

Statement for the Record
Of Marla Blow, Assistant Director, Card and Payment Markets
Consumer Financial Protection Bureau
Before the
House Financial Services Subcommittee on Financial Institutions and Consumer Credit
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On behalf of the Consumer Financial Protection Bureau (CFPB or Bureau), thank you for the opportunity to provide this statement for the record about mobile payments.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires the CFPB to regulate consumer financial products and services under Federal consumer financial law. Our mission is to make consumer financial markets work for consumers, honest businesses, and the economy as a whole. In carrying out this mission, the Bureau has a key role to play in the regulatory, supervisory, and oversight regimes governing mobile payments.

Many interagency partners have substantial roles in overseeing the mobile payments market as well. The Bureau is engaged in ongoing coordination with the Federal Trade Commission, the Federal Communications Commission, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Office of the Comptroller of the Currency, the Treasury Department's Financial Crimes Enforcement Network, and state banking regulators. We are committed to working closely with state and federal partners on this issue.

Innovation in mobile payments may yield numerous, significant benefits for consumers. At the same time, it may present unique challenges. We are engaging with innovators to understand how these new technologies may transform consumer finance so that we can determine how our regulatory structure intersects with these changes.

While there is significant excitement and anticipation, there has not yet been substantial adoption of mobile payments in the United States. However, the current state of the mobile phone market and the penetration rate of smartphones suggest that broad adoption could occur quickly when the right factors align. It would be premature to speculate about what form of mobile payment system, if any, may ultimately gain widespread use and acceptance. Nonetheless, the CFPB is closely monitoring new developments and changes in the marketplace and in consumer use patterns. The primary responsibility for monitoring developments in mobile payments within the Bureau is housed in the Card and Payment Markets team, part of the division of Research, Markets, and Regulations. The Card and Payment Markets team has responsibility over Credit, Debit, Prepaid, and Mobile Payment markets. We are engaged in ongoing discussions with relevant parties, as well as other state and federal agencies.

Encouraging consumer-friendly market innovations is one of the Bureau's key goals. Developments in mobile payments represent a unique opportunity for rapid innovation. Innovation can be greatly advantageous to consumers, offering new tools for people to better control their own finances and plan their own lives. The connectivity and computing power of a modern smartphone could be used to develop rich applications that provide better services at

lower costs. These same tools could be used to better serve the unbanked and underbanked populations and provide high quality financial services to all consumers.

At the same time, innovation can introduce significant risks to consumers. New technologies may be designed in ways that may not fall within existing regulatory frameworks. Existing rules may not have anticipated new developments enabled by modern technology and may prove inadequate for addressing emerging concerns. To the extent that technology companies begin to play roles traditionally performed by banking institutions, we may need to reconsider how well our existing regulations apply to a changed environment.

While innovation and the disruption it engenders may introduce risk to consumers, there may also be risks created by the very nature of mobile payments. Mobile devices often have small screens that make meaningful disclosure difficult. This is compounded by consumers having become inured to “Terms and Conditions” that are often dozens of pages long and frequently bypassed with a single click. The quality of design and user experience on modern smartphones can be truly extraordinary – but this may cause consumers to be less critical in accepting new charges or understanding new products. A mobile wallet could steer customers to suboptimal decisions due to vested interests of the mobile wallet provider or other underlying motives. The nature of mobile handsets, operating systems, and mobile networks may provide serious interoperability challenges that could restrict consumer choice.

These are very real opportunities and very real challenges. In order to best set the stage for consumer-friendly innovation, we need to examine existing regulations to determine if there are barriers to successful mobile payment systems. We also need to see if regulations should be updated to address new concerns. And we need to meet with new market entrants and make sure market participants understand their compliance obligations under federal consumer financial protection laws. These are necessarily ongoing activities that will be repeated as the industry develops and mobile payments begin to take hold.

Our intent is to be flexible and responsive to the changing marketplace. We will continue this work in conjunction with our interagency partners to make sure that all areas of the market are subject to common “rules of the road” and that consumers’ rights are protected regardless of their method of payment.