

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 80-108

June 4, 1980

AMENDMENT TO REGULATION E
ELECTRONIC FUND TRANSFERS

TO ALL MEMBER BANKS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Governors has amended Regulation E effective May 10, 1980. Printed on the following pages is the Board's Order as published in the Federal Register. Enclosed is the amendment in slip sheet form which should be filed in your Regulations Binder. The slip sheet dated April 1980 should be removed and destroyed.

Any questions concerning Regulation E should be directed to the Consumer Affairs Section of our Bank Supervision and Regulations Department, Ext. 6171.

Sincerely yours,

Robert H. Boykin

First Vice President

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

FEDERAL RESERVE press release



For immediate release

May 8, 1980

The Federal Reserve Board today amended its Regulation E (electronic fund transfers), making it unnecessary for receipts given at the point of sale in electronic transfers to identify the type of account being charged. Rules regarding the use of debit cards at automatic tellers are not affected.

Debit cards can be used to make purchases at department stores or elsewhere through electronic terminals that debit (charge) the customer's account at the financial institution that issued the card.

Regulation E would have required, effective May 10, that the receipt furnished to a consumer who uses a debit card to make a point of sale transaction identify the type of account (for instance checking or savings account) that is being charged.

It has come to the Board's attention that compliance with this requirement would be impracticable, as debit cards contain no indication of the type of account to be charged. Further, the identification of the type of account would be of little value to the cardholder, because the cardholder agrees with the financial institution issuing the card that one and only one account will be charged when point of sale transactions are made.

The Board consequently amended Regulation E to remove this requirement.

Smith, Section Chief, or John C. Wood, Attorney (202-452-2412), Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Regarding the economic impact analysis: Frederick J. Schroeder, Economist (202-452-2584), Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: (1)
Explanation of amendment. Regulation E requires that at the time an electronic fund transfer is initiated at an electronic terminal, the financial institution make available to the consumer a receipt containing certain information about the transfer. Section 205.9(a)(3) requires that the receipt identify the type of account accessed (for example, checking or savings). It has come to the Board's attention that compliance with this requirement is impracticable in the case of debit cards used in interchange point-of-sale (POS) systems. Cards used in such systems contain no indication of the type of account that will be accessed.

The options for disclosing the type of account, if the requirement remained in place, appear impracticable. First, store clerks could ask customers what type of account is being accessed, and then manually note the information on the receipt. The difficulty here is that the clerk may fail to perform the procedure or that the customer for privacy reasons may prefer not to divulge the information. Second, debit cards could be encoded with a symbol indicating the type of account to which they relate. This option, however, would necessitate the reissuance of all debit cards now in circulation and the replacement of existing stocks of sale slips (so as to add an explanation of the code). Finally, information of account type might be obtained for each POS transfer via the authorization network, but this again would require major reprogramming and place an unnecessary new burden on the network.

It also appears that a disclosure of type of account would be of little value to the cardholder in these circumstances. The cards in question can access only one account of the consumer when used at POS terminals. The consumer already knows which account that is. A consumer signing up for the service indicates to the financial institution the particular deposit account to be accessed when the card is used in a POS transaction.

For the reasons stated above, the Board is amending § 205.9(a)(3) by adding a sentence to footnote 3. The

effect is that the requirement to identify on the terminal receipt the type of account accessed will not apply in POS transfers where the access device used can access only one account. If the access device can access more than one account when used at a different type of facility (for example, in automated teller machines), the exemption will nevertheless be available at point of sale. On the other hand, the exemption will apply only to POS transfers. It will not be available, for example, in automated teller machine transfers, even if the access device can access only one account in those transfers.

Note also that the word "account" as used in the amendment refers only to accounts as defined in Regulation E, i.e., to consumer asset accounts. Thus, if a consumer can use a card at a POS terminal either to debit an asset account or to obtain credit on an open end credit account, the exemption would nevertheless apply.

The exemption becomes effective on May 10, 1980, the date on which § 205.9(a)(3) goes into effect. This action is taken in order to avoid unnecessary harm to financial institutions that would be subject to risk of civil liability if they continue to provide this service, and to consumers who might be deprived of a beneficial service if financial institutions and merchants ceased handling POS transfers. The Board finds that the notice, public procedure, and deferral of effective date provisions of 5 U.S.C. 553(b) and (d) would be impracticable and contrary to the public interest. For the same reasons, the expanded rulemaking procedures set forth in the Board's policy statement of January 15, 1979 (44 FR 3957), will not be followed in connection with this proceeding.

(2) *Economic impact analysis.* Section 205.9(a)(3) is amended to provide that, when only one of a consumer's accounts at a financial institution can be accessed by an access device at point of sale, the POS documentation need not indicate the type of account accessed. The Act requires that the documentation identify the account to or from which funds are transferred. The regulation specifies that the account has to be identified by type; this provision is designed to enable consumers to determine that the correct account was in fact debited.

Bank card associations have pointed out that interchange networks are not capable of providing information on account type at the time of the transfer. Furthermore, the major interchange networks allow access devices to access only one account, so that the account type is not useful information. Costs of redesigning interchange network

FEDERAL RESERVE SYSTEM

12 CFR Part 205

[Reg. E; Docket No. R-0292]

Electronic Fund Transfers; Documentation of Transfers

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending § 205.9(a)(3) of Regulation E, which implements the Electronic Fund Transfer Act, to exempt point-of-sale (POS) transfers from the requirement to identify, on the terminal receipt, the type of account accessed. The exemption is limited to POS transfers in which the access device involved can access only one particular account at point of sale.

EFFECTIVE DATE: May 10, 1980.

FOR FURTHER INFORMATION CONTACT: Regarding the regulation: Dolores S.

systems to provide the information would be prohibitive.

The amendment does not appear to decrease the level of consumer protection. At the same time, it removes a regulatory requirement that, because of the potential liability associated with widespread violation on the one hand and with costly system redesign on the other hand, would likely eliminate POS electronic transfer services for consumers.

(3) Pursuant to the authority granted in 15 U.S.C. 1693b, the Board amends 12 CFR Part 205 by adding a second sentence to footnote 3 to § 205.9(a)(3), to read as set forth below:

§ 205.9 Documentation of transfers.

(a) *Receipts at electronic terminals.*^{3**}

* * * * *

(3) The type of transfer and the type of the consumer's account(s)^{3***}

* * * * *

³If more than one account of the same type may be accessed by a single access device, the accounts must be uniquely identified. In a point-of-sale transfer, the type of account need not be identified if the access device used may access only one account at point of sale.

By order of the Board of Governors, May 8, 1980.

Theodore E. Allison
Secretary of the Board.

[FR Doc. 80-14802 Filed 5-13-80; 8:45 am]

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
ELECTRONIC FUND TRANSFERS

AMENDMENTS TO REGULATION E †

Effective May 10, 1980, § 205.9 is amended, by adding a second sentence to footnote 3 to paragraph (a)(3), by adding a footnote to paragraph (b)(1)(iv), by revising paragraph (b)(3), and by adding paragraphs (f) and (g), to read as follows:

SECTION 205.9—DOCUMENTATION OF TRANSFERS

(a) Receipts at electronic terminals.***

* * * * *

(3) The type of transfer and the type of the consumer's account(s).³***

* * * * *

(b) Periodic statements.***

(1) ***

(iv) For each transfer initiated by the consumer at an electronic terminal.⁴***

* * * * *

(3) The total amount of any fees or charges, other than a finance charge under 12 CFR 226.7(b)(1)(iv), assessed against the account during the statement period for electronic fund transfers or the right to make such transfers, or for account maintenance.

* * * * *

³ If more than one account of the same type may be accessed by a single access device, the accounts must be uniquely identified. In a point-of-sale transfer, the type of account need not be identified if the access device used may access only one account at point of sale.

* * * * *

⁴ A financial institution need not identify the terminal location for deposits of cash, checks, drafts, or similar paper instruments at electronic terminals.

(f) Receipt requirements for certain cash-dispensing terminals. The failure of a financial institution to comply with the requirement of paragraph (a) of this section that a receipt be made available to the consumer at the time an electronic fund transfer is initiated at an electronic terminal shall not constitute a violation of the Act or this regulation, provided

(1) The transfer occurs at an electronic terminal that

(i) Does not permit transfers other than cash withdrawals by the consumer.

(ii) Cannot make a receipt available to the consumer at the time the transfer is initiated.

(iii) Cannot be modified to provide a receipt at that time, and

(iv) Was purchased or ordered by the financial institution prior to February 6, 1980; and

(2) The financial institution mails or delivers a written receipt to the consumer that complies with the other requirements of paragraph (a) of this section on the next business day following the transfer.

(g) Delayed effective date for certain periodic statement requirements. The failure of a financial institution to describe an electronic fund transfer in accordance with the requirements of paragraphs (b)(1)(iv) and (v) of this section shall not constitute a violation of the Act or this regulation unless the transfer occurs on or after August 10, 1980, if, when a transfer involves a payment to another person, the financial institution, upon the consumer's request and without charge, promptly provides the consumer with proof that such a payment was made.

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† For this Regulation to be complete retain:
1) Printed Regulation pamphlet dated May 10, 1980.
2) This slip sheet. (Destroy slip sheet dated April 1980.)