



FFIEC Information Technology Examination Handbook

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TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Information Officer)

SUBJECT: New Guidance for Examiners, Financial Institutions and Technology Service Providers On Retail Payments Systems

Summary: *The Federal Financial Institutions Examination Council (FFIEC) has issued a booklet with guidance on evaluating retail payment systems. The booklet is the seventh in a series of updates, which will eventually replace the 1996 FFIEC Information Systems Examination Handbook and comprise the new FFIEC Information Technology (IT) Examination Handbook.*

On March 31, 2004, the Federal Financial Institutions Examination Council (FFIEC) issued revised guidance for examiners, financial institutions and technology service providers on retail payment systems. This guidance - the *Retail Payment Systems Booklet* - is the seventh in a series of updates to the *1996 FFIEC Information Systems Examination Handbook*.

The *Retail Payment Systems Booklet* provides guidance on the risks and risk-management practices applicable to financial institutions' retail payment system activities, including checks, card-based electronic payments and other electronic payment media, such as person-to-person, Electronic Benefits Transfer, and the Automated Clearinghouse.

Financial institutions play an important role in retail payments, and institutions will face many challenges as they continue to foster innovation. These challenges are a source of increased risk to institutions and require greater diligence to ensure the confidentiality of information, system and data integrity, system availability and regulatory compliance. Retail payment system activities require careful planning for coordinated strategies between IT and business units, strong internal controls and ongoing monitoring. The *Retail Payment Systems Booklet* includes guidance and examination procedures to evaluate the quality of risk management related to these risks and activities in financial institutions and technology service providers.

The FFIEC is issuing updates in separate booklets that will ultimately replace all chapters of the 1996 Handbook and comprise the new *FFIEC Information Technology (IT) Examination Handbook*. Future booklets will address wholesale payment systems, outsourcing, IT management, computer operations, and systems development and acquisition. These updates will address significant changes in technology since 1996 and incorporate a risk-based examination approach.

The FFIEC agencies are distributing this booklet electronically to financial institutions and technology service providers via the Internet through the FFIEC's InfoBase application. The InfoBase includes each booklet in Adobe Acrobat PDF file format, as well as an online version with links to various resource materials and an orientation to the handbook update process.

The electronic version of the *Retail Payments Booklet* is available at <http://www.fdic.gov/regulations/information/information/FFIEC.html>. For more information about retail payment systems, please contact your FDIC Division of Supervision and Consumer Protection Regional Office.

For your reference, FDIC Financial Institution Letters may be accessed from the FDIC's Web site at <http://www.fdic.gov/news/news/financial/2004/index.html>.

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Director
Division of Supervision and Consumer Protection
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Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342 or (703) 562-2200).