

**Supporting Statement for the
Recordkeeping and Disclosure Requirements in Connection with
Regulation E (Electronic Fund Transfer Act) (OMB No. 7100-0200)**

***Requirements for Remittance Transfers / Section 1073 of the Dodd-Frank Act
(Docket No. R-1419) (RIN 7100-AD76)***

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend, with revision, the recordkeeping and disclosure requirements of Regulation E, which implements the Electronic Fund Transfer Act (EFTA).¹ The Federal Reserve is required to renew these requirements every three years pursuant to the Paperwork Reduction Act of 1995 (PRA), which classifies regulations, such as Regulation E, as “required information collections.”²

The EFTA and Regulation E are designed to ensure adequate disclosure of basic terms, costs, and rights relating to electronic fund transfer (EFT) services debiting or crediting a consumer’s account. The disclosures required by the EFTA and Regulation E are triggered by certain specified events. The disclosures inform consumers about the terms of the electronic fund transfer service, activity on the account, potential liability for unauthorized transfers, and the process for resolving errors. To ease institutions’ burden and cost of complying with the disclosure requirements of Regulation E (particularly for small entities), the Board publishes model forms and disclosure clauses.

On May 23, 2011, a notice of proposed rulemaking was published in the *Federal Register* for public comment (76 FR 29902). The proposal contains new protections for consumers who send remittance transfers to other consumers or entities in a foreign country by providing consumers with disclosures and error resolution rights. The proposed amendments implement statutory requirements set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act. The comment period expired July 20, 2011. All comment letters will be transferred to the Consumer Financial Protection Bureau (CFPB) for completion of the rulemaking process.

Regulation E applies to all financial institutions, not just state member banks (SMBs). In addition, certain provisions in Regulation E apply to entities that are not financial institutions, including those that act as service providers or automated teller machine (ATM) operators, as well as merchants and other payees that engage in electronic check conversion (ECK) transactions, the electronic collection of returned item fees, or preauthorized transfers. The Federal Reserve accounts for the paperwork burden associated with Regulation E only for the financial institutions it supervises³ and that meet the criteria set forth in the regulation. Other

¹ The EFTA was enacted in 1978 and is codified at 15 USC Section 1693 *et seq.* Regulation E is located at 12 C.F.R. Part 205.

² 44 U.S.C. Section 3501 *et seq.* The collection of information under Regulation E is assigned OMB No. 7100-0200 for purposes of the PRA.

³ State member banks, branches and agencies of foreign banks (other than Federal branches, Federal

federal agencies account for the paperwork burden imposed on the entities for which they have regulatory enforcement authority.

The Federal Reserve estimates the proposed rule would impose a one-time increase in the annual burden under Regulation E for all respondents regulated by the Federal Reserve by 226,600 hours. In addition, the Federal Reserve estimates that, on a continuing basis, the revision to the rule would increase the annual burden by 216,043 hours. The total annual burden for the Regulation E information collection is estimated to increase from 738,600 to 1,181,243 hours.

Background and Justification

The EFTA and Regulation E require that institutions provide consumers of EFT services information about their rights, responsibilities, and liabilities as well as the costs of the services. EFT services include ATM transfers, debit card transactions, telephone bill payment, point-of-sale transfers, fund transfers initiated through the Internet, and direct deposits to or withdrawals of funds from a consumer's account that are electronically initiated. The act does not exempt small institutions, but it authorizes the Board to modify certain requirements to ease compliance burdens for small institutions where consistent with the purposes of the law.

Using this authority, in 1982 the Board exempted from the requirements of the act preauthorized transfers to or from accounts at financial institutions with assets of \$25 million or less. The exemption was expanded in May 1996 to institutions with assets of \$100 million or less. An institution with assets of \$100 million or less that provides EFT services other than preauthorized transfers must, however, comply with the regulation for those other services.

In January 2006,⁴ the Board finalized a rule to clarify the responsibilities of parties involved in ECK transactions. Under the rule, merchants and other payees that convert payments by check into EFTs must provide a notice to consumers to obtain consumer authorization for the EFT. The final rule also clarified the disclosure obligations of ATM operators with respect to fees imposed by the ATM operator on a consumer. The mandatory compliance date of the rule was January 1, 2007.

In August 2006,⁵ payroll card accounts became subject to Regulation E. The Board's rule granted flexibility to financial institutions that must provide account transaction information to payroll card users. Under the rule, institutions are not required to provide regular periodic statements to consumers if the institution makes account transaction information available by

agencies, and insured state branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and Edge and agreement corporations, organizations operating under section 25 or 25(a) of the Federal Reserve Act.

⁴ 71 FR 1638 (Jan. 10, 2006)

⁵ 71 FR 51437 (Aug. 30, 2006)

telephone, electronically, and, upon the consumer's request, in writing. The rule became effective on July 1, 2007.

On December 1, 2006,⁶ the Board issued a final rule regarding consumer authorization requirements when a person, such as a merchant, seeks to electronically collect a fee for checks or other items returned unpaid. The mandatory compliance date of the rule was January 1, 2007; however, certain provisions relating to the content of notices provided to consumers at point-of-sale had a delayed compliance date of January 1, 2008.

On July 5, 2007,⁷ the Board eliminated the requirement to provide a receipt to consumers at point-of-sale (POS) and other electronic terminals for transactions of \$15 or less, effective August 6, 2007.

In November 2007,⁸ the Board published a final rulemaking that amended Regulation E to address the delivery of electronic disclosures, consistent with the requirements of the Electronic Signatures in Global and National Commerce Act (E-Sign Act). Disclosures required to be in writing under Regulation E may be provided to the consumer in electronic form, subject to compliance with the consent and other requirements of the E-Sign Act.⁹

In November 2009,¹⁰ a notice of final rulemaking was published in the *Federal Register*; the rule was effective January 19, 2010, with a mandatory compliance date of July 1, 2010. The final rule limits the ability of a financial institution to assess an overdraft fee for paying ATM and one-time debit card transactions that overdraw a consumer's account, unless the consumer affirmatively consents, or opts in, to the institution's payment of overdrafts for these transactions.

In April 2010,¹¹ a notice of final rulemaking was published in the *Federal Register*; the rule was effective August 22, 2010. The final rule restricts a person's ability to impose dormancy, inactivity, or service fees for certain prepaid products, primarily gift cards. The final rule also, among other things, generally prohibits the sale or issuance of such products if they have an expiration date of less than five years. The amendments implement statutory requirements set forth in the Credit Card Accountability Responsibility and Disclosure Act of 2009.

⁶ 71 FR 69430 (Dec. 1, 2006)

⁷ 72 FR 36589 (July 5, 2007)

⁸ 72 FR 63452 (Nov. 9, 2007)

⁹ Section 205.17 was added by the 2001 interim final rule to address the general requirements for electronic communications. The Board deleted Section 205.17 from Regulation E and the accompanying sections of the staff commentary, reserving that section for future use.

¹⁰ 74 FR 59033 (Nov. 17, 2009)

¹¹ 75 FR 16580 (April 1, 2010)

On October 29, 2010, a notice of final rulemaking was published in the *Federal Register* for public comment (75 FR 66644). The amendments modified the effective date of certain disclosure requirements in the gift card provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009. The final rule was effective November 29, 2010.

Description of Information Collection

The disclosure requirements associated with Regulation E are described below. No other federal law mandates these disclosures, although some states may have similar requirements.

Electronic Communication

A consumer may agree to receive from a financial institution in electronic form any disclosure that Regulation E requires be provided in writing, subject to the consent and other requirements of the E-Sign Act, so long as the disclosure complies with the regulation in all other respects. In this memorandum, any reference to a mandatory written disclosure does not exclude the possibility that the consumer may agree to receive the disclosure in electronic form.

Disclosures Related to ECK Transactions and Collecting Returned Item Fees Electronically (Sections 205.3(a) and (b)(2))¹²

A merchant or other payee who initiates an ECK transaction must provide a notice that the transaction will or may be processed as an EFT. For point-of-sale transfers, the notice must be posted in a prominent and conspicuous location, and a copy of the notice must be provided to the consumer at the time of the transaction. A person initiating an EFT to collect a fee for the return of an EFT or a check that is unpaid must provide notice to the consumer stating that the person may electronically collect the fee and the dollar amount of the fee. If the fee may vary due to the amount of the transaction or due to other factors, then an explanation of how the fee will be determined must be provided instead. For returned item fees that may be collected electronically in connection with a point-of-sale transaction, the notice must be posted in a prominent and conspicuous location. A copy of the notice must be provided to the consumer at the time of the transaction or mailed to the consumer's address as soon as reasonably practicable after the person initiates the EFT to collect the fee.

Initial Disclosures and Change-In-Terms (Sections 205.7(b), 205.8(a), and 205.18(c)(1))

Institutions that offer EFT services must provide written disclosures to a consumer who contracts for those services. The purpose of these disclosures is to provide consumers with information about the terms of the EFT services offered at the time of the initial agreement, and subsequently, in the event of changes in certain required disclosure terms. Initial disclosures include: information about the consumer's liability for unauthorized transfers; the types of

¹² One-time burden update, Docket No R-1234

transfers available and any limitations on the frequency and dollar amount of transfers; any fees imposed by the financial institutions for EFTs or the right to make EFTs; a summary of the consumer's right to documentation of transfers and to stop payment of preauthorized transfers; and information on resolving errors on the account. The initial disclosures must be provided when a consumer contracts for EFT services or before the first electronic transfer involving the account is made.

A change-in-terms notice is required if the change would result in increased liability for the consumer, increased fees, fewer types of available EFTs, or stricter limitations on the frequency or dollar amounts of transfers. A change-in-terms notice must be mailed or delivered to the consumer at least 21 days before the effective date of the change in term or condition.

A financial institution's initial disclosures, if applicable for payroll card accounts for which the financial institution will not be providing regular written periodic statements, must disclose: a telephone number that the consumer may call to obtain the account balance; the means by which the consumer can obtain an electronic account history, such as the address of an Internet web site; and a summary of the consumer's right to receive a written account history upon request (in place of the summary of the right to receive a periodic statement required by section 205.7(b)(6)), including a telephone number to call to request a history. In addition, the disclosures must include an error resolution notice substantially similar to the notice contained in paragraph A-7 (a) in appendix A.

Terminal Receipts (Sections 205.9(a))

An institution offering an EFT service must provide a receipt each time a consumer initiates an EFT of more than \$15 at an electronic terminal (for example, an ATM). Terminal receipts can provide documentation and proof of the transfer in the event of a later dispute. The terminal receipt, which must be provided at the time of the transfer, must include the amount, date, and type of transfer, as well as other information identifying the transaction. *Because these disclosures are machine-generated and do not involve an employee of the institution, for purposes of the PRA, burden associated with this requirement is negligible.*

Periodic Statements (Section 205.9(b) and 205.18(b))

The purpose of the periodic disclosure requirement is to ensure prompt and accurate documentation of consumers' use of EFT services. The disclosures must include: transaction information for EFTs occurring during the statement period; fees assessed during the statement period for EFTs, the right to make transfers, or account maintenance; opening and closing balances; the address and telephone number for error inquiries; and a telephone number for verification of preauthorized transfers to the consumer's account if the institution uses that option. Institutions are required to send a periodic statement for each monthly cycle in which an EFT has occurred and at least quarterly if no transfer has occurred. Modified requirements apply to passbook and certain other types of accounts. Also, as an alternative to providing periodic

statements for payroll card accounts, a financial institution may make account transaction information available to the consumer by telephone, electronically, and upon the consumer's request, in writing.¹³

Because periodic statements required under Regulation E are typically included with monthly checking and savings account statements provided under Regulation DD, the burden associated with this requirement for SMBs is accounted for in the estimate of the paperwork burden associated with Regulation DD, and is therefore not accounted for in the Regulation E burden estimate.¹⁴ The burden associated with this requirement for financial institutions that are not subject to Regulation DD is addressed in the Estimate of Respondent Burden section of this memorandum.

Preauthorized Transfers (Section 205.10)

A preauthorized transfer is an EFT authorized in advance to recur at substantially regular intervals. Preauthorized transfers from a consumer's account may only be authorized by a writing signed or similarly authenticated by the consumer.

For preauthorized transfers *to* the consumer's account, the institution must provide oral or written notice of the transfer (positive notice) or that the transfer did not occur (negative notice). In lieu of providing positive or negative notice, the institution may, and typically does, provide a readily available telephone number that the consumer can call to verify receipt of the deposit. *If positive notice is provided to the consumer by the payor, as in most cases, the financial institution need not provide notice. Therefore, the burden of this requirement is negligible.*

For preauthorized transfers *from* the consumer's account, if a payment will vary in amount from the previous transfer under the same authorization or from the preauthorized amount, either the institution or the payee must provide written notice to the consumer of the amount and date of the transfer. Alternatively, the institution or the payee may give the consumer the option of receiving notice only when a transfer falls outside a specified range or only when a transfer differs from the most recent transfer by more than an agreed-upon amount. *Because in the vast majority of instances the payee, rather than the bank, satisfies this obligation, the burden on banks is negligible.*

¹³ 12 CFR Section 205.18(b)

¹⁴ Regulation DD (OMB No. 7100-0271) applies to all depository institutions, except credit unions, that offer deposit accounts to residents (including resident aliens) of any state as defined in section 230.2(r). Accounts held in an institution located in a state are covered, even if funds are transferred periodically to a location outside the United States. Accounts held in an institution located outside the United States are not covered, even if held by a U.S. resident.

Error resolution notice and Procedures for resolving errors (Sections 205.8(b) and 205.11)

Institutions must notify consumers about their rights and responsibilities in connection with errors involving EFTs by providing either a complete statement of error resolution rights each year or a shorter error resolution rights summary on or with each periodic statement. *Error resolution rights summaries are typically included with monthly checking and savings account statements provided under Regulation DD, therefore the Regulation E burden associated with this requirement for SMBs is accounted for in the estimate of the paperwork burden under Regulation DD.*

When a consumer provides notice of an error, the institution must investigate and determine whether an error occurred.¹⁵ Generally, if the institution is unable to complete its investigation of the error within 10 business days, it may take up to 45 calendar days provided it provisionally credits the disputed amount to the consumer's account within the 10 business days, notifies the consumer, orally or in writing, of the provisional crediting, and gives the consumer full use of the funds during the investigation. The institution must correct the error, if any, report the results to the consumer, and notify the consumer that the provisional credit has been made final or that it has been debited, depending on the institution's determination. A correction notice may be included in the periodic statement if it is clearly identified, and the statement is mailed or delivered within the applicable time limit. For payroll card accounts where the financial institution provides alternative disclosures to regular periodic statements, the timing requirements for the error resolution procedures are modified.¹⁶

Disclosures at ATMs (Section 205.16(c))

An ATM operator that imposes a fee on a consumer for initiating an EFT or balance inquiry must: a) post a notice on or at the ATM that a fee will or may be imposed for EFT services or for a balance inquiry, and b) provide screen or paper notice that an ATM fee will be imposed and the amount of the fee before the consumer is committed to paying the fee. *Because these disclosures are machine-generated and involvement by an employee of the institution is minimal, for purposes of the PRA, burden associated with this requirement is negligible.*

¹⁵ A consumer's potential liability for an unauthorized transfer depends on when the consumer notifies the financial institution of the loss or theft of an access device or of the unauthorized transfer. See 12 CFR Section 205.6. These benchmarks are modified for financial institutions providing alternative disclosures to periodic statements for payroll card accounts. See 12 CFR Section 205.18(c).

¹⁶ 12 CFR Section 205.18(c)

**Disclosures related to loyalty, award, or promotional gift cards,
Section 205.20(a)(4)(iii)¹⁷**

Specifically, section 205.20(a)(4)(iii)(A) requires a loyalty, award, or promotional gift card to state on the card, code, or other device itself that it is issued for loyalty, award, or promotional purposes. This statement must be on the front of the card, code, or other device to enable consumers to easily identify the type of card and avoid potential consumer confusion arising from the fact that a loyalty, award, or promotional gift card may otherwise look identical to a gift card that a consumer may purchase directly from a merchant. In addition, disclosure of the expiration date for the underlying funds are to be stated on the front of a loyalty, award, or promotional gift card because such cards typically have shorter expiration dates than other certificates or cards subject to the rule. See section 205.20(a)(4)(iii)(B). Where the card and funds expiration date are the same, a single disclosure regarding the expiration dates satisfies the requirement in section 205.20(a)(4)(iii)(B).

Requirements for gift cards and gift certificates *Exclusions* Section 205.20(b)(2)

This Section implements the exclusion for cards, codes, or other devices that are reloadable and not marketed or labeled as a gift card or gift certificate. As noted in comment 205.20(b)(2)-4.i., institutions will qualify for this exclusion so long as they establish and maintain policies and procedures reasonably designed to avoid the marketing of a prepaid card not otherwise subject to the rule, such as a general-purpose reloadable card, as a gift card or gift certificate.

**Prohibition on sale of gift certificates or cards with expiration dates
Section 205.20(e)(1),**

Institutions involved in issuing and selling certificates or cards are required to adopt policies and procedures to provide consumers with a reasonable opportunity to purchase a certificate or card with at least five years remaining until the certificate or card expiration date.

**Disclosures related to certificate or card expiration and funds expiration
Section 205.20(e)(3)**

Three disclosures must be stated on the certificate or card, as applicable: (1) the terms of expiration of the underlying funds or, if the underlying funds do not expire, that fact; (2) a toll-free telephone number and, if one is maintained, a Web site that a consumer may use to obtain a replacement certificate or card after the certificate or card expires, if the underlying funds may be available; and (3) a statement that the certificate or card expires, but the underlying funds either do not expire or expire later than the certificate or card, and that the consumer may contact the issuer for a replacement card.

¹⁷ One-time burden update, Docket No R-1377

Additional Disclosures Section 205.20(h)(2)¹⁸

In order for an issuer to take advantage of the delayed effective date, the Gift Card Amendment requires that certain alternative disclosures be made to the consumer. Specifically, section 205.20(h)(2) provides that issuers relying on the delayed effective date in section 205.20(h)(1) must disclose through in-store signage, messages during customer service calls, Web sites, and general advertising, that: (i) The underlying funds of such certificate or card do not expire; (ii) consumers holding such certificate or card have a right to a free replacement certificate or card, accompanied by the packaging and materials typically associated with such certificate or card; and (iii) any dormancy, inactivity, or service fee for such certificate or card that might otherwise be charged will not be charged if such fees do not comply with Section 915 of the Electronic Fund Transfer Act. Section 20(h)(3) Expiration of Disclosure Requirements The Gift Card Amendment requires the disclosures implemented in section 205.20(h)(2) to be maintained until January 31, 2013.

Proposed Requirements for Remittance Transfers

Remittance Transfer Disclosures Sections 205.31(b)(1), (2), and (3)

Section 205.31(b) sets forth substantive disclosure requirements for remittance transfers. EFTA Sections 919(a)(2)(A) and (B) require a remittance transfer provider to provide to a sender: (1) A written pre-payment disclosure with information applicable to the sender's remittance transfer—specifically, the exchange rate, the amount of transfer and other fees, and the amount that would be received by the designated recipient; and (2) a written receipt that includes the information provided on the prepayment disclosure plus the promised date of delivery, contact information for the designated recipient, information regarding the sender's error resolution rights, and contact information for the remittance transfer provider and applicable regulatory agencies. EFTA Section 919(a)(5)(C) also authorizes the Board to permit a remittance transfer provider to provide a single written disclosure to a sender instead of a prepayment disclosure and receipt that accurately discloses all of the information required on both the prepayment disclosure and the receipt (combined disclosure).

Foreign Language Disclosures Section 205.31(g)

Required disclosures must be made in English and either: (1) in each of the foreign languages principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services, either orally, in writing, or electronically, at that office; or (2) if applicable, in the foreign language primarily used by the sender with the remittance transfer provider to conduct the transaction provided that such foreign language is principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services, either orally, in writing, or electronically, at that office.

¹⁸ One-time burden update, Docket No R-1377

Procedures for resolving errors - Notice from sender Section 205.33(b) (*Consumers*)

Section 205.33(b) sets forth the timing and content requirements for a notice of error provided by a sender in connection with a remittance transfer. A sender must provide a notice of error orally or in writing to the remittance transfer provider within 180 days of the promised date of delivery of the remittance transfer. Such notice of error must be sufficient to enable the remittance transfer provider to identify the sender's name and telephone number or address; the recipient's name, and if known, telephone number or address; and the remittance transfer to which the notice of error applies. The notice must also indicate why the sender believes the error exists and include to the extent possible the type, date, and amount of the error.

**Procedures for resolving errors - Time Limits and Extent of Investigation
Section 205.33(c) (*Depository Institutions*)**

Section 205.33(c) requires a remittance transfer provider to promptly investigate a notice of error to determine whether an error occurred within 90 days of receiving the sender's notice. Pursuant to the Board's authority under EFTA Section 904(a), the proposed rule further provides that the remittance transfer provider must report the results to the sender within three business days after completing its investigation, which is consistent with the time frame for reporting the results of an error investigation under Regulation E, Section 205.11(c)(2)(iv). The report or notice of results must also alert the sender of any remedies available for correcting any error that the provider determined to have occurred.

Error Resolution Standards and Recordkeeping Requirements Section 205.33(g)

Section 205.33(g)(1) provides that a remittance transfer provider must develop and maintain written policies and procedures that are designed to ensure compliance with respect to the error resolution requirements applicable to remittance transfers under Section 205.33. The proposed rule would also require remittance transfer providers to take steps to ensure that whenever a provider uses an agent to perform any of the provider's error resolution obligations, the agent conducts such activity in accordance with the provider's policies and procedures. Section 205.33(g)(2) provides that the remittance transfer provider's policies and procedures concerning error resolution must include provisions regarding the retention of documentation related to an error investigation. These provisions must ensure, at a minimum, the retention of any notices of error submitted by a sender, documentation provided by the sender to the provider with respect to the alleged error, and the findings of the remittance transfer provider regarding the investigation of the alleged error.

Acts of Agents Section 205.35

In most cases, remittance transfers are sent through an agent of the remittance transfer provider, such as a convenience store that has contracted with the provider to offer remittance transfer services at that location. EFTA Section 919(f)(1) generally makes remittance transfer providers liable for any violation of EFTA Section 919 by an agent, authorized delegate, or person affiliated with such provider, when such agent, authorized delegate, or affiliate acts for that remittance transfer provider.

The Federal Reserve is proposing two alternatives to implement EFTA Section 919(f) with respect to acts of agents. Under Alternative A, a remittance transfer provider would be strictly liable for violations by an agent when such agent acts for the provider. Under Alternative B, a remittance transfer provider would not be liable under the EFTA for violations by an agent acting for the provider where the provider establishes and maintains policies and procedures for agent compliance, including appropriate oversight measures, and the provider corrects any violation, to the extent appropriate.

Time Schedule for Information Collection

Information collection pursuant to Regulation E is triggered by specific events, and disclosures must be provided to consumers within the time periods established by the law and regulation. There is no reporting form associated with the requirements of Regulation E; disclosures pertaining to a particular transaction or consumer account are not publicly available.

Sensitive Questions

This information collection contains no questions of a sensitive nature, as defined by OMB guidelines.

Consultation Outside the Agency and Discussion of Public Comments

On May 23, 2011, a notice of proposed rulemaking was published in the *Federal Register* for public comment (76 FR 29902). The comment period expired July 20, 2011. All comment letters will be transferred to the CFPB.

Legal Status

The Board's Legal Division has determined that the Electronic Fund Transfer Act (15 U.S.C. Section 1693 *et seq*), Title IX of the Consumer Credit Protection Act, authorizes the Federal Reserve to require the information collection. Since the Federal Reserve does not collect any information, no issue of confidentiality arises. However, the information, if made available to the Federal Reserve, may be protected from disclosure under exemptions (b)(4), (6), and (8) of the Freedom of Information Act (5 U.S.C. Section 552 (b)(4), (6), and (8)). The disclosures required by the rule and information about error allegations and their resolution are confidential between the institution and the consumer.

Estimate of Respondent Burden

The current total annual burden for this information collection is estimated to be 738,600 hours as shown in the table below. The total number of respondents includes all institutions that have EFTs other than preauthorized transfers.

The burden for the initial disclosures, change in terms notices, and error resolution rules requirements applies to all Regulation E respondents. For the periodic disclosure requirements, the burden for SMBs is accounted for in the estimate under Regulation DD. However, there are 327 Regulation E respondents¹⁹ that are not included in the Regulation DD burden estimate and are accounted for under Regulation E for the periodic disclosure requirements, as shown in the table below.

Moreover, no burden for receipts or disclosures related to preauthorized transfers is shown below because that burden is believed to be negligible. Receipts provided at electronic terminals are handled entirely by machine. For preauthorized transfers to a consumer's account, banks ordinarily provide a readily available telephone number that the consumer can call to verify receipt of the deposit. Finally, for preauthorized transfers from a consumer's account, the payee, rather than the bank, ordinarily discloses amounts to be transferred to the consumer.

For purposes of the PRA, no paperwork burden is associated with the recordkeeping requirement of Regulation E. Section 205.13(b) requires, "any person subject to the act and this part to retain evidence of compliance ... for a period of not less than two years from the date the disclosures are required to be made or action is required to be taken," but does not specify the kind of records that must be retained.

¹⁹ The 327 Federal Reserve-supervised Regulation E respondents that are not SMBs are comprised of: 258 Branches & agencies of foreign banks, 2 Commercial lending companies, and 67 Edge and agreement corporations. Federal Reserve staff believes that these respondents do not typically provide periodic statements under Regulation DD.

The Federal Reserve estimates that the 1,133 respondents regulated by the Federal Reserve would take, on average, 120 hours (three business weeks) to update their systems to comply with the disclosure requirements addressed in Section 205.31, resulting in a one-time increase of 135,960 hours. On a continuing basis, the Federal Reserve estimates that its respondents would take, on average, 8 hours (one business day) per month to comply with these requirements, resulting in an increase to the ongoing burden of 108,768 hours. In an effort to minimize the compliance cost and burden, particularly for small entities, the proposed rule contains model disclosures in appendix A (Model Forms A–10 through A–20) that may be used to satisfy the statutory requirements.

The Federal Reserve estimates that 825,600 consumers would spend, on average, 5 minutes in order to provide a notice of error as required under section 205.33(b), resulting in an increase to the total annual burden of 68,798 hours. The Federal Reserve estimates that its respondents would take, on average, 1.5 hours per month to address a sender’s notice of error as required by Section 205.33(c)(1), resulting in an increase to the ongoing burden of 20,349 hours.

The Federal Reserve estimates that its respondents would take, on average, 40 hours (one business week) annually to ensure compliance with the error resolution requirements under Section 205.33, resulting in a one-time increase to the burden of 45,320 hours. On a continuing basis, the Federal Reserve estimates that its respondents would take, on average, 8 hours (one business day) annually to maintain the requirements under Section 205.33, resulting in an increase to the ongoing burden of 9,064 hours.

The Federal Reserve estimates that its respondents would take, on average, 40 hours (one business week) to establish policies and procedures for agent compliance under Section 205.35, resulting in a one-time increase to the burden of 45,320 hours. On a continuing basis, the Federal Reserve estimates that its respondents would take, on average, 8 hours (one business day) annually to maintain the requirements under Section 205.35, resulting in an increase to the ongoing burden of 9,064 hours.

The proposed rule would impose a one-time increase in the estimated annual burden 226,600 hours. On a continuing basis the proposed rule would increase in the estimated annual burden by 216,043 hours.

Overall the total annual burden is estimated to increase from 738,600 to 1,181,243 hours, an increase of 442,643 hours. These recordkeeping and disclosure requirements represent 10.46 percent of total Federal Reserve System burden.

Current	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average response time</i>	<i>Estimated annual burden hours</i>
Initial disclosures (205.7(b)) & (205.18(c)(1))	1,205	250	1.5 minutes	7,531
<i>One-time change new (R-1343)</i> ²⁰	1,205	1	16 hours	19,280
<i>One-time change existing (R-1343)</i>	1,205	1	16 hours	19,280
Consumer response (R-1343)	5,136,693	1	5 minutes	428,058
Change-in-terms (205.8(a))	1,205	340	1 minute	6,828
Periodic statements (205.9(b))	327	12	7 hours	27,468
Error resolution (205.11)	1,205	30	30 minutes	18,075
<i>Exclusion policies and procedures (205.20(b)(2)) one-time (R-1377)</i> ²¹	1,205	1	40 hours	48,200
<i>Exclusion policies and procedures (205.20(b)(2)) ongoing (R-1377)</i>	1,205	1	8 hours	9,640
<i>Policy & procedures (205.20(e)(1) one-time (R-1377)</i>	1,205	1	40 hours	48,200
<i>Policy and procedures (205.20(e)(1) ongoing (R-1377)</i>	1,205	1	8 hours	9,640
<i>Gift Card disclosure update (205.20(e)(3)) one-time (R-1377)</i>	1,205	1	80 hours	<u>96,400</u>
<i>Total</i>				738,600

²⁰ Mandatory compliance by July 1, 2010

²¹ Mandatory compliance by January 31, 2011

Proposed	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average response time</i>	<i>Estimated annual burden hours</i>
Initial disclosures (205.7(b)) & (205.18(c)(1))	1,205	250	1.5 minutes	7,531
<i>One-time change new (R-1343)</i>	1,205	1	16 hours	19,280
<i>One-time change existing (R-1343)</i>	1,205	1	16 hours	19,280
Consumer response (R-1343)	5,136,693	1	5 minutes	428,058
Change-in-terms (205.8(a))	1,205	340	1 minute	6,828
Periodic statements (205.9(b))	327	12	7 hours	27,468
Error resolution (205.11)	1,205	30	30 minutes	18,075
<i>Exclusion policies and procedures (205.20(b)(2)) one-time (R-1377)</i>	1,205	1	40 hours	48,200
<i>Exclusion policies and procedures (205.20(b)(2)) ongoing (R-1377)</i>	1,205	1	8 hours	9,640
<i>Policy & procedures (205.20(e)(1) one-time (R-1377)</i>	1,205	1	40 hours	48,200
<i>Policy and procedures (205.20(e)(1) ongoing(R-1377)</i>	1,205	1	8 hours	9,640
<i>Gift Card disclosure update (205.20(e)(3)) one-time (R-1377)</i>	1,205	1	80 hours	96,400
<i>Remittance Transfer Disclosures (205.31) one-time (R-1419)²²</i>	1,133	1	120 hours	135,960
<i>Remittance Transfer Disclosures (205.31) ongoing (R-1419)</i>	1,133	12	8 hours	108,768
<i>Error Notice from sender (Consumers) (205.33(b)) ongoing (R-1419)</i>	825,600	1	5 minutes	68,800
<i>Time Limits and Extent of Investigation (Section 205.33(c)(1)) ongoing (R-1419)²³</i>	1,133	12	1.5 hours	20,394
<i>Transmitter Error Resolution Standards and Recordkeeping Requirements (205.33(g)) one-time (R-1419)</i>	1,133	1	40 hours	45,320
<i>Transmitter Error Resolution Standards and Recordkeeping Requirements (205.33(g)) ongoing (R-1419)</i>	1,133	1	8 hours	9,064
<i>Acts of Agents (205.35) one-time (R-1419)</i>	1,133	1	40 hours	45,320
<i>Acts of Agents (205.35) ongoing (R-1419)</i>	1,133	1	8 hours	<u>9,064</u>
Total				1,181,290
Change				442,690

²² The estimated annual burden hours published in the proposed rulemaking was understated by two hours due to rounding and will be corrected in the notice of final rulemaking.

²³ The estimated annual burden hours published in the proposed rulemaking was understated by 45 hours due to a transposition error and will be corrected in the notice of final rulemaking.

Based on the proposed revisions the total annual cost to the public is estimated to increase from \$22,466,741 to \$40,138,367.²⁴

Estimate of Cost to the Federal Reserve System

Since the Federal Reserve does not collect any information, the cost to the Federal Reserve System is negligible.

Financial Industry Burden Averages

The other federal financial agencies are responsible for estimating and reporting to OMB the total paperwork burden for the institutions for which they have administrative enforcement authority. They may, but are not required to, use the Federal Reserve's burden estimation methodology. Using the Federal Reserve's method, the current total estimated annual burden for all persons subject to Regulation E, including Federal Reserve-supervised institutions would be approximately 5,166,413 hours. The above estimates represent an average across all respondents and reflect variations between entities based on their size, complexity, and practices. All covered persons, including depository institutions (of which there are approximately 19,000), potentially are affected by this collection of information, and thus are respondents for purposes of the PRA. The proposed rule would impose a one-time increase in the estimated annual burden for such institutions by 3,800,000 hours. On a continuing basis the proposed rule would increase in the estimated annual burden for such institutions by 798,000 hours. The proposed total annual burden for the respondents regulated by the federal financial agencies is estimated to be 9,764,413 hours.

²⁴ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$16, 45% Financial Managers @ \$50, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$80). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2010, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/ The average consumer cost of \$21 is estimated using data from the BLS Economic News Release (USDLE-10-0393)