

## Preface

There was much talk during the latter half of the decade of the sixties concerning the prospects of a "checkless" or even "cashless-checkless" society. After some of the initial exuberance subsided, the more popular phrase became "less-cash, less-checks" society. By all indications this later terminology should be considered more accurate, since even today barter has not been eliminated completely.

In this book I have chosen to use the phrase "electronic funds-transfer system" to mean a future state of society wherein a majority of the payments transfers is made via electronic (or automated) transfer systems. The approach taken is to view "electronic money" as the next logical step in a rather long, evolutionary development of payment media in general.

Most of the basic research for this book was completed by the early part of 1968. But since the approach is generic, I believe that the basic trends, institutional arrangements, and time projections stated in it have been supported by developments during the last two years.

The most meaningful developments recently have been the specific planning for, and the actual emergence of, regional computer centers. For example, the Omniswitch Corporation began operations in New York in November, 1969. The Omniswitch is a bank-owned credit verification system which was organized originally to contend with credit verification problems of the two large credit-card systems in New York: the First National City Bank and the Eastern States Bankcard Association (ESBA). Membership in the Omniswitch is open to any firm engaged in a charge-card or credit-card operation which has switch authorization centers capable of receiving incoming Omniswitch authorization inquiries and generating automated authorization responses. Plans are for the Omniswitch to provide automated sales authorization services on a national scale. At the time of this writing serious discussions are underway for the formation of a national charge-card fraud-control communications network by officials of American Express and BankAmericard. The proposed venture would result in two corporations owned jointly by American Express and BankAmericard: the National Authorization Services Corporation would be a nonprofit membership

group, and the National Authorization Systems Corporation would operate the network.

Perhaps the most significant step toward electronic funds transference occurred in California in April, 1968. During this month the San Francisco and Los Angeles Clearing House Associations authorized the creation of a special joint committee to study and recommend arrangements for exchanging "paperless" credits and debits between banks. The Special Committee on "Paperless" Entries (SCOPE) has been making specific recommendations for exchanging (1) automatic credits via magnetic tape, punch cards, or deposit tickets; (2) automatic debits via magnetic tape or punch cards; and (3) magnetic tape accompanying normal clearing checks. With the cooperation of the leading California banks and the San Francisco Federal Reserve Bank, automated clearing facilities will soon be in operation. Very recently six commercial banks in Seattle have begun investigating a SCOPE system, and other groups of banks around the country are expected to initiate SCOPE projects of their own.

The completion of this study would have been impossible without the exchange of ideas which occurred during interviews and attendance at many meetings, workshops, and conferences related to recent innovations in the payments and credit system. I owe a debt of gratitude to the American Bankers Association, which sponsored my attendance to its National Credit-Card Conference in Chicago, November, 1967; Pre-authorized Payments Workshop in New Orleans, January, 1968; and National Automation Conference in Bal Harbour, Florida, May, 1968.

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