

## REGULATORS SOUND OFF: PIN IS NOT THE ANSWER

*Following a letter to federal banking regulators from Senator Mark Warner (D-VA) asking what steps their agencies were taking to ensure consumer protection improvements were being made in the payments space, regulators sounded off noting that efforts to mandate a specific technology, such as chip and PIN cards, were shortsighted and could hinder the development and implementation of other technology that is rapidly developing. Additionally, **regulators noted that financial services institutions are already subject to significant regulatory standards.***

“The OCC does not require banks to use a specific technological security control, such as chip-and-PIN. We expect banks to develop and implement controls that address the evolving risks facing each bank and that best meet the needs of their customers. The OCC believes that the participants in payment card systems are best situated to determine the most effective solutions to address payments system security.”

“Rather than issuing one prescriptive standard applicable to the security of payment cards, the OCC prefers to prescribe a standard that allows the industry to develop innovative and cost effective solutions that meet or exceed the regulatory parameters outlined above.” – **Office of the Comptroller of the Currency (March 9, 2015 – P. 3)**

“In our role as supervisor, the Federal Reserve does not mandate use of a specific technological approach to payment card security in recognition of the evolving nature of payment card fraud threats and of the variety of tools that can be employed to address these threats. This approach is intended to allow financial institutions and other industry participants sufficient flexibility to design policies and procedures that most effectively reduce fraud losses to all parties involved in payment card transactions.”

“The Federal Reserve supports a layered approach to payment card security that does not mandate a particular security technology.” – **Board of Governors of the Federal Reserve System (March 5, 2015 – P. 1)**

“The industry is undertaking a number of initiatives focused on strengthening the security of online transactions, including online PIN-based solutions, tokenization, one-time account numbers and other measures. This type of innovation illustrates why the FDIC generally does not mandate technology as the threats and technology evolve rapidly.” – **Federal Deposit Insurance Corporation (February 12, 2015 – P. 7)**

“Although PINs may reduce fraud in certain circumstances, they do not eliminate it. Further, chip-and-PIN may not be adequate for card-not-present transactions, such as those occurring online or via telephone. That is why the OCC believes that a layered approach rather than a single technological solution is best for strengthening security, reducing fraud and responding to evolving threats.” – **Office of the Comptroller of the Currency (March 9, 2015 – P. 4)**

“This is an exciting time for the payment system. Technology companies are creating new methods to pay with mobile phones and even wearable devices. Banks are building faster payment capabilities into their deposit account systems. Banks, payment card networks, and merchants are rolling out Europay, MasterCard, and Visa (EMV) chip cards and using compatible point-of-sale terminals. Many of the newest products in the market are impressive, incorporating new technologies like biometrics and tokenization. End users and the media have taken notice.”

“It is important to layer security tools and procedures. Methods to devalue payment data, like tokenization and encryption for data at rest, in use, and in transit, mitigate the effect of a data breach. Analytics can identify and prevent fraudulent transactions. Firewalls and segmentation of technology supporting critical functions can protect networks from outside attacks.” **Federal Reserve Governor Jerome Powell** (June 25, 2015 - Federal Reserve Bank of Kansas City Conference, "The Puzzle of Payments Security: Fitting the Pieces Together to Protect the Retail Payments System")

“At the FTC, we don’t advocate particular technologies. We rather take a process-based approach in light of the fact that the threats...are constantly changing and evolving. So we recommend a process-based approach to attacking this problem.” – **Federal Trade Commission Chairwoman Edith Ramirez** (February 4, 2014 - Senate Judiciary Committee Hearing on “Privacy in the Digital Age: Preventing Data Breaches and Combating Cybercrime”)