

Opening Remarks of Jeremiah S. Buckley
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"The e-Signature Revolution: Are You Ready?"
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Two hundred and twenty-five years ago, in the village of Concord, Massachusetts, there was a skirmish between some Yankee farmers and British regulars. Few, if any, among the participants, could have realized the historical significance of that encounter. And it was only with the perspective of fifty years that Emerson would write:

"By the rude bridge that arched the flood,
Their flag to April's breeze unfurled
Here once the embattled farmers stood
And fired the shot heard 'round the world."

We have titled this conference: "The e-Signature Revolution: Are You Ready?" And indeed there are parallels, at least for the financial world, between what happened at Concord bridge and what will be happening on Capitol Hill over the next few days.

Congress just last November enacted the Gramm-Leach-Bliley legislation, which has been heralded since its signing as the most significant step toward financial modernization in seventy years. Many in this town and beyond, who have spent their careers working on Glass-Steagall reform, regard this legislation as the culmination of a long struggle to allow consolidation in the industries which have, until now, offered banking, insurance, and securities largely through unaffiliated entities.

With much less fanfare, a few weeks later, in November of last year, the House and Senate passed their respective versions of e-signature legislation, and so far neither the general media nor the financial press have given this legislation anywhere near the attention that Gramm-Leach-Bliley received.

But it is the premise of this conference and the belief of the organizers that the e-signature legislation which is expected to be enacted by Congress in the next few days will usher in a revolution in the financial services industry. The new powers conferred by these simple changes in law will, we believe, bring about radical changes not only in the methods of delivery of financial services, but in the nature of the financial products themselves and the structure of the companies that provide them. We believe that, to a far greater extent than last year's financial services legislation, this e-signature legislation will bring about true financial services modernization.

Why do I say that? What is it about this legislation that is so significant and what is it that financial services firms will be able to do after this legislation that they couldn't do before?

To understand the true significance of this legislation, you have to understand the difference between the way most products and services are sold over the Internet and the rules surrounding

the offering of financial services. With regard to most products and services, it is sufficient to use a credit card number to make a purchase. For example, to buy a book on

Amazon.com you just type in your credit card number. But in the case of most financial services, federal and state regulations impose significant requirements for delivery of disclosures and consent forms to consumers. Without a clear safe harbor to deliver these disclosures on-line, financial services providers and their customers are tied to a time-consuming and awkward paper work production exercise. The lack of clarity about whether these disclosures and consents may be delivered or executed electronically thus frustrates the consummation of financial transactions on line.

Yes, the consumer can in most cases shop for financial services on line, but when it comes to the process of committing to a financial product, the time constraints associated with delivery of paper kick in and bring the delivery of the desired products back to Post Office speed.

It is estimated that in the mortgage process alone, the inability to deliver the opening package and disclosures electronically and to obtain necessary signatures and consents adds on average a quarter point to the cost of a mortgage, primarily due to the hedging costs associated with rate lock-ins where there is no certainty that the consumer is actually committed to the transaction. The productivity gains which would accrue from effective electronic signature rules would be significant, but the benefits to society would not end there.

Not only will consumers have access to financial services twenty four hours a day, seven days a week, but services will now be equally available in inner cities and suburbs, in rural areas and urban. And the disclosures provided to consumers will be far more effective than those they currently receive on paper. By using hyperlinks to definitions and pop-up boxes, the hard-to-explain terms associated with financial transactions can be made clearer without complicated cross-references that hardly anyone reads. Indeed, without fear of looking stupid, the on-line shopper for financial services will be able to ask all the questions he or she was afraid to ask and not make a decision until he or she is satisfied with the answers ... no pressure and no embarrassment.

And it is this feature of being able to explain financial products and concepts in simpler and more understandable terms that some of us believe will provide the basis for empowering consumers to take the features of varying financial products, to mix and match them, and to create new instruments tailored to their individual needs. Combinations of lending, insurance and securities features into new products engineered mutually by the provider and the consumer on-line and designed to meet the consumer's unique needs will, we believe, so change financial products and the way they are provided as to justify the question which is the title of our conference: The e-Signature Revolution: Are You Ready? The answer as of now is that probably no one is, but those who perceive the multidimensional nature of the changes we are about to experience as a result of this simple change in law are likely to be the winners.

And while you may not leave here today fully armed for the e-signature revolution, you will at least hear from some of those who have thought the most about it and see demonstrations of some of the tools which will be used to make financial products more accessible to consumers.

In addition, you will have a chance to hear the views of regulators and legislators who are shaping the new e-signature rules.

This conference could not be more timely. Indeed, for some of us who are involved in the effort to get this legislation passed, it is almost too timely, since the Conference Committee between the House and Senate is scheduled to meet this afternoon. While there are some differences between Democrats and Republicans to be worked out, we are optimistic that these will be resolved in the near future. My colleague, Margo Tank, who will speak next, will outline for you the structure of the bill and describe briefly the issues which are yet to be resolved.

After Margo talks, we shall hear from Brooks Fisher of Intuit and Jim Grady of Microsoft, who are on the dais with us and whom I shall introduce shortly.

Before turning the podium over to Margo, let me take a moment to tell you about the Electronic Financial Services Council, which is sponsoring this seminar. The Council has been in existence over the last year and a half. Its founding members were Microsoft, Intuit, General Electric and Countrywide. Its mission is to update those laws and regulations which need to be changed in order to facilitate electronic delivery of financial services, and the current e-signature legislation has been a major focus of the group over the last year. However, privacy, state barriers to entry, and a number of other issues are on our agenda.

The Council is, we believe, unique among trade associations in having as its sole focus the delivery of financial services of all kinds in e-commerce. Most trade associations are charter or license based, that is you must be a bank or an insurance company or a securities firm to join. Rather than focusing on members' charters, the common bond of this association is the medium that is used to deliver financial services. As such, its members include both traditional financial institutions and technology companies. So far, these companies have worked extraordinarily well together. It is our hope to continue to expand our membership and to continue to keep the issues on which we focus at the front of public policy debate.

Next month, in connection with our annual meeting, we will on June 12 conduct a one-day seminar on the nuts and bolts of drafting a privacy policy in compliance with the new privacy rules recently promulgated by the regulators. It is seminars like these, plus our weekly Working Group sessions, plus an extensive "up to the minute" password-protected Members' Library containing a wealth of information on state and federal law, that has drawn 22 members to the Council so far. If you would like to know more about the Council or to obtain an application, go to www.efscouncil.org.