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Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

OCC 2004-14 has been replaced by OCC 2010-9

OCC 2004-14

Subject: FFIEC Information Technology Examination Handbook

Date: March 31, 2004

To: Chief Executive Officers of All National Banks, Federal Branches and Agencies, Technology Service Providers and Software Vendors, Department and Division Heads, and All Examining Personnel

Description: Retail Payment Systems Booklet

The Federal Financial Institutions Examination Council (FFIEC) has issued the "Retail Payment Systems (RPS) Booklet" to provide updated guidance on the risks and risk management practices applicable to financial institutions' retail payment activities, including checks, card-based electronic payments, and other electronic payment media. The booklet is the seventh in a series that will completely update and replace the 1996 *FFIEC Information Systems (IS) Examination Handbook*.

Retail Payment Systems Booklet

The banking industry plays a key role in retail payments. Financial institutions face increasing challenges as these systems shift from paper-based to electronic transactions. Electronic payments are creating new products and services and gaining greater acceptance from consumers. These changes increase risk to banks and require effective oversight to ensure the confidentiality of information, system and data integrity, system availability, and regulatory compliance. This booklet complements other FFIEC guidance such as the "E-Banking Booklet" published in August 2003 and provides a detailed discussion of risk management specifically for retail payment systems.

The RPS booklet presents retail payment systems guidance in three parts, followed by examination procedures, a glossary, and references.

- *Retail Payment Systems Overview*—This section describes the three major categories of retail payment instruments: checks, card-based electronic payments, and other electronic payments (e.g., person-to-person, electronic benefits transfer, and the automated clearinghouse payments).
- *Payment Instruments, Clearing, and Settlement*—The second section describes the retail payment system instruments typically offered by banks and the roles of various payment system participants, including third parties. Generic diagrams showing the typical payment flows and clearing and settlement arrangements for each of the retail payment instruments described are also included.
- *Retail Payment Systems Risk Management*—The third section describes the risks associated with various retail payment systems and instruments and presents the risk management practices that banks should have in place to mitigate those risks. The section concludes with specific controls appropriate to a number of retail payment instruments. Management action summaries are included throughout this section to provide a snapshot of the risks and risk management practices described in the text.

The RPS booklet emphasizes that banks engaged in retail payment systems should establish an appropriate risk management process that identifies, measures, and limits risks. Bank management and its board should manage and mitigate the identified risks through effective internal and external audit, physical and logical information security, business continuity planning, vendor management, operational controls, and legal measures. Banks should tailor their risk management strategies to the nature and complexity of their participation in retail payment systems, including any support they offer to clearance and settlement systems. Institutions must comply with federal and state laws as well as with clearinghouse, bankcard association, and regulatory requirements associated with retail payment transactions.

The RPS booklet rescinds chapters 20, "Retail EFT (ATM and POS)," and 21, "Automated Clearing House (ACH)," in the 1996 *FFIEC Information Systems (IS) Examination Handbook*.

Electronic versions of the RPS and other updated FFIEC booklets are available at www.ffiec.gov/guides.htm [<http://www.ffiec.gov/guides.htm>]. To accommodate banks with limited access to the Internet, the OCC will also include this booklet in the next release of *e-files*, the CD-based library of OCC publications provided to all national banks. Any

bank that is not able to download the booklets may order printed copies. Please send your request to the Office of the Comptroller of the Currency, 250 E Street, SW, Mail Stop 4-8, Washington, DC 20219. If you need assistance obtaining a copy, please contact the OCC's Communications Division at (202) 874-4700.

Other questions regarding this booklet should be directed to your OCC supervisory office or the Bank Information Technology Division at (202) 874-4740.

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