DALLAS FED ROUNDUP

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Security controls addressed

At a recent Dallas Fed conference on computer security, many ideas discussed were aimed at preventing computer fraud. The computer security conference was designed to assist Eleventh District depository financial institutions in ensuring the integrity of computer systems within their institutions.

Participants learned that, of the $100 billion lost annually in financial transactions, 83 percent is lost through electronic funds transfers, while 12 percent is lost through checks and only five percent through cash transactions.

These statistics are the reason the Dallas Fed developed the computer security conference and why the Federal Reserve System plans to encrypt its total national FedWire network by the end of 1987. Encryption is encoding and decoding computer information to make it unintelligible other than between authorized parties.

Speakers with a variety of backgrounds attended the conference to cite individual incidences of computer fraud and how corporations could have curtailed it.

Robert Huber, president of Dataline Corporation, Minneapolis, stressed that employee guidelines and procedures will be what saves companies from this unfortunate white collar crime.

Statistics he obtained from the FBI indicated that seven percent of these crimes are committed by specialists, while 35 percent are done by skilled laborers. "The bulk (58 percent) of white collar crimes are committed by clerical or data entry clerks," Huber said.

Huber cited figures from the Uniform Crime Report as follows: In 1980, 7300 bank robberies averaged a $6,100 loss per robbery, while 6800

(Continued on page 2)

First Vice President William H. Wallace welcomes participants to the Security conference. Speakers Frank W. Abagnale, Jr. (left), author of *Catch Me If You Can*, and Neil B. Ryan, (right) FRB senior vice president, are seated at head table.

INSIDE

Treasury changes U.S. currency

As an additional anticounterfeiting deterrent, the U.S. Treasury will soon modify the production characteristics of United States currency.

The decision to alter our national currency arose out of an acknowledgment of the advancing technology in color reproduction. Widespread access to sophisticated copy machines suggested to the Treasury and Federal Reserve officials that response to this development was warranted.

In announcing the forthcoming changes, the Treasury stressed that no major design or color change was contemplated and reassured that the move would not affect the value and negotiability of existing currency.

A security thread is the main change contemplated at this point. A clear, polyester thread will be incorporated into the paper. It will be arranged vertically, through a narrow clear field on the notes and will be able to be seen with the human eye when held to a light source. Each denomination is expected to have a distinctly identifiable printed pattern on the thread.

On all notes except the one dollar, the thread will be located between the left border of the face of the note and the Federal Reserve seal. On the one dollar note, the thread will run between the Federal Reserve seal and George Washington's portrait. The thread, embedded in the paper used for U.S. currency, will only be able to be detected with transmitted light. Copiers use reflected light and are unable to reproduce the patterns on the thread.

Secondly, there will be microprinting on the face of the note. The words "United States of America" will be engraved repeatedly around the portrait on the face of the note. Few copiers now have the capability to accurately reproduce this kind of microprinting.

These new features are expected to deter the casual counterfeiter and complicate the task of the professional counterfeiter.

Both the new and existing currency will circulate as legal tender. Over time, the old currency will be removed from circulation in the normal course of currency processing at the Federal Reserve banks and branches.

Production of the new currency is scheduled to begin in about a year and the first notes will enter circulation three to six months later.

Security, cont.

bank frauds averaged a $34,000 loss per fraud. Between 1978–80; however, 1102 cases involving computer crime averaged $437,000 in losses per offense.

Roger A. Shaw, Jr., national data security programs manager for IBM's information systems group, Irving, Texas, stated "Outsiders are only responsible for five percent of computer fraud. Fifty to eighty percent of computer loss comes through a company's own employees."

Shaw's main theme was that security is a management issue. It is management's responsibility, he believes, to set and enforce a corporate policy.

Stephen A. Carlton, president of Security Analysts, Inc., Minneapolis, also reemphasized this point by noting that, "In a competitive industry, especially banking, the protection of information is essential. Don't try to do anything (to curtail computer crime) you can't keep up as a program."

The experts stressed that financial institutions label classified information as "proprietary," "restricted," or "private" where each case applies and to try to limit the number of passwords given for each class of information.

They also encourage financial institutions to install recognition and incentive programs in order to keep valued employees on the staff. Carlton added, "When people are careless with information, you can be assured others will use that information." A former employee represents a dangerous threat, particularly if he/she remains in the same industry.

Frank W. Abagnale, Jr., author of *Catch Me If You Can* and president of his own consulting firm in Tulsa, Oklahoma, pointed out many interesting facts about forgery and how financial institutions can alert their tellers to be aware of forgers.

His statistics showed that the average forged check averaged $140.50 in 1985 compared to $26.40 in 1980. "Forgers get 410 times more money than bank robbers and a mere eight percent are convicted," says Abagnale. He also pointed out that since 1954, 70 percent of all white collar crimes have been committed in the last quarter of the year.

Abagnale suggests that financial institutions should be alert of clients who have low balances in their accounts and want to make large check reorders.

Abagnale stressed three points for tellers. First, that they know all Federal Reserve Banks' District numbers which are encoded along the bottom edge of the check. He said that "Nine out of ten forged checks have an incorrect Federal Reserve Bank routing number." Secondly, that tellers should make sure the check is perforated along at least one edge. Finally, that tellers should inspect the magnetic numbers at the bottom of the check because they should not shine or have a reflection (glare) come off them when held under a direct light. "If they do shine, chances are the check may be worthless," concluded Abagnale.

Customer Assistance Division expands

The Federal Reserve Bank of Dallas is pleased to announce the further expansion of its Customer Assistance Division. Effective immediately, financial institutions located in the Dallas office territory will be able to call Customer Assistance to obtain information regarding cash letter adjustments. In addition, inquiries regarding Treasury Tax and Loan accounts, reserve account information on securities debits and credits, and requests for information about cash services will be handled by Customer Assistance. Special direct telephone lines have been installed to speed processing of calls. Institutions located in the El Paso, Houston and San Antonio branch territories should continue to call operating departments directly—except for questions regarding reserve account statements, which can be directed to Customer Assitance.

The Customer Assistance Division serves as a central contact point and will make sure questions and problems are handled and resolved. Currently, questions related to federal reconcilement, verification of reserve account balances for reserve account maintenance and missing bundles from cash letters are handled by Customer Assistance.

Throughout 1986, the Customer Assistance area will be expanded to accommodate questions relating to other Fed services. By handling these questions at a central location, the Customer Assistance Division will be able to serve institutions better and more efficiently. Financial institutions will be informed by circular as each new function is added to the Customer Assistance area.

The Customer Assistance Division was created in January of last year and originally served financial institutions connected to the Bank's RESPONSE network—which provides on-line electronic access to Federal Reserve services. Expansion to serve all types of institutions began this past January and will be done on a step-by-step basis throughout 1986.

For questions relating to the following, call Customer Assistance:

- Adjustments
- Federal reconcilement
- Treasury Tax and Loan account balances
- Verification of reserve account information
- Missing cash letters
- Information of the Dallas Fed's automated cash ORDERECORDER system
- Currency and coin related debits/credits on reserve account statements
- Securities related debit/credits on reserve account statements
- General information on cash services

Customer Assistance Numbers

Local	(214) 698-4246
Texas	(800) 443-1548
Louisiana and New Mexico	(800) 527-9200

Announcement

Effective May 1, 1986, the transaction fee for interregional ACH presorted deposits was reduced from 1.2 cents per item to 1.0 cent per item for the remainder of 1986. This announcement is made with the understanding that the fee may be revised when fees for 1987 are set.

Pennies saved

In a special survey recently conducted for the U.S. Mint by the members of the Epcot Center in Walt Disney World, nearly 12,000 visitors were polled about their coin usage.

The Epcot Poll showed that half of the adult respondents use their pennies daily, but four out of ten save them and nearly six out of ten children save them. More than one-third of the adults reported having more than $10 worth of pennies at home.

Results indicated that more than one-third of the adults reported having more than $10 worth of pennies at home.

In 1985, the U.S. Mint produced 11 billion, 330 million pennies, but not all of those remain in circulation today. One might ask...what really happens to pennies? Well, half of the adults surveyed reported using pennies daily, while half of those who save pennies eventually take them to the bank.

The remainder either say they collect pennies or "just save them." Three percent of those surveyed throw pennies away.

Results indicate that men are more likely to save pennies than women. Also, the younger the respondent the greater the likelihood of their saving pennies.

On average, the adult respondents report an average of $9.93 worth of pennies at home—that's nearly one thousand pennies. Children under 18 report an average of $10.77.

The Epcot Center also reported to the Mint that quarters are the most widely used coin, with half dollars the least used.

As far as the most and least used coins go, nine out of ten use quarters most, while 79% use the half dollar least. Second on the least-used list was the penny.

The Epcot Poll is a daily activity at Epcot Center's Electronic Forum conducted in association with the market research firm of ASK Associates, Inc. Sampling size for this survey was 10,532 U.S. adults and 1,462 under 18.

New Mexico economic conditions

New Mexico is expected to experience difficult times in 1986 and 1987, as national economic forces work against the state, according to Richard Zimmerman, economist for *New Mexico Business*.

Zimmerman believes the state revenue picture will be damaged by the unexpected drop in oil prices. He also believes more marginal producers will stop drilling as their costs surpass world oil prices.

As a result of the Gramm-Rudman-Hollings bill, Zimmerman expects New Mexico's large government sector to remain flat. He sees the effects of Gramm-Rudman-Hollings hitting New Mexico's revenue sharing, social services and defense.

Also, New Mexico's economic growth tapered off during 1985. During the first half of the year the state experienced modest growth; however, with the exception of the Albuquerque economy, the second half was not quite as fruitful.

According to the *New Mexico Business* Current Economic Report, slower economic growth has evidenced in mining, manufacturing, and construction sectors.

Moderate employment gains were seen in trade and services, while growth in personal income slipped during 1985 due to less employment, smaller wage increases and lower interest rates.

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