

From: "Michael J. Simon" <mjsimon@speacq.com> on 12/06/2006 09:35:03 AM

Subject: Electronic Fund Transfers

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: Proposed rule; request for public comment.

Sir or Madam:

Our company creates bus fareboxes, subway turnstile terminals and back-end clearing and settlement systems for the acceptance of credit and debit cards directly at transit gates. The latest trend in public transit is to use bankcards instead of issuing special transit cards. In this way, transit agencies hope to reduce their manufacture of their own special purpose cards, account creation and management, and fraud, thus saving the public millions of dollars and relieving riders of the need to carry special purpose cards for each city they visit.

Currently, most transit agencies use vending machines to issue their own cards and load them with \$20 to be spent on fares. These machines can sometimes give receipts, but sometimes not. In our system, the bankcard is used directly at gates and fareboxes without the issuance of an intermediate stored-value card.

At the gates and fareboxes, transit agencies insist that the transactions be done in less than 350 milliseconds. This arises because of the need to move passengers quickly and efficiently through the gate or onto the bus. Naturally, this also leaves no time to provide a receipt. Our vision is that anyone in the U.S. with a credit card can board a public transit vehicle, present their credit or debit card, and ride without pre-registering the card first, getting intermediate stored-value cards, or any of the vending machine folderol currently in the station. Payment would be automatic and forgotten, as with high-speed electronic toll systems. The credit/debit card itself and the trust in fair pricing on the part of public transit agencies should suffice for riders without receipts, tickets, transfer coupons, etc.

We believe that in time, commuter rail and even Amtrak will also adopt this system. Whereas public transit tickets usually are less than \$5, commuter rail tickets can be over \$15 and Amtrak tickets can be over \$100. Thus, we suggest an extension of your exception to receipt provision to include any public transit entry or exit, or at least a higher minimum in transit.

In general, we also suggest the limit of \$25 rather than \$15. After all, card companies and integrators can always decide to issue a receipt if they think it is necessary. Given that all such charges must appear on customer statements, and given the card companies' desire to avoid chargebacks and customer service calls, the necessity for regulation of this feature is less than clear.

Sincerely,
MJS

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>In light of the implementation costs and other considerations and the uncertain consumer benefit from receipts for small-dollar transactions, the Board is proposing to create an exception from the terminal receipt requirement for EFTs of \$15 or less.

>In proposing the \$15 threshold under which no terminal receipt would be required, the Board has considered a variety of factors, including the average dollar transaction amount for the various market segments for which this relief would be most useful and the benefit to consumers from receiving a receipt in these transactions.

>While it appears that a threshold of \$5 or less would enable consumers to use debit cards in the vast majority of the retail environments where cashless payment options are contemplated, the Board believes a \$5 threshold would not be flexible enough to accommodate price increases that may occur over time. In addition, setting too low a threshold may impede the future acceptance of cashless methods of payments in additional retail environments, such as for parking meters and commuter rail systems. The Board believes the \$15 threshold would provide sufficient flexibility for the industry to accommodate consumer preferences for electronic forms of payment instead of cash in a variety of circumstances while ensuring that consumer protections provided by the regulation's receipt provisions would be retained for moderate to higher-dollar transactions in which consumers may have more need for evidence of payment and for error resolution purposes. Comment is requested on whether any additional consumer protections are necessary for consumers who would not receive receipts under the proposed rule. Comment is also requested on the dollar amount threshold set forth in the proposed rule.