

# How Much Regulation? It's up to You

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With light regulation, unprecedented retail-payments competition and dynamicism, greater nonbank participation, mobile-phone ubiquity, and a wave of new innovators, the next decade should be a payments-renaissance.

There is, however, a grim alternative path: the Federal Reserve's regulating debit interchange and routing, and taking a greater role in governing the automated clearing house; also, Consumer Financial Protection Bureau mandarins flexing their unchecked might and fishing for new areas to regulate.

Washington has never been more likely by law or regulatory diktat to intervene under the banner of promoting payments security, efficiency and fairness. Paraphrasing Leon Trotsky, the payments industry may not be interested in Washington, but Washington overlords are interested in it.

Whether in a decade payments is a public utility or the regulatory landscape is benign depends on politics, which the industry can influence. Consider a nuclear winter: President Elizabeth Warren, Senate Majority Leader Dick Durbin, Senate Banking Chairman Jack Reed, House Financial Services Committee Chairwoman Maxine Waters, Attorney General Eric Schneiderman, and the CFPB unbridled.

Alternatively, imagine a Speaker Jeb Hensarling eliminating the CFPB or constraining it with a bipartisan board, Congressional budget approval, and a narrower mandate; Congressmen Chaffetz and Owens' Durbin-repeal bill being revived; and the Fed divesting its ACH processor.

Politics and policy matter.

A somnolent payments industry was wrong-footed by Senator Durbin. To prevent worse, the industry must make an affirmative case in the political arena to inform consumers (voters) that a light regulatory regime, where Washington plays the role of night watchman rather than central planner, best promotes innovation, competition, and consumer value.