FEDERAL RESERVE SYSTEM

12 CFR Part 205

[Regulation E; Docket No. R–0919]

Electronic Fund Transfers

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rule.

SUMMARY: The Board is publishing for comment proposed amendments to Regulation E, which implements the Electronic Fund Transfer Act. The proposed amendments relate to: the use of electronic communication in home-banking services for providing disclosures and other documentation; error resolution requirements for new accounts; and the treatment of stored-value cards (imposing modified Regulation E requirements on stored-value products in systems that track individual transactions, cards, or consumers; providing an exemption for cards on which a maximum value of $100 can be stored; and providing that other stored-value cards are not covered by Regulation E).

DATES: Comments must be received on or before August 1, 1996.

ADDRESSES: Comments should refer to Docket No. R–0919 and be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, DC 20551. They may also be delivered to the guard station in the Eccles Building Courtyard on 20th Street, NW (between Constitution Avenue and C Street) between 8:45 a.m. and 5:15 p.m. weekdays. Except as provided in the Board's rules regarding the availability of information (12 CFR 261.8), comments will be available for inspection and copying by members of the public in the Freedom of Information Office, Room MP–500 of the Martin Building, between 9:00 a.m. and 5:00 p.m. weekdays.

FOR FURTHER INFORMATION CONTACT: Regarding the proposed amendments on electronic communication, Michael Hentrel, Staff Attorney, and regarding the other proposed amendments, Jane Gell, Natalie Taylor, or Kyung Cho-Miller, Staff Attorneys, Division of Consumer and Community Affairs, at (202) 452–2412 or (202) 452–3667. For the hearing impaired *only*, Telecommunications Device for the Deaf (TDD), Dorothea Thompson, at (202) 452–3544.

SUPPLEMENTARY INFORMATION:

I. Background

The Electronic Fund Transfer Act (EFTA) (15 U.S.C. 1693), enacted in 1978, provides a basic framework establishing the rights, liabilities, and responsibilities of participants in electronic fund transfer (EFT) systems. The Federal Reserve Board was given rulewriting authority to issue implementing regulations. Types of transfers covered by the act and regulation include transfers initiated through an automated teller machine (ATM), point-of-sale (POS) terminal, automated clearinghouse, telephone bill-payment system, or home banking program. The act and Regulation E (12 CFR Part 205) provide rules that govern these and other EFTs. The rules prescribe restrictions on the unsolicited issuance of ATM cards and other access devices; disclosure of terms and conditions of an EFT service; documentation of EFTs by means of terminal receipts and periodic statements; limitations on consumer liability for unauthorized transfers; procedures for error resolution; and certain rights related to preauthorized EFTs.

In 1994 the Board issued for public comment a proposed revision of Regulation E under the Board's Regulatory Planning and Review program. (The Board has taken final action on the proposal; a revised regulation and revised staff commentary are published in today's Federal Register.) As part of that process, and based in part on the public comments received, the Board identified areas that offer an opportunity for further burden reduction without undercutting consumer protection. One such area involves the use of electronic communication between consumers and financial institutions—for example, by personal computer and modem—in place of paper documents. The proposed revision published in 1994 included a provision that allowed electronic communication in place of paper for authorization of recurring electronic debits. The Board now proposes to permit electronic text messages to substitute for paper under Regulation E generally. The proposed revision also solicited comment generally on coverage of prepaid cards and other stored-value products under Regulation E. To resolve issues raised during and following the public comment period, the Board undertook an analysis of stored-value products and their treatment under Regulation E. The Board now proposes amendments under which many stored-value products would be exempt, and others would be covered under limited requirements.

II. Proposed Regulatory Revisions

The following discussion covers the proposed amendments to Regulation E in the order of the sections of the regulation that would be affected—first addressing electronic communication, then error resolution for new accounts, and finally stored-value products.

Electronic Communication—Section 205.4(c)

Financial institutions offer a wide variety of ''home banking'' services ranging from account inquiries, verifications, and fund transfers between accounts, to bill payment and full account management; and they are using various forms of electronic communication to deliver these services. Telephones and personal computers are the most common means of access to home banking services. Telephones with digital screens (''screen phones''), equipped with bar code or magnetic stripe readers, allow consumers to enter transactions off-line, then send the information to the financial institution on-line. Financial institutions may offer consumers specialized software that allows the user to access bank information via personal computer; oftentimes this software is integrated with other on-line services. These EFT services use electronic communication as a fast, convenient, and sometimes less costly means of communication with the consumer. Electronic communication, for purposes of this discussion, means an electronically transmitted text message between a financial institution and a consumer's home computer or other electronic device possessed by the consumer.

Under Regulation E, certain disclosures (such as initial disclosures and periodic statements) must be provided to consumers (1) in writing, (2) in a clear and readily understandable form, and (3) in a form that the consumer may keep. In the context of home banking and similar services, financial institutions have asked whether they may satisfy these requirements by providing the information electronically, for example, through a consumer's personal computer.

Are Electronic Communications ''Writings''

Many Regulation E disclosures must be provided to consumers in writing. A writing, up to the present, has typically been presumed to mean a paper document. Information that is produced,

stored, or communicated by computer too is generally considered to be a writing, at least where text is involved. Indeed, in many office environments in the United States today, documents are produced, edited, revised, and communicated to others within the organization by the use of computers and electronic mail, and these documents are considered written documents when kept in electronic form as well as when printed on paper. Similarly, under other laws that call for information to be in writing, information in electronic form is considered to be ''written.''

Communications by telephone (including voicemail systems) are typically characterized as oral communication as they do not have the feature generally associated with a writing—visual text. Therefore, pursuant to its authority under section 904(c) of the EFTA, the Board proposes to permit financial institutions to use an electronic communication where the regulation calls for information to be provided in writing, but to limit the scope of the term ''electronic communication'' to a communication in a form that can be displayed as visual text. An example would be an electronic message that the receiver could display on a screen (including a computer monitor or a screen phone).

Clear and Readily Understandable Form

Regulation E requires financial institutions to provide required information in a clear and readily understandable form. Some means of displaying an electronic communication appear to meet this standard; for example, a personal computer monitor should allow the consumer to read the text of a disclosure. Others may not have this capability; a screen phone, for example, may display only a few lines of text at a time, making it difficult for a consumer to review initial disclosures or a periodic statement, where it may be necessary to move back and forth between various parts of the document. The Board believes that the requirement for clear and readily understandable disclosures applies fully to electronic communications. The Board requests specific comments on the likelihood and extent of compliance problems that could be caused by this requirement, as well as suggestions for resolving such problems.

Retainability

The act and regulation establish a retainability requirement. In general, if information must be provided in writing, Regulation E requires that the information must be in a form that the consumer may retain.

Consumers with home banking systems will most likely have the ability to download information, print it out, and store it on a computer disk for later retrieval. The responsibility to provide EFTA information in a retainable form belongs to the financial institution. Still, the Board recognizes that to satisfy the retainability requirement for electronic communications, financial institutions will have to rely on the consumer's having the capability to download data. The Board believes that where a consumer has agreed to receive information electronically, the financial institution should be deemed to satisfy the retention requirement by making information available for downloading, provided some consumer safeguards are established. In the event of printer malfunctions and other unforeseen computer problems, for instance, the consumer may be precluded from effectively retaining an electronic message received from a financial institution.

The Board proposes to amend Regulation E to provide that if a financial institution uses electronic communication to send information that is required to be in writing, the consumer may request a paper copy of the information within one year after receipt of the electronic communication. Commenters are asked to address whether this is an appropriate time period, and if not, to offer suggestions for an alternative.

The Board also solicits comment on possible alternatives to providing a paper copy upon request to consumers. One such means might be for a financial institution to maintain the information in data storage and re-send the information electronically to a consumer whose computer facilities were temporarily inoperable.

Some electronic messages from a consumer to an institution trigger the need for a response from the institution. For example, an oral or written notice of error from a consumer requires the institution to investigate and resolve the error within a specified period. Some financial institutions have indicated that in accepting electronic communications from consumers, they may want to require paper verifications, for their own and the consumer's protection. For example, Regulation E provides that a consumer may stop payment of a preauthorized electronic fund transfer by notifying the institution orally or in writing, and that the institution may require written confirmation of an oral stop-payment order. If an institution accepts an electronic stop-payment order, the institution might want to require confirmation of the order in paper form, to make sure that a preauthorized payment is not dishonored by mistake.

The Board believes that (as in the case of an oral communication) if the consumer sends an electronic communication to the institution, the institution could require a confirmation from the consumer in paper form. Comment is requested, however, on whether and how the regulation should address this point.

Electronic communication between financial institutions and consumers could also be used in contexts other than home banking. For example, a consumer who possesses a modem-equipped personal computer may wish to send and receive information required by Regulation E about an EFT service used by the consumer, such as debit card access to the consumer's account. The proposal covers this situation. The Board solicits comment on whether the regulation should, as proposed, permit electronic communication to substitute for paper disclosures and other required paper messages for EFT services other than home banking, or should limit electronic communication to home-banking services.

Error Resolution for New Accounts—Section 205.11

Regulation E requires a financial institution to investigate and resolve a consumer's claim of error within specified time limits. An institution generally is expected to resolve the alleged error within ten business days after receiving a notice of error. If the institution needs more time, it must provisionally credit the consumer's account and resolve the error no later than 45 calendar days after receiving the notice.

In the course of commenting on the Board's 1994 proposal to revise Regulation E, some institutions requested that the Board use its exception authority under the statute either (1) to exempt new accounts from the requirement to provisionally credit the account by the tenth business day or (2) to extend the time period for resolving errors.

Commenters expressed concern about individuals who open a new account with the intent to defraud. Such individuals may open an account, immediately withdraw all or a large amount of the funds through ATMs, and file a claim with the financial institution disputing the ATM transactions. Often they receive provisional credit because of the financial institution's inability to

research the claim (such as by obtaining photographic evidence from ATM cameras) within ten business days. At that point, the individual immediately withdraws the funds that were provisionally credited and abandons the account. Commenters believe that having more time to investigate errors involving new accounts would enable institutions to limit their losses and control this type of fraud.

Some commenters pointed to the Board's exception for new accounts under Regulation CC, which implements the Expedited Funds Availability Act. There, the regulation extends the time within which an institution is required to make funds available to a customer for new accounts. Regulation CC defines a new account as an account during the first 30 calendar days after the first deposit to the account is made.

The Board proposes to amend Regulation E, pursuant to its section 904(c) authority to provide for adjustments and exceptions in the regulation, to extend the time periods for resolving errors that involve new accounts. The proposal would allow 20 business days for resolving an error before an institution is required to provisionally credit, and an outside limit of 90 calendar days for resolving the claim. Comment is solicited on the proposed extensions of time, on the 30-day definition for new accounts, and on whether consumer protections relating to error resolution would be adversely affected.

Stored-Value Systems—Section 205.16

Over the past few years the financial services industry has shown increasing interest in providing ''stored-value cards'' (also referred to as prepaid or value-added cards) to consumers. These cards maintain, typically in a computer chip or magnetic stripe, a ''stored value'' of funds available to the consumer for access primarily at retail locations. The balance recorded on the card is debited at a merchant's POS terminal when the consumer makes a purchase.

Products that could be characterized broadly as ''stored-value'' cover a wide range. In their simplest form, stored-value systems are targeted at low-value uses (public transit, pay telephones, or photocopiers, for example); the amount that can be stored on the card is limited; and the card is disposed of once its value has been used up. These cards typically have a single type of use, and only one card issuer and one entity (likely to be the same as the issuer) that accepts the card as payment for goods or services.

More sophisticated systems can involve large transactions and permit consumers to store value in the hundreds of dollars on a card. The cards may have multiple uses, and there may be multiple card issuers and multiple card-accepting merchants. The cards may allow the consumer to obtain cash from ATMs instead of, or in addition to, making purchases. At least one system (now in the pilot stage) would enable the consumer to transfer stored-value balances to another person's card. Some systems would provide access to funds in foreign currencies. Cards tend to be reloadable, allowing the consumer to load value onto the card, for example, by withdrawing funds from an account at a depository institution through a teller, via an ATM, or, potentially, via a specially-equipped telephone. Some systems are designed as stand-alone products. In other cases, stored-value features may be added to debit or credit cards. Some of these more sophisticated stored-value systems are in operation as pilot programs or are under development by financial institutions or associations of institutions.

Colleges and universities are increasingly adding a stored-value feature to student identification cards, so that students can make purchases at campus locations such as cafeterias, bookstores, and vending machines. In some cases, the educational institution is both the issuer and the only card-accepting entity; in others, the card is also accepted by off-campus merchants. In addition to the stored-value features that some student card systems may have, these systems may operate with student asset accounts maintained by the university or by a depository institution on behalf of the university; these accounts are covered by Regulation E.

There are significant differences among proposed systems in the manner that they handle balances and transaction data. Some systems operate off-line, with transaction approval and data retention occurring only at the merchant level. The balance of available funds may be stored only on the card itself as transactions occur, and transactions neither require nor receive authorization from a central database. The data for a given transaction are kept at the merchant location, and are not forwarded to the central data facility. Only the aggregate amount for a batch of transactions is transmitted by the merchant (usually daily) so that the merchant can receive appropriate credit from a financial institution. In other off-line systems, the dollar value remaining on the card is stored both on the card and in a central data facility. Data for individual transactions are transmitted to the central data facility, typically at the end of each business day, and maintained there. Still other systems operate on-line, and transactions are authorized by communication between a terminal and a central database.

Status of Stored-Value Cards Under the EFTA

In 1994, the Board issued proposed revisions to Regulation E under the Board's Regulatory Planning and Review program. At that time, the Board generally requested comment on whether, and the extent to which, the regulation should apply to stored-value cards. The Board made clear that a transaction involving such cards is covered by Regulation E when the transaction accesses a consumer's account (such as when value is ''loaded'' onto the card from the consumer's deposit account via an ATM). Among the commenters that addressed this issue, many asked the Board to provide an exemption from Regulation E for stored-value cards and other stored-value products so as not to hinder their development or, alternatively, to modify the requirements applicable to them.

Legislation introduced and still pending in the Congress would exempt stored-value cards and other stored-value products from the EFTA and Regulation E. (H.R. 2520, 104th Cong., 1st Sess., § 443; S. 650, 104th Cong., 1st Sess., § 601 (1995).) The Board has suggested in congressional testimony that, while certain provisions of Regulation E should not apply, it would be appropriate to first examine basic issues raised by these new payments systems before legislating a blanket exemption from the EFTA. The Board mentioned terminal receipts and periodic statements as examples of requirements that should not apply, but suggested that consumers might benefit from receiving initial disclosures (such as disclosure of a consumer's risk for unauthorized transactions), a requirement that would likely entail minimal added expense for card issuers.

Coverage Issue

Coverage of stored-value systems under the EFTA and Regulation E depends on whether a stored-value transaction involves an EFT from a consumer's asset account. The act defines an ''electronic fund transfer'' as a transfer of funds initiated through electronic means (such as an electronic terminal or a computer) that results in a debit or credit to an account. Stored-value transactions involve a transfer of funds and are carried out through

electronic means—namely, terminals in retail locations that read the magnetic strip or chip embedded in the card.

The act defines ''account'' as a demand deposit, savings, or other ''asset account''—as described in regulations of the Board—that is established primarily for personal, family, or household purposes. Asset accounts are not limited to traditional checking and other deposit accounts. For example, the term includes a consumer's money market mutual fund or other securities account held by a broker-dealer. The Board also interprets the term ''account'' to include accounts established by government agencies under electronic benefit transfer (EBT) programs (59 FR 10678, March 7, 1994).

The legislative history of the act provides guidance as to the Board's regulatory authority under the EFTA for determining issues of coverage. Senate Banking Committee reports noted that the ''definitions of 'financial institution' and 'account' are deliberately broad so as to assure that all persons who offer equivalent EFT services involving any type of asset account are subject to the same standards and consumers owning such accounts are assured of uniform protection.'' (S. Rep. No. 915, 95th Cong., 2d Sess. 9 (1978).) This concept is captured in section 904(d) of the EFTA, which provides that if EFT services ''are made available to consumers by a person other than a financial institution holding a consumer's account, the Board shall by regulation assure that the disclosures, protections, responsibilities, and remedies created by this title are made applicable to such persons and services.''

Further, section 904(c) provides that the rules issued by the Board ''may contain such classifications, differentiations, or other provisions * * * as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, [or] to prevent circumvention or evasion thereof. * * *'' Senate Banking Committee reports on two separate bills, in discussing section 904(c), stated that ''since no one can foresee EFT developments in the future, regulations would keep pace with new services and assure that the act's basic protections continue to apply.'' (S. Rep. No. 915, 95th Cong., 2d Sess. 10 (1978).)

Types of Stored-Value Systems

In some stored-value systems, the balance of funds available is recorded on the card, but is also maintained at a central data facility at a bank or elsewhere. The systems operate off-line; there is no authorization of transactions by communication with a database at a financial institution or elsewhere. Transaction data are periodically transmitted to and maintained by a data facility. As in the case of the traditional consumer deposit account accessed by a debit card, in these stored-value card systems a consumer has the right to draw upon funds held by an institution. The maintenance of a record of value and of transactions for a given card apart from the card itself—so that transactions are traceable to the individual card—strongly parallels the functioning of a deposit account. The Board believes that the facts support a finding that such systems involve an account for purposes of the EFTA. These systems are referred to below as ''off-line *accountable* stored-value systems.''

In another type of stored-value system that also operates off-line, the record of value is maintained only on the card itself, and not in a central database. Transaction data for debits to the card's ''stored value'' are recorded on the card and captured at merchant terminals (where they are maintained for a limited period of time). Only the aggregate amount of transactions for a given period is transmitted by the merchant to a financial institution or other entity so that the merchant can receive credit. Given the lack of a centrally maintained, ongoing record of individual card balances or of transaction data in these systems, it is more difficult to conclude that an ''account'' exists for purposes of Regulation E. These systems will be referred to below as ''off-line *unaccountable* stored-value systems.''

A third type of stored-value system operates in a manner that is the functional equivalent of using a debit card to access a traditional deposit account. Notably, this type of system involves on-line access to a database for purposes of transaction authorization and data capture. That is, when the card is used at an ATM or a POS terminal, the transaction is authorized by means of on-line communication with the data facility, where the transaction data are stored (including information such as merchant identification, amount, date, and card number). The balance of funds available to the consumer is not recorded on the card itself, as in off-line stored-value systems; instead, the balance information is maintained in the data facility. Two distinctions between these systems and traditional deposit accounts accessed by debit card are (1) the value associated with a card is limited to the amount that the cardholder has chosen to make accessible through the card (as opposed to a deposit account accessed by debit card, where the entire account is accessible and funds available may fluctuate); and (2) the value associated with the card is accessible only through use of the card itself (in contrast to deposit accounts accessible by debit card, which typically may be accessed through various means, including check, withdrawal slip, ACH, or telephone bill payment).

The Board believes these systems—which are referred to as ''*on-line* stored-value systems''—meet the definition of a consumer asset account, and thus are covered by Regulation E, based on their on-line operation and extensive data capture and retention. As discussed below, however, the Board also believes it is appropriate to propose modifying the rules applicable to these systems.

Modifications and Exceptions for Various Types of Stored-Value Systems

The discussion that follows is organized to address separately each of the three types of systems described above—off-line *accountable* stored-value systems, off-line *unaccountable* stored-value systems, and *on-line* stored-value systems. The Board notes that, in all three types of systems, a transaction in which a stored-value card is used to access a consumer's deposit account, such as ''reloading'' the card by drawing on the consumer's checking account at an ATM, is covered by Regulation E and subject to all Regulation E requirements. The discussion below, therefore, relates to transactions in which value stored on a card is drawn down to obtain cash or purchase goods or services.

A. Off-line ''Accountable'' Stored-Value Systems

To the extent that off-line accountable stored-value systems are similar to systems involving debit cards and traditional deposit accounts, parallel consumer protections under Regulation E may be appropriate. If these stored-value systems were to be covered by all requirements of Regulation E, however, their further development could be seriously slowed or even halted in some cases. The following discussion presents an analysis of the major provisions of Regulation E, including the compliance burdens to financial institutions and the benefits to consumers associated with each.

1. *Restrictions on unsolicited issuance of access devices.* Generally Regulation E prohibits issuing a debit card, personal identification number (PIN), or other ''access device'' to a consumer (for example, by mail) unless the consumer has requested the device, orally or in writing. The purpose is to avoid making

consumers' accounts accessible by a means that consumers may not want and that may subject them to added risk, and to reduce the likelihood of unauthorized transactions from interception of cards. There is a qualified exception, for an access device that is not ''validated'' (meaning usable) at the time of issuance and that the issuer will validate only upon request by the consumer and verification of the consumer's identity.

As a practical matter, most providers of stored-value products will likely issue stored-value cards only to consumers who request them. Some may choose to promote their product by targeting populations and sending unsolicited cards with small amounts of ''free money'' on the card. Such a practice would not appear to harm consumers, since there would be no access to the consumer's own deposit-account funds.

Application of the unsolicited issuance rules to off-line accountable stored-value cards (aside from those that could access a consumer's existing deposit account, where the rules already apply) appears unnecessary for consumer protection. The Board proposes to exclude off-line accountable stored-value cards from the Regulation E rules on unsolicited issuance, but solicits specific comment on whether there is any practical need for the rules to apply.

2. *Initial disclosures.* Regulation E requires that at the time a financial institution and a consumer enter into an agreement for an EFT service, the institution must disclose certain terms and conditions. Items to be disclosed include a summary of the consumer's liability for unauthorized transfers, error-resolution procedures, any limits on the frequency or dollar amount of transfers, and any fees or charges for individual transfers or for the service.

Without the disclosure of terms and conditions, consumers might regard off-line accountable stored-value products as comparable to debit or credit cards, and thus might expect similar rights and remedies to apply. This could be particularly likely if the stored-value feature were made part of the consumer's debit or credit card, or if a consumer could use the card for transactions in the same locations where debit or credit card transactions take place.

Financial institutions that provide stored-value products may disclose certain information voluntarily; however, the disclosures that they opt to give could vary considerably. Requiring disclosures under Regulation E would ensure that uniform information is given to consumers. Such disclosures would be useful in alerting consumers to important features of these new services, such as transaction charges and risk of loss for lost or stolen cards.

Providing initial disclosures would probably not impose significant compliance costs. The disclosures can be given along with the card or other account-opening material in a preprinted format; they need not be individually customized for each account. Accordingly, the Board proposes to amend Regulation E to require initial disclosures for off-line accountable stored-value systems.

The proposed amendment would not include all the items generally required to be disclosed under Regulation E, but only those that appear relevant to off-line accountable stored-value systems. These include the disclosures of consumer liability for unauthorized transactions; the types of transfers available; transaction charges, if any; and error resolution procedures available to the consumer, if any. The disclosure of consumer liability for unauthorized transactions would expressly state that the consumer bears the full risk of loss (if such is the case), or would state any limits on liability that might be adopted by agreement with the consumer.

3. *Change-in-terms notices.* Under Regulation E, if terms or conditions required to be disclosed (such as limits on transfers, or transaction fees) were to change from those initially in effect, the institution must generally notify the consumer at least 21 days before the effective date of the change.

Whether change-in-terms notices are relevant for off-line accountable stored-value products depends on whether contract terms applicable to the card are likely to change. If there are increases in transaction charges, for instance, it is reasonable for consumers to be informed of the increase before it takes effect. (It appears that, currently at least, charges are not imposed on stored-value transactions.) But issuers of some of these products may not expect to have an ongoing relationship with the consumer, and thus may not typically obtain an address at the time the consumer purchases the card. In some cases, stored-value cards are freely transferrable; even if the card issuer has the address of the original cardholder, the issuer may not have the address of a subsequent holder. If the value stored on the card is likely to be used within a short period, it is also probable that new transaction charges would not be imposed or charges increased during its lifetime.

The Board believes that the potential costs of having to comply with the change-in-terms notice requirement outweighs the consumer protections that would be afforded by such notices and proposes to exempt off-line accountable stored-value systems from this requirement. The Board specifically solicits comment on whether there might be circumstances in which the notice requirement should apply.

4. *Transaction receipts and periodic statements.* For an EFT initiated at an ATM or a POS terminal, Regulation E requires that a transaction receipt be made available to a consumer. The receipt must show the date, amount, type of transaction and account, card or account number, terminal location, and name of any third party (such as a merchant) involved in the transfer. The regulation also requires periodic account statements, generally monthly, that detail largely the same information as on terminal receipts and provide other information such as opening and closing account balances and fees or charges assessed during the statement period. These receipts and periodic statements allow consumers to verify account activity and to detect unauthorized transactions and errors, so that they can be reported and resolved.

For off-line accountable stored-value products, documentation requirements could present compliance difficulties and considerable costs, while providing only limited benefits to consumers. In some cases, receipts may be given whether or not required by Regulation E. A retailer that accepts debit cards must provide receipts under Regulation E for debit card transactions, and therefore might provide receipts for stored-value card transactions as well. But if the card can be used at places not equipped with printers (such as vending machines), to require receipts would necessitate a retrofitting of terminals and would impose ongoing compliance costs. Moreover, for small or commonly-made transactions, many consumers may not want or need a receipt.

The requirement for periodic statements too may present compliance problems for some off-line accountable stored-value systems. In some of these systems, transaction data are collected in centralized data facilities, not by the card-issuing financial institutions. Given that lack of data, providing periodic statements would be costly and could impede the development of stored-value products. Moreover, as in the case of receipts, for small or commonly-made transactions on these cards, consumers may not need or want documentation on a periodic statement.

The Board believes that the consumer benefits of terminal receipts and periodic statements—in the context of stored-value transactions—may be somewhat limited and be outweighed by the compliance costs. Consequently, the Board proposes to exempt off-line accountable stored-value systems from these requirements.

5. *Limitations on consumer liability for unauthorized transfers.* Regulation E generally limits a consumer's losses for unauthorized EFT debits to a maximum of $50. If the consumer fails to notify the financial institution of the loss or theft of a debit card or other ''access device'' within two business days of learning of the loss or theft, the consumer's potential liability rises to $500. If the consumer fails to notify the institution of unauthorized transfers appearing on a periodic statement within 60 days after the institution sent the statement, the consumer's liability for any further unauthorized transfers is unlimited.

Absent Regulation E's limits on liability, stored-value cardholders bear the entire risk unless the issuer opts to assume some part of it (or offers insurance to consumers against losses). If the regulatory liability limits applied, the risk would be imposed on the issuer, because these systems operate off-line and will not typically require PIN-protection or any other means of identifying the consumer. Without PIN-protection there is an almost certain likelihood that lost or stolen cards could and would be used.

Some off-line accountable systems could conceivably store negative files at merchant POS terminals for blocking unauthorized transactions. Thus, they might be able to prevent unauthorized use, assuming a consumer promptly reported loss or theft of the card. But many systems do not have this capability. In addition, even for those that could, the cost of transmitting negative files to terminals frequently enough to effectively block unauthorized transactions could be prohibitive.

Arguably, the lack of PIN-protection in these systems may lead consumers to be more careful in handling the cards. Consumers might act more prudently if initial disclosures were provided, explaining the risk. In addition, if loss does occur, the amount stored on the card may be substantially less than would typically be at risk with the loss or theft of a traditional debit card, where the deposit account may serve several purposes (as a repository for savings or for paying bills, for instance), and thus may tend to have a larger account balance.

In light of these factors, the Board proposes to exempt off-line accountable stored-value cards from the liability provisions. Under the proposal, the initial disclosures given to consumers would summarize the full extent of their risk.

6. *Error resolution procedures.* Regulation E requires financial institutions to investigate and resolve claims of error made by consumers within specified times—generally, no later than ten business days after receiving the consumer's notice of error; or 45 days after the notice if the institution provisionally credits the consumer's account, in the amount of the claimed error, within ten business days. A summary of these procedures is given to consumers with the initial disclosures, and consumers also receive an annual notice as a reminder. ''Error'' includes an unauthorized electronic debit, a transaction in an incorrect amount, and failure to provide required identification of transactions.

Prompt resolution of errors is an important consumer protection, but the detailed procedures prescribed by the act and regulation pose a potentially difficult compliance problem for off-line accountable stored-value systems. Investigation and resolution of errors in accordance with Regulation E would be complicated and costly.

After weighing the potential costs against the consumer's need for these protections, the Board proposes to exempt off-line accountable stored-value systems from application of the error resolution procedures and also from the related requirement to mail an annual notice describing them. Initial disclosures would inform consumers that they bear the full risk of loss in case of lost or stolen cards, if that is the case, and would summarize any error resolution procedures available.

The Board requests specific comment on whether, alternatively, some minimal error resolution procedures should be required. For example, an error within the financial institution's control, such as one resulting from a malfunctioning card, may not be unduly difficult to correct. Commenters are also asked to address whether, if no error resolution requirements are imposed, the initial disclosures should include a statement that there are no error resolution procedures available to the consumer.

7. *De minimis exclusion.* In addition to the modifications presented above, the Board proposes a *de minimis* exclusion for off-line accountable stored-value systems based on the maximum balance that can be stored on the card or other device. For a stored-value product limited to a relatively small amount of funds, the amount at risk would be sufficiently minimal that application of even modified Regulation E protections appears unnecessary. This provision would apply to off-line accountable devices that are limited to a maximum of $100 at a given time; such devices would be completely exempt from Regulation E.

B. Off-line ''Unaccountable'' Stored-Value Systems

As described above, off-line *unaccountable* stored-value systems are those in which the card balances and transaction data are maintained only on the card itself. Transaction data may be maintained for a limited time at merchant terminals, but are not captured or maintained by the issuer or a central database. Photocopier cards and farecards for the mass transit systems in some cities are examples of such cards. Under the proposed amendments, off-line unaccountable stored-value systems would not be covered by Regulation E. The proposed amendments do not provide an explicit exemption; instead, the definitions of systems that would be covered under the proposal do not capture off-line unaccountable systems.

Most off-line unaccountable systems currently involve small dollar amounts and a single use, such as paying transit fares. Other proposed systems, however, could involve substantially larger transaction amounts and maximum card values, and could have multiple uses. These features may make such a system more comparable to traditional debit cards than the small-value cards, in terms of potential uses by consumers. This being the case, the Board could consider whether to exercise its authority under the EFTA (to provide uniform protections for all equivalent consumer EFT services) by proposing to bring off-line unaccountable systems within the coverage of the act. If the requirements applicable to off-line *unaccountable* stored-value systems were the same as those that the Board is proposing with regard to off-line *accountable* systems—initial disclosures, with an exemption for card values of $100 or less—compliance would not be particularly costly or difficult. Since the concern about consumer protection would exist primarily for systems that store substantial amounts on a card, any proposal could be framed in terms of covering only those cards with a maximum value of more than a certain amount.

Although some off-line stored-value systems that permit larger maximum card values may fall within the

unaccountable category, it is not clear that such systems would operate in this manner at all times and with respect to all transactions. As systems are further developed, they could evolve into systems that capture and maintain some transactions in a location other than on cards and at merchant terminals. If so, the Board believes such systems could be characterized as off-line *accountable*, rather than off-line *unaccountable*, systems, and thus would be subject to the same set of rules.

There is some risk that the application of Regulation E to off-line accountable stored-value systems, but not to off-line unaccountable systems, could act as an incentive for developers of stored-value systems to structure systems as unaccountable in order to avoid being covered under the regulation. It is not desirable to have system design be guided by regulatory rather than economic considerations. However, the requirements applicable to off-line accountable systems—initial disclosures—are so minimal when compared to other factors that could affect system design (for example, the transaction data collected in accountable systems may be useful for various purposes including fraud detection and marketing) that it seems unlikely the potential for coverage by Regulation E would have much impact.

On balance, the Board believes that it is preferable to state that off-line unaccountable cards are not covered by Regulation E. The Board solicits specific comment, however, on whether the distinction between off-line accountable and off-line unaccountable systems (especially high-value ones) reaches the right result, in light of the considerations discussed above, and accordingly on whether the Board should consider coverage of off-line unaccountable systems, under very limited requirements such as initial disclosures. The Board also solicits comment on whether, if Regulation E coverage were extended to off-line unaccountable systems, it would be preferable in defining the scope of coverage to focus on the value capable of being stored, on whether the system has multiple uses, or on both of these features.

C. ''On-line'' Stored-Value Systems

The third type of stored-value system in some respects resembles off-line accountable stored-value systems, and in others resembles traditional deposit accounts accessed by debit cards. As in off-line accountable stored-value systems, data about individual card balances and transactions (including merchant identification, amount, date, and card number) are collected and maintained at centralized locations; and the value associated with a card is limited to an amount that the consumer chooses, not a fluctuating balance in the consumer's checking or savings account.

As in traditional deposit accounts accessed by debit cards, these stored-value systems operate on-line. When a card is used at an ATM or a POS terminal, the transaction is authorized by means of on-line communication with a financial institution or central data facility. The balance of funds available to the consumer is not recorded on the card itself, as in off-line stored-value systems; instead, the balance information is maintained only at the data facility. In this respect too, an on-line stored-value system is the functional equivalent of a deposit account accessed by a debit card, and thus can be viewed as representing a consumer asset account for Regulation E purposes, subject to coverage by the regulation.

In general, compliance with Regulation E requirements does not appear to be a significant problem. For example, because these systems operate on-line, they are designed to block unauthorized access, and compliance with the limitations on consumer liability for unauthorized transactions should not be more burdensome than for a traditional deposit account accessed by debit card. However, a few exceptions from particular provisions of Regulation E may be appropriate, as presented below.

1. Exceptions for periodic statements and annual error resolution notices. Regulation E requires statements that detail account activity. In some on-line stored-value systems, cards are not reloadable, but instead are meant to be discarded after the funds associated with the card are drawn down to zero. For example, a consumer may purchase a card for use on a trip of a few weeks, and draw down all value tied to the card within that time. In such cases, the potentially short-term nature of the product and the lack of an ongoing account relationship may make periodic statements unnecessary.

As an alternative to the periodic statement requirement, an issuer could provide account balances and account histories upon request, for the preceding one or two months. This treatment would parallel the exception adopted by the Board under the rules applicable to EBT systems. (See 59 FR 10678, March 7, 1994, codified at 12 CFR § 205.15.) This alternative documentation would not appear to be unduly burdensome, because cardholders who have used up the value associated with the card will presumably not request an account history. For similar reasons, the Board believes that it would be appropriate to propose exempting these systems from the requirement to send annual notices summarizing error resolution procedures. Again, if the card is used and discarded within a year, this annual notice would serve little purpose.

It may also be appropriate to propose an exemption from the periodic statement requirement for on-line stored-value systems involving cards that are reloadable. Since the stored value is accessible only through use of the card itself (not, for example, by check), then periodic statements may be unnecessary. If a consumer receives a receipt for each transaction, periodic statements may not be needed even if the relationship between the consumer and the issuer is ongoing. If the consumer needed to check on recent account transactions, the consumer could request the issuer to provide an account history.

There may be less reason to exempt reloadable on-line cards from the annual error resolution notice requirement. If a card issuer has an ongoing relationship with the consumer, sending the annual notice does not seem burdensome. However, extending the exemption to both requirements—periodic statements and the annual error notice—regardless of whether a card is reloadable, would avoid making the proposed rule overly complex.

Accordingly, the Board proposes to provide that on-line stored-value systems are not subject to (1) the periodic statement requirement, but may instead provide the account balance and transaction history to the cardholder upon request; or (2) the requirement for an annual reminder of error resolution procedures. The Board solicits comment on whether the proposed modifications should be different for on-line stored-value cards that are reloadable.

2. *Change-in-terms notices*. Under Regulation E, if terms or conditions required to be disclosed (such as limits on transfers, or transaction fees) were to change from those initially in effect, the institution must generally notify the consumer at least 21 days before the effective date of the change.

For the reasons discussed in connection with off-line accountable stored-value products, the Board believes that the change-in-terms notice requirements need not apply to on-line accountable stored-value products and, accordingly, proposes to exempt them from this requirement. Specific comment is solicited on whether there

might be circumstances in which the notice requirement should apply.

3. *De minimis exclusion*. Some on-line stored-value systems may make relatively small amounts accessible through use of the card. For example, a number of prepaid telephone card systems apparently operate on-line. As in the case of off-line accountable stored-value systems, if the amount associated with a consumer's card is limited to a relatively small amount, application of Regulation E protections such as the limitation on the consumer's liability for unauthorized transactions seems less important. And if transaction amounts are on average quite small (as is likely to be true if the maximum amount on a card is low), the cost impact of Regulation E compliance would be proportionately greater than for systems involving large transactions. For these reasons, the Board proposes to exempt on-line stored-value systems completely from coverage under Regulation E if the maximum amount that can be associated with a card is limited to $100.

Computer Network Payment Products

Parallel to the development of stored-value card products, there has been an increasing interest in other products that might adopt stored-value concepts. Systems are being proposed, for example, for making payments over computer networks, such as the Internet. In these cases, a balance of funds could be accessed via a consumer's personal computer, and transferred or used in purchases via a computer network. As in the case of card-based products, there is a range of network payment products in operation or under development.

Some of these network payment products involve on-line access to a consumer account in a financial institution, and thus are fully subject to Regulation E. Other products may involve various procedures for authorizing and carrying out transactions, and may or may not be subject to the regulation. The Board requests specific comment on the extent to which the Board should consider proposing that Regulation E apply to various types of network payment products. In general, the Board believes that the same principles should apply to network payment products as to stored-value card products in analyzing coverage under Regulation E. For example, the Board might consider applying a *de minimis* exemption to network payment products in the same way the Board is proposing for stored-value card products.

Summary of Proposed Amendments for Stored-Value Systems

To summarize, with respect to stored-value systems, the Board proposes to amend Regulation E to:

(1) Exempt completely from Regulation E *off-line unaccountable* stored-value systems;

(2) Exempt completely from Regulation E both *off-line accountable* stored-value systems and *on-line* stored-value systems if the maximum amount that can be stored on or associated with a card at any given time is $100 or less;

(3) Establish modified requirements for coverage of *off-line accountable* stored-value systems, applying only the requirements relating to initial disclosures; and

(4) Modify the requirements applicable to *on-line* stored-value systems, under which such systems would not be subject to (a) the periodic statement requirement, if an account balance and a summary of recent transactions is provided upon request; (b) the annual error resolution notice requirement; or (c) change-in-terms notices.

III. Form of Comment Letters

Comment letters should refer to Docket No. R–0919. The Board requests that, when possible, comments be prepared using a standard courier typeface with a type size of 10 or 12 characters per inch. This will enable the Board to convert the text into machine-readable form through electronic scanning, and will facilitate automated retrieval of comments for review. Comments may also be submitted on computer diskettes, using either the 3.5'' or 5.25'' size, in any DOS-compatible format. Comments on computer diskettes must be accompanied by a paper version.

IV. Regulatory Flexibility Analysis

In accordance with section 603 of the Regulatory Flexibility Act and section 904(a)(2) of the EFTA, the Board's Division of Research and Statistics has prepared an economic impact statement on the proposed regulation. A copy of the analysis may be requested from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551, or by telephone at (202) 452–3245.

V. Paperwork Reduction Act

In accordance with section 3506 of the Paperwork Reduction Act of 1995 (44 U.S.C. Ch. 35; 5 CFR 1320 Appendix A.1), the Board reviewed the proposed rule under the authority delegated to the Board by the Office of Management and Budget. Comments on the collection of information should be sent to the Office of Management and Budget, Paperwork Reduction Project (7100–0200), Washington, DC 20503, with copies of such comments to be sent to Mary M. McLaughlin, Federal Reserve Board Clearance Officer, Division of Research and Statistics, Mail Stop 97, Board of Governors of the Federal Reserve System, Washington, DC 20551.

The collection of information requirements in this proposed regulation are found in 12 CFR Part 205. This information would be mandatory (15 USC 1693 *et seq.*) to ensure adequate disclosure of basic terms, costs, and rights relating to electronic fund transfer (EFT) services affecting consumers using certain stored-value cards or home-banking services and consumers exercising their error resolution rights under Regulation E. The respondents/recordkeepers are for-profit financial institutions, including small businesses. Regulation E applies to all types of financial institutions, not just state member banks. However, under Paperwork Reduction Act regulations, the Federal Reserve accounts for the burden of the paperwork associated with the regulation only for state member banks. Other agencies account for the Regulation E paperwork burden on their respective constituencies.

The Federal Reserve has no data on which to estimate the burden the proposed requirements would impose on state member banks. With regard to stored-value cards, there are as yet no such systems in full operation in the United States, and only a few stored-value card pilot projects. It is difficult to predict how many state member banks will choose to offer these products and how many cards will be issued to consumers. However, because the proposed amendments include a number of exemptions for stored-value products from Regulation E requirements, the proposed amendments could have the effect of reducing paperwork burden, compared to what the burden would be without the amendments in place.

The proposed amendments on the use of electronic communication in home banking would likely reduce the paperwork burden of financial institutions. Institutions offering home banking programs would be able to use electronic communication to provide disclosures, periodic statements, and other information required by Regulation E rather than having to print and mail the information in paper form.

The proposed amendment relating to error resolution for new accounts may reduce paperwork burden, because institutions may be able to complete

error investigations within the longer time allowed under the proposal (20 business days), rather than have to provisionally credit consumer's accounts within ten business days and provide related notices to the consumer, as is required currently under Regulation E.

The Federal Reserve requests comments from issuers, especially state member banks, that will help to estimate the number and burden of the various disclosures that would be made in the first year this regulation is effective. Comments are invited on: (a) the cost of compliance; (b) ways to enhance the quality, utility, and clarity of the information to be disclosed; and (c) ways to minimize the burden of disclosure on respondents, including through the use of automated disclosure techniques or other forms of information technology.

List of Subjects in 12 CFR Part 205

Consumer protection, Electronic fund transfers, Federal Reserve System, Reporting and recordkeeping requirements.

Text of Proposed Revisions

Certain conventions have been used to highlight the proposed changes to Regulation E. New language is shown inside bold-faced arrows, while language that would be removed is set off with brackets.

Pursuant to the authority granted in sections 904 (a), (c), and (d) of the Electronic Fund Transfer Act, 15 U.S.C. 1693b (a), (c), and (d), and for the reasons set forth in the preamble, the Board proposes to amend 12 CFR Part 205 as set forth below:

PART 205—ELECTRONIC FUND TRANSFERS (REGULATION E)

1. The authority citation for Part 205 would be revised to read as follows:

Authority: 15 U.S.C. 1693–1693r.

2. Section 205.4 would be amended by adding paragraph (c) to read as follows:

§ 205.4 General disclosure requirements; jointly offered services.

* * * * *

fl (c) *Electronic communication.* (1) *Definition.* For purposes of this part, the term *electronic communication* means an electronically transmitted text message between a consumer and a financial institution; in the case of a communication to the consumer, the message shall allow text to be displayed on equipment in the consumer's possession such as a modem-equipped personal computer or screen telephone.

(2) *Communication between financial institution and consumer.* (i) By agreement between a financial institution and a consumer, either may send to the other by electronic communication any information required by this part to be provided orally or in writing. Information required by this part to be in writing and sent to a consumer by electronic communication shall be clear and readily understandable and shall be provided in a manner that would allow a consumer to retain the information.

(ii) If this part specifies that information be provided to the consumer in writing, the consumer may request a paper copy of the information up to one year after receiving the electronic communication. fi

* * * * *

3. Section 205.11 would be amended by revising paragraph (c)(3), to read as follows:

§ 205.11 Procedures for resolving errors.

* * * * *

(c) *Time limits and extent of investigation.* * * *

* * * * *

(3) *Extension of time periods.* The applicable time periods in this paragraph (c)(3) are 20 business days in place of 10 business days, and 90 days in place of 45 days, if a notice of error involves an electronic fund transfer that:

(i) Was not initiated within a state; [or]

(ii) Resulted from a point-of-sale debit card transaction; fl or

(iii) Involves a new account during the first 30 calendar days after the first deposit to the account is made. fi

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4. A new section 205.16 would be added, to read as follows:

fl § 205.16 Certain stored-value services.

(a) *General.* The rules in this section apply to stored-value accounts as defined in paragraph (b) of this section.

(b) *Definitions.* For purposes of this section, the following definitions apply:

(1) *Off-line stored-value account* means a balance of funds recorded on a card that a consumer may use at electronic terminals to obtain cash or purchase goods or services, where the record of such balance is also maintained on a separate database, apart from the card, and where on-line authorization of transactions is not required to access the funds. Off-line stored-value accounts are subject to the requirements in paragraph (d) of this section.

(2) *On-line stored-value account* means a balance of funds that may be accessed only through the use of a card that a consumer may use at electronic terminals to obtain cash or purchase goods or services, where the record of such balance is maintained on a separate database, and not on the card, and where on-line authorization of transactions is required to access the funds. On-line stored-value accounts are subject to the requirements in paragraph (e) of this section.

(3) *Financial institution* includes any person that, directly or indirectly, holds an on-line or off-line stored-value account, or that issues a card to a consumer for use in obtaining cash or purchasing goods or services by accessing such an account.

(c) *$100 exemption.* A stored-value account, as defined in paragraphs (b) (1) and (2) of this section, is exempt from the requirements of this part if the maximum amount that may be in the account at any given time is $100 or less.

(d) *Modified requirements for off-line stored-value accounts; initial disclosures.* Stored-value accounts as defined in paragraph (b)(1) of this section are subject only to the following initial disclosure requirements of this part, as applicable:

(1) *Liability of consumer.* A summary of the consumer's liability, under state or other applicable law or agreement, for unauthorized transfers.

(2) *Types of transfers; limitations.* The type of electronic fund transfers that the consumer may make and any limitations on the frequency and the dollar amount of transfers.

(3) *Fees.* Any fees imposed by the financial institution for electronic fund transfers or for the right to make transfers.

(4) *Error resolution.* A summary of the financial institution's procedures for resolving errors concerning electronic fund transfers, including the telephone number and address of the person or office to be notified in the event of an error.

(e) *Modified requirements for on-line stored-value accounts.* Stored-value accounts as defined in paragraph (b)(2) of this section are subject to the requirements of this part, with the following modifications:

(1) *Exceptions; change-in-terms notice; error resolution notice.* The account is exempt from the requirements of § 205.8.

(2) *Alternative to periodic statement.* A financial institution need not furnish the periodic statement required by § 205.9(b) if the financial institution makes available to the consumer:

(i) The consumer's account balance, through a readily available telephone line and at a terminal; and

(ii) A written history of the consumer's account transactions that is provided promptly in response to an oral or written request and that covers at least 60 days preceding the date of a request by the consumer.

(3) *Additional modifications.* A financial institution that does not furnish periodic statements, in accordance with paragraph (e)(2) of this section, shall comply with the following special rules:

(i) *Initial disclosures.* The financial institution shall modify the disclosures under § 205.7 by disclosing:

(A) *Account balance.* The means by which the consumer may obtain information concerning the account balance, including a telephone number. This disclosure may be made by providing a notice substantially similar to the notice in paragraph A–6 of Appendix A of this part.

(B) *Written account history.* A summary of the consumer's right to receive a written account history upon request, in place of the periodic-statement disclosure required by section 205.7(b)(6), and the telephone number to call to request an account history. This disclosure may be made by providing a notice substantially similar to the notice in paragraph A–6 of Appendix A of this part.

(C) *Error resolution.* A notice concerning error resolution that is substantially similar to the notice contained in paragraph A–6 of Appendix A of this part.

(ii) *Limitations on liability.* For purposes of § 205.6(b)(3), regarding a 60-day period for reporting any unauthorized transfer that appears on a periodic statement, the 60-day period shall begin with the transmittal of a written account history provided to the consumer under paragraph (e)(2) of this section.

(iii) *Error resolution.* The financial institution shall comply with the requirements of section 205.11 in response to an oral or written notice of an error from the consumer that is received no later than 60 days after the consumer obtains the written account history, under paragraph (e)(2) of this section, in which the error is first reflected. fi

5. Appendix A would be amended by adding an entry to the table of contents at the beginning of the appendix and by adding a new paragraph A–6, to read as follows:

Appendix A to Part 205—Model Disclosure Clauses and Forms

Table of Contents

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fl A–6—Model Forms for On-Line Stored-Value Card Services (§ 205.16(e)(3)) fi

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fl A–6—Model Forms for On-Line Stored-Value Card Services (§ 205.16(e)(3))

(1) *Disclosure of information about obtaining account balances and account histories in on-line stored-value card service* (§ 205.16(e)(3)(i) (A) and (B))

(2) *Disclosure of error resolution procedures in on-line stored-value card service* (§ 205.16(e)(3)(i)(C))

You may find out about the balance remaining on your card by calling [telephone number]. You can also learn your remaining balance [by making a balance inquiry at an ATM] [on the receipt you get when withdrawing cash from an ATM] [on the receipt you get when making a purchase].

You also have the right to get a written summary of transactions made with your card for the 60 days preceding your request by calling [telephone number].

In Case of Errors of Questions About Your Card Transactions Telephone us at [telephone number] or Write us at [address] as soon as you can, if you think an error has occurred involving a transaction made with your card. We must hear from you no later than 60 days after you receive a written summary of transactions (which you can request from us), showing the error. You will need to tell us:

- Your name and card number.
- Why you believe there is an error, and the dollar amount involved.
- Approximately when the error took place.

If you tell us orally, we may require that you send us your complaint or question in writing within 10 business days. We will generally complete our investigation within 10 business days and correct any error promptly. In some cases, an investigation may take longer, but you will have the use of the funds in question after the 10 business days. However, if we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit the funds in question back to the card during the investigation.

If we decide that there was no error, we will send you a written explanation within three business days after we finish our investigation. You may ask for copies of the documents that we used in our investigation.

If you need more information about our error resolution procedures, call us at [telephone number] [the telephone number shown above]. fi

By order of the Board of Governors of the Federal Reserve System, April 19, 1996.

William W. Wiles,

Secretary of the Board.

[FR Doc. 96–10181 Filed 5–1–96; 8:45 a.m.]

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