<u>Panel Discussion: What Should Policymakers Look For?</u>

Male Speaker:
-- the Federal Reserve Board’s Division on Consumer and Community Affairs and it is really my pleasure to host or moderate this last panel. We are going to take a somewhat different approach as we consider this topic of what should policymakers look for. This panel, rather than having formal presentations, is designed to be an interactive session. So we have assembled what I think is an outstanding group of very knowledgeable and expert people representing different perspectives who’ve graciously agreed to participate in what we hope will be a lively dialogue and emphasize this as a conversation between these panelists. And we are going to spend time discussing, maybe a little reflection, on some of the things that have been heard and understood throughout the course of the day but also given an opportunity for these experts to start filling in the work assignments for policymakers in this space.

Let me begin by introducing our panelists. On my immediate left is Bob Hunt, who you heard before, is assistant vice president at the Philly Fed and director of the bank's Payment Cards Center. Next to him is Richard Crone, who is CEO of Crone Consulting, which specializes in helping financial institutions, merchants and others on technological innovations in the industry. Then on his left, is Gail Hillebrand, who is a senior attorney and financial services campaign manager at the West Coast office of Consumers Union, which is the nonprofit publisher of Consumer Reports magazine. And then moving right along is Janneke Ratcliffe, who is associate director of the Center for Community Capital at the University of North Carolina at Chapel Hill. The center is involved in interesting research in a number of different areas. And all the way down at the end of the panel, last but not least, as they say, is Matt Calman, who is the senior vice president and R&D executive at Bank of America, where he leads the Center for Future Banking, if I have everybody's affiliation correct. My job is to be part Oprah, hopefully not Jerry Springer in this conversation.

[laughter]

I don't think there is much risk of that. But we thought we would start off the discussion, since we really have heard quite a bit of information over the course of this day with asking each of the panelists to maybe share with us what a significant takeaway that they have had from the forum thus far. I am going to start with Bob and then we will work our way down the line.

Bob Hunt:
Thank you. Isn’t it refreshing to be having a conversation here in Washington about financial innovations that raise welfare? I want to sort of put a historical perspective on what we have been doing today. It is something that we did a lot in the 1970s, it was called technology forecasting. If we were having this conversation maybe five or six years ago, we might have been talking about this technology and so it is important to be humble about our ability to actually forecast. But even, I think the most modest way to

think about the conversation that we are having, and I will think we will actually do a lot more than that, is that we are going to accomplish at least three things.

First of all, it forces us to examine where we are robust, and where we're weak. And we have been hearing conversations about that in terms of the regulatory structure all day. It forces us to think about a gap analysis in the protections that we've already designed and whether the existing protections are appropriate for the environment that we are talking about. It forces us to think about new competencies that we might need, certainly as regulators. And finally, it forces us to explain to both consumers and market participants the regulatory environment that they are already in. And if we can't easily explain that regulatory environment to market participants maybe that should make us think a little more about what we have built and how we are going to use it in the future.

Male Speaker:
Thank you, Bob. Richard?

Richard Crone:
Thank you. We have seen this movie before and the title is, "Get ready for new entrants." It's here again but unlike any innovation that we have seen in financial services, this one is moving five times faster from every indication that you might look at. In terms of mobile banking and the number of enrollees, in terms of mobile payments innovation and what we term the third wave of mobile, opt-in marketing. But the first two, the self service and mobile banking and mobile payment will lead in to opt in. So when I say get ready for new entrants, I speak from direct and recent experience. I can tell you that our firm has been involved in half of the major merger acquisitions and tier one investments in the mobile banking, mobile payments and mobile marketing space.

I will give you just one example and that is one that you heard vividly, though we had to bring a European example for you to understand it, and that's the role of the carrier. The carriers, like no other entity in the history of payments innovation, bring more existing assets to the table to create their own payment network. In fact, they are a network today, and I can tell you what's motivating them is that their number one concern, right after churn, is their own remittance processing costs. Their number one concern is the cost of processing card-based payments, which in their remittance mix are more expensive. They are motivated for no other reason to help control the cost of their own payment, to bring a new alternative payment to bear.

And when they do, think about what they have in place today. They already have intra and inter-company billing. They already have best in class remittance and payment operations. They already have customer care operations that are 7 by 24 and they own all five of the major channels for delivering the token, in order to enable mobile payment at not person to person, which I would say is interesting from what you might have heard today but from an entrepreneur or a venture capitalist perspective, person to person is a fatal distraction. The end game is a 6.2 trillion that is spent at the physical point of sale. The entity that enables that will win big and the ones that are in place to do this in a very novel and cost-effective way that we have never seen heretofore are carriers.

Let me give you just one tip of the iceberg. Even though they are concerned about card-based payments, most of their bills today are still paid with a checking account instrument, either a physical check or an ACH through an auto debit or an ACH through their website. Of the physical checks that they receive, all of them are converted to ACH through accounts receivable conversion, ARC. They have held that ARC information from its inception not just as, and I don't know if Janet is still here, not just as to keep that for four years, they have kept that data from inception. That is the routing and transit number and the debit and deposit account number. Those DDA credentials are like a fine wine waiting to be uncorked to turn on decoupled debit. And if you don't understand decoupled debit and if you are studying the mobile area, you need to. Because those things go hand in hand and a carrier through a flip of the switch, through pre-populating these credentials, by allowing the consumer to simply check here to turn on a decoupled debit account could change the game, literally, overnight. Why is that? Because mobile is disruptive, we can go from card-based payments to phone based payments overnight. But the most important thing to remember is that we can go from bank based or even network managed operator or carrier to self organized.

And so that is why there are more than a hundred well funded start ups from our estimations worldwide more than 400 million dollars invested in them. Several of them still in stealth mode today with very disruptive approaches that will not involve NFC, will not involve a merchant installing near field communications in tap and go technology at the physical point of sale. It will involve something that is open and readily available on the mobile phone device today. So this is coming.

We saw and learned from several cases where we looked to Japan, where NTT DOCOMO entered the market by seeding phones with NFC and building that out. Then they bought a bank. That could happen here, though Jody may not agree. I mean, MasterCard with a market capital of about 25 billion could easily be a tuck in for ATT with a market capital of 250 billion. Okay, Bob says there is A and D stock [spelled phonetically], what about Discover? With nearly two billion still in cash, ATT could almost make that an unreported transaction. If you see a carrier buy a payment network or edges of a payment network, game on. And so get ready for new entrants.

Male Speaker:
Thank you, Richard. So Gail, takeaway from today?

Gail Hillebrand:
I think that takeaway for me came when Lewis and Jennifer Tetra said that there is an account there somewhere. From the customers point, from the bank lawyers point of view and the regulators point of view, there is debit, there is credit, there is pre paid, there is a ghost to your cell bill, but from the customers point of view there are only two things going on, either I pay now, I debit either my prepaid deposit to my phone company, my prepaid deposit to my prepaid card or my existing bank account that I have linked up to my cell phone, or I pay later. That’s debit and credit. We have two excellent statutes in the U.S. The Fed has very broad power to interpret those statutes. It’s the EFTA and the

Fair Credit Billing Act, that address debit and credit. When we were on our prep call people said, “Let’s have collaboration,” you know, when I hear collaboration, I hear 10 years of meetings, and I think there is an opportunity here, and we will talk about it more as we go forward, for the Fed pull the existing legal boxes together in mobile and to avoid the problem that we now have with prepaid which is that there is a hole in between the boxes. There are things that people are using just like bank accounts that don't quite fit into EFTA because the Fed has not gotten around to modernizing its interpretation of what is an account, something that is fully justifiable in the statute but they haven't done yet, outside of the payroll card context.

So there is an opportunity here to make all of us come to the table and tinker with the rules by the Fed pulling those two boxes together, EFTA and Fair Credit Billing, and saying it is either debit or credit and if so it is in one of these two boxes and then industry, consumers, everybody come to us and tell us what else needs to be fixed, changed and nuanced. I think that is the potential game changer on the regulatory side is don't wait for consensus between the banks and carriers, don't wait for consensus between the banks and consumer groups, don't wait for SSI receipt type of process plus the SEC, lets apply the law we have and then deal with what else has to be addressed.

Janneke Ratcliffe:
Thank you. I am not a -- didn't come here as an expert in mobile banking, and I hope to learn a lot and come away with some clarity as to exactly what it is. And I have learned a lot, as far as the clarity, still working on that. But I have a lot going on in here, and I kind of wanted to relate it to what it is that we study at the center, which is interface between financial services and moderate-income consumers.

So I want to take it a step beyond what Gail was talking about and what Jennifer mentioned as a sort of something on the other end of this conduit and that is what we need to regulate. I am thinking about my cell phone, and I think I am the one who told the previous speaker that I love my cell phone. It helps me find my way. I can check in with my kids from a meeting in D.C., whether their sleeping or in class. It's my personal trainer, and I can even follow my dog Tweets if I wanted to on it. So I try to think a little bit about applying this new paradigm to not only that it’s just another conduit but maybe how it can be a better conduit, especially for the on and under banked.

So just a couple of examples that came to mind today is that a big obstacle for the unbanked is difficulty managing your account and avoiding overdraft fees. And if my bank doesn't want to tell me when I am about to overdraft, I bet my cell phone will be able to find a way to do that for me. Another example of big challenge with financial education is that it is hard to get a situation and need-specific delivery method and content for everybody and every different situation when they are conducting any kind of financial transaction. Seems like we heard today that the phone is real time and available information at the moment of truth. So I think that is what I am sort of thinking about out of here, how do we apply the behavioral insights into making the mobile banking a better way to do the right thing, keeping in mind that there is a fair amount of risk that it could also become a way to make it easier to do the wrong thing.

We haven't touched on -- I don't think we have touched on debt and borrowing at all but there has been some SMS text message pay day loan that you can get in other countries. That you could be sitting in the bar at 3 a.m. and decide you need another one hundred bucks or something and the next thing you know you have a high-cost loan on your cell phone bill. Something to just keep in mind. Then I think the overseer role would be around encouraging the development of this technology as a positive force as well as just a defensive posture.

Male Speaker:
Thank you. Matt, I can barely see you down there, but I know you are there.

Matt Calman:
So greatly a positive force for change versus a defensive posture, so Bank of America has a lot of interest in this space. We are a very large mobile banking provider with four million plus active customers. We are a very large card issuer in the U.S. and the U.K. And so, I am riveted by what Richard said just a minute ago; you knocked me a little bit off balance. But I think what I want to focus on, if I may, is talking about the customer experience and the research we are doing at MIT at the Center for Future Banking in terms of what are some of the enablers out there. I have heard of these mentioned throughout the day, these concepts. Social savings, so creating savings plans across social communities, or one that we have a student working on called accountability that helps you connect your social responsibility wishes with your spending patterns to try to direct your dollars to vote with your pocketbook with those companies and products that you care about. These are capabilities that really are possible today in the real time of day-to-day commerce. Discussions today about identity, we have a very big interest in sort of developing this or understanding what is a rich identity. And not you as only an individual, but you within your social network. How do social networks work? How does commerce change when you look at it with viral aspects as opposed to just an individual acting on their own?

And I think that -- I really like -- Jim Van Dyke review and release and sort of real time alerts and real time control to help fight fraud. It really was a very 0-- I like the way he sort of boiled it down that so many fraud systems are based on getting inside the mind of the customer. Well, you know what? He is on line, she is on line and you can talk to them in that moment of truth and what a valuable ally they are in protecting themselves and protecting the institutions that are involved in what is going on.

Likewise, I am hugely encouraged in hearing my partners up here talk about and our panelists earlier, that we really have got a lot of regulation and a lot of law there that establishes that how these payments -- how payments work in the United States. And there is not necessarily a need to create a whole new body of work to define how payments will work in a mobile space, but rather, let's see how the rails that exist fit correctly, let’s analyze the gaps and the in betweens and then lets tweak as need be to facilitate commerce.

I guess the last point, there was a bunch of charts, sorry I forget the presenter who had -- it was Vic, I think, who had some great charts that basically showed everything going [unintelligible] everything going for the moon and we really believe that is the case. It is going to happen when it breaks; it is going to break like crazy. At the last Fed meeting in Atlanta, we talked about fund raising for Haiti and suddenly in that point and time there was $25 million that had been raised in $10 increments in a course of days because the process was ubiquitous, everyone can text. It was frictionless. All you have to do is type in the right five digit number, and it was available. And so as soon as we do that and create that kind of network, the uptake will be explosive and we have got to be ready for that.

Male Speaker:
Just a footnote on that Haiti example, that was two weeks for that $25 million compare that to the Katrina efforts, it took three months to raise $250,000 through the mobile channel. So we are all doing mobile payments already.

Male Speaker:
Well, as I telegraphed, we have a diverse panel, and I think from their opening comments and their takeaways you heard the diversity of views that reflect a lot of the various strains of conversation that went on throughout the day. So let me give an opportunity -- does anybody want to respond to anything that anyone else has said? I want to encourage you to jump in here. Go ahead.

Male Speaker:
I would like to use another example that dovetails with what Matt was saying. The communication aspect of mobile finance is essentially ready right now. We have a visiting scholar in Philadelphia, John Zimmie [spelled phonetically]. He is actually a professor at Dartmouth. He has this great study where he is working in the Philippines, and it’s a very simple exercise. Twice a month they send a text message to a person and they remind that person that they are supposed to make a deposit in their savings account. That's all they do. They followed these people for a couple of years and low and behold, they find that simply reminding people to deposit money, which they still have to do with their feet, has an effect. They save more and that's pretty much the only insurance that these people have. A very powerful technology that doesn't cost very much to deploy. That kind of technology can be used in the credit counseling environment in the United States today that might improve the ability of people to stay on their plans for example, which would have an immediate effect in these times.

Female Speaker:
I wanted to comment on the point about the unbanked. I do think that there is tremendous potential here to serve people that the current banking system either doesn't want or hasn't figured out efficiently how to reach and serve. I am also reminded that we had a project at Consumers Union for a number of years called Cell Hell, which addressed problems that consumers had with their cell phone bills, dispute resolutions and other problems. We need to make sure that as we open this channel up as a service opportunity for the unbanked, it’s a first tier channel and not a second tier channel. And

dispute resolution and recredit are an important part of making debit safe for every consumer but especially for consumers who have limited, can't afford to lose the money. And if we don't do it right, my personal nightmare is instead of seeing punch on your cell phone or send a text to debit now, we won't get the bill until later on when you punch in your cell to borrow money and that will be problematic in many other ways.

Male Speaker:
Thanks, any other response?

Matt Calman:
Yes, I would add in customer care when it comes to whose customer is it anyway. Customers are not always going to care if Bank of America is their issuer or not, they are going to call ATT because they use their phone for that payment and something went wrong. Or likewise they are going to call Bank of America because we're their bank and maybe their used an American Express card, or they used someone else's payment vehicle, but they are going to call us anyway. So I think there has to be a readiness to understand the implications of these syntheses of all these networks into one. That it is not going to be sufficient for us to say, "Well, you need to call your mobile carrier to resolve that problem." That's just not going to cut it.

Male Speaker:
Well, I think that sets a lot of the context perhaps for leading into this question, this panel is entitled what should policymakers look for. I should say in convening this we are very pleased that we are joined by a number of other agencies here in Washington, D.C., who have been participating throughout the day, including the FDIC, the Office of the Control of the Currency, the Office of Thrift Supervision, Federal Trade Commission, the Federal Communications Commission, and I believe the SEC, and I may have left out somebody unintentionally. But a very active listeners and, in fact, we have had a number of people from our division listening very carefully to the discussion as well.

So to kick off this discussion of what Washington policymakers should look for, we thought we would ask the panelist to respond to this question and really give an opportunity for you people to do a little back and forth. From a consumer standpoint, what would be the most helpful thing that Washington and that includes the Federal Reserve Board, can do regarding mobile financial services? One thing, most important and in their opinion as well, what would be the worst thing that Washington, D.C., could do? So who wants to tackle that question first? Do we have any takers?

Bob Hunt:
So I would offer that we are starting down the right path, and that is the Federal Reserve has a demonstrated power to convene. Obviously, this room shows that. And we had a prior meeting with the combination Fed Atlanta and Fed Boston put together to likewise bring together the talk, all the threads in the terrific plaid that we are building of mobile commerce.

And it's -- I think that it is important to remind the new entrants that this is a regulated space. I think, I have certainly at the last meeting met some technologist who are down the path of building a potentially very powerful mobile commerce engine. And really, Reg E, Reg Z, that's alphabet soup to them. It's a technology problem and they are going to create an open and ubiquitous technology that is going to make payments work better for everybody and that's their point of view. We need to make sure that they understand that, fine, we want the innovation there; we want you to do it in partnership with everybody else. That doesn't mean that we have to take years to debate what a mutually acceptable solution looks like. But it does mean that the cutting edge innovators need to understand what they are getting into. And so the Fed serves, I think, a foundational role in helping to establish that umbrella, rolling out the welcome mat for all comers but as well being, I think, I heard the term earlier, a paternalist central banker's view in a benevolent -- we use the term the benevolent eight hundred pound gorilla, to help bring together all like parties and have us work together.

Gail Hillebrand:
I think that the most important thing that the Fed could do now is to issue some clear interpretations. If you are putting a charge on the phone bill to be paid later by a customer, that is Fair Credit Billing Act. That -- if there is going to be, well maybe it's not [unintelligible] the Fed could say that is a card, in the nature of a charge card. The phone is acting as a card, how different is that really from the old fashioned AmEx card, when you get right down to it? In addition, Fair Credit Billing Act covers when there is or maybe a finance charge. If you pay that phone bill late, you are probably paying some kind of late fee and, you know, if your late fee on a credit card is interest and finance charge under smilee [spelled phonetically], I don't understand why this can't be finance charge as well. And that would give us some certainty on the pay-by-phone bill side, because what consumers would get out of that is, I don't owe the money if it wasn't me. I have dispute process. I have a clear timeline for action. I don't have to pay in the meantime until that dispute process has run.

On the Reg E side, if you track through the various requirements, let's start with the telephone exception, the statutory exceptions for transaction initiated by telephone conversation, even though the reg says communication, it's not just conversation, I think you have plenty of room there. In addition, the telephone exception doesn't apply if it is subject to a -- or pursuant to a written plan for recurring or periodic. Well, what is mobile payment? It is not a plan for recurring or periodic, whether the plan is with your bank or with your mobile payment provider.

I think you do have to get over the question about the consumers account. EFTA was written at a time -- it doesn't actually refer to the consumers account, it refers to an account for personal, family or household purposes. If I put my money into prepaid phone account, and you put your money in and all of you put your money in, that account really is established for our mutual personal, family, household purposes, even though it's not held in our names as an individual account. And I think it's probably time for the Fed to reinterpret the meaning of account under Reg E just as it did for payroll cards, for both prepaid card and for prepaid mobile. And that will give consumers most of the protections that we need. I mean, we can tell if we send in the money and it is not there, we know that I am pretty sure. If we ordered the payment and it doesn't go, we know that because the merchant won't give us the goods or, you know, someone comes after us for it.

But the stuff you can't tell us is what is going to happen if the money goes through twice. What is going to happen if it goes through in the wrong amount? What is going to happen is someone else orders a payment out of my prepaid deposit? And those are the things that Reg E gives us. And that would give a baseline level of consumer protection that will let all of us to focus on how this technology can be used as a plus and not a new risk. After you do that, I think there are going to be some very hard questions about what the depository institution and to what extent are the phone companies or anyone else who is soliciting significant quantities of funds, amounts significant to the individual to be held for future spending really engaging in the activity of deposit taking. I think that should be the next question.

Female Speaker:
I just want jump on Gail's because I don't have anything as specific to say as she has, but I do think it is important to take a regulatory perspective across all these various silos of things. I mean, I think that this idea of the cell phone companies just as a whole another set of potential regulators, and we have seen the dangers that come from regulatory arbitrage and sort of confusion over who has the ball. So regulating from the consumers point of view back up and I don't know how you know what kind of consumer, maybe it is the CFPA, maybe it is come kind of council that you set up around this issue but to try to head off the dangers that come from regulatory arbitrage.

Richard Crone:
We know that payments is a two-party market. It is a complex, multi-dependent market. Are there any merchants or retailers represented in the room, show of hands? Look around you. This is what we call in consulting, a finding. It's a multi-dependent market, but the lion’s share of the market is the 6.2 trillion spent at the fiscal point of sale and the Fed, if we are looking at policy, needs to look at all the stakeholders. And one of the most important is the merchant. All new payment types, granted it is a multi-dependent market, all new payment types get started with merchant acceptance. And merchants are up in arms about the cost of cards, and they are using and looking for mobile to reduce that costs and take control.

My dad, Ken Crone, was involved in the launch of Bank Americard in the late ’50s; he tells a story about Bank of America trying to launch Bank Americard. At the time, there was another faction, a group of merchants trying to launch. We all know what happened, the banks won out. But there has always been a smoldering flame and I can tell you that flame is now been fanned with mobile. When there are groups of merchants, big merchants, merchant consortiums, billers and carriers are merchants as well, looking to use mobile to create their own payment network, in innovative ways.

So I would say for the Fed, from a policy standpoint, is look for new models and be tolerant and lenient but cognizant of new models. I will give you just one specific example. Today, from a retailer's point of view, the point of sale is the point of everything. And they are trying to reach out to the customer before, during and after the sale, and mobile can do that. They can do it in a way that is not spam, that's not mass marketing, but is mass customization where the consumer signs up for the alerts and offers and product promotions and brands that they would like to receive before the transaction, during the transaction and after the transaction. And the rates paid for that advertising traffic is the highest in the economy.

The CPMs for opt in, user defined mobile marketing is in the order of magnitude 15 times higher than most mass communications models. And so there are companies now working to fund, even pay for the freight of payment processing through this opt-in marketing. Not much different than you may have observed through Virgin Mobiles Sugar Mama program, where you sign up for ads, define the brands and the products that you would receive in return for receiving air time minutes. Look for new models.

Male Speaker:
I just want to emphasize something that Gail and Denise were saying earlier that one thing that has to be clear for consumers and participants providing these services is who is responsible for dispute resolution and that part of the pie is properly incentive to be responsive to that. We have models in which some of the players are agents and those agents need to be managed. And we need to make sure as regulators we make sure that there is an incentive to manage our agents in this process.

Male Speaker:
Any other thoughts?

Female Speaker:
You asked about the best and the worst thing. [Unintelligible] I want to comment on the worst thing that Washington could do and that is form another committee and talk for five years.

[laughter]

Male Speaker:
I was waiting for someone to say that.

Female Speaker:
And the reason that I say that is that these products are developing really fast. People who texted for Haiti, you know, last month are going to be trying to get the next Harry Potter book or the next, the Avatar screen saver, and there is going to be more fraud with that then trying to fence a donation needed off someone else's cell phone. We need to get ready for that with clear and simple dispute resolutions. We also need, baseline consumer protection really does support healthy innovation. It removes the bias to design the product to fall on one side of the line or another. It puts banks on a level playing field

with the telecom because banks are already, I think for reputational reasons, are going to have to do a lot of the things that the statutes require. I think it is cheaper for the developers, because if they know what the rules are they can design to the rules at the beginning instead of having to back design the product later. And, of course, it promotes confidence and gets us beyond the early adopters to the mass of people that we want to use your product. So I think that the worst thing that we can do in Washington is talk and do nothing. And, you know, 1997, when the Treasury did that press conference, it was a long time ago and we are still trying to solve the prepaid problems.

Male Speaker:
Of course, policy can take a lot of different directions and also be used to facilitate or promote things. There is a lot of conversation in the earlier panel about the applicability of mobile finances to the unbanked and the underbanked. Are there things from a Washington perspective that could help facilitate and encourage the use of these new technologies as a tool for expanding access to the banking system and the broader payment system?

Male Speaker:
I think absolutely, if you look at mobile itself, it's not just one channel. If you count up all the different ways to connect there are 17 channels. Ten of those are open, meaning that they are readily available today, doesn't require any carrier or stake holder cooperation. Seven of them are closed. Let me give you one example of a closed channel, downloadable app, the one who loads it is the one who controls it. NFC, the one who loads it is the one who controls it.

And so, as you look at being a financial institution or a financial services provider in any shape or form, looking to mobile the first place to start is getting the mobile number. Of every financial institution that we have done the mobile strategy for, not a single one had a field on their central information file for a mobile number. Their new account applications didn't have a prompt for the mobile number. If you want to do mobile and serve the customer with these new features, you have got to have the mobile number and right now the only entity with all the mobile numbers is the carrier.

And so if we are talking about serving any segment with ubiquitous access across at the least open channels of mobile, we have got to start by populating and making sure that the customers profile we can reach them with the mobile number.

Female Speaker:
I think another way to build acceptance of these new methods for customers who are trying for the first time, is to make it really clear that you have to sign up for it. We all think of that in the banking world, you can't send a live activated card to someone. But on the mobile side, we need to make sure that there is a clear ethic for opt in, not for opt out. Great if you have NFC you should be able to turn it off, but you shouldn't have it on your phone and not know that it is there. So we can start there. I think it is also helpful to talk about caps and colors, to talk about the possibility of the customer being able to set their own limits, yes, I want this on my phone up to $10 per transaction or I want this

on my phone up to $50 a month. After I have had this on my phone for six months to a year, I probably will change my mind and take the cap off, and that will help.

I think that there will be some tricky issues with family plans. All of you who have teenagers and those folks who have friends and their cell phones go everywhere, it is one thing to say that you want to be able to pay for your parking when you visit Vienna; it is another thing to have your kids doing god knows what and all of his friends too on the family plan and have it show up on your bill. So I think there are going to be some other issues on customer control that will make it more likely for this to be acceptable going forward.

Matt Calman:
You actually mentioned that -- I have never thought of that concept that the payment credentials would go with the family plan and not with the handset. We tend to get very hung up on the hardware and thinking you can see the secure element and loading the secure element with payment credentials. That one will make me think for a little while, too, in terms of how do you deal with that. But the two items of the discussion points that came up earlier today, one is the mobile only enrollment. I think we have to get, we as an institution, have to get to the point where mobile enrollment is a standard. And as well, I really enjoyed the discussion on the modernization of disclosures. Because small screens make it impossible, if you go to -- if anybody has an iPod of a modern version, go and look at the legal disclosures on the iPod, and it is fun to see how far back some of the intellectual property goes, indicated in there back to the'80s and '90s. It is page after page after page and it plays music.

[laughter]

So you get my point. The last point, at Bank of America we are focused on trying to create disclosures that are more straight forward and understandable, you have seen our clarity commitment on mortgages and on cards. We think that is just the first step, having interactive disclosures. I am surprised that no one mentioned disclosures by email. We talked about you would maybe by phone and we would mail you something by paper but we didn't talk about email or some sort of secure email box as a delivery mechanism for full, legal disclosure. So I think we will probably see some intermediate steps along the path to what eventually has got to be a paperless and virtualized process. Maybe that is 10 years out, but I think that only a natural conclusion to where we are headed.

Male Speaker:
Well, I am going to open this up to a broader interactive discussion, involve all of you in the room in a minute or two, but I did want to ask one other question to the panelists, which is this, that it seems inevitable in every new innovation there comes a potential for undesirable players to operate in the marketplace, the so-called low roaders, as they are sometimes called. What can we do? What needs to be done? What we should we be telling policymakers to address, we are trying to minimize these outcomes?

Female Speaker:
I am just going to jump in here, I am not sure that I have a fully formed answer for that and the last question is sort of running all together. But, you know, disclosure and transparency are not one and the same thing. So I think that there is a policymaker role around transparency, and I don't think that the market is automatically going to go to transparency. I mean, I am not sure what scares me most, my credit card company, my bank or my cell phone company, in terms of whose bill is going take, you know, sneak away money out of my pocket. And I think it is probably good that they are competing because if they ever got together and put their heads together, it would be really scary. So I think that there is a role for making it into a system that has trust and transparency in it. I don't think that I have a concrete plan right now, but I think that that should be the focus.

Female Speaker:
Alan [spelled phonetically], I would just add to that, we are going to have theft, we are going to have counterfeiting, we are going to have unauthorized charges and we already have those problems in the cell phone specs in regard to telecom services, there is a name for it, it is called cramming. But we are also going to have the possibility of the kind of -- there is a so-called service, but you didn't order it, not the pure theft but kind of the scammer theft, and those folks have a long history of moving to the weakest payment channel. They moved between the demand raft and then to web intel and then back to demand draft. We are going to see those folks and so the clearer the rules are, the customer has one place to go to get it off right away and somebody in the system who has incentive to police is left holding the bag, the better policing we are going to get of that system.

Male Speaker:
I would say the other thing to be concerned about from the consumer protection standpoint is being protected from undesirable service. The game has changed with mobile, the customer is online real time and expects on line real time access to their data, not delayed memo postings and things that -- and large dollar posts in order to draw the balance down to zero real quickly. The other is that they want their communications preferences recorded and acknowledged and used.

I just mention that there are 17 channels on mobile. That increases the average banks channel management by four fold. Seventeen channels. And so consumers want to be able to specify which channel is preferred, when they receive a communication, how often and the channel preferences go into content preferences. Let the customer define what information they are going to receive and what information will be appended to that account information. It's both a revenue and a service opportunity for the financial institutions but it is something that generally has to come outside of the core, as Ginger and I discussed, these legacy systems may be 30 years old and this middleware needs to be designed in order to avoid the undesirable service.

Male Speaker:

I would say, I am not ruling out the possibility that you are going to get undesirables. I think that Gail actually gave the living example of where this does pop up already on telephone bills. There are a lot of other areas in consumer finance where I think it is a much worse problem and it is generally a common ingredient. If you don't need a lot of capital to enter and you don't have franchise value and you have a regulatory environment that is not sufficiently staffed, then you will have exactly that kind of outcome. In this particular application, most of the people that are going to be involved in the infrastructure here have to be pretty well capitalized, and they are going to have to have good reputations. If there are going to be problems look for the low barriers to entry, rapid in and rapid out and that is going to be the part of the market that you are going to be monitoring regularly.

[end of transcript]