

News Release

THE FEDERAL RESERVE BANK of KANSAS CITY

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NONBANKS IN THE PAYMENTS SYSTEM: INNOVATION, COMPETITION AND RISK

The contributions of nonbanks to the payments system are undeniable. They have introduced some of the most far-reaching innovations in recent years, leading to greater efficiencies in payments processing. At the same time, they have changed the dynamics of competition in payments, leading to a significant change in the system's risk profile.

The Federal Reserve Bank of Kansas City sponsored a conference on nonbanks in the payments system that addressed many of the key questions raised by the growing nonbank presence. The conference, titled, "Nonbanks in the Payments System: Innovation, Competition and Risk," took place in Santa Fe, N.M., May 2-4.

Richard J. Sullivan and Zhu Wang, both senior economists at the Bank, wrote a summary of the conference, and it is featured in the third quarter edition of the Bank's *Economic Review*. The conference addressed questions such as: Have recent payment innovations been more likely to come from nonbanks? Have nonbanks improved or harmed competition and risk in payments? How should public policy respond? Policymakers, industry practitioners and academics from around the world attended the conference to exchange their views, and the article recaps the papers presented at the conference as well as the extensive open discussions that followed.

The article and the proceedings from the conference are available on the Bank's Web site at www.KansasCityFed.org.

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