



**Electronic Transactions Association**

January 30, 2007

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
Docket No. R-1270  
Via Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Re: Electronic Fund Transfers - Proposed Rule & Request for Public Comment  
71 FR 69500 (December 1, 2006)

Dear Ms. Johnson:

The Electronic Transaction Association<sup>1</sup> ("ETA") is pleased to submit comments to the Board of Governors of the Federal Reserve System (the "Board") in response to its request for comment on a proposed rulemaking to amend Regulation E<sup>2</sup> which implements the provisions of the Electronic Funds Transfer Act<sup>3</sup>. The proposed amendment creates an exception from the requirement that terminal receipts be made available to consumers for payment transactions of \$15 or less.

**ETA Position**

ETA strongly supports the Board's proposal to allow an exception to the requirement that receipts must be provided for transactions of \$15 or less. The amendment will help eliminate barriers to the adoption of electronic payments where the provision of receipts has historically been an impediment and provide greater adoption of electronic payments in unattended environments (e.g., parking, vending machines, etc.) without placing consumers at risk. Further, ETA urges the Board to consider raising the minimum threshold to \$25 be consistent with the no signature requirement established by the major payment networks<sup>4</sup> in 2006 that has improved the efficiency at the point of sale, increased convenience for consumers and allowed workers to spend more time helping customers and less time handling cash.

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<sup>1</sup> ETA, founded in 1990, is the nation's oldest and largest organization of businesses representing the merchant acquiring industry that enables merchants to offer electronic payment services to consumers. ETA's diverse membership, including state/federal chartered financial institutions, merchant service providers (also know as independent sales organizations), and credit card companies, is an integral part of the backbone of the American economy that facilitates electronic payments.

<sup>2</sup> 12 CFR Part 205

<sup>3</sup> 15 U.S.C. §§1693 et seq.

<sup>4</sup> American Express, Discover Network, MasterCard, and Visa USA

## **The Proposal / Background**

Pursuant to the Regulation E, documentation of an electronic funds transfer that occurs at electronic terminals must be “made available” to a consumer when an electronic fund transfer (EFT) is initiated and documentation must be included in the form of periodic statements. Both documents must include the type of electronic transfer; the amount and date of the transaction; the location of the terminal; and other information.

The Board’s proposed amendment would provide businesses with an exception from the requirement that consumers receive a receipt when he or she initiates an EFT at an electronic terminal where the value of the transaction is \$15 or less. The exception would apply to all types of transactions initiated by a consumer, including signature-based and transactions requiring the entry of a personal identification number (PIN). The proposed exception would also apply to deposits at ATMs or other electronic terminals of \$15 or less, though the Board anticipates that financial institutions would, for operational reasons, continue to make receipts available for ATM transactions, regardless of the amount of the transfer.

### **Receipts Unnecessary for Small Dollar Transactions**

Credit and debit cards are becoming a preferred payment method for small payments purchases in the everyday world and statistics indicate that consumer demand for the ability to use credit and debit cards for small payments is growing. In 2005 alone, 45 million Americans were willing to use credit or debit cards for purchases of \$5 or less, up 23 percent from 2004<sup>5</sup>. According to statistics released at the 2006 Micro and Small Payments Conference, more than 67 million Americans have used a credit or debit card for a purchase of less than \$5 in the past 60 days<sup>6</sup>. Data from Visa USA also provides evidence of this growing trend when it reported earlier this year that volume on purchase less than \$25 increased 17% during the first six months of 2006<sup>7</sup>.

Regulation E provides that documentation of an EFT must be “made available” to a consumer at the time of the transaction. The development of payments technology has led to an increased number of point-of-sale locations where consumers are provided with a choice whether they would like to receive a receipt. Anecdotal evidence suggests that an increasing number of consumers are choosing not to receive a receipt for small dollar transactions. Moreover, Regulation E, requires that consumers receive evidence of every EFT transaction in periodic statements that are increasingly available online and on a near real-time basis. These transactions are subject to the same rigorous consumer protections contained in Regulation E, regardless of whether a terminal receipt is received.

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<sup>5</sup> Peppercoin News Release, “Survey Reveals Nearly 20 Million Americans Purchased Items Online for Less Than Two Dollars in the Past Year,” *available at*: [www.peppercoin.com/press/pressreleases/2005/1208.shtml](http://www.peppercoin.com/press/pressreleases/2005/1208.shtml) (last accessed Jan. 10, 2006).

<sup>6</sup> Ipsos Insight News Release, “Consumer Behavior Change from Interest in Cards for Small Payments to Use of Cards,” *available at*: [www.ipsosinsight.com/pressrelease.aspx?id=3284](http://www.ipsosinsight.com/pressrelease.aspx?id=3284) (last accessed Jan. 10, 2006).

<sup>7</sup> Visa USA News Release, “More and More Consumers Use Visa to Make Small Purchases,” *available at*: [www.usa.visa.com/about\\_visapress\\_resources/news/press\\_releases/nr330.html](http://www.usa.visa.com/about_visapress_resources/news/press_releases/nr330.html) (last accessed Jan. 10, 2006).

### **Exemption Should Apply to Transactions Below \$25**

In recognizing a growing demand to speed up the transaction process at the point of sale and the increasing effectiveness of risk management systems, each of the major payment networks no longer require signatures for most retail transactions under \$25. Merchants are protected from “No Signature Provided” chargebacks on consumer and commercial cards, and consumers receive the same protections provided pursuant to Regulation E.

However, merchants are still required to make available documentation at the point of sale for these transactions. The equipment that prepares these transaction receipts is costly, subject to regular maintenance and can often breakdown. In addition, the preparation and physical exchange of receipts is time consuming and reduces the benefits gained from the ability to use electronic methods for making small transactions. These costs are ultimately passed on to consumers and represent a greater percentage of low dollar transactions. Removal of the requirement to provide receipts for transactions under \$25 would allow vendors to minimize the costs of accepting electronic payments, while preserving consumer protections and enhancing convenience.

Furthermore, increasing the threshold amount of this proposal to \$25 would help promote the broader use of electronic payments for a wide range of attended and unattended transactions in a variety of settings including: convenience stores, gas stations, coffee shops, parking meters, transit systems and many others. And while businesses will undoubtedly benefit from the changes, consumers will also reap benefits. The removal of the receipt requirements will allow even more businesses to offer consumers the option to make small purchases with electronic methods, which in turn will increase the efficiency of the payments system and the convenience of the consumer.

### **Conclusion**

ETA strongly supports the Board’s proposed change to Regulation E. Moreover, because of the potential for significant benefits—including an increased number of transactions, more efficient business transactions, and increased benefits for consumers—ETA recommends increasing the cut off amount for transactions to \$25, which is consistent with the credit card companies threshold for signature required transactions.

Thank you for the opportunity to comment on this important matter. ETA stands ready to assist the Board and its staff. Should you have any questions or need any additional information, please contact Rob Drozdowski of my staff at (202) 828-2635 or [Rob.Drozdowski@electran.org](mailto:Rob.Drozdowski@electran.org).

Sincerely,



Carla Balakgie, CAE  
Executive Director  
Electronic Transactions Association