

NR 98-47
April 30, 1998

Consumer Electronic Payments Task Force Issues Report
Encouraging Self-Regulatory Initiatives and Consumer Education

The Consumer Electronic Payments Task Force today recommended that issuers of electronic money products, such as stored value cards, continue to explore and develop meaningful and effective self-regulatory approaches to deal with such key consumer issues as privacy and consumer disclosures and protections.

The federal interagency Task Force, which was chaired by former Comptroller of the Currency Eugene A. Ludwig, also urged that the government continue to study issues that arise from the use of electronic money, and take an active role in encouraging the development of self-regulatory efforts that will not hamper the development of this emerging marketplace.

A broad market for electronic money -- or e-money -- could provide significant benefits for consumers, merchants and government agencies, according to the Task Force report. However, those benefits will not be fully realized without widespread consumer acceptance of e-money. The Task Force believes that consumers will not accept e-money unless they have confidence in the products, understand the benefits and risks involved, and believe that their concerns have been addressed. Consequently, the Task Force began its work by setting its mission as one of identifying consumer issues raised by emerging electronic money technologies and exploring the extent to which innovative non-regulatory responses are being developed to address those issues. The Task Force conducted informal information exchanges and public meetings involving both industry participants and consumer representatives in order to enhance its understanding of the relevant markets, technologies, and consumer concerns.

The Task Force emphasized that the marketplace for e-money is still in a relatively early stage of development, and that market mechanisms and self-regulatory initiatives hold promise for responding effectively to many of the consumer concerns with respect to e-money. The Task Force report identified several areas where consumer concerns could be found today, and where additional private sector initiatives could significantly help to address those concerns.

One key area of concern cited by the Task Force involves privacy issues. The report recommends that the industry continue to explore meaningful and effective self-regulatory initiatives that respond to consumer privacy concerns. The report also urged industry groups to explore technologies and other mechanisms for providing consumers with greater control over the collection and use of information relating to their e-money transactions. The report also suggests that industry members

develop ways to assure adherence to privacy guidelines adopted through self-regulatory initiatives.

In another key area, the report recommends that industry groups move toward adopting effective and meaningful approaches for consumer protections and disclosures as appropriate. These could include, for example, disclosures about fees, error resolution procedures, liability for lost or stolen e-money, and the applicability of federal deposit insurance to e-money products. The report urges e-money issuers to adopt policies that assure consumers that e-money transactions will be honored as promised and to disclose whether consumers can recover funds held in stored value in the event of issuer insolvency. The effectiveness of such efforts will be enhanced if they provide a mechanism for promoting conformance, such as providing effective incentives for conformance and remedies to consumers harmed by non-conformance.

In addition, the report suggests that government agencies may be able to supplement industry actions in providing consumer education. In particular, the government can take a key role in promoting financial literacy and consumer understanding of e-money, which will help to ensure access to these new products by all persons, regardless of income or other factors.

While the Task Force believes that government also has a role in monitoring the growing use of e-money by consumers, it concluded that new government regulation of e-money and its issuers is not needed at this time. The Task Force noted that government regulation could adversely affect competition, experimentation, and innovation in an industry that is still in the early stages of development, and could increase the cost of e-money products unnecessarily.

The Task Force was formed in September, 1996, by Treasury Secretary Robert E. Rubin. It held two public meetings, in June and July last year, to explore consumer concerns related to e-money.

In addition to Comptroller Ludwig, the Task Force included Andrew C. Hove, Jr., Chairman, Federal Deposit Insurance Corporation; Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System; Robert Pitofsky, Chairman, Federal Trade Commission; Jack Guynn, President, Federal Reserve Bank of Atlanta; Ellen Seidman, Director, Office of Thrift Supervision; and Richard L. Gregg, Commissioner, Financial Management Service.

A copy of The [Report](#) of the Consumer Electronic Payments Task Force may be obtained by writing to: Comptroller of the Currency, Public Information Room (Mail Stop 1-5), Washington, D.C. 20219; faxing a request to (202) 874-4448; ordering by phone (202) 874-5043; or visiting the OCC's Public Information Room at 250 E Street, S.W. in Washington, D.C. (9 a.m. -noon and 1-3:30 p.m., Monday-Friday). The document is available on the Web page of the Task Force at <http://www.occ.treas.gov/emoney/emoney.htm>.

#