



Five Wishes for the Financial Services Industry for 2011

From Durbin to net neutrality to government benefit cards to social media

By Bob Bucceri, General Partner

Creeping up on New Year's Day. Now is the time we start seeing everyone's predictions and wish lists for the New Year. I'm not much of a prognosticator, but I am a wishful thinker. So here are my top five wishes for the Financial Services industry in 2011.

- 1. Reasonable rules for Durbin implementation.** Here's hoping that the ghosts of re-regulation past, present and future visit Fed regulators next month as they start pouring over the thousands of comments submitted in response to the agency's December 16 draft implementation rules.

Sarbanes Oxley killed the U.S. IPO market. Here's hoping the Fed doesn't do the same to the electronic payments market with a rules set that chases away capital and stifles innovation. Price fixing is a slippery slope. When you cap profit it's hard to make a case you haven't crossed over from a free market to a public utility.
- 2. Reasonable ending to the Net Neutrality debate.** I know, I know. Internet users should pay for what they use. Energy companies do it. The mobile carriers are starting to do it for data transport—after hooking the millennial generation on round-the-clock texting. I could see Internet paygo if it had been the model from the start. But the problem now is that too many industries and too many business plans are wrapped around fixed cost Internet. Turning that into a variable cost during this economy adds another dose of uncertainty to a financial services industry already stumbling because of government-induced uncertainty.
- 3. Quick regulatory approval for VeriFone's Hypercom acquisition.** In an industry facing layers of uncertainty, let's get this one behind us. The two companies' products, technologies and markets are complementary and customers should ultimately benefit. There's nothing anti-competitive about creating a company that has the resources to churn out innovative technology that its customers expect. It's time to wring out excess capacity and create an efficient global company that works for customers the world over.

4. **An end to “profit sharing” with government debit card contracts.** As more and more states have overspent their way towards insolvency a new source of revenue has emerged: Putting the bite on banks who issue debit cards for government benefit programs like unemployment compensation or child support payments.

In order to get these contracts, or in some cases, keep them, card-issuing banks have been forced to share their interchange revenues with the government agencies. The states call this “profit sharing.” One might also call it a kickback, except that no one person benefits from it.

Whatever you call it states suddenly have a financial interest in making sure their cardholders use their cards repeatedly and only in the most expensive ways. There is something unseemly about states pimping jobless workers or kids from broken families. The states need to be the adult here. Find another way to balance the books.

5. **Greater use of social media in financial services.** Technologies like electronic funds transfer and online banking and brokerage have done wonders at moving traffic out of lobbies and on to the Internet. Banks have largely, as an investment banker once told me, been able to “eliminate the human interface.”

The problem is that there is little on the web portals of most banks to replace it. Customers generally let bank branch employees know how they feel about slow lines, ATMs that don’t work or inconvenient hours.

Bank portals need to do a better job of replacing that human interface with social media that provides similar feedback and communication. Of course, bankers will resist giving customers a public forum to complain. But customers will complain anyway when you screw up. If they can’t complain in a branch, they’ll complain on the Internet. At least if they have a way to complain on *your* Internet site, you can control it.

Okay, there you have it. Five wishes for the financial industry in 2011. Add one more: Wishing you and yours a happy, healthy and safe New Year!