

PAYMENTS SYSTEMS IN THE GLOBAL ECONOMY
34TH ANNUAL CONFERENCE ON
BANK STRUCTURE AND COMPETITION

Chicago, Illinois
May 7, 1998

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Press Briefing

- Thank you for coming. Joining me are Curt Hunter, Chicago Fed director of research, and Jack Wixted, head of Supervision and Regulation.
- Not even half way through conference, but think it's gone quite well so far.
- Thank Curt and his associate, Doug Evanoff, for organizing another outstanding conference
- Consistent with conference's 34-year tradition of excellence. And consistent with its reputation as the nation's leading conference dealing with public policy issues affecting the financial services industry.
- To start off would like to take a couple of minutes to review what we've heard so far.
- Managing risks in the payments system was a recurring theme during this morning's panel discussion and the keynote address by Chairman Greenspan.
- Each speaker noted that the payments system is the lifeline of the economy, the circulatory system that allows the overall economy to efficiently function.
- The primary objective set forth by each speaker was essentially the same—we should do everything necessary to allow for a payments system that:

One — supports rather than hinders economic growth;

Two — facilitates rather than exacerbates problems during times of financial stress; and

Three — responds to, rather than resists, changes in financial markets, technology, and the overall economy.

- We also heard an overview of the Fed's review of its role in the payments system.
- As Alice Rivlin explained, the Fed held extensive discussions with both users and providers of payments services.
- Based on this feedback, the committee concluded that the Fed should continue to provide check and ACH services and play a more active role in encouraging the transition to electronic payments.
- We also heard the Bankers Roundtable's strategies to aggressively pursue the advantages of electronic payments.
- And representatives from the New York Clearinghouse and CHIPS discussed their strategies.
- Sessions this afternoon include discussions of the growth in electronic payments and the outlook for growth in check usage.
- Estimate being presented at one session is that the share of non-cash transactions that are electronic will increase from 23% in 1995 to nearly 50% by 2010.
- So we should see a faster rise in electronics. And our economists here at the Chicago Fed project a decline in check usage. But checks will be with us for many years to come.
- Looking forward to sessions later today and tomorrow.
- Curt, Jack and I will be happy to take any questions.