

**FEDERAL RESERVE BANK OF DALLAS**

**DALLAS, TEXAS 75222**

**Circular No. 79-103  
June 18, 1979**

**AMENDMENT TO REGULATION E**

**Disclosures Necessary Before Imposing Any Liability**

**TO ALL BANKS, OTHER CREDITORS,  
AND OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has amended, effective August 1, 1979, its Regulation E, Electronic Fund Transfers, to require issuers of EFT cards to make certain disclosures to card holders regarding the consumer's liability for the use of lost or stolen cards. Under the amendment, consumers will have no financial responsibility for unauthorized use of EFT cards if the card issuer has not disclosed what the consumer's liability for unauthorized use will be, the telephone number and the address for reporting a lost or stolen card, and a definition of the days when an institution will receive notification of loss or theft. Institutions may make disclosures at a time of their own choosing; but, until they do so, a consumer cannot be held liable. For the transition period between February 1979 and August 1, 1979, the liability rules specified in Section 909 of the Act will govern.

Printed on the following pages is a copy of the Board's press release and a copy of the Board's order. The amendment will be incorporated in the Regulation E pamphlet which is being prepared by the Board's staff. The pamphlet will be available for distribution shortly.

If you have any questions regarding Regulation E, please contact the Consumer Affairs Section of our Bank Supervision and Regulations Department, Ext. 6171.

Sincerely yours,

Robert H. Boykin

First Vice President

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Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.



# FEDERAL RESERVE

press release

For immediate release

June 7, 1979

The Federal Reserve Board has adopted as part of its Regulation E -- electronic transfer of funds -- a rule requiring:

That issuers of EFT cards make certain disclosures to card holders regarding the consumer's liability for the use of lost or stolen cards as a precondition to imposing any liability on EFT card holders.

The Electronic Fund Transfer Act of 1978 (Title XX of the Financial Institutions Regulatory and Interest Rate Control Act of 1978) directs the Board to issue implementing regulations. The Act protects consumers in their use of electronic fund transfer services. Electronic fund transfer services permit customers to transfer funds without the use of checks. One way of doing so is by the use of an EFT card. EFT cards can be used by consumers to withdraw cash from their accounts at automated teller machines, or to debit the consumer's account at the point of sale for purchases of goods or services.

The Board earlier this year issued a set of final rules implementing sections of the Act that became effective February 8, 1979. Other sections of the Act do not become effective until May 1980. In March, together with its final rules, the Board proposed further rules regarding disclosure of consumer liability for unauthorized use of EFT cards. It adopted a modified version of one of the proposed alternatives.

Under the further final rule as adopted, effective August 1, 1979, consumers will have no financial responsibility for unauthorized use of EFT cards if the card issuer has not made the following disclosures:

- a. What the consumer's liability will be for unauthorized use of the card;

(OVER)

- b. The telephone number and address for reporting a lost or stolen card, and
- c. The days when an institution can be notified of loss or theft of a card.

Financial institutions may make these disclosures at a time of their own choosing. However, until the disclosures are made, a consumer could not be held liable for unauthorized use of the EFT access device.

Until August 1, the consumer's liability will be determined by the provisions of the EFT Act that went into effect February 8. Namely, consumers could be held liable for unauthorized use of their cards as provided in the Act whether or not they were advised of their potential liability.

In May 1980 financial institutions will be required, by provisions of the Act, to make the above disclosures, and others, to all consumers who use EFT services.

The EFT Act provides that consumers who report loss or theft of a card within two business days of learning of such loss or theft are liable for up to \$50 of unauthorized use. Liability rises to a limit of \$500 if this time limit is passed and the financial institution shows that losses would not have occurred but for the consumer's failure to report. If the consumer fails to report unauthorized use of a card within 60 days after issuance of a periodic statement showing unauthorized use, the Act provides that the consumer's loss may be unlimited with respect to transfers made after the 60 days.

The Board's order in this matter is attached.

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(3) Pursuant to the authority granted in Pub. L. 95-630 (to be codified in 15 U.S.C. 1693b), the Board amends 12 CFR § 205.5(a) as follows:  
SECTION 205.5 -- Liability of Consumer for Unauthorized Transfers

(a) General rule. A consumer is liable, within the limitations described in paragraph (b) of this section, for unauthorized electronic fund transfers involving the consumer's account only if:

(1) the access device used for the unauthorized transfers is an accepted access device;

(2) the financial institution has provided a means (such as by signature, photograph, fingerprint, or electronic or mechanical confirmation) to identify the consumer to whom the access device was issued; and

(3) the financial institution has provided the following information, in writing, to the consumer:

(i) The consumer's liability under § 205.5, or under other applicable law or agreement, for unauthorized electronic fund transfers and, at the financial institution's option, notice of the advisability of prompt reporting of any loss, theft, or unauthorized transfers.

(ii) The telephone number and address of the person or office to be notified in the event the consumer believes that an unauthorized electronic fund transfer has been or may be made.

(iii) The financial institution's business days, as determined under § 205.2(d), unless applicable State law or an agreement between the consumer and the financial institution sets a liability limit not greater than \$50.

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By order of the Board of Governors, June 7, 1979.

(signed) Theodore E. Allison

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Theodore E. Allison  
Secretary of the Board

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