Identity theft

Where Do We Go From Here?

A discussion forum sponsored by the Payment Cards Center of the Federal Reserve Bank of Philadelphia and the Gartner Fellows Program
What type of data does a thief require to steal an identity and commit financial fraud? A name? An address? An account number? To be sure, it is not much. Identity theft is a coordinated and personal attack that can have serious consequences for consumers, merchants, and credit providers. In particular, consumers are faced not just with the actual loss but also with significant indirect costs associated with this crime. As identity theft grows so does consumer concern about the security of personal information and the price of financial relationships. Credit card companies and others in the consumer payments business are especially vulnerable to any such erosion of consumer confidence.

Identity theft continues to get much attention in the popular press, but, more important, for the first time, it is being quantified in terms of its impact on businesses and consumers. The Federal Trade Commission and Gartner, Inc., among others, have produced estimates that suggest this crime is growing faster than had been previously recognized by the industry and at greater cost to society. By Gartner’s estimate 7 million U.S. adults, or 3.4 percent of U.S. consumers, were victims of identity theft during the 12-month period ending June 2003, and significantly, the incidence had grown 79 percent over the previous year. During roughly the same time frame, the Federal Trade Commission estimated the combined cost of identity theft and payment fraud to businesses and consumers to be $47.6 billion and $5.0 billion, respectively. Further, the impact of identity theft may be even greater as the industry begins to understand the degree to which synthetic identities—identities created by thieves that are not tied to a human victim—are used to perpetrate financial fraud.

The industry, consumer groups, regulators, legislators, and law enforcement agencies have introduced a number of measures to address the growing problem of identity theft.
of initiatives to address identity theft and to limit its societal impact. These efforts range from making it easier for consumers to report the crime and clean up their credit record to sharing data across the industry and with law enforcement. Legislation enacted as part of the Fair and Accurate Credit Transactions Act takes important steps toward empowering consumers to limit the effect of this crime. Despite this progress, the fight against identity theft still faces significant challenges that require coordination among relevant constituencies.

The Payment Cards Center at the Philadelphia Fed (www.phil.frb.org/pcc) was established to add insight and communicate on issues central to the payment cards industry. Gartner (www.gartner.com) is a research and advisory firm that is collaborating with the Payment Cards Center on this event to provide a platform for dialogue on this growing financial crime. Given the pervasiveness of identity theft and its broader impact on consumer financial relationships and, ultimately, its threat to electronic payment networks, the February forum is intended to provide insight from a range of relevant parties in order to better inform the policy debate. The forum will include brief presentations but will emphasize discussion among the diverse group of invited stakeholders, with the goal being to determine areas of similar focus and opportunities for cooperation.

Identity Theft: Where Do We Go From Here?  
February 10, 2004
Tuesday, February 10  Public Affairs Conference Center  (3rd floor)

8:00 am – 8:30 am  Registration and Continental Breakfast

8:30 am – 9:00 am  Welcome & Introductions

Anthony M. Santomero
  President, Federal Reserve Bank of Philadelphia

9:00 am – 10:00 am  Combating Cyber-age Identity Theft and Payment Fraud:
  Taxonomy of Identity Theft and Payment Fraud

Avivah Litan
  Vice President & Research Director of Financial Services
  Gartner Inc.

John Pescatore
  Vice President & Research Fellow, Internet Security
  Gartner Inc.

This initial session will set a baseline for the day’s discussions by establishing definitions and reviewing current market dynamics that affect the growth of identity theft and efforts to remediate its threat. Topics include:

• Identity theft vis-à-vis traditional payment fraud.
• The Internet’s role as an enabler of identity theft; criminal growth areas.
• The scope and financial impact of identity theft on consumers, merchants, and banks.
• The incentive structure in dealing with identity theft across these same parties.
• Threats identity theft poses to e-commerce, financial institutions, and the payments system.

10:00 am – 10:30 am  Break
10:30 am – 12:00 pm  Pain Points of Identity Theft and Payment Fraud: Perspectives from the Financial Services Industry

Moderator: Peter Burns, Federal Reserve Bank of Philadelphia
Panelists: Daniel Buttafogo, Juniper Bank
Michael Cunningham, Chase Cardmember Services
Paul Mangelsdorf, Fleet Credit Card Services
Lyn Porter, Experian Fraud Solutions

The financial services industry is affected by identity theft not only in terms of the immediate costs of fraud but also in broader and potentially more critical ways. Left unaddressed, identity theft and associated fraud will threaten growth in the increasingly important Internet payments channel. Perceived risk to financial exchange via the Internet, both by consumers and merchants, retards the Internet’s acceptance as a transaction platform and limits the potential of e-commerce. Ultimately, identity theft takes aim at a cornerstone of the financial services industry: consumer confidence and trust in financial providers. The session is intended to explore such issues as:

- How are banks coping with the growth in identity theft-related fraud?
- How is fraud identified, and what actions are taken to mitigate the impact on consumer victims and merchants?
- What technology solutions and best practices are emerging?
- Are banks able to justify the development of technology to combat identity theft?
- Is there a perceived need for greater cooperation across affected industries?

12:00 pm – 1:00 pm  Lunch

1:00 pm – 2:00 pm  Pain Points of Identity Theft and Payment Fraud: Perspectives from Internet Merchants and Service Providers

Moderator: John Pescatore, Gartner Inc.
Panelists: Christopher Bubb, AOL
Michael Cook, ID Analytics
Steven Klebe, CyberSource
Howard Schmidt, eBay

Technologically savvy criminals use Internet service networks to access and assemble fraudulent identities and then to perpetrate associated fraud. Consequently, Internet merchants and service
providers are on the frontlines of the identity theft battle. These entities are key participants in the chain that links consumers, merchants, and banks. This session is intended to provide insights into this special perspective, including:

- Patterns of identity theft in the online environment.
- Cost to the industry and impact on expanding e-commerce.
- Emerging initiatives—the search for solutions and the role of joint participation.

2:00 pm – 3:15 pm  Regulation and Enforcement Targeting Identity Theft: Current Initiatives, Successes, and What’s Next

Moderator: Lois Greisman, Federal Trade Commission
Panelists: Joanna Crane, Federal Trade Commission
Amy Friend, OCC - Office of the Comptroller of the Currency
Richard Goldberg, AUSA (Philadelphia US Atty)
Oliver Ireland, Morrison & Foerster LLP

Federal regulation and law enforcement agencies have become increasingly visible entities in the effort to stem the growth of identity theft and to provide assistance to the victims. Much of this increased attention results from legislative directives aimed at providing consumer protections and deterring criminal activity. This session is intended to furnish a better understanding of law enforcement and regulatory approaches and the role these public-sector agencies play in deterring identity theft fraud, shedding light on such issues as:

- Public sector roles as information clearinghouses and sources of public education.
- Relevant bank supervisory and exam practices.
- Impact of the Fair and Accurate Credit Transactions Act.
- Challenges to law enforcement agencies and ongoing initiatives.

3:15- pm – 3:30 pm  Break

3:30 pm – 4:30 pm  Where Do We Go From Here?

Peter Burns, Avivah Litan, and John Pescatore will moderate the final session’s discussion, which will attempt to pinpoint key conclusions from the day’s dialogue and to determine what the industry needs to do, and in which ways it needs to collaborate, to come up with solutions to the growing problem of identity theft.