

# BITS

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

**For Immediate Release  
October 26, 2005**

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## **BITS SELECTS PRIMARY PAYMENT SYSTEMS TO HELP FINANCIAL INSTITUTIONS THWART EMPLOYEE FRAUD**

*As Insider Fraud Increases, This New Fraud Prevention Tool  
Will Help Protect Consumers and Avert Future Crimes*

**Washington, D.C. October 26, 2005** — BITS, a nonprofit consortium of 100 of the largest U.S. financial institutions, today announced the selection of Primary Payments Systems, Inc. (PPS), an affiliate of First Data Corporation, to develop and manage a new insider fraud prevention service. This new service will help financial institutions identify employees who have compromised consumer information and/or knowingly caused financial losses and prevent other financial services organization from rehiring these individuals, subject to applicable federal and state laws.

According to Deloitte and Touche, insider fraud is growing – with reports of internal breaches up from 14 percent in 2004 to 35 percent this year. These statistics are highlighted by the recent high-profile losses of confidential consumer information at several financial institutions, which were due to the sale of data by employees.

In response to public concerns about this ever growing problem, the members of the BITS Fraud Reduction Shared Database Working Group explored the feasibility of nationally sharing information on individuals employed in the financial services industry who have compromised consumer information and/or knowingly caused financial losses. PPS was selected to manage this important new project after careful evaluation and an RFP process.

“PPS is an outstanding organization with a strong history of helping financial institutions mitigate fraud. We commend them for their leadership and responsiveness to our request for this service,”

said Catherine A. Allen, CEO of BITS. “PPS will add this service to its range of services, which help financial institutions and other organizations prevent and mitigate fraud-related losses.”

“This new offering is a logical extension to our Early Warning® suite of services,” said PPS CEO Paul Finch. “PPS was founded on the belief that fraud prevention is a collaborative effort and this initiative is consistent with our unique business model. We look forward to this opportunity to work with BITS and all financial institutions to help further protect customers.”

With the selection of PPS to implement and manage this initiative, the next step is to develop the operating rules that will guide the provision and use of the information among participants. In addition to the strict reporting requirements that will be defined in the operating rules, the insider fraud prevention service is subject to the Fair Credit Reporting Act (FCRA), ensuring that government mandated standards are met for reporting and protecting employees. Participants may also be subject to applicable federal and state employment laws when using the service.

“Financial institutions don’t always know during the hiring process when someone has been released from employment because he or she has compromised another financial institution. This service will reduce the likelihood that we hire someone who was fired for compromising consumer information or having knowingly caused financial losses. This insider fraud prevention service will reduce fraud overall, serving as another important way to protect consumers,” said Jan Otwell, vice president at JP Morgan Chase & Co., and Chair of the BITS Fraud Reduction Shared Database Working Group.

Shirley Inscoe, senior vice president at Wachovia and Chair of the BITS Fraud Reduction Steering Committee, said, “This is another example of the cooperation we foster through the BITS Fraud Reduction Program. The leading financial institutions who are members see a problem and work together to solve it. Fraud reduction is not a competitive issue. In this case, we needed a specialized solution to which we could all contribute, and from which we could get information, with the end result being the insider fraud prevention service.”

Coding of data and testing of the system is expected be completed in the first quarter of 2006, and the project is expected be fully functional by mid-2006.

**About BITS**

BITS was created in 1996 to foster the growth and development of electronic financial services and e-commerce for the benefit of financial institutions and their customers. A nonprofit industry consortium that shares membership with The Financial Services Roundtable, BITS seeks to sustain consumer confidence and trust by ensuring the security, privacy and integrity of financial transactions. BITS works as a strategic brain trust to provide intellectual capital and address emerging issues where financial services, technology and commerce intersect, acting quickly to address problems and galvanize the industry. BITS' activities are driven by the CEOs and their appointees—CIOs, CTOs, Vice Chairmen and Executive Vice Presidents—who make up the BITS Advisory Board and BITS Advisory Council. For more information, go to [www.bitsinfo.org](http://www.bitsinfo.org).

**About PPS**

Primary Payment Systems, Inc. (PPS), an affiliate of First Data Corp., offers a suite of Early Warning<sup>®</sup> services that help protect organizations and their customers from exposure to fraud losses by performing identity authentication and deposit and payment risk assessment. These services enable organizations to detect fraud before losses are incurred, meet regulatory compliance requirements, improve operational efficiencies and build customer trust and confidence while positively impacting the bottom line.