On July 5, 2007 the Federal Reserve System issued a final rule and official staff interpretation amending Regulation E, which implements the Electronic Fund Transfer Act. Regulation E requires that financial institutions make a receipt available at the time a consumer initiates an electronic fund transfer (EFT) at an electronic terminal. The final rule creates an exception from this requirement for EFTs of $15 or less.
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FEDERAL RESERVE SYSTEM
12 CFR Part 205
[Regulation E; Docket No. R–1270]

Electronic Fund Transfers

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule; official staff interpretation.

SUMMARY: The Board is amending Regulation E, which implements the Electronic Fund Transfer Act, and the official staff commentary to the regulation. Regulation E requires that financial institutions make a receipt available at the time a consumer initiates an electronic fund transfer (EFT) at an electronic terminal. The final rule creates an exception from this requirement for EFTs of $15 or less.

DATES: The final rule is effective August 6, 2007.

FOR FURTHER INFORMATION CONTACT: Vivian W. Wong, Attorney, or Ky Tran-Trong, Counsel, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, at (202) 452–2412 or (202) 452–3667. For users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263–4869.

SUPPLEMENTARY INFORMATION:

I. Statutory Background

The Electronic Fund Transfer Act (EFTA or Act) (15 U.S.C. 1693 et seq.), enacted in 1978, provides a basic framework establishing the rights, liabilities, and responsibilities of participants in electronic fund transfer (EFT) systems. The EFTA is implemented by the Board’s Regulation E (12 CFR part 205). Examples of the 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 (ACH), telephone bill-payment plan, or remote banking service. The Act and regulation provide for disclosure of the terms and conditions of an EFT service; documentation of EFTs by means of terminal receipts and periodic account activity statements; limitations on consumer liability for unauthorized transfers; procedures for error resolution; and certain rights related to preauthorized EFTs. The Act and regulation also prescribe restrictions on the unsolicited issuance of ATM and debit cards and other access devices.

The official staff commentary (12 CFR part 205 (Supp. I)) interprets the requirements of Regulation E to facilitate compliance and provides protection from liability under sections 915 and 916 of the EFTA for financial institutions and persons subject to the Act. 15 U.S.C. 1693m(d)(1). The commentary is updated periodically to address significant questions that arise.

II. Background and Overview of Comments Received

Under the EFTA and Regulation E, financial institutions must make a receipt available at the time a consumer initiates an EFT at an electronic terminal. For this purpose, electronic terminals include ATMs and POS terminals. The receipt requirement applies whenever an EFT is made at an electronic terminal, regardless of the transaction amount.

According to industry representatives, the receipt requirement has been an obstacle to their ability to respond to recent shifts in consumer payment preferences from cash to debit cards, particularly in environments that exclusively handle small-dollar transactions. For vending machines, for example, the costs associated with installing and servicing additional printing equipment capable of providing terminal receipts have been an impediment to offering cashless payment options. For public mass transit systems, the time required to provide each consumer with a receipt for debit card transactions at the gate or on a vehicle would cause delays that render the use of debit cards impractical in such circumstances.

On December 1, 2006, the Board published a notice of proposed rulemaking to eliminate the requirement to provide a receipt to consumers at POS and other electronic terminals for transactions of $15 or less. 71 FR 69500. In support of the proposal, the Board cited the implementation costs and the growing consumer preference for using debit cards in all types of transactions, regardless of the dollar amount of the transaction. In addition, the Board noted that while receipts may be important to consumers for moderate-to-high value transactions, receipts may be less significant for small-dollar transactions because consumers are less likely to retain them for proof of payment or for account management purposes given the limited risk of loss to the consumer. Moreover, consumers would continue to receive a record of each transaction on their periodic statements and retain the right to assert an error arising from that transaction with their account-holding financial institution, provided notice was given within the required time frames.

The Board received 56 comment letters in response to the proposal. Commenters included banks, credit unions, card associations, financial and other industry trade associations, consumer groups, and individual consumers. A majority of the comment letters were submitted by industry while nearly 20 letters were submitted by individual consumers or consumer groups. In general, financial institutions and other industry commenters supported the Board’s proposal to eliminate the receipt requirement for small-dollar transactions although many of these commenters urged the Board to increase the dollar threshold for the

3 See Section 906 of the EFTA (15 U.S.C. 1693d) and 12 CFR 205.9(a).

4 The terminal receipt requirement does not apply to transactions initiated through a telephone operated by a consumer, or to transactions initiated by a consumer “by a means analogous in function to a telephone.” Thus, the receipt requirement does not apply to Internet transactions, where a consumer uses a computer to visit a merchant’s web site to purchase goods or services. See § 205.2(h); comment 2(h)–1(ii).


6 See 12 CFR 205.9(b) and 205.11.
exception. Specifically, these commenters advocated an increase in the dollar threshold from $15 to $25, stating that a higher threshold would provide greater flexibility in the future to accommodate consumer preferences for electronic forms of payment in more market segments in the future. Industry commenters also favored a $25 threshold for consistency with current payment card association rules that waive the personal identification number (PIN) and signature authorization requirements for certain merchants for transactions under $25.

Consumer group commenters believed that the $15 threshold was too high and stated that a $5 threshold would be sufficient to accommodate the retail environments that currently do not accept debit cards. Consumer groups also suggested that some additional consumer protections be implemented along with the exception, including limiting the exception only to retail environments that do not conduct any transactions over the dollar threshold.

The Board received comments from 18 individual consumers. While six individual consumers supported the Board’s proposal, the rest of the comments from individual consumers opposed the proposal, citing a need for receipts for various reasons, including account management, fraud detection, and reimbursement and income tax substantiation purposes.

III. Summary of the Final Rule

The Board is amending Regulation E to eliminate the requirement for providing terminal receipts for EFTs of $15 or less. The revisions are being adopted largely as proposed without substantive change. Pursuant to its authority under section 904(c) of the EFTA, the Board is adopting this limited exception to effectuate the purpose of the Act and facilitate the use and acceptance of debit cards in transactions where that option does not currently exist due to the compliance burdens associated with the receipt requirement. In addition, a revision to the commentary clarifies that the fact that a financial institution does not make a terminal receipt available for an EFT of $15 or less is not an error for purposes of the error resolution provisions in §205.11.

IV. Section-by-Section Analysis

Section 205.9 Receipts at Electronic Terminals; Periodic Statements

Consumer Need for a Receipt

Most commenters agreed that an exception from the receipt requirement would be appropriate to facilitate consumers’ use of debit cards in locations that do not currently offer that option. Many individual consumer commenters, however, opposed the Board’s proposal, offering various reasons for needing receipts. A majority of these commenters stated that they use terminal receipts to accurately enter the transaction amounts in their financial records to track their finances or to independently verify transactions listed on their periodic statement. A few consumer commenters stated that the receipts can be used as proof of purchase to obtain reimbursements by employers or to substantiate tax deductions. Several of these individual consumer commenters also raised concerns that eliminating the receipt requirement for transactions of $15 or less might make it more difficult for consumers to dispute these transactions. These commenters asserted that without the receipt to serve as evidence to support a consumer’s claim of error, consumers may be less likely to prevail in a dispute with the financial institution.

As noted in the proposal, the intended purpose of making a terminal receipt available to a consumer at the time the consumer initiates an EFT was to provide a record of the transaction equivalent to a cancelled check. Receipts may also serve to assist consumers in tracking their purchases for accounting purposes. However, in certain retail environments, the burden in costs or delays in transaction time of making receipts available to consumers may discourage merchants and others from offering consumers the option to use a debit card, thus potentially limiting consumer payment options. The Board has previously recognized this potential obstacle in the context of vending machines in particular. In its March 1997 Report to the Congress on the Application of the Electronic Fund Transfer Act to Electronic Stored-Value Products (1997 Report), the Board noted that the delay in transaction time from printing a receipt might discourage the use of machines accepting products that require receipts. The Board also noted in the 1997 Report the additional compliance costs of the receipt requirement. Moreover, in other retail environments, the requirement to provide receipts may be impractical, such as in the case of mass transit systems where the time required to print a receipt for each consumer purchasing single fares with a debit card would cause delays that would significantly conflict with a transit system’s need to handle a heavy volume of transactions within short time periods. In these circumstances, a consumer using cash would not be provided a receipt for transactions conducted in these environments nor would the consumer expect one.

The Board believes that receipts are of minimal benefit to consumers in small-dollar transactions for several reasons. First, consumers are less likely to obtain a receipt or retain it for such small-dollar transactions due to the limited risk of loss. Furthermore, even without a receipt for small-dollar transactions, consumers have other means to track their finances. For example, in addition to receiving a record of each transaction on periodic statements, consumers can in most cases access information on specific transactions before receiving their periodic statements from their financial institutions through the telephone and often through the Internet as well. For expense reimbursement and tax substantiation purposes, consumers can use their periodic statements for small-dollar transactions if documentary evidence is needed. Also, while a receipt may be helpful for a consumer in disputing a transaction with their account-holding financial institution for certain types of errors, the absence of a receipt does not affect the consumer’s right to assert any error with their financial institution.

In light of the foregoing, the Board is exercising its authority under section 904(c) of the EFTA (15 U.S.C. 1693b) to create an exception to the receipt requirement that applies to EFTs of $15 or less. See §205.9(a) and (e). The Board believes that the limited exception to the receipt requirement has significant potential benefits for consumers because the exception will facilitate compliance with the regulation and allow financial institutions to offer consumers the

5 See National Commission on Electronic Fund Transfers, EFT in the United States: Policy Recommendations in the Public Interest, 47–48 (1977), S. Rep. No. 915, 95th Cong. Sess. 5 (1978) (noting that “receipts * * * would give the consumer written verification of the amount, date, and type of transfer and the person paid.”).


additional option of using a debit card in retail environments where the costs and time delays of making receipts available now effectively preclude merchants from offering that option. Proposed § 205.9(e) is revised in the final rule, for consistency with § 205.9(a), to state that the exception applies to the general requirement to “make available” a terminal receipt at the time of the EFT. No substantive change is intended.

The Board also notes that the types of retail environments making use of the exception will likely be limited to circumstances where providing a receipt is impractical. In retail environments that process both large- and small-dollar transactions, merchants still will be required to make receipts available for those higher-dollar transactions, and the Board believes they will be unlikely to change their practices based on the dollar amount of the transaction. Similarly, merchants that provide receipts for purposes other than to comply with Regulation E, for example to facilitate merchandise returns, likely still would make receipts available for all transactions.

A few commenters requested clarification regarding the applicability of the proposed exception to ATM transactions. In the proposal, the Board stated that the proposed exception would apply to deposits at ATMs of $15 or less. These commenters interpreted the statement as limiting the exception to ATM deposits and suggested that the exception should apply to all transactions conducted at an ATM. The Board did not intend to so limit the exception but instead to note that the exception could potentially apply to all transactions at an ATM, including deposits. Nevertheless, the Board anticipates that for operational reasons, financial institutions would continue to make receipts available for ATM transactions, regardless of the amount of transfer.

A small number of commenters suggested that instead of excepting small-dollar transactions altogether from the requirement to provide receipts, receipts should be provided to consumers upon request. Currently, comment 9(a)–1 already states that receipts may be provided only upon a consumer’s request. As discussed above, however, in some retail environments, such as vending machines, the burdens associated with installing and maintaining printing equipment would be an obstacle to merchant acceptance of debit cards, even if the receipts are only provided upon request.

Dollar Threshold

The Board specifically requested comment on whether $15 is the appropriate threshold for the proposed exception. Several industry commenters suggested that the threshold should be set at $25 to be consistent with current card association rules that waive requirements for signature or PIN authorization for transactions under that amount for certain retailers. These commenters stated that having different dollar amount thresholds for receipts and authorization requirements would be confusing to consumers and would be difficult to implement in terms of training staff and reprogramming terminals. Industry commenters also asserted that a $25 threshold would better accommodate rising costs than the $15 threshold and provide greater flexibility for expansion of the use of debit cards in additional retail environments.

Consumer group commenters and some individual consumers, however, thought the proposed threshold was too high, and they suggested that the threshold be the minimum amount necessary to address the limited circumstances cited by the industry. Thus, consumer groups recommended a threshold of no more than $5, which they stated would be sufficient to accommodate the types of retail environments discussed in the proposal. One consumer commenter suggested that the amount be lowered to $10, which the commenter believed would still take into account future price increases.

The final rule provides an exception for transactions of $15 or less, as proposed. As discussed in the proposal, the Board believes that the $15 threshold strikes an appropriate balance between industry’s need for flexibility to offer cashless payment options in a variety of retail environments and consumers’ need for receipts in higher-dollar transactions. Commenters did not provide any data that suggests that a higher or lower threshold than the one proposed by the Board better or more appropriately balances the costs and benefits of the exception. The $5 threshold suggested by consumer groups may be sufficient today to enable consumers to use debit cards in a majority of retail environments where the option to use a debit card is currently unavailable. The Board believes, however, that such a low threshold might not sufficiently accommodate price increases that may occur in these retail environments over time. A lower threshold might also foreclose the possibility of additional retail environments accepting cashless payments in the future.

Commenters also did not provide strong arguments for increasing the threshold. While a $25 threshold would make the rule consistent with the card association rules that waive signature and PIN authorization for certain transactions under that amount, the Board does not believe consumers would be confused by a different dollar threshold for receiving receipts because these two rules fulfill different goals and purposes. The Board will continue to monitor the market need for the exception and revisit this dollar threshold as necessary.

Additional Consumer Protections

The Board solicited comment in the proposal on whether the Board should adopt any additional consumer protections in connection with the proposed exception. Most industry commenters thought that current consumer protections were sufficient and that additional protections were not necessary. A couple of industry commenters, however, suggested that a notice be posted at the terminal informing consumers that a receipt will not be provided for transactions of $15 or less. The Board believes that, on balance, the consumer benefit from receiving this notice is outweighed by the costs of imposing the burden on financial institutions of providing this notice. Many of the retail environments that would take advantage of the exception, such as vending machines, do not currently provide receipts for cash transactions. The Board believes that consumers will not expect a receipt when using a debit card in those environments. Thus, a notice informing them of the lack of a receipt is unnecessary.

Consumer group commenters proposed some additional consumer protections. First, consumer groups advocated that receipts should be required in transactions where additional fees are imposed because

they believe receipts are helpful to alert consumers to these fees. Although a merchant or ATM operator would be aware of any fees it may impose in connection with a debit card transaction, it is the Board’s understanding that information about transaction fees charged by the consumer’s account-holding financial institution in connection with an EFT typically would not be transmitted to merchants or to ATM operators unless the terminal is owned and operated by the financial institution. Thus, a receipt that is made available in such circumstances is unlikely to alert the consumer to all fees that may be charged in the transaction. Accordingly, the Board declines to adopt the suggestion. Nonetheless, the Board agrees that consumers should be made aware in some manner of all of the fees that may be imposed before entering into a transaction.

Consumer group commenters also suggested that the exception should not be available in retail environments where transactions of both small- and large-dollar amounts are processed. As previously noted, however, the Board expects that for operational reasons, many businesses that process transactions of varying amounts will still make receipts available for all transactions, regardless of amount. Moreover, limiting the exception in the manner suggested would add additional complexity to the rule, and therefore, the Board believes the rule should be applied consistently for ease of compliance.

Section 205.11 Procedures for Resolving Errors

11(a) Definition of Error

Comment 11(a)–6, as proposed, clarified that the fact that a financial institution does not make a terminal receipt available for a transaction of $15 or less is not a billing error for purposes of §§205.11(a)(1)(vi) or (vii).10 No comments were received regarding this provision, and the comment is adopted as proposed.

V. Final Regulatory Flexibility Analysis

The Regulatory Flexibility Act (5 U.S.C. 601 et seq.) (RFA) generally requires an agency to perform an assessment of the rule’s expected impact on small entities. Under section 605(b) of the RFA, the regulatory flexibility analysis otherwise required under the RFA is not required if an agency certifies that the rule will not have a significant economic impact on a substantial number of small entities, and provides a statement providing the factual basis for such certification. Based on the analysis and reasons stated below, the Board certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

1. Statement of the need for, and objectives of, the final rule. The EFTA was enacted to provide a basic framework establishing the rights, liabilities, and responsibilities of participants in electronic fund transfer systems. The primary objective of the EFTA is the provision of individual consumer rights. 15 U.S.C. 1693. The EFTA authorizes the Board to prescribe regulations to carry out the purpose and provisions of the statute. 15 U.S.C. 1693b(a). The Act expressly states that the Board’s regulations may contain “such classifications, differentiations, or other provisions, * * * as, in the judgment of the Board, are necessary or proper to effectuate the purposes of [the Act], to prevent circumvention or evasion of [the Act], or to facilitate compliance with [the Act].” 15 U.S.C. 1693b(c).

The Board is revising Regulation E to provide financial institutions relief from the requirement to make available terminal receipts at the time of a transaction for EFTs of $15 or less. The Board believes that these revisions to Regulation E are within Congress’s broad grant of authority to the Board to adopt provisions that carry out the purposes of the statute and to facilitate compliance with the EFTA. These revisions facilitate financial institutions’ compliance with the EFTA in small-dollar transactions by eliminating obstacles to the use of electronic payment methods in such transactions where the value to the consumer of having a record of the transaction in the form of a terminal receipt is limited.

2. Issues raised by comments in response to the initial regulatory flexibility analysis. In accordance with section 603(a) of the RFA, the Board conducted an initial regulatory flexibility analysis in connection with the proposed amendments. 71 FR 69502–03. The Board did not receive any comments on its regulatory flexibility analysis with respect to providing an exception from the requirement to make terminal receipts available for EFTs of $15 or less.

3. Small entities affected by the final rule. The requirement to make available receipts when a consumer initiates an EFT at an electronic terminal applies to all financial institutions, regardless of their size. Accordingly, the proposed exception would reduce the burden and compliance costs for small institutions by providing relief from the requirement to make terminal receipts available to consumers at the time of the transaction where the transaction amount is $15 or less.

4. Other federal rules. The Board has not identified any federal rules that duplicate, overlap, or conflict with the final revisions to Regulation E.

VI. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3506; 5 CFR part 1320 Appendix A1), the Board reviewed the rule under the authority delegated to the Board by the Office of Management and Budget (OMB). The final rule contains requirements subject to the PRA. The collection of information required by this final rule is found in 12 CFR part 205. The Board may not conduct or sponsor, and an organization is not required to respond to, this information collection unless the information collection displays a currently valid OMB control number. The OMB control number is 7100–0200. This collection of information is required to provide benefits for consumers and is mandatory (15 U.S.C. 1693 et seq.). The respondents/recordkeepers are for-profit financial institutions, including small businesses. Institutions are required to retain records for 24 months.

The final rule provides relief to financial institutions from the requirement to make available terminal receipts to consumers for all EFTs of $15 or less. The burden associated with use of this exception was previously estimated in the proposed rule and reported in documents filed with OMB. Under the Board’s prior analysis, respondents that are currently providing receipts for EFTs of $15 or less would face a one-time burden of 8 hours (one business day) to reprogram and update their systems if they wish to make use of the exception. The Board did not receive any comments on the burden estimate provided in the proposal.

Although the current requirement to make receipts available for all transactions initiated at an electronic terminal applies to financial institutions, third parties, such as merchants, typically make receipts available on behalf of an account-holding financial institution. In retail environments that do not currently accept debit cards, the financial
For the reasons set forth in the preamble, 12 CFR part 205 and the Official Staff is amended as follows:

PART 205—ELECTRONIC FUND TRANSFERS (REGULATION E)

§ 205.9 Receipts at electronic terminals; periodic statements.

(a) Receipts at electronic terminals—General. Except as provided in paragraph (e) of this section, a financial institution shall make a receipt available to a consumer at the time the consumer initiates an electronic fund transfer at an electronic terminal. The receipt shall set forth the following information, as applicable:

* * * * *

(e) Exception for receipts in small-value transfers. A financial institution is not subject to the requirement to make available a receipt under paragraph (a) of this section if the amount of the transfer is $15 or less.

3. In Supplement I to part 205, under section 205.11—Procedures for Resolving Errors, under 11(a) Definition of Error, paragraph 6 is added, to read as follows:

Supplement I to Part 205—Official Staff Interpretations

* * * * *

Section 205.11—Procedures for Resolving Errors

11(a) Definition of Error

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6. Terminal receipts for transfers of $15 or less. The fact that an institution does not make a terminal receipt available for a transfer of $15 or less in accordance with §205.9(e) is not an error for purposes of §§205.11(a)(1)(vi) or (vii).

* * * * *


Jennifer J. Johnson, Secretary of the Board.

[FR Doc. E7–12810 Filed 7–3–07; 8:45 am]

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71


Revision of Class E airspace; Red Dog, AK

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action revises Class E airspace at Red Dog, AK to provide adequate controlled airspace to contain aircraft executing Instrument Approach Procedures. Two Area Navigation (RNAV) Required Navigation Performance (RNP) Special Instrument Approach Procedures and an RNAV RNP Special Departure Procedure (DP) are being developed for the Red Dog Airport. This action revises existing Class E airspace upward from 1,200 feet (ft.) above the surface at Red Dog Airport, Red Dog, AK.

DATES: Effective Date: 0901 UTC, August 30, 2007. The Director of the Federal Register approves this incorporation by reference action under title 1, Code of Federal Regulations, part 51, subject to the annual revision of FAA Order 7400.9 and publication of conforming amendments.

FOR FURTHER INFORMATION CONTACT: Gary Rolf, AAL–538G, Federal Aviation Administration, 222 West 7th Avenue, Box 14, Anchorage, AK 99513–7587; telephone number (907) 271–5898; fax: (907) 271–2850; e-mail: gary.ctr.rolf@faa.gov. Internet address: http://www.alaska.faa.gov/at.

SUPPLEMENTARY INFORMATION:

History

On Monday, April 9, 2007, the FAA proposed to amend part 71 of the Federal Aviation Regulations (14 CFR part 71) to revise Class E airspace upward from 1,200 ft. above the surface at Red Dog, AK (72 FR 17445). The action was proposed in order to create Class E airspace sufficient in size to contain aircraft while executing Special Instrument Approach Procedures for the Red Dog Airport. A recent rulemaking action revealed that a small area of additional controlled airspace is required for these procedures. Additionally, coordinates listed for the Red Dog Airport and the Selawik VOR/DME have been updated to reflect the most current location surveys. Class E controlled airspace extending upward from 1,200 ft. above the surface, in the