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

# The Consumer Financial Protection Bureau

David M. Silberman Assistant Director, Research, Markets and Regulations



- "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



### 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



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

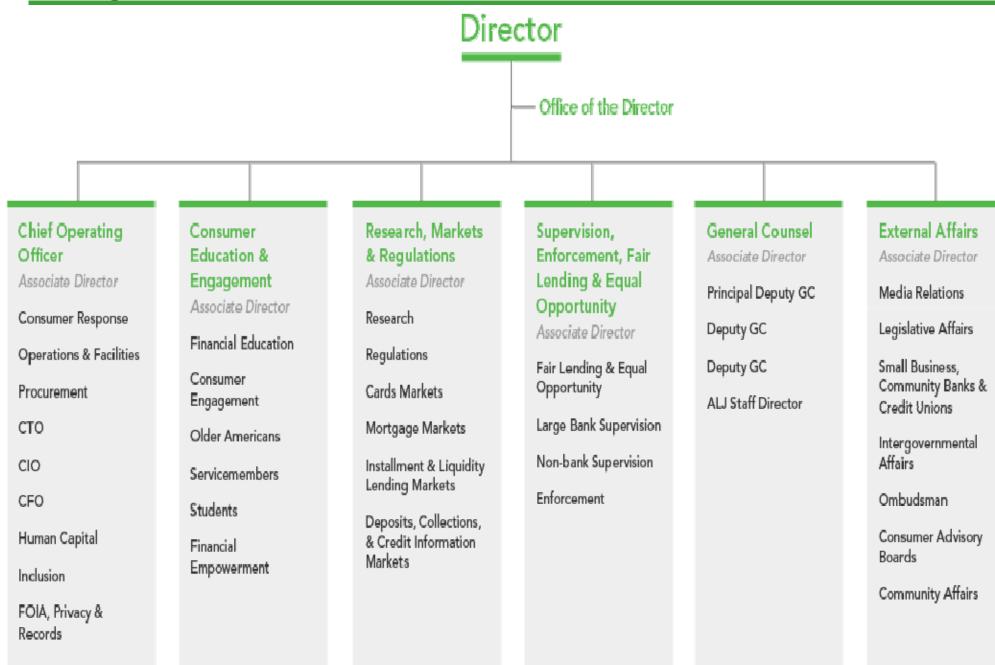
- making rules more effective,
- consistently and fairly enforcing those rules, and
- by empowering consumers to take more control over their economic lives.

The CFPB will achieve its mission through:

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



### **Organizational Structure**



#### □ 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

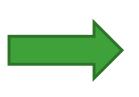
### □ Launched less than four months ago

- 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

CFDD Consumer Financial Protection Bureau

# **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

