

Federal Regulation of the Prepaid Card Industry: Costs, Benefits, and Changing Industry Dynamics

A Conference Sponsored by the Payment Cards Center
April 8 - 9, 2010

AGENDA



FEDERAL RESERVE BANK OF PHILADELPHIA



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By many accounts, prepaid cards are entering a major period of growth and refinement. The economic downturn and new regulations affecting competing products (such as credit cards and deposit accounts) could further stimulate this development. However, the prepaid card market also faces significant challenges. In the past year and a half, several federal agencies have proposed or issued regulations that affect prepaid cards. More regulation could be coming.

Several factors explain this level of regulatory scrutiny, including (1) consumers' increased exposure to prepaid products; (2) concerns about gaps in the existing protections afforded to consumers using electronic forms of payment; and (3) concerns about the use of prepaid cards to facilitate illegal activity.

But the prepaid market is far from homogeneous. There are prepaid cards obtained directly by consumers that are intended for short-term use (gift cards) and others that are intended for long-term use (general purpose reloadable cards). Other prepaid cards are sold to businesses, and some of those are eventually used by employees (travel advance cards). Still other prepaid cards are used to disburse government benefits to eligible consumers. Literally dozens of applications use prepaid cards, each possessing varying features and business models. One consequence of this variety of forms is that different regulations apply to different parts of the prepaid markets and will affect their development to varying degrees.

This conference will examine the economics of prepaid cards and the benefits and costs of their regulation from the standpoint of several different product categories. We endeavor to facilitate a conversation among representatives of the prepaid card industry, consumers, regulators, and law enforcement personnel. Overall, the objectives of this conference are to better understand the changing dynamics of the industry, to anticipate what these markets will look like in the future, to establish an appreciation for the variation in prepaid models, and to begin a discussion of how existing and possible future regulation will affect the development of these products.

Thursday, April 8, 2010

3:00 p.m. Registration

3:30 p.m. Welcome and Introductory Remarks

3:45 p.m. Keynote Address

Sandra Braunstein, Director, Division of Consumer and Community Affairs
Federal Reserve Board of Governors

4:30 p.m. Recent Prepaid-Related Legislation and Regulation

Moderator: Philip Keitel, Federal Reserve Bank of Philadelphia
Panelists: Cindy Baltierra, Financial Crimes Enforcement Network
Alysa Bernstein, Federal Trade Commission
Christopher Hencke, Federal Deposit Insurance Corporation
Ky Tran-Trong, Federal Reserve Board of Governors

Recently, there has been significant regulatory activity affecting prepaid cards. Much of this activity comes in the form of rules that protect consumers who use prepaid cards. Other rules attempt to prevent criminal misuse of prepaid cards. The panelists will review existing rules and any remaining risks that may be addressed in the future. This panel will set the stage for subsequent conference discussions.

6:00 – 7:30 p.m. Reception

Friday, April 9, 2010

8:00 a.m. Registration and Continental Breakfast

8:45 a.m. Welcome

The day is organized around three primary panels. Each of these panels examines prepaid products as distinguished by key aspects of underlying business models. These panels look at short-term consumer products, long-term consumer products, and products distributed to consumers by governments and businesses. A final panel will react to these discussions and look ahead.

9:00 a.m. Prepaid Products Intended for Short-Term Use

Moderator: Jennifer Tramontana, Fletcher Group / NBPCA
Panelists: Stefan Happ, American Express
Talbot Roche, Blackhawk Network
Julie Wade, Starbucks
Kathy Yee, Wells Fargo

Short-term, prepaid products — gift cards in particular — were the subject of last fall's Federal Reserve rulemaking (now final) that limits expiration dates and maintenance fees and requires additional consumer disclosures. This panel will explore the economics of prepaid cards designed to be short-lived and how the new regulations will affect these business models.

10:15 a.m. Break

10:30 a.m. Prepaid Products Intended for Long-Term Use

Moderator: Marilyn Bochicchio, Paybefore
Panelists: Brad Hanson, Meta Payment Systems
Lauren Saunders, National Consumer Law Center
Steve Streit, Green Dot Corporation
Brian Triplett, Visa Inc.

Medium- or long-term prepaid products are a rapidly growing segment of the prepaid market. These products can provide the payment utility of general purpose credit and debit cards at the point of sale or on the Internet, but they can be designed in myriad ways. For example, programs can be designed to provide deposit account-like services for unbanked consumers or to facilitate the remittance of funds abroad. This panel explores the economics of these kinds of products and potential gaps in existing protections afforded to consumers.

12:00 p.m. Lunch

1:15 p.m. Prepaid Products Distributed by Businesses and Government

Moderator: Stephen Middlebrook, Department of the Treasury
Panelists: Walt Henderson, Department of the Treasury
Drew Kese, Citi
Pete Isberg, ADP
Chris Paton, J.P. Morgan

Prepaid cards are a cost-effective way for businesses and governments to distribute funds to consumers. Indeed, a typical consumer's familiarity with prepaid cards may begin with a card provided by his or her employer (a payroll or flexible spending account card) or the government (a benefits card). This panel will explore the dynamics of this segment, how they are affected by regulation, and how consumers' experiences with these cards may influence how they view prepaid cards in general.

2:30 p.m. Break

2:45 p.m.

Looking to the Future

Moderator: Rachel Schneider, Center for Financial Services Innovation
Panelists: Anil Aggarwal, TxVia
Ralph Bianco, US Bank
Jean Ann Fox, Consumer Federation of America
Dan Henry, NetSpend
Laura Kelly, MasterCard

The future of prepaid cards is uncertain. On the one hand, prepaid cards are moving into a phase of widespread adoption by a significant share of consumers. Moreover, prepaid cards may fill a variety of roles potentially vacated by credit or debit cards. On the other hand, continued growth of the prepaid market may expose potential gaps in consumer protections, and this is contributing to the ongoing debate about future regulation of these products. This panel will identify the open questions and the likely benefits and costs of the regulatory options under consideration.

4:15 p.m.

Conference Adjourns

For more information, including events we sponsor and the research we produce, please visit our website.



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