

May 3 - 4, 2006

The Role of Electronic Payments in Disaster Recovery

Providing More Than Convenience

A Conference Sponsored by the Payment Cards Center



FEDERAL RESERVE BANK OF PHILADELPHIA

The Role of Electronic Payments in Disaster Recovery: Providing More Than Convenience

A Conference Sponsored by the Payment Cards Center
Federal Reserve Bank of Philadelphia
May 3-4, 2006

In the aftermath of Hurricane Katrina, many communities along the Gulf Coast were faced with damaged financial system and communication infrastructures that limited residents' ability to conduct basic financial transactions, such as accessing funds from financial accounts, cashing payroll or government benefits checks, and making purchases for basic necessities at area retailers. In part because of the increased adoption of electronic payments, Katrina revealed that payment system access proved reasonably resilient for those residents with established banking relationships. For residents in the Gulf Coast disaster area who did not have a checking or savings account (the unbanked), meeting their emergency financial needs proved far more difficult. Their normal reliance on cash and checks created real challenges as payroll and other check disbursement mechanisms broke down, and many of these residents were physically displaced, further complicating their ability to access needed financial services. In the aftermath of Katrina, electronic payment applications such as prepaid and EBT cards were used to distribute financial relief, offering a safe and widely accepted payment tool to help residents meet their financial needs. This experience revealed that electronic payments provide more than consumer convenience. Indeed, in disaster recoveries, electronic payments can be a vital lifeline for victims, especially those who are unbanked or have traditionally relied on paper-based payment methods.

Leveraging the experiences and lessons from Katrina, this conference will bring together a range of participants who will identify opportunities to better prepare the U.S. financial system and the U.S. population to respond to catastrophic events. While the Katrina experience serves as a constructive example for discussion, the intent is to examine disaster recovery more generally and consider responses to a broad set of catastrophic events—not only natural disasters but also manmade ones and pandemics.

In discussing catastrophic events, conference participants will consider: How can existing and emerging electronic payment applications be leveraged to facilitate restoration and access to financial services? Given the particular effect on unbanked populations, how do we address their specific service and delivery requirements? What can be done to foster effective public-private partnerships that can lead to improved payments delivery?

Our conference participants are purposely drawn from a wide range of groups, including financial institutions and other financial service providers; federal and state government and national relief agencies; and the bank regulatory community. The aim is to work toward solutions and develop insights into ways to improve the resiliency of our payment system in dramatically difficult circumstances.

Wednesday, May 3 *Boehne Auditorium & Eastburn Court*

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| 5:30 p.m. | Registration |
| 6:00 p.m. | “Assessing and Responding to Hurricane Katrina: One Reserve Bank’s Perspective”
Jack Guynn, President, Federal Reserve Bank of Atlanta |
| 6:45 p.m. | Reception & Tours of Bank’s “Money in Motion” Exhibit |
| 8:00 p.m. | Reception Ends |

Thursday, May 4 *Pennsylvania Room (3rd floor)*

8:30 a.m. **Registration and Continental Breakfast**

9:00 a.m. **Introductions: Peter Burns, Federal Reserve Bank of Philadelphia**

9:10 a.m. **Welcome: Sandra Braunstein, Board of Governors of the Federal Reserve System**

9:30 a.m. **Hurricane Katrina: A Case Study**

Speakers: Julia S. Cheney, Federal Reserve Bank of Philadelphia
 Sherrie L.W. Rhine, Federal Reserve Bank of New York

The financial safety nets activated in response to Hurricane Katrina helped to provide liquidity, restore access to financial services and payments, and communicate actions financial institutions could take to provide financial relief for disaster area residents. Despite these responses, underserved residents in the region faced unique challenges when attempting to conduct basic financial transactions. The speakers will describe several of these challenges and how they particularly affected underserved consumer segments.

- How do underserved consumers conduct financial services? How are they especially affected by catastrophic events?
- How were electronic payment applications used to deliver financial relief to Gulf Coast residents? What were some of the benefits and challenges to using prepaid cards?
- What is the role of financial education? How can the Katrina experience be used as an example in ongoing efforts to build account ownership and savings?
- Assigning responsibilities and coordinating relief efforts are areas where pre-planning may help improve responses to catastrophic events: How might the private and public sectors work together?

10:00 a.m. **Break**

10:20 a.m. **Electronic Payments Applications as Tools for Delivering Financial Relief:
Are Prepaid and Electronic Benefit Transfer (EBT) Cards the Way of the Future?**

Moderator: Gary Palmer, eFunds Corporation
Panelists: Scott Galit, MasterCard International
 Robert Mange, U.S. Department of the Treasury
 Doug Perry, U.S. Department of Agriculture
 Paul Simpson, JPMorgan Chase

In the aftermath of Hurricane Katrina, prepaid cards and electronic benefit transfer cards were used to distribute financial relief to area residents. Panelists will discuss their experiences with these programs and consider how the adoption of electronic payments, instead of paper, has provided opportunities to more quickly and effectively distribute disaster relief and restore financial services in the wake of catastrophic events. Moreover, this session will help to identify some of the challenges that electronic payments, and particularly prepaid and EBT cards, present when used for disaster relief.

- How might electronic payments be used to better serve residents in disaster areas? How might the benefits of electronic payments be communicated to underserved consumers?
- Can prepaid and EBT cards be an effective delivery mechanism for federal and state relief funds or for the distribution of relief agency aid? What entities need to participate in program design and execution? What are the barriers?

12:00 noon **Lunch** *Eastburn Court*

1:00 p.m.

Public- and Private-Sector Partnerships: How and When Do These Work Well?

Speaker: Rear Admiral James B. Plehal (Ret.), Department of Homeland Security

The use of electronic payments to deliver financial relief to victims of catastrophic events has sharpened the focus on electronic delivery mechanisms by federal and state governments and national relief organizations responsible for financial relief disbursements and the financial services industry whose expertise lies in card issuing and payment processing. Bringing together these entities as part of disaster response planning may help identify ways to more quickly and efficiently get aid to those in need. Rear Admiral Plehal will provide his perspective on these issues based on his experiences during the Katrina disaster and other efforts throughout his career of leading public-private partnerships.

1:30 p.m.

Break

1:45 p.m.

**Lessons Learned from Hurricane Katrina and Looking Toward the Future:
How Can Financial Educators, Payment Industry Leaders, Federal and State Governments,
National Relief Agencies, and Federal Regulators Help Strengthen Financial Safety Nets?**

Moderator: T. Jack Williams, Tier Technology

The Private-Sector Perspective

Panelists: Jack Antonini, Cardtronics
Frank D'Angelo, Metavante
John Gruce, Bank of America
Stan Paur, Discover/Pulse

The Public-Sector Perspective

Panelists: Michael Brackney, American Red Cross
Stephen Middlebrook, U.S. Department of the Treasury
Diane Rath, State of Texas Workforce Commission

Drawing on their experiences responding to the devastation caused by Hurricane Katrina, panelists will identify lessons learned or areas for further study that have come to light as a result of these experiences and that may be useful in strengthening the financial system's response to future catastrophic events—not only natural disasters but also terrorist attacks and pandemics.

- What are the roads to solutions? Do they include prepaid disaster cards and EBT cards?
- Is it important to define roles and responsibilities? Who can take the lead, and what tools are required to do so?
- Can innovation take place within the existing regulatory structure, or will changes be required?
- What are differences between a natural disaster such as a hurricane and a “dirty bomb” attack by terrorists? Or a pandemic? Do the short-term or long-term solutions change depending on the nature of the attack?

3:45 p.m.

Conclusions and Insights: What Have We Learned?

The final panel will lead a discussion with all conference participants on insights developed during the conference.

Moderator: Peter Burns, Federal Reserve Bank of Philadelphia

Panelists: Julia Cheney, Federal Reserve Bank of Philadelphia
Gary Palmer, eFunds Corporation
T. Jack Williams, Tier Technology

4:30 p.m.

Conference Adjourns