

### **Conference Purpose**

The National Consumer Protection Week Conference is a yearly Bank-sponsored symposium for consumer professionals including bankers and community-based organizations in New England to discuss recent developments in consumer laws, policies and practices. The goal of this year's conference is to heighten public awareness of the significant changes in the U.S. payments system. The conference will focus on three areas: 1) The Debit v. Credit Controversy, 2) Check Truncation: New Check Processing Systems, and 3) Innovative & Future Payment Systems.

The collaborative partners of NCPW are the Federal Reserve Bank of Boston, Federal Deposit Insurance Corporation, Massachusetts Attorney General's Office, Massachusetts Consumer's Coalition, and Consumer World.

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### **Welcome and Partner Acknowledgement**

I am delighted to welcome each of you here today. I want to thank our partners for working with us to put this conference together (FDIC, Massachusetts Attorney General's Office, Massachusetts Consumer's Coalition, and Consumer World).

### **FRBB Outreach and Role**

Every year, the Federal Reserve Bank of Boston works with our partners to host a National Consumer Protection Week Conference. The event serves as an opportunity to convene our consumer professionals in the region to discuss the latest consumer-related issues so that they can be more informed when they work with their constituents. Last year, our discussion was modeled on a story about a couple that rode the economic prosperity of the 1990s, but did not plan well for the economic downturn of 2001. Panelist addressed issues in the area financial planning. This year, our panelists will address the many changes that are taking place in the U.S. payments system. The U.S. payments system is the network established to exchange monetary value between consumers and

businesses, usually resulting in electronic debits and credits between institutions. Checks, debit cards, credit cards, direct deposits, and other electronic payment choices account for more than 95% of the non-cash transactions on an average day.

As the chair of the Federal Reserve's Financial Services Policy Committee (FSPC), I am close to the policy decisions that are being made as a result of shifts in payment choices by consumers. The FSPC is responsible for the overall leadership of the twelve Federal Reserve Banks' financial services activities and related support functions.

The Federal Reserve Banks play a large role in the U.S. payments system. Financial services is the largest of our three primary functions—the other two being research and monetary policy. We process checks, distribute cash, and provide other services to financial institutions. In 2002, Federal Reserve Banks handled close to 42 percent, or 17 billion, of the 40 billion checks written in the United States.

### **A New Era in the U.S. Payments System**

Consumers and businesses are making different decisions about how they pay for goods and services. With the arrival of new technological tools in the financial marketplace, consumers and businesses can now pay for virtually any product or service by clicking a button or swiping a card. With these options at their fingertips, they are writing fewer checks. Checks still remain the most popular form of noncash retail payment, but the numbers are decreasing. From

1995 to 2002, check volumes have been down by 20%, from 50 billion to 40 billion. Estimates show that this trend will continue in the future.

We welcome the new ways that consumers and businesses are handling their payment obligations, as we see them as more efficient and convenient. Processing paper checks can be very expensive. It involves labor-intensive work, and is prone to delays. For example, snowstorms, like the one we recently had, can delay the delivery of checks due to transportation problems, power failures, and other mishaps that slow check collections and processing. Electronic payment is more efficient, reliable and safe.

But even with these technological advances, people must still be prudent about the financial decisions they make for two key reasons. First, the way they choose to pay can be costly—not only for them, but for the retailers and financial institutions with whom they conduct business. Consumers must be aware of the fees associated with the different payment choices they make.

Second, we also know that no matter what form of payment—electronic or written check—consumers and businesses use, they must be careful with their financial information, as the threat of identity theft looms large. The FBI calls ID theft one of the fastest growing crimes in the US, with an estimated 500,000 to 700,000 victims each year. We recently published an ID Theft Brochure to help consumers understand what ID theft is, how it happens, how to protect themselves, and what steps to take if their identity is stolen.

**Closing**

Today's conference will provide you with a chance to discuss the challenges and opportunities in the changing U.S. payments system. The three areas of focus will be 1) The Debit v. Credit Controversy, 2) Check Truncation: New Check Processing Systems, and 3) Innovative & Future Payment Systems. The expert panelists will discuss the issues in these areas, what each will require of service providers like the Fed, and how they will effect consumers and businesses. Enjoy the program.