool* has been completed and distributed to the Working Group and is posted in the public area of the BITS website, www.bitsinfo.com. Copies are being sent to BITS members in June. The 37-page

The BITS Technology Risk Transfer Gap Analysis Tool: An Excerpt

The nature of electronic business presents a special challenge for IT security. Both the business processes and the associated technology are relatively new creations. As a result, security for e-business has an unknown and unknowable quality, and the resulting risks range from the uncertain to the ambiguous. Insights into e-business risk are gained by breaking down risk into its related elements. This process can help in examining what role insurance has in addressing risks associated with information technology and, more specifically, electronic commerce.

IT risk assessment is a control activity performed by management and used to identify the information system security requirements for e-business. The domain of information systems for e-business includes data, applications, technology, facilities, processes, proprietary network configurations and people associated with e-business processes. IT risk assessment is a process by which risk in each of these areas is analyzed, measured and quantified. An IT risk assessment uses both data and judgments about a system, and attempts to quantify or scale risks on a detailed, but comprehensive, basis. The assessment is essentially a knowledge process that documents the measurable security state of a system using the consensus judgments of system stakeholders. Commercially available computer applications can help structure the process and manage the data collection and reporting, thus reducing the complexity of the process.

The Insurance in E-Commerce Working Group is Chaired by Jeff Grange, Chubb.

The *BITS Technology Risk Transfer Gap Analysis Tool* is available at www.bitsinfo.org/wp.html. For more information about this or other BITS publications, contact Susanna Space, susanna@fsround.org

UPDATE ON BITS INITIATIVES, CONTINUED

Gap Analysis provides guidance on risk assessment, risk identification and the potential impact that e-business activities present to organizations and obstacles encountered when applying traditional insurance products to these new or magnified exposures. It is intended to improve awareness of issues that can be the basis for discussions with management and insurance professionals, as well as for an internal risk transfer analysis.

Mobile Financial Services

The *BITS Mobile Financial Services: Recommendations for Business Requirements and Technical Guidelines* is the product of an eighteen-month-long coordinated effort of the Working Group, along with Telcordia Technologies and representatives from three main segments in the mobile services industry: wireless networks, wireless/mobile devices and solutions providers that support delivery of content to end users. The *Guidelines* provide criteria for successful implementation of mobile financial services in the next three to five years. The *Guidelines* have been shared with the Office of Homeland Security, the Office of Cyberspace Security and the Network Reliability and Interoperability Council. The document is available on the BITS website, www.bitsinfo.org or by calling the BITS office. This completes the Working Group's deliverables for this year.

Contact Jennifer Dickerson, jennd@fsround.org
Mobile Financial Services Working Group
Co-Chairs: Kathy DeWit, Wells Fargo & Co.
Sam Phillips, Bank of America

Patent Issues Working Group

The Working Group, formerly the BITS Business Method Patents Working Group, meets on an as-needed basis. The group tracks issues and trends related to patents involving or affecting the financial services industry and serves an educational function within the industry. BITS continues its outreach and cooperation with the U.S. Patent and Trademark Office (USPTO). The third BITS briefing for USPTO examiners on trends in financial services was held for a "standing room only" group of more than 75 examiners at the USPTO Technology Forum on May 21.

Contact Cheryl Charles, cheryl@fsround.org
Patent Issues Working Group
Co-Chairs: Mark Kesslen, J.P. Morgan Chase & Co.
David Schreiber, Citigroup

Rhonda MacLean named Sector Coordinator

Rhonda MacLean, Bank of America, has been named by the U.S. Department of Treasury as the Private Sector Coordinator for the Critical Infrastructure Protection Partnership. The Partnership, which works with government and the financial services industry, seeks to strengthen critical infrastructure protection initiatives that will help protect the financial sector and the economy from attack. In her new role, Ms. MacLean will work with Assistant Secretary of the Treasury Sheila Bair and the Financial and Banking Information Infrastructure Committee (FBIIC) of the President's Critical Infrastructure Protection Board.

Ms. MacLean has been with Bank of America since 1996, serving as Senior Vice President and Director of Corporate Information Security. She also serves as Chair of the BITS Security and Risk Assessment Steering Committee and Executive Committee, sits on the BITS Advisory Group, and is one of the founders of the BITS Product Certification Program.

Payment Strategies

At an in-person meeting on June 5, the Payments Framework Working Group created new subcommittees to address five key issues: check conversion consequences, internal payments management structure, efficient alternatives to shared infrastructure management, improving customer value-added services and improving efficiency of payments services processes. The Working Group made recommendations to the BITS and Roundtable Boards in April on topics including internal payments management models, infrastructure management, and supporting ECP. The Electronification Alternatives Payment Migration Model Subcommittee is updating the model and will expand it to include additional payments functionality. The Check Safekeeping Working Group is developing a white paper. The Electronic Check Presentment (ECP) Working

Update on BITS Initiatives, *Continued from p. 6*

Group is focusing on helping regional banks analyze ECP benefits in the context of localized check presentation patterns. The CTA Working Group is monitoring the proposed CTA. Contact Gary Roboff, garyroboff1@aol.com, Leslie Mitchell, leslie@fsround.org or Robin Slade, robin@fsround.org

Payment Strategies Steering Committee

Chair: John Beran, Comerica

Security and Risk Assessment

The Security and Risk Assessment Steering Committee met June 3 and 4 in Charlotte, N.C. for their second quarterly meeting. Assistant Secretary of the Treasury Sheila Bair spoke on Critical Infrastructure Protection and other government initiatives. Other guest speakers included General Peter Kind of the Institute of Defense, and Tom Galligan and Bob Weaver of the U.S. Secret Service. The SRA Executive Committee met via conference call in May to discuss the objectives and approach for developing the framework for security and continuity operational risk management. Jeffrey Stempora, State Farm, and Paul Smocer, Mellon, are leading this effort. Contact Peggy Lipps, peggy@fsround.org

Security and Risk Assessment Steering Committee

Chair: Rhonda MacLean, Bank of America

Standards

The Steering Committee held a symposium on May 7 to better assess the barriers to interoperability and identify where those barriers could most impact evolving functionality, operating economies and operating risk. The Committee's goal was to determine where BITS could best play a value-added role in resolving identified barriers to interoperability. The Steering Committee will pursue two tracks: (1) continuing discussions with financial services standards groups to help develop cross-standard industry nomenclature, and (2) identifying business processes as prototypical examples of where and how standards rationalization could improve operating risk and product economics. Contact Gary Roboff, garyroboff1@aol.com or Leslie Mitchell, leslie@fsround.org

Standards Steering Committee

Chair: Dan Schutzer, Citigroup

MEMBERSHIP UPDATE

BITS welcomes several new members this month: Allied Capital Corporation, Merrill Lynch, The St. Paul Companies, Inc., UBS Warburg LLC, Waddell & Reed Financial, Inc., AXA Financial, Inc. (formerly The Equitable Companies Inc.) and SouthTrust Corporation. We also welcome back American General to full membership status, previously on hiatus after their acquisition by AIG. Our recent member additions have helped to diversify the mix of member institutions for BITS and The Financial Services Roundtable.

Please contact Ann Patterson, ann@fsround.org for more information about BITS membership.

BITS Staff

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

BITS

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
www.bitsinfo.org

James E. Rohr is the Chairman, President and CEO of The PNC Financial Services Group. In April 2002, he was elected unanimously by the BITS Board as the new BITS Chairman. PNC was recently ranked No. 1 in the banking industry by *Information Week* magazine among the “leading businesses in technology” and also rated among the “100 Best Places to Work in Information Technology” by *Computerworld* magazine.

This is one in 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: You’ve really hit the ground running. How are you enjoying your first weeks as BITS Chairman?

JR: It’s been exciting. The turnout at the Annual Meeting in April was excellent, and it was an honor for me, coming into this role, to recognize Jim Blanchard for the outstanding results BITS achieved for its membership and the industry under his leadership.

It was great to see the leaders of our industry gathered together in one room to discuss our most pressing technology issues. It’s exciting to hear our industry’s leading technology thinkers discuss such key issues as identity theft, authentication, cybersecurity and the payments system. Particularly interesting was the discussion during the CIO panel on governance of information technology. The question is, how do we balance governance with risk management?

There is so much going on in getting the industry prepared in case another event occurs. At the May 14 BITS CEO Forum in New York City, we had a lot of good questions from the press about what we’re doing both in preparation for a crisis, and to respond to increases in fraud activity in the industry. How is our industry responding to cyberthreats? What are we doing about identity theft? We are looking at so many issues that are absolutely critical to our industry.

BITS: Under your leadership, PNC has become a recognized leader in its use of technology to increase efficiency and drive revenue growth with leading-edge products and services—and you’ve been described as “technology-committed.” What’s your advice to CEOs and CIOs balancing technology and growth?

JR: At PNC, strategic use of technology is a big part of our success. Rather than investing in too many technologies, we look closely at a few we think are our “best bets” and invest in those. These are long-term investments that customers may not be ready for today, but that we believe will ultimately provide value. We look at technology as something we can leverage across all of our business units. If we can do that effectively, the net effect is more than the sum of the parts. Like most companies, we’ve been using the Internet to transform PNC into the digital age. And we’re using technology—smartly—to cut our operational costs.

BITS: What is your vision for BITS going forward?

JR: The overarching goal is to establish a framework for safe, sound, private and secure financial services—whether online or in traditional settings. I’d like to see BITS continue to foster collaboration among financial institutions nationwide to leverage the intellectual capital and best practices in technology for the benefit of our key constituencies—customers, shareholders, employees and the communities we serve.



Jim Rohr, PNC

How will we accomplish this? By continuing to address those issues that are at the front of members’ concerns, and to anticipate emerging issues. For example, the BITS Operational Risk Forum June 5, Chaired by Rhonda MacLean of Bank of America, was an exciting, educational opportunity for our members—with speakers like Kevin Bailey and Hugh Kelly of the OCC, Roger Cole of the Federal Reserve Bank, Jean-Philippe Svoronos of the Basel Committee Secretariat and Jeff Grange of Chubb discussing how operational risk issues are being addressed at individual institutions, and what we can do together as an industry to reduce risk. We also looked at the regulatory perspective and the role insurance plays in managing operational risk.

The upcoming BITS Telecommunications Forum on July 11 is another good opportunity for members to get up to speed on one crucial aspect of crisis management. There, we’ll look at interdependencies between our industry and the telecommunications infrastructure, and where we need to address vulnerabilities. We’ll also find out what government priority telecommunications programs are available to us.

BITS: You were one of the founding members of BITS. How have banking and technology changed since 1996?

JR: When BITS began, online banking and Internet use were in their infancy. We recognized that there was a need for the financial services industry to get to the forefront of this revolution, which really had already begun.

Today, our industry has taken hold of those critical technology issues and is using that knowledge to make companies smart, efficient and technologically savvy in order to best serve our customers.