

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

January 24, 2006

**BANKING SUPERVISION AND REGULATION:
REGULATION E—FINAL RULE
AND 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

Final Rule to Regulation E (Dockets R-1210 and R-1234)

The Federal Reserve Board has announced final amendments to Regulation E (Electronic Fund Transfer Act) that clarify the responsibilities of parties involved in electronic check conversion transactions and require that consumers receive written notification in advance of these transactions. Additional revisions to the regulation's official staff commentary provide guidance on preauthorized transfers from consumers' accounts, error resolution, and disclosures at automated teller machines (ATMs).

In a separate action, the Board also amended Regulation E so that it covers payroll card accounts.

Among other things, the final rule provides that merchants and other payees that convert payments by check into electronic fund transfers must provide a notice to consumers to obtain consumer authorization for the electronic fund transfer. Merchants and other payees must also notify consumers that if a check is converted, funds may be debited from consumers' accounts as soon as the same day that payment is received, and the check will not be returned by their financial institution.

The final rule also revises the regulation's official staff commentary to clarify the error resolution obligations of financial institutions and to clarify the disclosure obligations of ATM operators with respect to fees imposed by the ATM operator on a consumer for initiating an electronic fund transfer or for a balance inquiry at an ATM.

The final rule addressing electronic check conversion and other matters will take effect thirty days after the date of publication in the *Federal Register*, which is expected soon. The mandatory compliance date is **January 1, 2007**.

Interim Final Rule and Request for Comment (Docket R-1247)

In addition to the final rule on electronic check conversion services, the Board is adopting a separate interim final rule on payroll card accounts to provide that payroll card accounts established for the purpose of providing salary, wages, or other employee compensation on a recurring basis are accounts covered by Regulation E. The interim final rule grants flexibility to financial institutions that must provide account transaction information to payroll card users.

The amendments to address payroll cards are being issued as interim final rules so that interested parties may comment on the new requirements. The Board requests comment within sixty days after

publication in the *Federal Register*.

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 final rules and interim final rules, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

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Attachments:

[Dockets R-1210 and R-1234](#)

[Docket R-1247](#)