



Critique on the 1994 EU Report on Prepaid Cards

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Contributing Editor Robert Hettinga asked Mr. Grigg for a brief summary of his critique of the 1994 EU report on Prepaid Cards. Ian took this as a sign that the critique needed an abstract, which he submitted as follows. The entire critique is at http://www.systemics.com/docs/papers/1994_critique.html

Abstract: The European Union report of 1994 reserves the issuance of Prepaid Cards to banks. Comments have indicated that the conclusions of this report should be expanded to include Internet cash, and it is believed that a committee under the auspices of the EMI has been given that mission.

This approach would be valid if the conclusions in the 1994 report were valid, and there was sufficient relationship between the prepaid card and Internet cash to support this extension. It is argued that neither is the case, and thus there is little validity in simply extending the 1994 report. Rather, a fresh approach is called for with respect to Internet cash.

With due consideration given to the pressures upon the institution of central banking, it is argued that only a policy of minimal regulation is likely to be structurally practical. Thus the imperative is on establishing a dialogue with the new financial intermediaries, and encouraging the development of simple, open and transparent structures suitable for public monitoring.

In the event of attempts to stifle financial innovation for the sake of control, authorities will be ignoring the changing face of the intermediation industries, and rightly or wrongly, are likely to build a structure at odds with the future. It is argued that, whilst there is little chance of this structure surviving in the long term, its construction and downfall is likely to have negative effects in the medium term for Europe and European industry.