

Sandra Braunstein

Female Speaker:

Welcome everybody to the Fed. I know Anna did a nice job this morning of welcoming you. And I was here early this morning for a little while, but unfortunately I had to leave. We have a few other things going on at the Fed these days --

[laughter]

-- as you might know from reading the newspapers. And one of them happens to be that the Chairman has his Semiannual Monetary Policy hearings the next two days. So I've spent two and a half hours in briefings for him. So that kind of took me away from where I, you know, really wanted to be, which was here. But I hear you had a very productive morning.

And, you know, given all the challenges we're facing at the Federal Reserve right now with things going on, it would be easy just to focus on the current challenges and the recent past. But, frankly, as Dave mentioned, we are committed to looking out for new issues. In our division, in fact, we set up a cross-disciplinary group, which basically, their charge and their job is to collect information and analyze that information from a variety of sources, and identify new issues of significance that are important to consumers and where consumer protection is an important issue. And this group has been monitoring the developments in mobile banking and mobile payments for some time, and this outgrowth is actually a forum of that emerging issues group that we set up.

We see a lot of potential benefits for consumers through this new technology. Consumers will probably be able to conduct transactions more conveniently, more quickly, and with more real-time information. But -- and this may all help them make more financial, better financial decisions. Also, if mobile technologies succeed in driving down costs for banks and merchants, consumers may ultimately benefit from that, too.

There may be opportunities to educate consumers. For instance, with the development of applications they provide transaction-specific financial education opportunities. And we know from the uptake of mobile commerce in other countries that there may be opportunities to reach consumers who are currently not part of the banking system. So we're excited to see the possibilities out there. But we also realize and recognize that there are some risks. And there's still open questions about existing consumer protections, and if these existing protections have kept pace with technology, and what may need to be changed. Security, privacy, identity theft are all issues that are certainly high on our list of possible concerns. And we're going to hear more about these issues this afternoon.

But there's other issues of concern that we need to be mindful of. What are the implications, for instance, for traditional disclosures if consumers, you know, begin applying for loans by telephone? It's hard to imagine a consumer disclosure form for a loan, for a mortgage, or even an auto loan being on a telephone screen and being able to

be understood by consumers. So that's something that's going to be interesting to explore. We're also painfully aware that any time there's money to be made there are unscrupulous players in the marketplace that are devising scams to separate unsophisticated customers from their money. So what's the potential for that in this space?

We also want to make sure that existing consumer protection laws are still meaningful in a mobile era. Are there elements to the Fed's rules on electronic payments and depository accounts, for instance, that may need to change in the future? What's the intersection between regulation of banking, commerce, and telecommunications? We seem to be at a junction that is similar to what we witnessed a number of years ago with the advent of online banking, where institutions were experimenting with various technologies, partnerships, business models, and pricing structures. Just as the online banking services eventually became all but universal and widely accepted, we expect the same potential for mobile banking. But, the acceptance by consumers could take place much more quickly than it did with online, because the incremental change from online banking to mobile services may be less of a leap than it was from bricks and mortar to online banking.

Because this evolution may be rapid and broad, it's critical we make sure there are not gaps in consumer protection measures. The Board recognizes the need for balance between innovation and consumer protection in this emerging issue. That's why we gathered a diverse set of viewpoints from a broad range of experts in the mobile field in order to have proactive thinking about potential changes in the regulatory structure. The Fed will continue to closely monitor the quickly evolving mobile finance space in order to be prepared for consumer issues that may arise. And, for this reason, I want to thank all of you, both the speakers and the participants, for coming today, and sharing your perspectives with us.

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