

Minutes of the regular meeting of the
INNOVATION ADVISORY COUNCIL
April 1, 2025
FEDERAL RESERVE BANK *of* NEW YORK

33 Liberty Street, New York, NY
and *via* Teams

Attendees

Members present:

Jose Fernandez da Ponte, *Sr. Vice President, Blockchain, Crypto and Digital Currencies, PayPal*
Ravi Govindaraju, *Managing Director, Head of Trust & Security, JPMorgan Chase (delegated by Umar Farooq)*
David Haber, *General Partner, Andreessen Horowitz*
Melissa Koide, *CEO & Director, FinRegLab*
Christine Moy, *Partner Digital Assets, Data & AI Strategy, Apollo*
Neha Narula, *Director of Digital Currency Initiative, MIT Media Lab*
Harsh Sinha, *Chief Technology Officer, Wise*
Bing Xiang, *Head of AI Research, Managing Director, Goldman Sachs*

Guest speakers:

Jason Kratovil, *Head of Policy and External Affairs, SentiLink*
Soups Ranjan, *CEO and Co-Founder, Sardine*
Gail Hodges, *Executive Director, OpenID Foundation*
Carole House, *Nonresident senior fellow, GeoEconomics Center, Atlantic Council*
Harish Natarajan, *Practice Manager, World Bank*

Federal Reserve attendees:

John C. Williams, *President and CEO, Federal Reserve Bank of NY*
Anna Nordstrom, *acting Markets Group Head, IAC Chair and Sponsor*
Per von Zelowitz, *Chief Product Owner, New York Innovation Center (NYIC)*
Christopher Armstrong, *Head of Operations & Resiliency Group*
Kartik Athreya, *Head of Research & Statistics*
Clive Blackwood, *Head of Audit Group*
Lacey Dingman, *Chief People Officer*
Mihaela Nistor, *Chief Risk Officer*
Rick Ostrander, *General Counsel*
Valerie Radford, *Head of Strategy*
Frederic Veron, *Chief Information Officer*

[Complete list of Federal Reserve Attendees in Appendix]

The videoconference began at 10 a.m. ET.

1. Introductory Remarks

Per von Zelowitz, *Chief Product Owner*, New York Innovation Center (NYIC), opened the meeting by welcoming members and Federal Reserve attendees to the first Innovation Advisory Council (IAC) meeting of the year and introducing the four new members.

The annual disclaimer was made that members are required to adhere to the Federal Reserve Bank of New York's antitrust guidelines and core principles.

Anna Nordstrom, acting Head of Markets at the Federal Reserve Bank of New York, delivered welcome remarks, and introduced the theme—*Understanding and Addressing Fraud in a Digital Financial System*.

2. Panel I Moderated Discussion on Fraud in a Digital Financial System

Guest moderator Caterina Petrucco-Littleton, Deputy Associate Director for Consumer and Community Affairs at the Federal Reserve Board, introduced the panelists—Jason Kratovil, Head of Policy and External Affairs at SentiLink and Soups Ranjan, CEO and Co-Founder of Sardine—and started the facilitated discussion.

The discussion kicked off with panelists providing brief backgrounds on their companies and their understanding of fraud in the financial system. Panelists discussed how often digital fraud happens, the different ways that it may happen, and methods used to try to identify fraud—notably, understanding consumer behavior and device usage. One speaker underscored the importance of looking at the typology or categories of fraud and who is benefitting from the fraud. The role of social media in fraud was also noted, with different tactics employed to reach victims, such as ads or direct messaging on social media platforms. The speakers noted that increasingly, there is sophisticated impersonation of companies and individuals. It was noted that while scams and fraud may originate on social media, the financial transaction takes place on other platforms.

Panelists were then asked how different financial sector actors approach/address fraud risk. From the panelists' experience, there are very different approaches across different types of institutions—from commercial banks to credit unions, to midsize institutions. Credit unions are often nimbler, and looking toward solutions such as digital identity, while smaller and midsize institutions rely on their core processors, and large institutions have a range of solutions available.

Panelists were then asked, in their assessment, if fraud is increasing or just adapting to the digital landscape. Generally, panelists said that fraud is adapting, which points to the need for greater collaboration and partnership between social media platforms, tech companies and financial institutions to enable data sharing and reach consumers before they become victims of fraud. The actors perpetrating fraud are sophisticated and conduct activities at an industrial scale, with a full end-to-end supply chain of fraud. Until tools to combat fraud are embedded into digital payments—there will continue to be scams and fraud.

An open discussion followed the moderated discussion with IAC members providing additional perspectives and support for the points made by the panelists.

Speakers were asked how fraud risk differs from cyber risk. It was noted that while there are regulations for cyber risk, and organizations to monitor it, there is nothing analogous for fraud. Financial institutions are increasingly looking for the source of truth/proof of fraud. Speakers noted that for fraud prevention to work on a global scale, the financial ecosystem will have to develop an organized approach to information-sharing and exploring the threat landscape, without which every jurisdiction is vulnerable.

3. Panel II Moderated Discussion on Digital ID

Guest moderator Camille Pennycooke-Dieudonne, a compliance and ethics specialist in the Federal Reserve Bank of NY's Legal Group, introduced the three speakers for the second panel: Gail Hodges, Executive Director of the OpenID Foundation; Carole House, nonresident senior fellow at the Atlantic Council's GeoEconomics Center; and, Harish Natarajan, Practice Manager for Financial Inclusion and Infrastructure, Finance, Competitiveness & Innovation, at the World Bank.

The speakers briefly expanded on their backgrounds and opened the discussion of digital identification (DI) as a potential technology and infrastructure solution to combatting fraud in a digital financial system, including in the context of faster payments and financial services transactions.

While digital identity to enable authentication and verification is an important aspect of a digital financial system, speakers agreed that digital identity is not a panacea for addressing fraud in digital financial system. One speaker stressed that the risks of not investing in digital identity are extremely high—if digital identity is not done well, then there is the risk that the fraud and issues present in the traditional finance space are imported into the digital financial system.

In this context, it is important to consider life cycle monitoring and regular risk assessment. There are also different standards/infrastructure for cyber vs. financial crime, and there is not enough information sharing, such that gaps are being exploited by fraud perpetrators. There is a regulatory and policy component, and structural components, both domestically and globally, to widespread digital identification adoption. It was noted that it takes a long time to get to full implementation of digital identity, so there is a need take incremental steps while working toward the final state.

Speakers were asked for examples of solutions and where DI is being adopted. One speaker mentioned City Hub—a community of nonprofits, countries, standard setting bodies that are working to define standards to support the necessary infrastructure for DI. Speakers also agreed on the need to focus on interoperability across jurisdictions, understanding trust frameworks, and deploying the right architecture. One member noted that pace at which DI adoption is taking place is very slow, as jurisdictions need to agree on standards and infrastructure. Another speaker noted that in terms of know-your-customer (KYC), some digital identification use is better than nothing. Ideally something like the concept of GlobalEntry could be achieved.

The moderated discussion concluded, and open discussion followed.

In the open discussion, speakers and members discussed the importance of focusing on efficient multifactor authentication and enabling the right infrastructure. Digital identify may not solve all the challenges of authentication and fraud, but when DI is reinforced, it can slow down or prevent fraud from taking place. A member noted that education is key. For example, two factor authentication is not required by all banks in U.S., and the education piece is not being done well across the industry. Education could create incentives for people to adopt better solutions. A speaker responded that with faster payment schemes, there are many scams because many don't have a good directory of verified recipients, which is necessary to prevent scams.

Speakers were asked how DI changes the liability discussion when it comes to fraud. A member responded on liability, that if there is a widely used and accessible DI infrastructure, policies can be enforced better. Having the same identification usage across an ecosystem is important. In terms of global efforts, there are, for example, alias directories to make payments, and discussions of interoperability of these directories. A member noted that for small businesses, there is a need for solutions that can scale. There are also slow-moving LEI (legal entity identifier) efforts focused on the business side.

The meeting adjourned at approximately 12:00 noon ET.

APPENDIX

Additional Federal Reserve attendees:

Megan Lindgren, Legal	Jean-Baptiste Parmentier, Supervision
Sean O'Malley, Legal	John Rutigliano, Supervision
Beth Caviness, Markets	Sumaa Saleem, Supervision
Magali Solimano, Markets	Elena Ferri, Technology
Amanda Weinberg, Markets	Amanda East, National IT
Christopher Desch, NY Innovation Center	Sunayna Tuteja, National IT
Morgan White, NY Innovation Center	Jeff Allen, Federal Reserve Board
Zareera Bukhari, Supervision	Brett Berger, Federal Reserve Board
Elizabeth Bustamante, Supervision	Rima Chavda, Federal Reserve Board
Emily Dougherty, Supervision	Brian Gattoni, Federal Reserve Board
Sishush Maru, Supervision	Robert Flynn, Federal Reserve Bank of Boston
Jenny McMahan, Supervision	Megan Rodden, Federal Reserve Bank of Chicago
Heidy Medina, Supervision	Elie Azerad, Federal Reserve Bank of San Francisco