December 21, 2009

Via E-Mail Delivery

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1377, Electronic Fund Transfers, Proposed Rule

Dear Ms. Johnson:

Target Corporation ("Target") appreciates the opportunity to offer comments on the Federal Reserve Board's ("Board") proposed amendments to Regulation E implementing Title IV of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act"). Consistent with the CARD Act, these amendments would cover: a) closed-loop gift cards ("Closed-Loop Cards"); b) and non-reloadable open-loop prepaid products ("Open-Loop Cards") (collectively, the "Covered Products").

Target is one of the largest retailers in the United States, with approximately 1,700 stores located in 49 states and the District of Columbia. Target is among the largest Closed-Loop Card issuers nationally, and also sells Open-Loop Cards in several states.

Target appreciates the Board's thoughtful approach to implementing the gift card-related provisions of the CARD Act, in addition to the Board's invitation for comment on various issues impacting the retail sale of Open-Loop Cards. Target offers the following comments to assist the Board in developing its final rule.

Open-Loop Card Expiration Dates

The CARD Act generally prohibits the sale of a Covered Product that is subject to an expiration date earlier than five years after issuance or last funding load.

With regard to an Open-Loop Card, the Board's proposal would interpret this restriction to apply to both: 1) an "Good Thru" or "Valid Thru" date that appears on the front of the card, indicating the date after which the card itself is no longer usable ("Card Expiration Date"), without regard to the expiration (if any) of the underlying funds; and 2) the expiration date (if any) for the card's underlying funds ("Funds Expiration Date").

By way of background, Card Expiration Dates are mandated by the various card network associations (such as Visa and MasterCard), and are primarily used for fraud prevention and security purposes.

As the Board correctly notes, Card Expiration Dates are typically printed during the issuer's card manufacturing process, which may be several months before the card reaches the retailer's

shelves and is ultimately sold. Target appreciates the Board's recognition of the operational hurdles presented by requiring retailers to enforce the Card Expiration Date restrictions at the point-of-sale, and offers the following comments on the two compliance alternatives presented by the Board for comment. Target urges the Board to adopt Alternative B.

Alternative A

Alternative A would outright prohibit retailers from selling Open-Loop Cards with Card Expiration Dates of less than five years following sale. The only practical solution for a retailer to enforce this restriction would be to program its point-of-sale ("POS") systems to block the sale of Open-Loop Cards with less than five years remaining on the Card Expiration Date.

While some retailers' POS systems may have the pre-existing functionality to enforce the Card Expiration Date restrictions, many other retailers' POS systems likely do not currently have such functionality (particularly the increasing numbers of retailers which are newly entering the Open-Loop Card market).

Accordingly, these retailers would need to build this functionality into their POS systems. Retail-level POS development is highly resource-intensive from both an expense and a personnel standpoint, and is usually a lengthy process that involves significant programming and testing.

Moreover, retailers may sell Open-Loop Cards from multiple issuers, layering additional complexity to this POS development, since such retailers would need to ensure that their POS systems enforce the Card Expiration Date requirement across potentially a wide range of differing card issuers.

The Board suggests in its proposal that retailers may be able to comply with Alternative A through inventory management practices. However, full compliance with this requirement is not practically achievable through inventory controls, which are typically manual processes. Despite the best inventory management efforts of a retailer, non-compliant cards may still be inadvertently left out for sale (e.g., through the human error of a store employee).

Alternative B

Alternative B would allow cards with Card Expiration Dates of less than five years following sale to be issued or sold, so long as the issuer and/or the retailer had policies and procedures in place to ensure that consumers had a reasonable opportunity to purchase cards with Card Expiration Dates of five years or more after sale.

Target supports Alternative B as the more workable compliance alternative from the retailer perspective. Even though a consumer potentially could purchase an Open-Loop Card with a Card Expiration Date earlier than five years from sale, the following elements of the Board's proposal would ensure consumers the continued full protection of the CARD Act under Alternative B:

1) Even though the Card Expiration Date may be less than five years, the Funds Expiration Date (if any) would still be required to be five years or more from the date of sale or last reload (see Proposed § 205(e)(2));

2) The Funds Expiration Date (or the absence thereof) would be required to be separately disclosed directly on the card (see Proposed § 205.20(e)(3)(i)); and

3) The following disclosures would be required to be made directly on the card in equal prominence and in close proximity to the Card Expiration Date (which would likely result in such disclosures being made on the front of the card) (see Proposed § 205.20(e)(3)(iii)):

   a. The lack of a Funds Expiration Date, or that the Funds Expiration Date is later than the Card Expiration Date (as applicable); and

   b. That the consumer may obtain a replacement card once the Card Expiration Date is reached (note that, under the Board's proposal, no fee could be charged for replacing the card prior to the card's Funds Expiration Date, unless the card was lost or stolen, see Proposed § 205.20(e)(4)).

Given the above Funds Expiration Date requirements proposed by the Board, Alternative B strikes the proper balance between resolving the practical challenges faced by retailers in implementing the proposed Card Expiration Date restrictions, while also providing consumers the complete protections envisioned by the CARD Act.

Additionally, the Board indicated in its proposal that it sought comment on potentially adopting Alternative B for a transitional period, while requiring Alternative A at some future date. For the reasons described above, Target urges the Board to make Alternative B a permanent compliance option.

Teen Cards

In its proposed commentary to the exclusion for reloadable cards not marketed as a gift card or gift certificate, the Board indicates that it would consider cards which are intended to be given to another person as potentially a gift product regulated by the proposed rule (see Proposed Comment 20(b)(2)-3(ii)).

This proposed commentary may sweep into the proposed rule reloadable cards that are intended for parents to purchase and ultimately provide to teenage or college-age children ("Teen Cards"). Teen Cards are a valuable financial tool commonly used by parents to load and re-load as a means to provide income to teenage children, either as an allowance or to provide funds to a child away at college or studying abroad.

Teen Cards are not marketed, nor intended to be used, as a gift product. Rather, they are identical to general-purpose reloadable cards, except they are intended to be used by the parent's child, instead of the parent who purchased the card. Moreover, Teen Cards are commonly used as a banking product substitute (e.g., replacing a checking account), providing numerous benefits to both parents and their children--such as providing children who are geographically distant immediate access to funds, and allowing use at millions of merchants worldwide.

In addition, Teen Cards allow parents the security of being able to track the spending habits of teenage children, while teaching their children the basics of financial literacy.

By potentially including Teen Cards in the proposed rule, issuers may no longer provide this important financial product for families. Target urges the Board to clarify the proposed commentary to exclude Teen Cards from the proposed rule.

Transition Period

The Board has requested comment on whether to allow the sale of pre-existing card inventory that may not comply with the final rule once it takes effect on or before August 22, 2010. Target strongly supports exempting from the final rule any card inventory that exists within the marketplace as of the final rule's effective date for at least a two-year period.

Target notes that network association rules in many cases do not permit Card Expiration Dates of five years or more. Additionally, existing Open-Loop Cards likely do not disclose fees and expiration dates in the specific manner that would be required by the proposed rule. As such, most (if not all) Open-Loop Cards currently on sale or in production would not comply with the proposed rule.

As a result, these cards would need to be destroyed, potentially requiring the wholesale replacement of all existing Open-Loop Card inventory with new cards. Indeed, the number of Open-Loop Cards that would need to be replaced industry-wide may number in the tens of millions.

The industry would be forced to bear the burdensome costs of destroying non-compliant inventory, and replacing the near-entirety of the national Open-Loop Card inventory in the marketplace with new cards. In addition to the monetary cost, card production capacity may be insufficient to meet the demand of replacing the entire national Open-Loop Card inventory with compliant cards by the final rule's effective date, which may result in a shortage of cards in the marketplace.

Additionally, a mass withdrawal of Open-Loop Cards from the marketplace may heighten the risk for fraud. Given the sheer volume of cards that would await destruction (likely stored in large amounts in centralized locations), bulk quantities of cards could be more easily stolen and used for fraudulent purposes (such as money laundering).

Target also urges the Board to consider the potential environmental impact of the destruction of massive quantities of plastic cards (which are only in rare instances made from recyclable or biodegradable materials), in addition to the enormous amount of plastic that would likely be required to replace the Open-Loop Card inventory nationwide.

Alternatively, the Board may at least wish to consider conditioning a transitional exemption for existing cards that comply with the proposed rule's substantive limitations on fees and Funds Expiration Dates (such as no dormancy, inactivity or service fees until one year of non-use, and a Funds Expiration Date of no sooner than five years following sale or last reload), while not requiring such cards to comply with the rule's specific disclosure and Card Expiration Date requirements.

Target appreciates the opportunity to comment on the proposal, in addition to the Board's thoughtful consideration in its development of the proposed rules.

Sincerely,

Target Corporation

Meg Leszko
Vice President