Panel on Payment Fraud Containment

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Real-Time Payment Fraud
Practical Questions

• What forms does fraud take?
• What tools can prevent or contain fraud?
• What is the right balance between fraud prevention and consumer convenience?
Real-Time Payment Fraud
Public Policy Questions

• Are transactional identity theft and payment fraud part of the same problem?
• Can the marketplace alone contain identity theft and fraud, and protect the payment system?
• Is the growing non-bank presence a source of increased risk (operational, security, fraud)?
• Is a larger governmental role needed to protect the payment system?
My Practitioner’s Perspective on Security and Fraud Containment

• Security is hard to achieve and ensure, and requires relentless attention.

• Security is expensive to produce:
  – Line item expense
  – Impact on the user experience

• Strong security is attained on the frontiers of business practice and technology.

• The security chain is only as strong as the weakest link.

• The payment business entails significant reputational risk.
Private Sector Consensus

• Supply side – fraud protection is currently managed efficiently.
• Demand side – there is little dissatisfaction with current methods for containing fraud.
• Other payment system needs take precedence right now.
Public Sector Emerging Consensus

• Banks are the payment system “gatekeepers.”
• The growing role of non-banks is a cause for concern.
• The marketplace will not contain identity theft and payment fraud to an “efficient degree.”
• More public intervention is warranted.
Comparing the Fraud Problem Across Large- and Small-Value Systems

• Who are the customers and what do they want?
• Who are the adversaries and what do they want?
• Who are the governance authorities and what do they want?
• Are the technologies very different?
Comparison Based on Technology, Culture, and Public Policy

• Technology -- The technologies and business practices are virtually the same.

• Culture -- Large-value stakeholders are more risk averse.

• Public policy -- Large-value systems pose systemic risk to the financial system and are part of the nation’s critical infrastructure.