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October 9, 2007

Hon. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave. N.W.
Washington, D.C. 20551

RE: Docket No. R-1286 Comments on the Proposed Changes to Regulation Z

Dear Ms. Johnson:

Thank you for taking the time to consider our comments. As one of the world's largest payment processors, TSYS services hundreds of millions of accounts for numerous U.S. financial institutions. TSYS has reviewed the changes proposed by the Board and performed a high-level assessment of potential impacts to our processing platforms and the many customers we serve. We respectfully submit the following comments regarding proposed changes to Regulation Z:

Appropriate Implementation Period

TSYS requests 24 months to complete the significant amount of global platform and client-specific analysis and software development required to support the proposed changes. Hundreds of statement layouts must be redesigned and customized to meet the needs of each client and their diverse portfolios. Also, TSYS processing platforms support a wide variety of system options and features that are applied in countless combinations to offer diverse products to consumers. This flexibility creates complexities that will require significant software development to support the proposed disclosure requirements. Our clients will need several months to replicate and test all of the possible scenarios created by the proposed changes.

Because of the cyclical nature of payment card usage by consumers, TSYS further requests the proposed changes not take effect during November and December or over a year end. TSYS suggests that implementation be effective beginning on a February 1 following a 24-month notification period. This would:

- Significantly reduce processing risks associated with the mass migration of a significant number of software changes during the peak holiday shopping season and year end processing time periods

- Allow sufficient time to design, code and test an extensive number of statement layouts and significant software development projects surrounding production of the tabular format disclosures for new accounts and the multiple scenarios requiring subsequent disclosures
- Allow sufficient time to introduce code to begin accumulating the year-to-date fees and finance charges in advance of the peak holiday and year-end processing periods. It should be noted, if the Board decides on an implementation period other than that described above, year-to-date fee and finance charge information may not be available “day one” depending on the amount of transaction and/or cycle history retained by each client. The later in the year this becomes effective and the fewer the number of history records retained, the greater the chance all data will not be available.
- Allow sufficient time for designing, coding, testing and implementing system changes to ensure new solutions perform as intended and without negatively impacting the global payments infrastructure.

Effective Annual Percentage Rate

TSYS strongly recommends eliminating disclosure of the effective (historical) annual percentage rate. The fluctuation from month to month based on account activity provides no meaningful value and promotes confusion and questions from both consumers and issuers. The proposed new formulas will not improve this situation and may well make it worse, especially considering the formula varies by feature.

Account-opening Summary Table

Preprinting the tabular format disclosures is only practicable for issuers with simple, fixed-rate portfolios. It is not a commercially viable option for issuers when variable rates are involved, because, as the value of the index fluctuates, there is significant cost and overhead associated with constantly changing printing demands, managing warehouse inventory, modifying instructional inserts, destroying obsolete inserts as rates expire, etc. Issuers that offer variable rates will need the ability to dynamically print the required tabular format disclosures, including the current rates in effect, to eliminate this overhead and potentially avoid increased postage expenses associated with additional or larger inserts. TSYS currently prints certain terms-related disclosures on the front and/or back of the card mailer forms for some issuers for these same reasons.

TSYS suggests that the Board recognize the card mailer as a practical medium for providing these disclosures. Note that for cost containment purposes, most clients prefer to limit the card mailer form to one page with the ability to print on front and back; however, approximately half of the front of the first page is reserved for affixing the cards and printing the mailing addresses. While it is possible to produce card mailers with multiple pages, it does involve increased costs for materials, production, and postage.

TSYS suggests clarification to allow the following options for print location of the tabular disclosures:

- Tabular disclosures may be printed on the back of Page 1 of the card mailer provided the consumer is directed to that information by a prominent message on the front of Page 1 of the card mailer form.
- Tabular disclosures may be printed on the front of Page 2 of the card mailer form provided the consumer is directed to that information by a prominent message on the front of Page 1 of the card mailer form.
- Tabular disclosures that do not fit on a single side of a page may continue to the reverse side or next page of the card mailer form provided the consumer is directed to that information by a message indicating the information is continued on the reverse side or next page of the card mailer form.

It is important to point out that plans with multiple Purchase, Cash or Balance Transfer features, each with introductory terms as well as potential penalty rates, and an assortment of fees under a variety of circumstances can result in a tabular disclosure that exceeds the one page examples provided by the Board.

The tabular format will require complex software development to identify the regular, introductory, promotional, and penalty pricing for various account types, some of which are all tied to the same payment vehicle.

TSYS also seeks clarification on the following account scenarios:

- Whether the tabular disclosure is required when an account is upgraded (or downgraded) to another product with different terms
- Accounts with both a revolving (open-ended) credit feature and installment loan (closed-end) credit feature
- Accounts with multiple purchase features (e.g., retail purchase rates and non-retail purchase rates)
- Accounts with multiple cash features (e.g., ATM and teller cash transactions at one rate and convenience checks at another rate)
- Accounts opened during a retail promotional period offering a 90-days Same-as-Cash feature for specific transactions. This is not an introductory rate; it is a temporary promotional rate for all customers, not just new customers.

Disclosure of Transactions on Periodic Statements

TSYS requests the Board provide clarity on these situations:

- TSYS understands the disclosure of transactions by type; however, one of the benefits of the Family Card available in the industry today is the segregation of transactions by family member.

- Statement disclosure requirements for accounts with the combination of an open-ended credit feature and a line of credit that is home-secured.

Disclosure of Periodic Rates

TSYS is in agreement with the proposal to eliminate the disclosure of periodic rates on statements as this will reduce consumer confusion.

Actual or Estimated Repayment Period

TSYS suggests an option to provide a web address to obtain repayment information (in addition to the toll-free number). TSYS requests this suggestion be considered in conjunction with the next comment regarding Electronic Disclosures.

Electronic Disclosures

When a consumer uses an electronic medium to request services or products for which disclosures of fees or other terms must be provided, TSYS believes the consumer has provided implied consent to disclose such terms electronically without requiring the express consent currently required under the E-sign Act. This implied consent should be restricted to allow receipt of electronic disclosures related to the specific action or request. It should not also imply consent for sharing of information or solicitations.

Special Card Credit Provisions – Settlement of Dispute

Section 226.12(c)(2)2 of the Commentary addresses the settlement of disputed transactions. Although no changes were proposed to this section, TSYS requests the Board consider modification to address the following situation.

This section specifies the card issuer may request the cardholder's reasonable cooperation when conducting an investigation. TSYS believes it is reasonable to require a consumer to assist in the evidentiary gathering phase of a fraud investigation by, at a minimum, providing a signed affidavit attesting to the fraudulent nature of the disputed charge. Without such a signed affidavit or "Declaration of Fraud Activity" the card issuer may not have the information necessary to prove the charges are fraudulent. This lack of information, due to the cardholder's failure or refusal to comply with the particular request, may unreasonably force the card issuer to terminate the investigation and potentially absorb the loss.

TSYS suggest the Commentary include these provisions:

- It is reasonable to require a signed affidavit attesting to the fraudulent nature of the dispute
- Irrespective of chargeback opportunities affixed to the fraudulent charges, failure to provide such an affidavit may result in the charges being reapplied to the cardholder's account.

In Closing

TSYS appreciates the four year effort of the Board to develop these very extensive proposed changes to Regulation Z. We encourage the Board to carefully consider the vast number and complexity of technological changes to payment systems nationwide which will be required if the proposed changes to Regulation Z are adopted. If processors such as TSYS are not given adequate time to test and implement software changes, millions of U.S. consumers could be negatively impacted.

As a final note for future reference, TSYS respectfully requests the Board consider the following: Considering the magnitude of these changes, TSYS ideally needs a minimum of 180 days for the comment period. Processing for a large number of clients offering myriad of products and features to millions of U.S consumers requires extensive research across multiple processing platforms to assess the potential impacts and determine potential solutions.

TSYS appreciates the opportunity to provide these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Victoria Strayer', written over a large, circular scribble.

Victoria Strayer
Vice President

TSYS Enterprise Business Compliance