

Press Releases

October 13, 2005

OTS 05-37 - FFIEC Releases Guidance on Authentication in Internet Banking Environment

Office of Thrift Supervision

FOR RELEASE at 2:00 P.M. EDT

For further information

Wednesday, October 12, 2005

Contact: Erin Hickman

OTS 05-37

202/906-6677

FFIEC Releases Guidance on Authentication in Internet Banking Environment

The Federal Financial Institutions Examination Council (FFIEC) today released updated guidance on the risks and risk management controls necessary to authenticate the identity of customers accessing Internet-based financial services. The guidance, *Authentication in an Internet Banking Environment*, was issued to reflect the many significant legal and technological changes with respect to the protection of customer information, increasing incidents of identity theft and fraud, and the introduction of improved authentication technologies and other risk mitigation strategies.

The continued growth of Internet banking and other forms of electronic banking activities and the increased sophistication of threats to those environments have resulted in higher risks for financial institutions and their customers. An effective authentication system is necessary for financial institutions' compliance with requirements to safeguard customer information; to prevent money laundering and terrorist financing; to reduce fraud and the theft of sensitive customer information, often the precursor to identity theft; and to promote legal enforceability of financial institutions' electronic agreements and transactions.

This guidance, which replaces the FFIEC's *Authentication in an Electronic Banking Environment* issued in 2001, does not endorse any particular technology. This guidance specifically addresses the need for risk-based assessment, customer awareness, and financial institutions' implementation of appropriate risk mitigation strategies including security measures to reliably authenticate customers accessing their financial institutions' Internet-based services.

The guidance is divided into two parts. The main portion of the guidance provides financial institutions with guidance on authentication and discusses appropriate risk assessments, customer authentication, verification of new customers, and monitoring and reporting. An appendix provides more detail about various authentication technologies.

The agencies' transmittal documents accompanying the guidance contain a consistent timeframe for financial institutions to achieve conformance. In light of the catastrophic events associated with recent natural disasters, namely Hurricanes Katrina and Rita, affected financial institutions will face many challenges during the recovery process. These challenges may

affect their ability to conform to the guidance within the specified time frame. Affected financial institutions will be afforded an extension, when circumstances warrant, for achieving conformance with the guidance.

The FFIEC was established in March 1979 to prescribe uniform principles, standards, and report forms and to promote uniformity in the supervision of financial institutions. The Council has five member agencies: the Board Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The Council's activities are supported by interagency task forces and by an advisory State Liaison Committee, comprised of five representatives of state agencies that supervise financial institutions.

A copy of the guidance (<http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2005-37a.pdf>) is posted on the FFIEC website.

Media Contacts:

Federal Reserve:	Susan Stawick	(202) 452-2955
FDIC:	David Barr	(202) 898-6992
NCUA:	Cherie Umbel	(703) 518-6330
OCC:	Dean DeBuck	(202) 874-4876
OTS:	Erin Hickman	(202) 906-6677

###

The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.