

Federal Reserve Bank of Atlanta
The Role of Government in Payments Risk & Fraud

The Consumer Financial Protection Bureau

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Consumer Financial
Protection Bureau

The Statutory Charge

- “The Bureau shall seek to implement and ... enforce **Federal consumer financial law** *consistently* for the purpose of ensuring that
 - All consumers have access to markets for consumer financial products and services; and
 - Markets for consumer financial products and services are fair, transparent, and competitive

CFPB's Vision

A consumer finance market place...

where *customers* can see prices and risks up front and where they can easily make product comparisons;

in which *no one* can build a business model around unfair, deceptive or abusive practices;

that works for *American consumers*, responsible providers, and the economy as a whole.

Statutory Functions

- ❑ Conducting financial education programs
- ❑ Collecting, investigating and responding to consumer complaints
- ❑ Collecting, researching, monitoring and publishing information relevant to the functioning of markets to identify risks to consumers and the proper functioning of such markets
- ❑ Supervising covered persons for compliance ... and taking appropriate enforcement action to address violations of Federal consumer financial law
- ❑ Issuing rules, orders and guidance implementing Federal law

CFPB will choose the most efficient and effective tool for any particular policy challenge requiring CFPB action

CFPB's Mission

The CFPB is a *21st-century agency* that helps consumer financial markets work by

- making rules more effective,
- consistently and fairly enforcing those rules, and
- by empowering consumers to take more control over their economic lives.

The CFPB will achieve its mission through:

- data-driven analysis
- innovative use of technology
- valuing the best people and great teamwork

Organizational Structure



Where We Are Today

❑ **Twelve months process to stand up the agency**

- Diverse, experienced, management team recruited from public, private, and non-profit sectors
- ~ 700 dedicated employees including 200+ transferees from 5 governmental agencies
- Four regional offices

❑ **Launched less than four months ago**

- Manual for examination of financial institutions published
- Examinations of depository institutions in process
- Consumer Response center handling credit card complaints
- First substantive rule promulgated
- Two research reports to Congress by transfer date
- Know Before You Owe launched for mortgages and education lending

CFPB and the Payments System

- ❑ **CFPB authority under statutes which provide consumer protections with respect to payment products and services**

- Fair Credit Billing Act
- Electronic Funds Transfer Act
- Truth in Savings
- Truth in Lending Acts
- Dodd-Frank Act (UDAAP)



- Transparency
- Protection from errors
- Fairness

- ❑ **CFPB enforcement authority over any “covered person”**
 - “Offers or provides” a “consumer financial product or service”
 - “Transmitting or exchanging funds”
 - “Selling, providing, or issuing stored value or payment instruments”
 - “Providing check cashing, check collection or check guarantee services
 - “Providing payments or other financial data processing products or services to a consumer”
- ❑ **Scope of enforcement authority over non-depositories uncertain in the absence of a Director**

CFPB and the Payments System (cont'd)

- ❑ **CFPB authorized to examine large depository institutions and other covered persons who are larger participants” in a “market for consumer financial products or services”**
 - Assess compliance with federal consumer financial protection law
 - Obtain information about compliances systems
 - Detect and assess risks to consumers and to markets

- ❑ **CFPB has solicited comments on**
 - Which markets to cover in an initial rule
 - Money transmitting
 - Check cashing
 - Prepaid cards
 - Criteria and thresholds to define a larger participant
 - Data to be used in measuring criteria

- ❑ **Larger participant rule required to be issued by July 21, 2012**

- ❑ **Appointment of a Director required to trigger authority to examine non-depository institutions**