
BITS BULLETIN

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

DECEMBER 2001

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

The holidays are upon us—we wish all of you a safe and wonderful time. The events of this fall have changed the way we approach our lives and our work. It has changed BITS' focus as well. This issue of the *BITS Bulletin* describes our initiatives in crisis management and security. While security has always been a key focus of our work, we have re-allocated resources to create a cross-industry, cross-sector approach to potential terrorist threats.

BITS participated in a White House meeting on critical infrastructure protection on Nov. 26, hosted by Richard Clarke, the newly appointed Special Advisor to the President on Cyberspace Security, reporting to Tom Ridge in the Homeland Security Office and Condoleeza Rice at the National Security Council. We were asked to present to executives of other sectors such as transportation, telecommunications, energy and law enforcement on our initiatives in crisis management and security.

The meeting resulted in liaisons with other industries, which will help us in the scenario analysis and key messages efforts described in this issue. Mr. Clarke requested monthly meetings with BITS to move projects along. Treasury and Federal Reserve executives are interested in working with us on an industry vulnerability analysis that would feed into simulation models developed by Sandia and Los Alamos National Laboratories. BITS was cited by a number of attendees as a model of industry cooperation in dealing with vendors, developing business requirements and standards, and focusing early on cybersecurity-related issues.

When asked what the government could provide to help with security and crisis management efforts, there was consensus from the critical industries present on the following:

- Exemptions from the Freedom of Information Act that remove liability and antitrust concerns when industry players need to share security and terrorist-related information with the government. President Bush is supportive of the narrow exemptions now being discussed.
- Enhanced and early "attack warnings" from government sources.
- Targeted R&D funding for private sector security-related research—perhaps leveraging the capabilities of the National Laboratories.
- Government input into industry vulnerability and scenario analysis processes.
- Funding and a campaign to sustain public confidence and educate constituents on security issues.

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CEO, BITS





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COMMENTS FROM THE CHAIRMAN OF THE BOARD.

I have had the good fortune to be associated with BITS since its inception five years ago. In fact, I think I was one of the few CEOs in the early days who made it a point to sit in on every BITS session at the Annual Meeting and Fall Conference of The Financial Services Roundtable. The reason? I could see the value. I was learning things from the BITS folks that would help me to help my customers and help our business grow.

Today I am compelled to say that I think BITS is more valuable than ever. The reason? Since Sept. 11, no industry group has done more to coordinate the leadership of the financial services industry in a time of national crisis. BITS has always been a CEO-driven organization. CEOs, like everyone else, need good information to make good decisions. BITS has helped make sure we get the information we need to make the decisions that must be made to ensure the ongoing reliable, safe, sound and secure delivery of financial services.

The specifics speak for themselves.

Daily Updates – Immediately following Sept. 11, BITS began sending information alerts to our members—on a daily basis—notifying them of any upticks in terrorist activities, security breaches or fraud.

Crisis Management Summit – BITS held a summit of more than 150 industry leaders, security experts and federal government representatives to address “lessons learned” and “What will we do today?” if another disaster occurs.

Crisis Management Initiative – This BITS initiative addresses the financial services industry’s need to improve emergency preparedness through its Working Group on security issues. (Read more on this in the pages to follow.)

Lessons Learned – The “take home” lessons from Sept. 11 were summarized and are being disseminated throughout the financial services community.

Cooperation – Among the key organizations BITS is working with are: the Office of Cyberspace Security, headed by Richard Clarke; the Critical Infrastructure Assurance Office, headed by John Tritak; Tom Ridge’s Office of Homeland Defense; the National Security Council; the Federal Reserve Board and Banks; the Treasury; Office of the Comptroller of the Currency; the FBI; the National Communications Center; Senator Bennett’s (R-Utah) and Representative Oxley’s (R-Ohio) offices; the Department of Justice; and other critical federal agencies.

BITS’ ambitious agenda was set before Sept. 11. Since that day, as enthusiastic as I have always been about BITS’ proven value, even I am surprised. The skill, leadership, tenacity and tirelessness of all involved to step up to these new challenges are extraordinary. I am proud to be associated with this effort.

Sincerely yours,

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

The BITS Crisis Management Initiative

One of BITS' most important current activities is our Crisis Management initiative. The near-term focus is on the financial services industry's emergency preparedness and processes for responding to disasters. The initiative is managed by the Security and Risk Assessment Steering Committee and chaired by Allan Woods, Vice Chairman and CIO, Mellon Financial.

The Working Group has been actively addressing security issues. On Oct. 25, BITS held a Crisis Management Summit. More than 150 executives attended, and "lessons learned" from Sept. 11 were developed and later distributed to BITS members. BITS also presented at the White House Industry National Strategy Briefing on Nov. 26, and met with Vice Chairman Roger Ferguson of the Federal Reserve Board and ten of his staff members on Nov. 30, where our activities in crisis coordination were discussed. Governor Ferguson outlined the Federal Reserve's activities, and we discussed ways we might work together. In a meeting with Richard Clarke and his staff on Nov. 30, BITS and the Office laid out a series of joint next steps.

Numerous conference calls and meetings with key players have also been held to develop a system to handle crises that can be used in the short term. A letter from Jim Blanchard was sent to The Financial Services Roundtable CEOs requesting their commitment to working with BITS on this initiative, and encouraging them to participate in our Crisis Management calls, if necessary.

The Crisis Management initiative is divided into four short-term deliverables. The status of each subgroup is as follows:

Scenario Building – Leigh Williams, Chief Risk Officer, Fidelity Investments, has agreed to chair BITS' short- and long-term scenario-building efforts. Five scenarios have been outlined for which operational procedures are being developed, and a small working group will then vet them. John Tritak, Director of the U.S. Critical Infrastructure Assurance Office (CIAO), and Richard Clarke, Special Advisor to the President for Cyberspace Security, as well as representatives from the National Security Council, the National Communications System, Institute for Defense Analysis, the Virginia Department of Emergency Management, the Department of the Navy, and other appropriate sector and government leaders plan to work with BITS to make the scenarios more robust. For more information, contact Jennifer Dickerson, jennd@fsround.org

Approximately \$20 million in funding from Congress will help create simulation models for critical infrastructure industries. BITS will be working with CIAO and the Office of Cyberspace Security to participate in modeling exercises on behalf of the financial services industry. For more information, contact Peggy Lipps, peggy@fsround.org

Crisis Coordination Center – Roger Callahan, Senior Vice President, Bank of America, is chairing this deliverable. The short-term goal of this effort is to create a way for policy-level conference calls to occur during a state of crisis, as called by either industry or the government. Interim procedures have been established, including the use of "virtual conference rooms" and a mock agenda for facilitating the calls. Lee Zeichner, President, LegalNet Works Inc., has been assigned as liaison between BITS and the National Communications Systems/National Communications Center and CIAO to address cross-sectoral issues, including our heavy reliance on telecommunications. Lee will also serve as liaison to several professional organizations that handle state and local crisis management issues such as the National Governors Association.

BITS has assembled a list of key contacts of member CEOs and their designees, as well as key contacts at payments systems organizations, other financial services companies, related trade associations and other sector associations. Contacts have also been identified in all financial services regulatory agencies and government security and military organizations dealing with crisis coordination management. For more information contact Teresa Lindsey, teresa@fsround.org or Jennifer Dickerson, jennd@fsround.org

Information Exchanges – BITS has conducted a series of information exchange calls between BITS members and various groups, including the CDC, FBI and other government agencies and associations, to discuss best practices for handling biological and chemical emergencies. A call to address the broader range of institution-level contingency planning and disaster recovery issues was also held. For more

• **FOCUS, CONTINUED**

• information, contact Jennifer Dickerson,
• *jennnd@fsround.org*

• **Public Confidence** – The Crisis
• Management deliverables include plans
• for sustaining consumer confidence.
• These efforts include communication
• tools, sector cooperation and partnerships
• with appropriate federal agencies. For
• more information, contact Cheryl Charles,
• *cheryl@fsround.org*

• **BITS Speaks with Richard Clarke**

• *Richard Clarke is the Special Advisor to the*
• *President on Cyberspace Security and Chairman*
• *of the President’s Critical Infrastructure Protection*
• *Board. He leads the federal government’s efforts on*
• *cybersecurity. BITS spoke with him recently to discuss*
• *critical infrastructure security.*

• *BITS:* Mr. Clarke, you have been a vocal
• advocate of both businesses and government
• taking measures to protect against cyber
• attacks. How serious is the threat to the private
• sector?

• *Clarke* It’s serious. Our country’s national and
• economic security depends upon a complex,
• interdependent network of critical infrastruc-
• ture systems, the vast majority of which
• belong to the private sector. While networking
• among systems makes for great efficiencies, it
• also creates great vulnerabilities. The financial
• services sector plays a key role in defending
• against cyber attacks, along with telecommuni-
• cations, transportation, energy and other key
• information systems.

• *BITS:* What kinds of cyber attacks should
• financial institutions be on the lookout for?

• *Clarke* There is a range of possible types
• of attacks, as well as potential reasons for an
• attack. An attack could be politically moti-
• vated, the work of a disgruntled employee,
• or an experiment by a teenager with a new
• computer.

• Because the military alone can’t protect us
• from a cyber attack, the private sector must

do everything it can to ensure the confidential-
ity, availability and integrity of systems. The best
defense against cyber attacks is to minimize
your system vulnerabilities.

BITS: How will the creation of the new Office
of Homeland Security help the government to
address the critical challenges we face?

Clarke The purpose of the Office of Home-
land Security is to develop a coordinated
response to potential terrorist attacks by
working with industry and state and local
governments. Within the Office, I’ll be report-
ing to the President on cybersecurity issues
through both National Security Advisor
Condoleezza Rice and Homeland Security
Advisor Tom Ridge.

BITS: How can the government ensure that
cybersecurity issues and physical security issues
will be addressed in a coordinated fashion?

Clarke This new operational structure will help
us be sure that the two offices are closely
coordinated. Through the Office of Homeland
Security, I’ll have responsibility for making sure
that these issues are dealt with as two equal
parts of our national security effort.

BITS: From your perspective as a national
leader in security, what do you see as the most
important security priority for financial
institutions?

Clarke Minimizing risk. That is, taking all
possible steps to ensure that any disruptions in
your systems are infrequent, of minimal
duration, manageable and cause the least
possible damage.



Aggregation Services

Phase II of the Working Group's initiative, designed to establish sound practices for data feed and authentication technologies, met on Nov. 29 in Washington, D.C. to review deliverable status and establish next steps. Subcommittees have made progress on their deliverables and are meeting the Working Group's aggressive timeline. Final documentation will be submitted by Feb. 15, in anticipation of the BITS and Roundtable Board meetings 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 held several meetings of the Cross Industry Authentication Working Group, made up of senior executives from VISA, NACHA, IdenTrust, SVPCo, NYCE, ABA's TrustID and FSTC. The group is committed to facilitating cross-industry cooperation and agrees that online authentication is the key foundation capability for e-commerce. On Nov. 28, the Working Group held a Trusted Financial Services Forum, attended by more than 100 people. The importance of interoperability among solutions was stressed, and participants agreed that appropriate solutions are fundamental to continued economic growth. Next steps include creating criteria and a framework for interoperability among solutions, and identifying ways to interface with the government to create effective public-private partnerships. For more information, contact Jennifer Dickerson, jend@fsround.org

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

B-to-B E-Commerce

The Working Group held a strategy meeting on Nov. 9 at the Washington, D.C. offices of SunTrust Bank. Janey Place, SVP of Mellon Corporation, gave a presentation on standards. Participants established a list of issues and questions that buyers and sellers in B-to-B transactions must address. Next steps include determining which questions can be addressed jointly by financial institutions and which are of greatest concern to our members. 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*

Business Method Patents

The Working Group has developed an educational position paper concerning complexities associated with business method patents. The document is available to BITS members. 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

The second year of the BITS BAI Consumer Privacy Research is progressing on schedule. Telephone interviews with 1,000 consumers are occurring through December, and an additional 1,000 consumers will complete an online version of the questionnaire. This research is designed to track the effects of security and privacy issues on consumers' financial transactions. A Working Group subcommittee is analyzing various consumer privacy-enabling technologies. The group initially conducted an analysis of Microsoft's implementation of P3P in Internet Explorer 6. The focus has recently expanded to online authentication solutions, in cooperation with the Authentication Working Group. Contact Cheryl Charles, cheryl@fsround.org

*Privacy Working Group
Interim Co-Chairs: Enid Miller, Mellon
Mary Jones, FleetBoston
Privacy Enabling Technology Working Group
Chair: Leigh Williams, Fidelity*

Payment Strategies (Formerly EA/ECP)

The EA/ECP Steering Committee has expanded its focus to include all forms of payments, and will now be called the Payment Strategies Steering Committee. Under this group are the CTA, ECP, Payment Framework and Check Safekeeping Working Groups. An EA Payment Migration Model Subcommittee, which met in person on Nov. 29, has been formed to begin updating the *Electronification Alternatives Financial Model Overview and Technical Guide*, a tool created in 1999 to help increase the industry's understanding of the economics of check electronification. A call to structure work on payments strategies for presentation to members in April was held on Dec. 13. Contact Gary Roboff, garyrob1@aol.com, or Robin Slade, robin@fsround.org

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

UPDATE ON BITS INITIATIVES, CONTINUED

Electronic Signatures and Documents (E-SIGN)

Members of the Working Group are sharing ideas for implementing electronic records and delivery. On Nov. 1, BITS staff met with the U.S. Department of Education's Chief Information Officer to discuss the federal government's final e-Gov programs. The government's approach to authentication and electronification has changed significantly under the Bush Administration; government officials are very interested in participation from the financial services industry, particularly in the e-loan area. The Working Group continues to monitor government-wide efforts on e-loan and e-authentication. For more information, contact Jennifer Dickerson, jennnd@fsround.org

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

Financial Services Security Lab

The Lab Governance Committee has unveiled several enhancements to the *BITS Tested Mark* product certification program. Highlights include a more affordable testing process and the ability to test the necessary security requirements in the Common Criteria program. A project is underway to make this new testing option available in early 2002. Visit www.predictive.com/bitslab to download or comment on the security profiles for Application Security, Network Security and Monitoring and Intrusion Detection Systems. Contact Laura Lundin, laura@fsround.org

*Financial Services Security Lab
Chair: Bill Sentenac, Wells Fargo & Co.*

Fraud Reduction

The Fraud Reduction Steering Committee's Database Working Group is determining the feasibility of creating a negative employee database for applicant screening. The Debit Card Working Group has produced questions that will be used in the ABA's 2002 Deposit Account Fraud Survey to accurately assess, for the first time, the scope of off-line debit card fraud. The Statistics and Successful Strategies Working Group's Truncation Task Force is working on a study of ways to mitigate check fraud in an electrified environment. A meeting was held on Dec. 10 and 11 in Orlando. For more information, contact Robin Slade, robin@fsround.org

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

Information Technology Service Providers

Next steps for the *BITS Framework for Managing Technology Risk for Information Technology Service Provider Relationships* include continued review, adding a new section on relationship termination, and possibly evaluating the risks associated with outsourcing relationships. The Working Group has formed three subgroups, which are communicating the *Framework* to all stakeholders and evaluating both vendor management best practices and security assessment requirements for adherence to industry and *Framework* requirements. The Security Assessment project will analyze BITS' ability to coordinate security assessments of service providers on behalf of our members. 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 and other BITS member organizations recently participated in a call with the FDIC's Bank Technology Group, during which an FDIC representative presented highlights of research on cyber-insurance. The most recent Working Group meeting included a discussion of the impact of the Sept. 11 events on the insurance markets, and on the development of efficient markets for e-commerce-related risk transfer. Work continues on developing an analysis tool for gaps in traditional insurance policies for cyber-related events. For more information, contact Laura Lundin, laura@fsround.org

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

Mobile Financial Services

The Federal Reserve Bank of Chicago has provided feedback on the *BITS Mobile Financial Services Business and Technical Guidelines*. Paul Neff, of the Internet Banking/IT Supervision division, met with Working Group Co-Chair Sam Phillips and BITS staff to discuss the Guidelines. The Bank gave positive feedback. Issues related to mobile financial services are receiving additional attention in the context of critical infrastructure protection. BITS is cooperating with CIAO and the Office of Cyberspace

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MEMBERSHIP UPDATE

We are pleased to welcome **Aon Corporation** and **Providian Financial Corporation** as new members of The Financial Services Roundtable and BITS. Aon Corporation, based in Chicago, Illinois, is a worldwide company that offers solutions for reinsurance, risk management, human capital and insurance brokerage. Providian Financial Corporation is headquartered in San Francisco, and provides deposit and lending products to clients in the U.S. and the United Kingdom.

Please contact Stefanie Meeks, Manager of Member Relations, stefanie@fsround.org for more information about BITS membership.

Letter from the CEO

Continued from p. 1

- Targeted incentives for investment in security-related technologies and processes.
- Dialogue with vendors whose systems support critical infrastructures to ensure they meet security requirements.
- Secure and reliable alternative communications systems.
- Rationalization of international laws that affect security and risk management.
- Cost recovery for disaster-related events.

BITS' efforts in this arena are meant to address cross-institution and cross-industry sector issues, with which we need to cooperate as an industry and as a Nation, rather than at the individual institution contingency planning level. While we hope little will happen, like Y2K, we will be prepared if another disaster occurs. The net result will be a safer and sounder financial services infrastructure and enhanced public confidence.

Thank you again for your support. We look forward to seeing you in the new year. Best wishes for the holidays.

Update on BITS Initiatives

Continued from p. 6

Security to focus on issues of soundness and security. For more information, contact Jennifer Dickerson,

jennnd@fsround.org

Mobile Financial Services

Working Group Co-Chairs:

Kathy DeWit, Wells Fargo & Co.

Sam Phillips, Bank of America

Standards

The Standards Steering Committee met on Nov. 27 to set its agenda, discuss its structure and prioritize its work efforts. The group discussed a standards focus on authentication, data interchange, clearing and settlement, risk management and security/privacy. The Committee will survey BITS member standards participation, and will track post-Sept. 11 critical infrastructure security initiatives with the potential to affect industry standards in the longer term. The Committee will help to inform efforts at the project level, and bring strategic issues to member companies. The group's next meeting is scheduled for Dec. 19. Contact Gary Roboff, garyrob1@aol.com.

Standards Steering Committee

Chair: Dan Schutzer, Citigroup

BITS Staff

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BITS PROFILE

John S. Tritak is the Director of the Critical Infrastructure Assurance Office (CIAO), where he is responsible for helping to develop an integrated National Infrastructure Assurance Plan to address threats to U.S. critical infrastructures. He has been working with BITS on our Crisis Management initiative, and spoke at the BITS Crisis Management Summit on October 25.

BITS: Given that all industries are now facing serious concerns about infrastructure security, how, in your view, is the financial services industry's situation unique?

Tritak: Because it represents a vital part of our critical infrastructure, and is also a symbol of our nation's economy, the financial services industry is on the front line. Clearly, it is a target for terrorists. This is a liability as well as an advantage. Your industry has had the very valuable experience of responding on Sept. 11, and many of you were affected quite personally. If it were not for the forethought of many of your member companies, this country would be in big trouble.

For a long time you have demonstrated your awareness that the government alone cannot protect your institutions from the kinds of threats that terrorists present. Your industry understands the urgency of the situation and may have a better idea than others of what is needed to prepare for future crises. That information could be valuable to other sectors.

BITS: With the nation's critical infrastructure largely privately owned and operated, the responsibility for critical infrastructure assurance is falling to corporations and risk management. What do you see as the government's role in critical infrastructure protection going forward?

Tritak: First is raising awareness of the situation, which is already well underway. Corporate boards and CEOs who are responsible for setting company policy and allocating company resources see that the risks are serious and immediate. Awareness efforts are also targeted to other stakeholders in the economy, such as the risk management community.

With that accomplished, the government's role becomes one of a facilitator of corporate action through private/public partnerships. Industry leaders are telling us how the government can help them, and we're responding. For example, the government will work with industry to identify potential legal and regulatory obstacles that may unduly impede information sharing or that could interfere with companies' voluntary efforts. Additionally, the National Infrastructure Assurance Council (NIAC) has been created to ultimately act as an advisory council to the President, in which each industry sector will be represented.

None of this could be possible without the executive and legislative branches working closely together the way that they have been, and the strong support and allocation of resources from the President.

BITS: From your perspective as a national leader in infrastructure security, how are you seeing private companies change their thinking about security after Sept. 11?

Tritak: Companies are beginning to see that we are not just talking about protection. We may not be able to defend against all attacks. What is essential is to prepare by assuring the delivery of critical services. If we can accomplish this, we can foil the terrorists' goal of disrupting our economy and our ability to function as a nation.

BITS: Where should individual institutions start?

Tritak: On a company level, begin by focusing on the information systems and networks that could be exploited to affect your main business functions. Identify those vulnerabilities and address them first. Companies must identify weaknesses that exist in the intersection of people, place, technology and processes, along with coordinating responses to cyber and physical threats.

BITS: The White House Industry National Strategy Briefings brought together industry leaders from critical industries. What were the most important lessons the government learned from that meeting?

Tritak: The White House meeting confirmed what we already knew: We—both the government and private companies that are part of the critical infrastructure—still need to have a much better understanding of the interdependencies between industry sectors.

We now have some concrete responses from industry leaders on how the government can play the facilitator role. We'll continue to do this by supporting industry efforts and holding follow-up meetings to track progress with the individual sectors, continue the exchange of information, and identify and address vulnerabilities.

BITS: What will information sharing accomplish in the near term?

Tritak: There is only one reason to share information: To better manage the risks that we all face. We can decide together whether we need protection, mitigation or response to each situation. For the most part, there is less incompatibility of interest than there may appear to be.