

**Preliminary Program**

**Conference on the Foundations of Policy Toward Electronic Money**

**Federal Reserve Bank of Minneapolis**

**December 3–4, 1996**

**Tuesday, December 3**

8:00 a.m.      **Continental breakfast**

9:00 a.m.      **Session 1: Historical and Institutional Perspectives on E-Money**

Presenter:     Art Rolnick, Federal Reserve Bank of Minneapolis

Discussants: Stacey Schreft, Federal Reserve Bank of Kansas City  
Edward Stevens, Federal Reserve Bank of Cleveland

*Subject:* Many of the issues raised by electronic money are of long standing, and we can learn from previous experiences with privately issued circulating media and with rapid technical change in the form of money. We also need a common understanding concerning the likely legal status and clearing arrangements for e-money. This session seeks to identify the relevant lessons from monetary history and to provide a basic legal and institutional perspective on e-money.

10:30 a.m.     **Coffee break**

11:00 a.m.     **Session 2: Banking and Payments Systems Stability in an E-Money World**

Presenter:     Jamie McAndrews and Leonard Nakamura, Federal Reserve Bank of Philadelphia

Discussants: Joseph Haubrich, Federal Reserve Bank of Cleveland  
Ann Marie Kohlligian, Board of Governors of the  
Federal Reserve System

*Subject:* Will widespread private issuance of e-money destabilize the banking or payments systems? Does it raise any new issues of systemic risk? Why or why not? How does the answer depend on whether e-money is issued by nonregulated entities, on whether deposit insurance is extended to the various e-monies, and on whether issuers have access to the discount window? What is the appropriate stabilizing role of supervision and regulation of e-money?

12:30 p.m.     **Luncheon**

1:30 p.m.      **Session 3: Public Goods, Network Externalities, and the Fed's Role in an Electronic Payment System**

Presenter:     John Weinberg, Federal Reserve Bank of Richmond

Discussants: William Roberds, Federal Reserve Bank of Atlanta  
Ed Coia, Federal Reserve Bank of Philadelphia

*Subject:* Does the emerging e-money technology exhibit network externalities that could cause private market equilibria to fail to deliver socially optimal allocations? Do network externalities inherently give rise to systemic risk? Should the public sector, including the Fed, intervene to alter the competitive outcomes or control systemic risk? What role will be played by the determination of technological standards for interoperability? Is there a need for a central repository of encryption keys? Should standards and key provision be viewed as a public goods and therefore also candidates for public provision? How can the Fed play an appropriate public and leadership role, and would this necessarily require the Fed to provide e-money or any other payments system services?

3:00 p.m.      **Coffee break**

3:30 p.m.      **Session 4: Monetary Policy and Control Issues Related to E-Money**

Presenter:     Jeff Lacker, Federal Reserve Bank of Richmond

Discussants: David Marshall, Federal Reserve Bank of Chicago  
John Wenninger, Federal Reserve Bank of New York

*Subject:* Implications of e-money for the central bank's core responsibility of implementing a monetary policy conducive to long-term economic growth. A review of existing results regarding optimal monetary policy in the face of widespread provision of inside money, plus extensions where possible and application to specific e-money technologies. Discuss demand for inside and outside money, monetary control procedures and difficulties raised if private e-money displaces existing forms of money, issues of central bank independence, and seignorage.

5:00 p.m.      **Conference adjourns for the day**

6:00 p.m.      **Cocktail reception**

**Wednesday, December 4**

8:00 a.m.      **Continental breakfast**

9:00 a.m.      **Session 5: International Monetary and Supervisory Policy Issues Raised by E-Money**

Presenter:      Chris Cumming, Federal Reserve Bank of New York

Discussants:    Lewis Alexander, Board of Governors of the Federal Reserve System  
Heidi Richards, Board of Governors of the Federal Reserve System

*Subject:* E-money can cross borders easily, and e-money issuers are not tied to physical locations in the way that traditional brick-and-mortar banks are. Does this raise any new issues with regard to exchange rate movements, capital controls, FX clearing and settlement risks? Does it narrow the range of sustainable differences in economic policies across countries, such as by facilitating “dollarization” in countries with high inflation? What implications does this have for U.S. monetary policy, if any? How should home countries regulate foreign e-money issuers? What sorts of international cooperation are required to achieve efficient international regulation of e-money? Does game theory provide insights into the overall process of harmonizing multinational banking supervision and regulation, and does the U.S.’s go-it-alone posture of permitting nonbank issuance of e-money potentially upset a delicate balance of multilateral harmonization of banking regulation?

10:30 a.m.      **Coffee break**

11:00 a.m.      **Session 6: E-Money and the Fed’s Role in Providing Payments Services**

Presenter:      Ed Green, Federal Reserve Bank of Minneapolis

Discussants:    Bruce Summers, Federal Reserve Bank of Richmond  
Paul Connolly, Federal Reserve Bank of Boston

*Subject:* Payments technologies may be changing rapidly, and many new products and markets may emerge. Which, if any, of these should the Fed compete in? What do our guiding documents and policies—the Federal Reserve Act, the Monetary Control Act, other legislation, our White Paper, Governor Blinder’s e-money testimony, etc.—imply about our role? Are the existing laws and policies appropriate? What problems might they cause, and how can we best deal with these problems?

12:30 p.m.      **Luncheon**

1:30 p.m.      **Session 7: Panel Discussion of Implications for Decision Making (Panelists TBA)**

3:00 p.m.      **Conference adjourns**