



# X9 Standard

April 2003

## X9 FORMS NEW SUBCOMMITTEE C

X9's Board of Directors approves creation of a new subcommittee – C on Credit. The subcommittee is expected to immediately begin the task of developing American National Standards on automotive credit.

The committee, created on the recommendation of the American Financial Services Association (AFSA), a leading trade group for consumer credit

companies. Subcommittee C's goal is to provide a uniform method of preparing, messaging, securing, and servicing electronic consumer contracts that link

various elements of financial commerce. Automotive financing will be the first sector for which X9 standards will be developed.

In February, X9 and AFSA signed a Memorandum of Understanding agreeing to work together to create standards that are in full compliance with X9's procedures and directives.

### X9 Online

To order an X9 Standard or to check out our Catalog, click on bookstore [www.x9.org](http://www.x9.org)

continued on page 3

## STANDARDS MAY HELP THE HOMELAND

A US Congressional study has identified the banking and financial industry as one of fourteen key public/private sectors that could come under terrorist attack.

The study, prepared by the Congressional Research Service (CRS), contains safeguard recommenda-

tions for the Department of Homeland Security to adopt for protecting the identified groups from outside attack. The CRS document also calls for the public/private sectors to implement or develop consensus standards to facilitate needed homeland protection.

To coordinate standards

activity, the American National Standards Institute (ANSI) formed a panel to meet the standards needs of this protection effort. ASC X9 serves as a member of the ANSI Homeland Security Standards Panel (HSSP) that will implement the standards program.

continued on page 3

### ALSO IN THIS ISSUE:

<b>Chairman's Letter</b>	<b>2</b>
<b>McGuiness &amp; Preiss Named New X9 Chairs</b>	<b>2</b>
<b>Fall Meeting Announcement</b>	<b>3</b>
<b>Making Security Work With Standards</b>	<b>4</b>
<b>Second Electronic Check Standard</b>	<b>4</b>
<b>X9 Welcomes 16 New Members</b>	<b>5</b>
<b>Membership Dues Discount</b>	<b>5</b>



# CHAIRMAN'S LETTER



Dear Members:

The Accredited Standards Committee X9 has reached the half-year mark in our metamorphosis as a new, independent organization. Together we have faced a number of challenges to reach our goal of being the leading organization providing critical standards for the financial services industry. Now I can report that ASC X9 is well positioned to support our ongoing standards development activities—perhaps even better than before.

Our new management committees have begun their work and we have heard their initial reports at the recent Board of Directors meeting in Kansas City. The willingness of everyone to participate in these groups is just one example of how members have pitched in. The financial picture, too, is looking good.

Growing new areas of service to the financial industry is a prime part of ASC X9's mission. The formation of a new subcommittee—"C" for Credit Standards was recently approved by the membership and will begin work over the next few weeks. X9C's efforts will focus on electrifying the contracting, chattel papers and promissory notes necessary for credit transactions. The American Financial Services Association (AFSA) is providing the impetus for this activity, but we expect that many member companies will also want to participate. (See story on page one.)

A listing of new X9 members is also included in this report. New membership growth is good, but more are needed to insure we continue to have the expert resources we need. This spring we expect to launch a search for new members who are willing to join X9 at the leadership levels to help X9's governance as well.

There are many new standards development efforts taking place that impact the financial services industry. From small ad hoc committees to large trade associations, we read about efforts in XML and similar initiatives. Everyone recognizes the need for standards to both build for the future and reduce operational costs. ASC X9 has proven that it can manage the effective development of standards but we can not forget that it has taken a leadership commitment as well as technical input to do this well. Strong committee/Board participation and leadership will be even more important as the demand for international standards continues to grow and ASC X9's ability to represent the US positions becomes more critical.

On a more personal note, I would like to thank everyone for their support during the years I served as Chair of this great group. I also appreciate the comments, good wishes and recognition I received at the Board meeting. The garden certificate is a delightful idea that will keep you always in Diana's and my thoughts.

Sincerely,

*Harold*

## McGUINNESS & PREISS NAMED NEW X9 CHAIRS

Brad McGuinness, Director of Development, VeriFone, Inc., and Scott Preiss, Vice President for Standard & Poor's CUSIP Board have been named new chairmen for Accredited Standards Committee X9's committees "A"—Electronic Retail/ Financial Transactions committee and "D"—Securities Standards committee respectively.

Mr. McGuinness, having served in leadership positions in the high tech, retail, transportation, and utilities industries, is extremely active in the standards arena. In addition to X9, he supports the National Association of Convenience Stores standards initiative by chairing the Payment Systems Committee, and is a founding member of NACS Standards Steering Committee.

At VeriFone Mr. McGuinness is responsible for all technical industry solutions for the Petroleum/C-Store Retail Segment. He provides oversight on cross industry, cross platform product utilization as part of senior development management.

Mr. Preiss oversees S&P's Global Settlement Services (GSS) which administers the CUSIP numbering system and the CUSIP International Numbering System for the US, Canada and various global territories. ANNA Service Bureau, a central hub for the consolidation and distribution of ISIN (ISO6166) data from more than sixty global markets.

Mr. Preiss has been actively involved in the industry's effort to standardize descriptions and product classifications. He promotes the usage of ISO standards for numbering and product classification in the US for international securities trading.

Mr. McGuinness lives in Palm Harbor, Florida, while Mr. Preiss resides in the New York City area.

# X9 FORMS NEW SUBCOMMITTEE C

continued from page 1

Today, the execution and collateralization of contracts is a paper-based process relying upon “wet signatures”, duplication of information onto multiple forms, collation, transmission and storage of forms for servicing, archiving, transferring and sale. The new standard will allow the automotive purchase or lease process to be completely electronic—therefore, defining provisions for contracting to permit the validity, effect, and enforceability of signatures and contracts executed in an electronic form.

The American National Standard will serve as a backbone for the further overlay of standards developed

for other credit industry segments, including mortgage and home equity credit, credit cards, and personal loans. The AFSA, working within ASC X9, hopes to have the primary standard completed within a year.

AFSA, as secretary of X9C, will work within X9’s consensus procedures to reach industry needs. It is believed that several existing X9 standards will be used in this process to allow the group to quickly move ahead. John Freeman, Ford Motor Credit, is expected to co-chair the new subcommittee with Mark Zalewski of AFSA.

“ASC X9 is the only standards body accredited by ANSI to prepare

and manage standards for the financial services industry,” said Cindy Fuller, X9 Executive Director. “We are very pleased to be working with AFSA and lending our expertise to their standards preparation.”

Significant cost savings is an expected result from the new standard. The proposed series of standards will provide the ability for originators, financial institutions, and investors to enjoy a full range of cost savings and benefits without sacrificing legal protection and liability.

Persons interested in learning more, or joining on Committee C should contact X9 staff.

## ALL COMMITTEE FALL MEETING BEING ORGANIZED

All Accredited Standards Committee X9 its sub-committee and working group members should reserve the dates of October 27-31, 2003, to participate in X9’s Fall Meeting. The meeting will be held in Chicago, with the W Hotel being established as the headquarters, and features concurrent meetings of all X9 committees.

“Our Fall gathering gives the membership the opportunity to connect with persons working on separate issues and tasks,” said Cindy Fuller, X9 Executive Director. “It also demonstrates that members can be as equally enthusiastic about checks as they are about security standards.”

The meeting is sponsored by Bank of America, and further details about the meeting, committee meeting locations, and other program elements will be detailed within the next few weeks.

## HOMELAND STANDARDS continued from page 1

Michael Versace, X9 Board member and National Director with Niteo Partners will serve as X9’s liaison to the HSSP. Panel members are charged to identify, catalog, promote, accelerate, and coordinate the timely development of consensus standards within a national and international voluntary standards system intended to meet emergency preparedness needs, and communicate the existence of such standards to government units and the private sector.

Several X9 financial industry standards should be useful to the homeland effort. ANSI has already identified standards dealing with security techniques like biometrics that may be implemented immediately by government and the private sector. X9 developed X9.84 – *Biometric Information Management and Security*. The standard is going through the final phase of a revision and will be available soon. X9.84 offers detailed information on safeguarding cyberspace transactions as well as establishing methods for identifying personnel and information verification.

“This is not the first time X9 has responded to government requests for assistance in the use of standards,” said Cindy Fuller, X9 Executive Director. “Today, however, a prompt response seems necessary given the recent events involving our country. We look forward to assisting those from industry and government who could benefit from X9’s technical expertise. Mike Versace will represent us well in this.”

More information on the ANSI/HSSP project can be received through ASC X9.

# Making Security Work With Standards

For the financial-based industry, computer technology handles funds transactions worth trillions of dollars on a daily basis. This sheer number of transactions over environments like telephone, wire services, and Internet exposes the financial community and its customers to risk. Developing systems to act as “watchman” over these sophisticated transactions is the main responsibility of financial security experts.

Experts agree biometrics is the best new technology for protection against system intrusions yet devised. Accredited Standards Committee X9 (ASC X9) has developed X9.84 Biometric Information Management and Security.

“The standard posts requirements, techniques, and interoperability to securely manage biometric information that may be sent over open networks like the World Wide Web,” said Richard Sweeney, chairman of subcommittee X9F on Financial Security. “In addition to securing traditional transactions, X9.84 is also suitable for applications like smart cards, wireless, and remote devices,” he said.

Biometrics involves the use of personal features like fingerprints, iris scan, and voice print to help secure

financial dealings. For the financial industry, biometric information provides help in identifying customers, employees, and transaction verification. “The ‘something you are’ identity factor as a security feature has come of age,” said Jeff Stapleton, KPMG, and member of X9F. “And, with the cost of biometric technology decreasing and its reliability on the increase, the techniques are viable for the industry,” he said.

First published in 2001, the American National standard defines requirements for managing and securing biometric information. The standard also defines techniques from other X9 standards (e.g., digital signatures and encryption) to provide integrity and maintain privacy of biometric data. Elements of X9.84 can also be applied by professional auditors to validate a biometric system.

“Cooperation is the key to any successful standard-setting process,” said Cindy Fuller, Executive Director of ASC X9. “This standard was developed in conjunction with other organizations including the BioAPI Consortium, the National Institute of Standards and Technology (NIST), and the International Bio-metric Industry Association (IBIA).”

## Second Electronic Check Adjustment Standard Published

Banks and other financial institutions now have a standard to minimize the costly and time-consuming check adjustment process with the publication of X9.83 – *Specifications to Electronic Check Adjustments*.

The new standard is a complement to X9.37 – *Specifications for Electronic Check Exchange* and is the result of work performed by X9B Working Group 2 who identified the need, developed, and finalized the American National Standard.

“The structure for X9.37 and X9.83 are similar and would allow a financial institution to automate its

collection and return processes, as well as its adjustment process,” said Jacqueline Pagan, Bank One Corporation, and Chair of X9B2. “Once the check data are used in the normal course of exchange through X9.37, those data could be used, as needed, in X9.83, if there is an adjustment.”

“Before X9.83 the adjustment process required much handwork and sorting by bank employees to complete the task,” said Ms. Pagan. “Now X9.83, when used in conjunction with X9.37, adds a degree of automation to the adjustment process that not only benefits

financial institutions with reduced costs and increased speed of adjustments, but also provides better customer service by providing account holders with more accurate and timely information.”

Both standards were developed in response to the Federal Reserve Board’s proposal for same-day settlement. The new standard completes Standards requirements to further facilitate the reduction of check handling costs.

Persons wishing to receive a copy of either X9.37 or X9.83 should go to the Electronic Standards Store [www.X9.org](http://www.X9.org).

# X9 WELCOMES 18 NEW MEMBERS

## **A2iA Corp**

Contact-Courtney Rand  
New York, NY  
Joined-X9B

## **American Financial Services Association**

Contact-Mark Zalewski  
Washington, DC  
Joined X9 Board Level

## **Car max**

Contact-Patricia Covington  
Glen Allen, VA  
Joined-X9C

## **Custom Direct**

Contact-Tanya Cook  
Joppa, MD  
Joined-X9B

## **Data-Mail, Inc**

Contact-Kerry Hannify  
Newington, CT  
Joined X9B

## **Data Strategies Intl., Inc.**

Contact-Dr. Giancarlo Gaggero  
Houston, TX  
Joined X9B

## **Davis & Henderson**

Contact-Dragan Calusic  
Toronto, Ontario CANADA  
Joined X9B

## **Department of Defense**

Contact Rick Randell  
Biometrics Management Office  
McLean, VA  
Joined X9D

## **Elibrium, LLC**

Contact-Ryan Smith  
San Mateo, CA  
Joined-X9B

## **Eracom Technologies**

Contact-Gerry Scott  
Roseville, CA  
Joined-X9F6

## **Exxon/Mobil**

Contact-John Pratt  
Houston, TX  
Joined-X9A12/X9F6

## **FiSERB**

Contact William Beattie  
Morris Plains, NJ  
Joined X9 Board Level

## **Fleet One**

Contact-Cynthia Cunningham  
Nashville, TN  
Joined-X9A12

## **Gtech Corp.**

Contact-Mirek Kula  
West Greenwich, RI  
Joined-X9A

## **Heidelberg Digital, LLC**

Contact-Aaron Lazar  
Rochester, NY  
Joined-X9B

## **International Biometric Group**

Contact-McKern Mac  
New York, NY  
Joined-X9F4/X9F3

## **K3DES, LLC**

Contact-James Richardson  
Joined-X9F6  
Houston, TX

## **Surety, Inc.**

Contact-Dimitrios Andivahis  
Herndon, VA  
Joined-X9F

## **GAIN MORE MEMBERSHIP STATUS FOR LESS**

The X9 Board of Directors recently approved a policy that allows current members to upgrade their membership category.

This policy will be in effect through the current fiscal year that ends August 31, 2003.

“The policy allows members who wish to move their membership from a non-voting to voting status to do so at a 25% reduction in cost,” said Cindy Fuller, Executive Director, Accredited Standards Committee X9. This policy was put in place to allow members the chance to better serve their firms at a lower cost.”

For complete information on changing membership category, contact Isabel Bailey at X9.org.