

BITS

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

AGAINST THE TIDE, THE BITS FRAUD REDUCTION PROGRAM MAKES GREAT STRIDES

Washington DC. March 24, 2003. BITS, the Technology Group for The Financial Services Roundtable, announced a sweeping set of accomplishments in the financial services industry's efforts to reduce and prevent fraud. At a meeting of the BITS Fraud Reduction Steering Committee, senior executives from the industry's largest financial institutions reviewed what they have been able to achieve by working cooperatively to tackle this problem—and set an aggressive agenda to continue the work.

The BITS Fraud Reduction Program exemplifies the power of cooperation and leadership in the financial services industry. The results are tangible, including a 3% annual reduction in losses per deposit account among those institutions actively participating in the joint BITS/American Bankers Association Quarterly Loss Reporting Program, versus an industry increase of 1%. Among new deliverables from the BITS Fraud Reduction Program are white papers with best practices and successful strategies for preventing Internet Fraud and Identity theft. The BITS Fraud Reduction Program has grown to include nine Working Groups with over 350 executives from more than 50 member companies participating. Among the Working Groups are:

- **Identity Theft**—Proactively works to educate financial institutions and their customers on ways to prevent identity theft, and to assist victims of this crime.
- **Internet Fraud**—Focuses on best practices and successful strategies for minimizing the growth of fraud in the Internet environment.
- **Electronification**—Works to prevent new forms of fraud tied to electronics, including working with vendors to assist them in incorporating best practices to avoid fraud.
- **Successful Strategies**—Shares best practices for preventing and mitigating fraud.

Bob Jones, FleetBoston, and Shirley Inscoe, Wachovia, Co-Chair the BITS Fraud Reduction Steering Committee. In a joint statement, they said, “Fraud perpetrated against financial institutions and their customers is not only economically damaging, but also can create cruel hardships for customers. To protect our customers and ensure the economy's continued health, we have established a landmark cooperative program through which the nation's largest financial institutions—working with financial institutions of all sizes, including a network of community banks—are creatively and constructively tackling the problem. Now at the five-year point with this program, we are pleased to report that the results are noteworthy.”

James E. Rohr, Chairman and CEO of The PNC Financial Services Group and Chairman of the BITS Board of Directors, said, “Fraud against accounts continues to be a challenge to financial institutions and their customers. New payment methods and tools for commerce are essential for consumer ease and economic growth, but they also offer new ways for criminals to perpetrate fraud. That is why the CEOs in BITS and The Financial Services Roundtable made a commitment, beginning in 1998, to ramp up our collective efforts. We are proud of what this industry is accomplishing in these challenging times.”

Steve Bartlett, President and CEO of The Financial Services Roundtable, said, “Identity theft is the newest threat made possible by exploiting good technologies for bad purposes. BITS and the Roundtable have made it a major focus. We are working with all who will listen to show what can be done to prevent identity theft, and to restore the good names of those who suffer it wrongly.”

Catherine A. Allen, CEO of BITS, The Technology Group for The Financial Services Roundtable, said, “Our members recognize that fraud reduction is not a competitive issue. The fight against fraud requires the financial services industry to implement fraud management strategies based on a zero-tolerance-to-fraud spirit and continuous information sharing. We commend all those leaders in the nation’s financial institutions who are working tirelessly to protect consumers’ assets and stay ahead of those with criminal intent. The job will not end, but it is heartening to see what good people using the newest of powerful technologies, in a climate of cooperation to achieve broad-based goals, can achieve.”

The BITS Fraud Reduction Program has achieved these gains by focusing on:

- Sharing best practices and successful strategies for preventing and reducing fraud;
- Focusing on common problems, such as check fraud;
- Promoting consumer education and customer service;
- Using technologies to establish and maintain databases to determine the validity of accounts and transactions;
- Establishing new approaches to preventing “in-house” criminals—employees who break the law—from inadvertently being hired by others and placed in positions where they could commit fraud again;
- Standardizing ways of tracking and reporting fraud, so that accurate measurements of progress and problems can be made; and
- Cultivating a climate of person-to-person trust within the community of member institutions, so that these best practices and successful strategies can be shared and implemented.

Goals for 2003 are to continue to prevent fraud, reduce fraud losses, assist victims of fraud, and find effective ways to deter new forms of fraud, such as those associated with emerging payments mechanisms.

About BITS

BITS, The Technology Group for The Financial Services Roundtable, 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. Members of this non-profit industry consortium include the 100 largest integrated financial institutions in the United States. Throughout its work, 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. Major areas of emphasis are security, privacy, standards, leveraging industry infrastructure and e-commerce market development. BITS' Board of Directors comprises the Chairmen and CEOs of some of the largest U.S. financial services holding companies as well as representatives of the American Bankers Association and the Independent Community Bankers of America.

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