
BITS BULLETIN

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

APRIL–MAY 2003

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

This year's Annual Meeting was a big success, thanks to the participation of so many of our members as well as the contributions and insights of our excellent speakers. We heard from industry leaders like David Dorman, Chairman and CEO of AT&T, and Michael Capellas, Chairman, President and CEO of WorldCom, who addressed interdependencies between financial services and the telecommunications industry. We also heard from Susan Keating, former CEO of AllFirst, who spoke on lessons learned about operational risk management. (For more news about Annual Meeting, see page 3.)

Now that we're back, BITS is going full steam ahead with our priority initiatives for 2003. These are the initiatives—like Fraud Reduction, Crisis Management Coordination, and Operational Risk—that our members have told us are of the highest importance.

Integral to the success of many of these initiatives are our relationships with those in the public sector. The alliances we've forged with our counterparts in government are evidence that the power of cooperation brings results. For example, since June 2001 BITS has worked cooperatively with the National Communications System (NCS) on telecommunications interdependency issues. After 9/11, that foundation helped BITS to expedite the process of getting government emergency telecommunications service (GETS) cards to member company executives in the New York area immediately, as well as ensure the availability of emergency telecommunications services in the event of another crisis. Today, BITS is working with the NCS, along with telecommunications companies and regulatory agencies, to identify and analyze telecommunications dependencies, and to develop recovery strategies in case of another disaster. All of this could not be possible without the cooperation and support of NCS Director Brent Greene, whom we interviewed for this issue of the *BITS Bulletin*. (See page 8.)

In another example, BITS worked extensively with Richard Clarke, formerly the Special Advisor to the President for Cyberspace Security, during his career in the White House. BITS' relationship with Dick and his office played a major role in preparing our industry for cyber security risks. Dick participated in BITS events, speaking to members on the importance of making our sector's infrastructure as secure as possible, and lending his expertise on cyber security. To honor his contributions to our industry and the country, BITS named him as recipient of the first BITS Leadership Award. (See page 3 for more on Dick and the Award.)

It was a pleasure to see so many colleagues—many of whom are old friends—at Annual Meeting. Collaboration among members, other industry sectors, and with government continues to be integral to our success and shared accomplishments.

Catherine A. Miller

CEO, BITS

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 Corp.
 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
 Donald H. Layton, J.P. Morgan Chase & Co.
 Kenneth D. Lewis, Bank of America Corp.
 Martin G. McGuinn, Mellon Financial Corp.
 Page Ogden, Britton & Koontz (ABA)
 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

BITS Advisory Group

Austin Adams, BANK ONE CORPORATION
 TBD, The Hartford Financial Services
 Tim Arnoult, Bank of America Corporation
 Sandy Arnold, State Farm Mutual Insurance
 Gregor Bailar, Capital One Financial Corp.
 Mary Ellen Baker, FleetBoston Financial
 Harry Baxter, BancorpSouth, Inc.
 John R. Beran, Comerica, Inc.
 Danne Buchanan, Zions Bancorporation
 David M. Carroll, Wachovia Corporation
 Bill Chenevich, U.S. Bancorp
 Brenda Clancy, AEGON USA, Inc.
 Jan Cloyde, City National Bank
 Charles C. Cornelio, Jefferson Pilot Financial
 Jean E. Davis, Wachovia Corporation
 Douglas R. Denton, MBNA Corp.
 Wilton Doloff, Huntington Bancshares
 C. Webb Edwards, Wells Fargo & Company
 Jeffrey Grange, The Chubb Corporation
 Jerry Gross, Washington Mutual
 Grayson Hall, AmSouth Bancorporation
 Kenneth M. Harvey, Household International
 Theodore J. Hoepner, SunTrust Banks
 Michael K. Keller, Nationwide Insurance Enterprise
 Rich Malone, Edward Jones Investments
 Donald Monks, The Bank of New York Co., Inc.
 Robert Muth, HSBC Bank USA
 Clayton D. Pledger, Compass Bancshares
 Linda Rinner, Northern Trust Corp.
 Louis Rosenthal, ABN AMRO Services Company
 Stephen A. Schutze, ABA
 Timothy G. Shack, PNC Financial
 David M. Szego, Riggs Bank
 Mel Taub, Citigroup
 Viveca Ware, ICBA
 Susan J. Webb, J.P. Morgan Chase & Co.
 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*
 Jeffrey Stempora, State Farm, *Security*
 Dan Schutzer, Citigroup, *FSTC Liaison and Standards*

COMMENTS FROM THE CHAIRMAN OF THE BOARD.

As industry leaders, we are responsible for ensuring that the economic system upon which all Americans rely is secure, strong, responsive and resilient. Since 9/11, and now with the conflict in Iraq, this responsibility is greater than ever.

The work of the BITS Crisis Management Coordination Working Group has been critical in preparing our industry. Its efforts have helped to strengthen the financial services infrastructure, while also helping individual institutions assess their emergency preparedness and strengthen their organizations. In 2003, this Working Group has been involved in a variety of activities, from attending simulations to test the dependency of the financial services infrastructure, to developing procedures corresponding to the Department of Homeland Security's threat levels.

We are working in partnership with the telecommunications industry to raise issues related to the reliability and resiliency of telecommunications systems. Now, nearly six months after we formed the BITS Telecommunications Working Group, we're seeing our efforts come to fruition. At Annual Meeting we heard from David Dorman, AT&T, and Michael Capellas, WorldCom, both of whom expressed their support for BITS' efforts. During his presentation, Mr. Dorman invited BITS to participate in AT&T's quarterly crisis management exercises. Mr. Capellas announced that he is creating a CIO advisory board, and that he will ask BITS to recommend key financial services industry leaders to participate. Meanwhile, BITS is encouraging member CEOs to meet with their counterparts in the telecommunications industry to discuss ways to address vulnerabilities. We've made important progress through these meetings in raising awareness of the issues and implementing collaborative efforts.

Another important part of our crisis management coordination efforts is our relationship with Carnegie Mellon University's CERT®/Coordination Center (CERT®/CC). The CERT/CC is a major reporting center for Internet security problems and an excellent resource for our industry—which is why I also sit on Carnegie Mellon's Board of Directors. As part of its mission, CERT/CC provides technical advice and coordinates responses to security compromises, identifies trends in intruder activity, and works with other security experts to solve problems. BITS and the CERT/CC began working together through the BITS IT Service Providers Working Group, and since then have collaborated on areas of mutual interest, most notably crisis management coordination. In this issue of the *BITS Bulletin*, we talk with Rich Pethia, Director of the CERT Centers. (See page 8.)

As we move ahead, we must keep in mind the great responsibility we all have to our customers and our nation. It can be a challenge to lead in difficult times, but it is always a privilege.



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

The Financial Services Roundtable's Annual Meeting this year marked the beginning of BITS' seventh year. Each year at Annual Meeting vigorous discussions among members and guest speakers provide inspiration and insight. This helps set the pace as we embark on another groundbreaking year. This year was no exception. We heard from executives in financial services, as well as from those in the telecommunications industry. Members were updated on BITS activities, including BITS' work in crisis management coordination, privacy, and patent issues.

Telecommunications Interdependencies

One theme at Annual Meeting was telecommunications interdependencies. There was much dialogue between executives on the topic, as members and guest speakers discussed how they can collaborate on efforts to bolster the reliability and resiliency of critical infrastructures. Presentations by David Dorman, AT&T, and Michael Capellas, WorldCom, helped attendees see the issues from the telecommunications perspective, and further encouraged collaboration between the two sectors. John DiNuzzo, FleetBoston, updated the BITS Board on the activities of BITS' Telecommunications Working Group. Operating under the BITS Crisis Management Working Group, this group has made great strides in addressing interdependency issues.

BITS Privacy Research

The BITS Board of Directors was briefed by Agnes Bundy Scanlan, FleetBoston's Chief Compliance Officer, on the results of the third year of the BITS Research Project on Consumer Privacy and Information Use. Consumers are concerned about crimes such as identity theft and are increasingly taking action to help protect the privacy and security of their personal information. There are important opportunities for the industry to partner with the public in this process.

The CEO as Corporate Risk Manager

Operational risk is one of the most pressing issues BITS members face. How is it defined? How can operational risk programs be implemented effectively? What do regulators want? Susan Keating, former CEO of Allfirst Financial, shared her insights with the group on how to best manage risk at the institutional level. Drawing from her experience at Allfirst, she encouraged executives to foster a

"risk culture" at their institutions. Senior leadership, she told the group, must be engaged in developing and encouraging risk awareness, analysis and reporting. "The real success stories within financial services in the future," she said, "will be companies that have been able to strike the optimum balance between growth and risk taking."

Consumers are concerned about crimes such as identity theft and are increasingly taking action to help protect the privacy and security of their personal information. There are important opportunities for the industry to partner with the public in this process.

Richard A. Clarke Named Recipient of the BITS Leadership Award

At the BITS Technology Forum, BITS announced Richard A. Clarke as recipient of the inaugural BITS Leadership Award. The Award recognizes the outstanding leadership Mr. Clarke has provided to BITS and The Financial Services Roundtable, to the financial services industry, and to the nation.

The BITS Leadership Award recognizes Mr. Clarke's efforts in helping make the financial services industry's infrastructure safer and sounder. Serving the last three Presidents as a senior White House Advisor, Mr. Clarke has spent more than 11 consecutive years serving the White House working on national security issues. Mr. Clarke recently stepped down from his post as Special Advisor to the President for Cyberspace Security, bringing to a close a distinguished 30-year career in public service.

BITS thanks Mr. Clarke for his tremendous efforts in helping to safeguard our nation's critical infrastructure, and for reinforcing the importance of our industry's vigilance in dealing with information security issues.





Comments from the Financial Services Private Sector Coordinator for Critical Infrastructure Protection and Homeland Security

In my update in the February *BITS Bulletin*, I touched on the Financial Services Sector Coordinating Council's four major focus areas. In this issue, I will highlight our first objective: Information Dissemination.

The purpose of the Information Dissemination initiative, led by FS/ISAC Chairperson Suzanne Gorman with support from Larry Bickner, NASDAQ and the FSSCC, is to transform the FS/ISAC to a "next-generation ISAC" that will provide "universal services" to all sector participants. The FS/ISAC's new mission is to disseminate trusted and timely information intended to increase sector-wide knowledge about physical and cyber security operational risks to the financial services sector.

In order to accomplish this mission, the Working Group's goals include obtaining agreement from FSSCC members on requirements and ensuring that efforts are coordinated and consistent with those of our regulators and the Department of Homeland Security.

The Treasury Department has hired the Boston Consulting Group to validate this mission and to help develop a business plan for the FS/ISAC. This work should further complement our efforts. We expect to hear results from their efforts in April.

As I have written here before, our success is largely due to the efforts of our Council organizations and their members. For further information, including a list of participating organizations, visit the FSSCC website at www.fsscc.org.

Rhonda MacLean
Financial Services Private Sector
Coordinator for Critical Infrastructure
Protection and Homeland Security

Spotlight on Strategic Alliances

In order for an organization to qualify for a strategic alliance with BITS, the relationship must be mutually beneficial. Never has that been more evident than with the alliance BITS shares with the Financial Services Technology Consortium (FSTC), whose members include leading North American financial institutions, technology vendors, independent research organizations and government agencies.

While BITS' goals are primarily strategic, the FSTC steps in when an idea is ready to grow from strategy to implementation. The FSTC compares new technologies, validates new specifications, and proves or prototypes new infrastructures. In order to ensure efforts are complementary and not duplicative, the FSTC, through Dan Schutzer, Citigroup, has a seat on the BITS Advisory Board and BITS is represented by CEO Catherine Allen on the FSTC's Board of Directors. The two organizations also participate in some of each others' groups and committees.

In six years of working together, BITS and the FSTC have collaborated on a number of projects. One of those is Electronic Check, or eCheck, a prototype-development effort to create a secure, all-electronic replacement to the paper check that follows the same clearing, procedural and regulatory requirements as paper checks. A second is a new effort initiated by the BITS Standards Working Group called Context Mediation (CM). CM enables data from several standards to "talk" to a single application with minimal human intervention, making the standards interoperable. Now that BITS has explored CM from a strategic perspective, the FSTC plans to test the ability of CM software developed at MIT to reduce the costs of maintaining standards-based messaging systems. A number of other projects are also underway.

For more information about the FSTC, please visit www.fstc.org, or contact FSTC Executive Director Zachary Tumin, zachary.tumin@fstc.org. For more information about BITS' strategic alliances, please contact Teresa C. Lindsey, teresa@fsground.org.

Aggregation Services

As a finale to its work on aggregation services, the Working Group is planning a BITS Forum on aggregation services and authentication to report on its work on data feed standards and authentication. Technology vendors who participated in BITS' aggregation services RFI process will participate, and innovations related to aggregation and authentication technology will be featured. The proposed agenda includes presentations on the Liberty Alliance, information on alternative approaches to aggregation, and highlights from Phase II of the *BITS Voluntary Guidelines for Aggregation Services*, which will be released at the Forum. Contact Leslie Mitchell, leslie@fsround.org or Gary Roboff, garyroboff1@aol.com.

*Aggregation Services Working Group
Chair: Gayle Wellborn, Bank of America*

Authentication

A Working Group conference call on April 7 included a presentation by the General Services Administration (GSA) on its membership in the Liberty Alliance Project and on the government's plans for e-commerce. GSA discussed its decision to join the Alliance, its goals and expectations for membership, and its plans for interagency e-commerce and authentication. A follow-up call is planned to discuss GSA's risk-management metrics. Results of the Working Group's Electronic Identity Management Survey are under review. Contact Leslie Mitchell, leslie@fsround.org or Gary Roboff, garyroboff1@aol.com.

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

BITS Product Certification Program

The Lab Governance Committee (LGC) held conference calls with selected Common Criteria testing labs in February to provide background on the BITS Product Certification Program (BPCP) and encourage them to support and educate vendors on the Program. BITS is also working closely with the Securities Industry Automation Corporation, Booz Allen Hamilton and EWA Lab. The BPCP Common Criteria security packages will be available soon on the National Institute of Standards/Technology National Information Assurance Partnership website. BITS member companies are encouraged to incorporate language about the BPCP into procurement policies and RFPs. Eric Guerrino, Chair of the LGC and Laura Lundin, Senior Director, BITS, published an article on the BITS

Product Certification Program in the February issue of *Electronic Banking Law and Commerce Report*. BITS CEO Catherine Allen presented on the BPCP at the RSA Security Conference in April. Contact Laura Lundin, laura@fsround.org or Ben Stafford, ben@fsround.org

*Lab Governance Committee
Co-Chairs: Eric Guerrino, The Bank of New York
Bill Sentenac, Wells Fargo & Company*

Crisis Management Coordination

At the request of the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security (FSSCC) and the Treasury Department, the BITS Working Group, with the Securities Industry Association, is developing the first edition of "Homeland Security Advisory System: Considerations for the Financial Services Industry." This document will help institutions respond to changes in the Homeland Security Advisory System. The Telecommunications Working Group is working with the National Communications System (NCS) and the telecommunications industry to develop a "Pilot Recoverability Assessment Information Exchange" to examine the recoverability of telecommunications services critical to financial services in the Chicago area. The Telecommunications Working Group met on April 24 in Washington, D.C. to review the progress of the NCS' Pilot Information Exchange and share updates on other projects. On April 8, the Federal Reserve Board, Office of the Comptroller of the Currency and Securities and Exchange Commission issued the "Interagency Paper on Sound Practices to Strengthen the Resilience of the US Financial System." While the agencies made changes in some of the expectations compared to the original draft white paper (in response to 90 comment letters, including the BITS/FSR comment letter), the paper includes significant requirements for "core clearing and settlement organizations" and "financial institutions that play significant roles in critical financial markets." Contact: Teresa C. Lindsey, teresa@fsround.org; John Carlson, john@fsround.org; or Heather Wyson, heather@fsround.org

*Crisis Management Coordination Working Group
Chair: Allan Woods, Mellon Financial Corp.
Telecommunications Working Group
Chair: John DiNuzzo, FleetBoston*

Fraud Reduction

The Collections Working Group is drafting voluntary guidelines to streamline the collections

UPDATE ON BITS INITIATIVES, CONTINUED

process. The Successful Strategies Working Group is showcasing vendor technologies and researching technology to help institutions comply with the USA Patriot Act. The Internet Fraud Working Group released a white paper this month, "Fraud Prevention Strategies for Internet Banking," available at www.bitsinfo.org/mointernetwp.pdf. An identity theft white paper will be available in early May. The Database Working Group has finalized its pilot of negative employee information. The Statistics Working Group continues to refine the methodology for a Loss Reporting Program, administered by the ABA. The Debit Card Working Group is completing a cross-border fraud survey. The Electronification Working Group, as part of its plan to review products from vendors that seek to fill in the gaps identified in the white paper, *The Evolution of Fraud Prevention Technologies in a Truncation Environment*, recently heard a presentation from Fiserv. The BITS/ABA quarterly loss reporting program is being expanded beyond check fraud loss reporting to include debit card loss reporting and loss avoidance reporting. The Fraud Reduction Program is adding a Working Group on consumer loan fraud. Contact Robin Slade, robin@fsround.org.

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

IT Service Provider Relationships

The Working Group is progressing on its four projects and collaborating with the Roundtable and financial and technology associations to educate stakeholders on the *BITS Framework for Managing Technology Risk for Information Technology (IT) Service Provider Relationships*. BITS is planning the second annual BITS/American Banker Financial Services Outsourcing Conference to take place November 2003. Project teams on vendor management successful strategies and disaster recovery/business continuity planning will update the *Framework* during the second quarter. The security assessments project team is reviewing comments on the Expectations Matrix, as well as the *FFIEC Information Technology Examination Handbook*, to finalize the Matrix and issue an RFI during the second quarter. The cross-border outsourcing project team is developing a new section of the *Framework*. Contact Faith Boettger, faith@fsround.org.

IT Service Providers Working Group
Co-Chairs: Lari Sue Taylor, FleetBoston
Viveca Ware, ICBA

Operational Risk Management

The BITS Operational Risk Forum in February was a success, with representatives from member institutions, academia, industry associations, regulatory agencies, and vendor companies attending. The program included a CEO perspective on operational risk and lessons learned by Susan Keating, former CEO of Allfirst Financial. Other highlights included business case studies, regulatory updates and the elements implementing an operational risk program. BITS staff met with Federal Reserve Vice Chairman Roger Ferguson and other key personnel from the Federal Reserve and OCC on Feb. 25 to provide updates and discuss BITS' efforts in Operational Risk. On Feb. 27, BITS staff attended a hearing entitled "The New Basel Accord — Sound Regulation or Crushing Complexity?" held by the House Subcommittee on Domestic and International Monetary Policy, Trade and Technology.

Contact Laura Lundin, laura@fsround.org
Operational Risk Working Group
Co-Chairs: Rachel Floars, BB&T
Paul Smocer, Mellon Financial

Patent Issues

The US Patent and Trademark Office (USPTO) is in the final stage of approving a pilot proposed by the BITS Patent Issues Working Group. The pilot would be conducted for six months in the Business Method Patents area of the USPTO. If successful, it would be considered for implementation throughout the USPTO. The pilot's purpose is to speed and improve the quality of the patent process. Contact Cheryl Charles, cheryl@fsround.org.

Patent Issues Working Group Co-Chairs:
Mark Kessler, J.P. Morgan Chase & Co.
David Schreiber, Citigroup

Payments Strategies

The Electronic Check Presentment (ECP) Working Group has scheduled the next in its series of regional BITS ECP Forums at the Federal Reserve Bank in San Francisco on May 21. These sessions, which are free for local financial institutions, are designed to show small and medium-sized institutions how they can optimize ECP implementation in a regional context. The BITS Strategic Payments model is

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

in limited distribution and will be available on a widespread basis shortly. The model is free to members and is available for purchase by nonmembers. The Check Safekeeping Working Group is considering developing an industry marketing effort focused on showing companies how to best promote check truncation to their customers. Contact Gary Roboff, garyroboff1@aol.com, or Leslie Mitchell, leslie@fsround.org

*Payment Strategies Steering Committee
Chair: John Beran, Comerica*

Privacy and Information Use

BITS has completed the third and final year of the proprietary research project, "Consumer Behaviors Related to Privacy and Security of Information Use in the Financial Services Industry." A paper on the business implications will be released in May. High-level results have been reported to the National Academy panel on "Privacy in the Information Age." Contact Cheryl Charles, cheryl@fsround.org

*Privacy Working Group
Co-Chairs: Mary Jones, FleetBoston
Leigh Williams, Fidelity*

Security and Risk Assessment

The BITS Security and Risk Assessment Working Group (SRA) met in San Antonio in March, hosted by USAA at its headquarters. The group discussed progress on its priority objectives: analyzing new regulatory requirements, reviewing changes in the focus of IT examination by regulators, reviewing software patch-management programs, strengthening information-sharing efforts, and preparing for the Basel II operational risk requirements. Speakers included representatives from TruSecure, the CERT®/Coordination Center, Office of the Comptroller of the Currency, Treasury Department, and Department of Health and Human Services. In February, BITS participated in a meeting sponsored by Treasury and the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security (FSSCC) to discuss lessons learned from the SQL Slammer worm and ways to coordinate efforts within the financial services sector and among the other sector ISACs. The Treasury Department plans to release a report shortly. Contact John Carlson, john@fsround.org or Laura Lundin, laura@fsround.org

*Security & Risk Assessment Steering Committee
Chair: Jeffrey Stempora, State Farm;
Vice Chair: Mary Jane Bolling, Capital One*

Update on BITS Initiatives, *Continued*

Standards

The Steering Committee's recommendation to proceed with a Context Mediation demonstration pilot program under the auspices of the Financial Services Technology Consortium (FSTC) has been approved by the BITS Advisory Group. A proposal was presented to the FSTC membership at its spring meetings in Dallas. The FSTC will announce a call for participation soon. The Steering Committee is considering a proposal for a standards "clearing house" function to help institutions needing to better allocate scarce FTE standards resources. The Committee continues to focus on straight-through processing, Web services, and statement integration. Contact Gary Roboff, garyroboff1@aol.com or Leslie Mitchell, leslie@fsround.org

*Standards Steering Committee
Chair: Dan Schutzer, Citigroup*

MEMBERSHIP UPDATE

BITS welcomes Hudson United Bancorp and Sky Financial Group, Inc. to the BITS Council. BITS recently met with executives of Citizens Financial Group, Inc. in Cranston, R.I. and have spoken to new members from Commerce Bancshares, Inc., Sky Financial Group, Inc., Netbank, and UBS Warburg. These meetings enhance membership value by familiarizing members with BITS' initiatives and explaining how they can become more involved in BITS activities. To learn more about BITS membership, please contact Ann Patterson at 202-289-4322, ann@fsround.org

BITS STAFF

Catherine A. Allen, CEO
Tanya Bailey, Senior Director, Meetings
Wattie Bennett, Executive Assistant
Faith Boettger, Senior Consultant
John Burke, Outside Counsel
John Carlson, Senior Director
Cheryl Charles, Senior Director
Elaine Clayton, Administrative Assistant
Teresa C. Lindsey, Chief of Staff and Senior Director
Laura Lundin, Senior Director
Leslie Mitchell, Director
Ann Patterson, Manager, Member Relations
Margaret Prior, Administrative Assistant
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

Richard D. Pethia is Director of the CERT® Centers at Carnegie Mellon University's Software Engineering Institute. The CERT/Coordination Center (CERT/CC) is a center of Internet security expertise located at the Software Engineering Institute, a federally funded research and development center operated by Carnegie Mellon University.

Brenton Greene is Deputy Manager of the National Communications System (NCS), responsible for policy, technical, and programmatic oversight in coordination of all federal government-wide activities in national security and emergency preparedness communications. He became Deputy Manager in April 2001.

BITS: What is the CERT/Coordination Center (CERT/CC) doing to help financial institutions better manage security-related risks?

RP: The CERT/CC's security and survivability products can be applied to the financial services industry. Among these products is an information security risk evaluation method called OCTAVE (Operationally Critical Threat, Asset, and Vulnerability Evaluation), which financial institutions can use as the basis for a risk management plan. We also offer training for security personnel and best practices.

In 2002, we completed a study of threats to the U.S. financial infrastructure for the U.S. Secret Service. This study—which we shared with BITS—analyzed threats and vulnerabilities ranging from ATM and credit card fraud to large-scale scenarios involving terrorist organizations.

BITS: What are the top controls financial institutions should have in place to reduce fraud and prevent hacking?

RP: Financial institutions need to be vigilant at all times. Attack techniques are constantly changing and new vulnerabilities are being found in emerging technology. It's important to know what "normal" activity looks like on computer networks so that attacks can be more readily detected, and it's essential to keep computers up to date with security patches.

BITS: How is the collaboration between BITS and the CERT/CC helping to strengthen the CERT/CC's efforts?

RP: The collaboration between BITS and the CERT/CC has been beneficial for both groups, I believe. Without it, we would not be nearly as knowledgeable regarding the complexity and diversity of the financial industry. Through our relationship with BITS, we also have a clearer picture of the interdependencies between the financial community and other infrastructures, such as telecommunications.

The progress we make has implications for the broader IT community. Efforts to enhance the survivability of the financial industry's specific, highly network-dependent environment offers insights into similar situations on a macro level so that it benefits the IT community as a whole.

BITS: What is the NCS doing to strengthen the resiliency of the telecommunications infrastructure?

BG: It's been the NCS' mission for years to look at the vulnerability and robustness of the telecom infrastructure and then work with the industry on resiliency. A lot of modifications have been made in partnership with industry, so that the resiliency of the telecom infrastructure is probably better than any other national infrastructure. It needs to be—everything in our nation rides on the telecom backbone.

One of the things we've done with BITS is to look at telecommunications reliability in terms of financial services. BITS' involvement in this area has been very rich. The collaborative efforts go beyond national security and emergency preparedness to look at telecom survivability as it supports the U.S. economy. BITS' involvement has helped establish NCS partnerships with the financial services sector, including working directly with the Federal Reserve, Treasury, and the FS/ISAC.

BITS: What do you see as the biggest challenges that NCS, the telecommunications industry, and financial services are facing as far as strengthening the critical infrastructure?

BG: One challenge is that of continuing to explore interdependencies between the financial and telecommunications sectors. We've begun more modeling of that. Another key piece is diverse routing, which is a critical issue to a lot of financial institutions, to ensure that they have a backup telecommunications path that is geographically diverse.

It's challenging, but we have a lot of building blocks already in place. We just need to get into more detail there. That can only be done in partnership between industry and government.

BITS: How is the NCS' integration into the Department of Homeland Security affecting these efforts?

BG: I think it can only help underline it. It's a great opportunity to integrate a lot of capabilities, and to advance national-level capabilities. There's more work to do, but it's all toward a win-win for our nation, and for the financial services sector in partnership with telecom.