

Foreword

Since the turn of the century, retail payments systems around the world have undergone dynamic change. In the United States, less than eight years following the implementation of the Check Clearing for the 21st Century Act, virtually all noncash payments are completed electronically, even if initiated by paper check. Nonbank firms are challenging financial institutions in providing consumers and businesses with an increasing range of payment options. Technology is expanding the places and means through which commerce is transacted. These factors motivated the topic for the Federal Reserve Bank of Kansas City's fourth international retail payments conference titled, "Consumer Payment Innovation in the Connected Age," which took place March 29 and 30, 2012, in Kansas City, Mo.

This year's conference was convened to examine the role of public policy in an age in which smartphones and social networks are enabling consumers, businesses and financial institutions to interact with each other more freely and quickly. Conference participants—industry executives, regulatory authorities, central bankers and academics—offered a range of views, valuable perspectives and insights on the likelihood of a consumer payments revolution and the potential for interconnectedness to improve consumer access to payments. Participants addressed the implications for risk and privacy, the potential for changes in payments clearing and settlement to enhance innovation, as well as the potential for public policy to play a role in promoting socially beneficial innovation. This volume includes all of the presentations and papers from the conference and the general audience discussions.

Over the course of this two-day conference, I found striking similarities surrounding the evolution of consumer payments in other countries. Several speakers highlighted innovations in emerging payments that offered significant end user benefits but appeared to be constrained by market forces. In response, central banks have taken various policy approaches to support, encourage and even deliver improvements valued by consumers and businesses. Some participants offered compelling arguments for coordination to address certain market inefficiencies and usher in a more real-time retail payments system. These dynamics present a call to action in my view, particularly for the Federal Reserve System in the United States, to focus

and consider how best to support the innovation occurring in retail payments while ensuring the safety, accessibility and efficiency of the payments system.

We sincerely thank the conference participants for their contributions to advancing our understanding of this important topic.

A handwritten signature in black ink, reading "Esther L. George". The signature is written in a cursive style with a large, prominent initial "E".

Esther L. George
President and Chief Executive Officer
Federal Reserve Bank of Kansas City