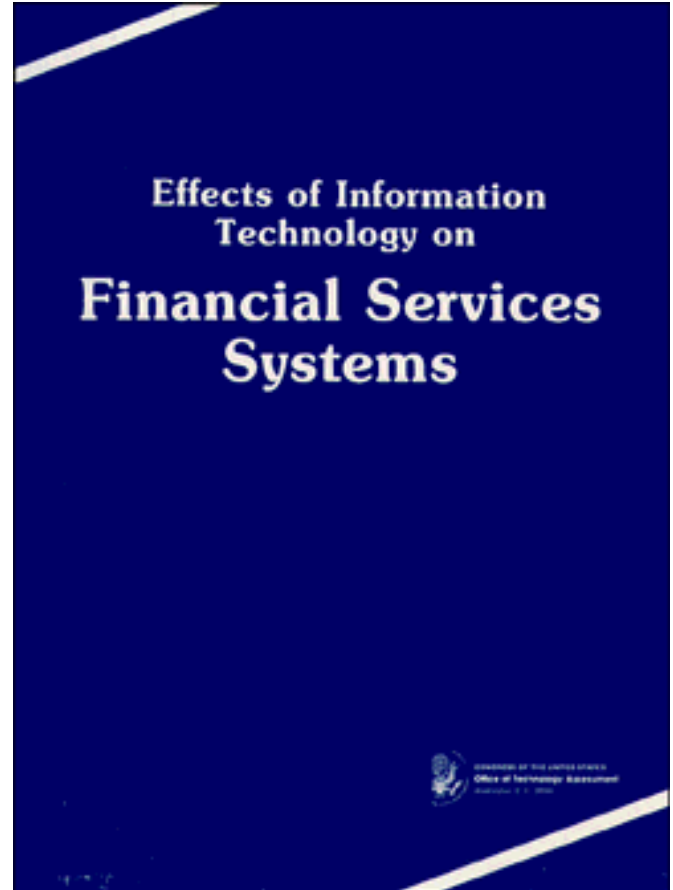


*Effects of Information Technology on
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Foreword

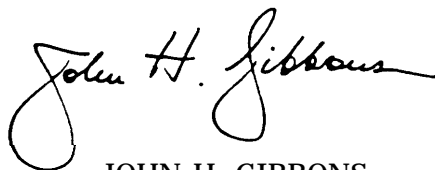
In 1982, the House Committee on Banking, Finance, and Urban Affairs; the House Committee on Energy and Commerce (expressing the special interest of its Subcommittee on Telecommunications, Consumer Protection, and Finance); and the Senate Committee on Banking, Housing, and Urban Affairs requested OTA to assess the impacts of information processing and telecommunication technologies on financial service systems. This report presents the results of that work.

The effects of technology on the internal operations, the structure and the types of services offered by the financial service industry have been profound. Technology has been and continues to be both a motivator and facilitator of change in the financial service industry. The structure of the industry has changed significantly in recent years as firms not traditionally viewed as financial service providers have taken advantage of opportunities created by technology to enter the market. New technology-based services have emerged. These changes are the result of the interaction of technology with other forces such as overall economic conditions, societal pressures, and the legal/regulatory environment in which the financial service industry operates.

This report describes the technologies now and likely to be available to providers and users of financial services. It analyzes the present structure of the financial service industry, its service offerings, its relationships with users of financial services, and observable trends. Implications of possible future trends for industry structure, markets for financial services, and relationships between the industry and the legal/regulatory environment are explored.

For the purposes of this report, the financial service industry has been divided into three segments: 1) retail financial services, 2) the securities industry, and 3) wholesale financial services. We focus on the opportunities that may be created for consumers and problems they may encounter as the financial service industry continues to evolve. Policy questions likely to be of interest to Congress and alternatives that are available for dealing with them are identified and analyzed. Finally, alternative scenarios for the financial service industry of the future are offered.

In performing this assessment OTA relied heavily on published materials and on other information provided by a variety of persons and organizations. We are grateful for this support and assistance. Two workshops, one dealing with technology and industry trends, and the other with consumer issues, provided much valuable information. Members of the advisory panel were particularly helpful with their contributions. However, the contents of this report are the sole responsibility of OTA and do not necessarily represent the views of the members of the advisory panel or any of the others who have contributed.



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