Fraud Definitions Work Group
In-Person Meeting Summary
April 10-11, 2019

The Fraud Definitions Work Group held their first in-person meeting at the Federal Reserve Bank of Boston on April 10-11, 2019. During this meeting, the Federal Reserve provided an overview of previous payment improvement initiatives and the planned approach to these efforts. Work group members began discussing what a fraud classification model could look like, and the potential levels and categories defined within this model.

Agenda Topics

Day 1:

- Opening Remarks & Work Group Member Introductions

- Improving U.S. Payments Security: *Highlight the Fed's Strategies for Improving the U.S. Payment System, which catalyzed the focus on improving payments security, with a dialogue on the opportunities and industry value specific to the Fraud Definitions effort*

- Strategy and Approach to Work: *Review strategy behind the identified work group deliverables and the approach to organizing work efforts; highlight the roles of both the Fed and work group members in communicating with the industry and promoting adoption*

- Fraud Classification Model: Design Approach: *Discuss current fraud definitions and classifications and the resulting design considerations for building a fraud classifications model*

- Fraud Classification Model: Building an Expandable Model: *Introduce the approach for the overall model construct using an example, then explore how to begin organizing the model*

Day 2:

- Opening Remarks

- Fraud Classification Model: Begin Building Together: *Align on categories to use for the top level of the classification model, with the goal of encompassing all payment fraud scenarios*

- The Path Ahead (60-Day Outlook)

- Closing Remarks

Improving U.S. Payments Security
Ken Montgomery & Connie Theien

Ken Montgomery, First Vice President and Chief Operating Officer of Federal Reserve Bank of Boston and Payments Security Strategy Leader, welcomed the Fraud Definitions Work Group (FDWG) to the meeting and thanked them for committing their time and expertise to such an important effort.

Montgomery and Connie Theien, Senior Vice President of Industry Relations and Faster Payments Strategy Leader, provided a high-level overview of the work the Fed has done thus far in pursuit of improving payments across the industry in areas such as speed, safety, and efficiency. They highlighted the desired outcomes of the Strategies for Improving the U.S. Payment System paper and how the Fed has pursued these outcomes through efforts such as the Faster Payments Task Force and the Secure Payments Task Force. Montgomery focused the discussion on payment security, reviewing the Fed's process to determine next steps and priorities, including a focus on strategic industry dialogue, research, and information gathering as well as collaborative efforts with the industry. This next phase of work currently underway has been socialized with the industry at various meetings, conferences, and informal dialogue over the past several months to help validate the Fed's approach.

Strategy and Approach to the Work
Jim Cunha & Tim Boike

Jim Cunha, Senior Vice President of Treasury and Financial Services Group, led the group in a discussion on the proposed strategy and approach to developing the two deliverables of this effort: a fraud classification model and industry adoption roadmap. Cunha explained that the intent of the model is to create consistent fraud definitions and classifications for ACH, wire and check. The model is envisioned as an expandable structure that enables mapping of multiple and varied fraud definitions into consistent, higher-level business terms for use by industry to more effectively communicate fraudulent activity and trends.

He then provided an overview of the approach to the industry adoption roadmap, which will be a collaborative effort with the work group to outline the potential opportunities for adoption of the aforementioned classification model. Cunha stressed the importance of working as a collective industry to understand how to best use this fraud classification model and to what extent the industry can adopt the model. Once the work group has begun to develop the model and talk about the potential use of the model, work will begin on developing the approach to the adoption roadmap and the adoption strategy itself.

Tim Boike, Vice President of Industry Relations, provided an overview of the planned industry communications and engagement and the potential opportunities for the work group to receive input from the Fraud Definitions Work Group Community Interest Group — a subset of the FedPayments Improvement Community that noted an interest in fraud definitions. Work group members also discussed the tools that would be useful for them to educate both internal and external stakeholders about these efforts, as well as promote awareness of the work group deliverables as they progress.

Fraud Classification Model: Design Approach
Mike Timoney

Mike Timoney, Vice President of Secure Payments, introduced the approach for developing the fraud classification model, reviewing proposed design guidelines the Fed identified based on industry dialogue focused on this effort. Timoney explained these guidelines were developed in order to ensure the model satisfied key elements such as remaining flexible and dynamic in response to an ever-evolving payments landscape as well as being available and usable to all payment system stakeholders. The group discussed the proposed guidelines, making some alterations to the guidelines in the spirit of supporting the aforementioned elements. The group agreed to use these guidelines as the basis for developing the model, with the understanding that they would be revisited as needed.

Fraud Classification Model: Building an Expandable Model
Mike Timoney

Following the design discussion, Timoney walked through the Fed's proposal for the overall construct to use when developing the fraud classification model, describing a hierarchical organization of data, with the higher levels within the hierarchy being all-inclusive (to represent all in-scope transactions and data), and the lower levels reflecting more specific data that provides insight into the fraud vector itself. To bring life to this construct, Timoney walked through an initial draft of the fraud classification model the Fed developed (based on existing taxonomies) and briefly explained how each of the levels within the hierarchical construct could be applied to payment fraud. The group was supportive of this construct, with the understanding that the group would collectively define what each level of the model would entail (with the draft serving solely as a starting point for conversation).

The Path Ahead (60-Day Outlook)
Jim Cunha

Cunha highlighted key milestones established to achieve the outlined deliverables, the fraud classification model and the industry adoption roadmap, reviewing both the general timing and approach. Initial discussions occurred related to the feasibility of these milestones, with a commitment to continually evaluate the timing and approach as work efforts progress.

He then provided an overview of near-term activities planned for the work group, including continued dialogue regarding the initial levels of the fraud classification model to build on the notable progress made at the in-person meeting. Boike discussed the upcoming engagement opportunities with the Community Interest Group, including sending a monthly newsletter, circulating meeting summaries, and hosting webinars.to provide updates on the work group's progress and solicit input on the deliverables as appropriate.

Closing Remarks
Ken Montgomery

Montgomery closed the meeting by thanking the work group members for their active engagement throughout the entire meeting and for their overall dedication to this effort.

Meeting Attendees

- Dorothy Anderson, Federal Reserve Bank of Chicago
- Gasan Awad, Fiserv
- Dondi Black, FIS
- Tim Boike, Federal Reserve Bank of Chicago
- Nell Campbell-Drake, Federal Reserve Bank of Atlanta
- Jim Cunha, Federal Reserve Bank of Boston
- Natalie Diana, Bureau of Fiscal Service, Department of Treasury
- Carlos Fuentes, Federal Reserve Bank of New York
- Adriana Guaderrama, First Century Bank
- Chris Guard, State Employees' Credit Union of North Carolina
- Cheryl Gurz, Citizens Bank
- Mike Herd, NACHA—The Electronic Payments Association
- Rakesh Korpal, JPMorgan Chase
- Lee Kyriacou, The Clearing House

- Danny Luong, PricewaterhouseCoopers
- Ken Montgomery, Federal Reserve Bank of Boston
- Roy Olsen, American National Bank & Trust
- Carla Palma, PepsiCo
- Rene Perez, Jack Henry & Associates
- Kim Plaugher, Navy Federal Credit Union
- Andrés Rapela, Federal Reserve Bank of Boston
- Sergio Rodriguera Jr., SAS
- Kathy Stokes, AARP
- Connie Theien, Federal Reserve Bank of Chicago
- Mike Timoney, Federal Reserve Bank of Boston
- Eric Tran-Le, Guardian Analytics