

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

September 22, 2004

**BANKING SUPERVISION AND REGULATION:
REGULATION E—REQUEST FOR COMMENT**

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

Request for Comment on Regulation E and its Commentary (Docket R-1210)

The Federal Reserve Board is requesting public comment on proposed amendments to Regulation E, which implements the Electronic Fund Transfer Act, and the regulation's official staff commentary. The proposed revisions to the regulation would provide guidance regarding the rights, liabilities, and responsibilities of parties engaged in electronic check conversion transactions and would provide that payroll card accounts are "accounts" covered by Regulation E.

Persons, such as merchants and other payees, that use information from a check to initiate an electronic fund transfer from a consumer's account, would be required to provide notice to the consumer for each electronic fund transfer and obtain the consumer's authorization for the transaction. Currently, merchants and other payees that engage in electronic check conversion transactions are not covered by Regulation E.

In addition, the regulation would be revised to provide that payroll card accounts that are established either directly or indirectly by an employer on behalf of a consumer for the purpose of providing salary, wages, or other employee compensation on a recurring basis are covered by Regulation E. A payroll card account would be subject to the regulation whether the account is operated or managed by the employer, a third-party payroll processor, or a depository institution.

Proposed commentary revisions would provide guidance on preauthorized electronic transfers from a consumer's account, additional electronic check conversion issues, error resolution, and other matters.

Comments are due November 19, 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 proposed revision please contact our Banking Supervision and Regulation Department at (415) 974-3028.

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Attachment