

Opening Remarks



Kelly J. Dubbert

Good morning and welcome to Kansas City. We are pleased to have you join us for this, our fifth international payments conference, “The Puzzle of Payments Security: Fitting the Pieces Together to Protect the Retail Payments System.” The focus of this conference is intended to recognize the many participants, technologies and issues involved in securing the retail payments system. This has never been simple and has only become more complex given the pace of growth and innovation within the payments system.

The flow of goods and services relies on a well-functioning payments system, and security has always been a key component of those transactions, which are a critical part of the economy. Central banks, for their part, also have an important role in assuring public confidence in the system.

The past few years have been fraught with one high-profile security incident after another that have revealed shortfalls not only in our ability to prevent attacks, but also to effectively detect and respond to them in a timely manner. With each new announcement of a security flaw within a payments network, at a retailer or at a bank, public confidence in the safety and security of the retail payments system is shaken. Security compromises in retail payment systems are not new. We have experienced and managed risks as payment methods have evolved, including with check processing and ACH. However, as payments have become increasingly electronic—at the point of sale, at ATMs, online and mobile—and as the payments infrastructure evolves to make payments even faster, the risks have inevitably grown and become more widespread. So while risks in the past were managed with changes to processes and rules that were focused primarily on how financial institutions accessed the payments system, today there are millions of endpoints made up of merchants, providers and innovators that need to be included in the security “conversation.”

That conversation—which requires the active engagement of the spectrum of payments system participants—is one of the goals for this conference. As the central bank for the United States, and as both an operator and an overseer of the financial institutions that many use to access the payments system, the Federal Reserve is in a unique position to promote the involvement of the respective industry segments.

Certainly there are practices and experiences that are beneficial to us all. So, we have organized our agenda to first delve into the current landscape and then to examine how private and public policies can address the significant security issues we must face together.

We will begin this morning by outlining the roles participants need to play to build a more secure payments system. Each of us—financial institutions, operators, networks, processors, merchants, innovators, businesses, consumers and regulators—has a role to play. Hearing the charge, we can begin to learn how economic analysis can help us to better understand and overcome one of the biggest challenges we face—coordination problems. We need a better grasp of why some coordination efforts succeed while others fail. With such an understanding we then can promote a convergence toward long-term solutions that could benefit the entire system, rather than solutions that only meet immediate needs.

The discussion will turn to another key challenge to addressing payments security: the ability to collect or obtain data on payments fraud, data breaches and other indicators of weak security that are necessary to properly distribute our resources to appropriate security defenses. That challenge is being met in various places in the payments system, and this information is influencing and motivating action where it is available. This conversation can help to spur thinking about how we might be able to solve some of the difficulties in gathering the data needed to drive broader improvements.

We will then hear from a range of stakeholders on the front lines of dealing with threats to data security, which is core to retail payments security. They will share how available resources factor into their ability to effectively prepare, prevent and manage threats and discuss ways to go a step further, to devalue payments data, or make it worthless to those who continuously attack our systems to obtain it.

So how do we work together to get all of this done? On Friday, the discussion will center on how the private sector is collaborating to improve security

for payments transactions from initiation to receipt, within payment networks and, from a critical perspective, across the entire payments system. That will be followed by a dialogue about the role of government in promoting payments system security and protecting sensitive data—when, how and why is government engagement or intervention appropriate in addressing security questions?

As you can see, there is much that we hope to accomplish in this day and a half. The presentations are meant to be a starting point; to set the table for what is to come. The puzzle of payments security we face today cannot be solved by working separately. This conference is an opportunity to consider how the solutions we have discovered can be leveraged collectively to address the system's broader challenges.

With that, I would like to introduce this morning's keynote speaker, Governor Jerome H. Powell. I will let you reflect on his bio, which is included in the program, but will highlight a few key points: Governor Powell was confirmed by the U.S. Senate to the Federal Reserve Board of Governors in 2012 and then again in 2014. Before joining the Federal Reserve, he was a visiting scholar at the Bipartisan Policy Center in Washington, D.C., and he previously served as an assistant secretary and undersecretary of the U.S. Treasury Department, where he had responsibility for policy on financial institutions, the Treasury debt market and related areas.

Earlier this year, he became co-chair of the Federal Reserve's Payments Improvement Initiative, which is a multifaceted effort for collaborating with businesses, emerging payments firms, card networks, payments processors and financial institutions to enhance the speed, safety and efficiency of the U.S. payments system. This is an important effort you will be hearing much more about over the next two days. Please join me in welcoming Governor Powell.

