

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

June 7, 2004

**BANKING SUPERVISION AND REGULATION:
REGULATION DD: REQUEST FOR COMMENT
AND GUIDANCE ON OVERDRAFT
PROTECTION PROGRAMS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Regulation DD: Request for Comment (Docket R-1197)

The Federal Reserve Board has published proposed amendments to Regulation DD, which implements the Truth in Savings Act, and the regulation's official staff commentary to address concerns about the uniformity and adequacy of information provided to consumers when they overdraw their accounts. The proposed amendments, in part, address a specific service offered by depository institutions, commonly referred to as "bounced-check protection" or "courtesy overdraft protection."

Depository institutions sometimes offer courtesy overdraft protection to deposit account customers as an alternative to a traditional overdraft line of credit. To address concerns about the marketing of this service, a proposed revision to the regulation would expand the prohibition against misleading advertisements to cover communications with current customers about existing accounts. The staff commentary would provide examples. Other proposed revisions to Regulation DD would require additional fee and other disclosures about courtesy overdraft services, including in advertisements.

The Board is also proposing amendments of general applicability that would require institutions to provide more uniform disclosures about overdraft and returned-item fees.

Please submit comments by August 6, 2004.

Agencies Issue Proposed Guidance on Overdraft Protection Programs (Docket OP-1198)

The federal financial institutions supervisory agencies have issued proposed guidance to assist insured depository institutions in the responsible disclosure and administration of overdraft protection services.

The proposed guidance identifies concerns raised by institutions, financial supervisors, and the public about the marketing, disclosure, and implementation of overdraft protection programs. To address these concerns, the proposed guidance will seek to accomplish the following:

- Ensure that financial institutions adopt adequate policies and procedures to address the credit, operational, and other risks associated with overdraft protection services
- Alert institutions offering these services to the need to comply with all applicable federal and state laws
- Set forth examples of best practices that are currently observed in, or recommended by, the industry

The proposal is being issued under the auspices of the Federal Financial Institutions Examination Council (FFIEC) by its member agencies: the Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; National Credit Union Administration; Office of the Comptroller of the Currency; and Office of Thrift Supervision.

Please submit comments on the proposed guidance by August 6, 2004.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about the proposal, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

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Attachments:

[Docket R-1197](#)

[Docket OP-1198](#)