



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-103-2005
October 12, 2005

FFIEC GUIDANCE

Authentication in an Internet Banking Environment

Summary: The Federal Financial Institutions Examination Council (FFIEC) has issued the attached guidance, "Authentication in an Internet Banking Environment." For banks offering Internet-based financial services, the guidance describes enhanced authentication methods that regulators expect banks to use when authenticating the identity of customers using the on-line products and services. Examiners will review this area to determine a financial institution's progress in complying with this guidance during upcoming examinations. Financial Institutions will be expected to achieve compliance with the guidance no later than year-end 2006.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Information Security Officer

Related Topics:

- FIL-66-2005, Guidance on Mitigating Risks From Spyware, issued July 22, 2005
- FIL-64-2005, Guidance on How Financial Institutions Can Protect Against Pharming Attacks, issued July 18, 2005
- FIL-27-2004, Guidance on Safeguarding Customers Against E-Mail and Internet Related Fraud, issued March 12, 2004
- FFIEC Information Security Handbook, issued November 2003
- Interagency Informational Brochure on Phishing Scams, contained in FIL-113-2004, issued September 13, 2004
- Putting an End to Account- Hijacking Identity Theft, FDIC Study, issued December 14, 2004
- FDIC Identity Theft Study Supplement on Account-Hijacking Identity Theft, issued June 17, 2005

Attachment:

FFIEC Guidance: Authentication in an Internet Banking Environment

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Highlights:

- Financial institutions offering Internet-based products and services should use effective methods to authenticate the identity of customers using those products and services.
- Single-factor authentication methodologies may not provide sufficient protection for Internet-based financial services.
- The FFIEC agencies consider single-factor authentication, when used as the only control mechanism, to be inadequate for high-risk transactions involving access to customer information or the movement of funds to other parties.
- Risk assessments should provide the basis for determining an effective authentication strategy according to the risks associated with the various products and services available to on-line customers.
- Customer awareness and education should continue to be emphasized because they are effective deterrents to the on-line theft of assets and sensitive information.

