UMPQUA HOLDINGS
CORPORATION
Parent company for Umpqua Bank and Umpqua Investments, Inc.

July 22, 2011

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-1419 and RIN 7100-AD76; Proposed Amendments to Regulation E Implementing Section 1073 of the Dodd-Frank Act (Foreign Remittance Transfers)

Ms. Johnson:

On behalf of Umpqua Bank, a regional community bank serving the northwestern United States, I appreciate the opportunity to comment on the above referenced proposal by the Board of Governors of the Federal Reserve System amending Regulation E, specifically foreign remittance transfers.

Umpqua Bank, a state chartered bank headquartered in Roseburg, Ore., is a subsidiary of Umpqua Holdings Corporation (NASDAQ: UMPQ), and has 185 locations in Oregon, Northern California, Washington and Nevada with assets of approximately $12 billion. Umpqua Bank has been recognized nationally by *The Economist*, *The Wall Street Journal*, *The New York Times*, *BusinessWeek*, *Fast Company*, and CNBC for its innovative customer experience and industry-leading banking strategy. For the past five consecutive years, the company has been included on *FORTUNE* magazine's list of the country's "100 Best Companies to Work For."

Umpqua Bank supports the comment letter on the proposed new rules submitted by the Clearing House Association, LLC, and other trade associations ("Clearing House Letter"). That comment letter contains an excellent description of the proposal and the difficulties Umpqua Bank would face if it were adopted. We write in support to emphasize our deep concerns with the proposed rules, and to provide background as to how it would affect the vital services we provide our customers.

The proposal stems from amendments to the Electronic Fund Transfer Act (EFTA) in Section 1073 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (DFA). It would establish new rules for remittance transfers. Under the proposed rules, a remittance transfer would be any electronic transfer of funds from a consumer (*i.e.*, a natural person) in the United States to persons or entities in other countries, including payments for business purposes.

Remittance transfer providers generally perform their services in two very different ways, but the proposed rules can only be applied in a "closed network." In a "closed network", a single firm receives, transmits and disburses funds (e.g. Western Union). A closed network offers individuals a way to transfer money through its own closed system. The proposed rule apparently is based on this business model.

EUGENE 675 Oak Street Suite 200 PO Box 1560 Eugene OR 97440 P 541 434 2998 F 541 342 1425
PORTLAND One SW Columbia Street Suite 1400 Portland OR 97258 P 503 727 4295 F 503 727 4207 umpquaholdingscorp.com
TIGARD 6610 SW Cardinal Lane Tigard OR 97224 P 503 624 4262 F 971 544 1190

Umpqua Bank does not have local stores or affiliates in other countries. In order to provide remittance transfers to our customers, we must rely on an "open network". When our customers request a remittance transfer, we employ the services of a third party, utilizing our correspondent network of large international banks. Our correspondent international bank may employ a third institution, with which the international bank has a relationship. Depending on the destination of the funds, it may even be necessary to employ other entities in the chain. Funds are then transferred by ACH or by wire. Umpqua Bank provides this service on average about one hundred times a month.

Section 1073 of the DFA was meant to protect individuals, such as immigrants, who send portions of their income to family overseas. Such persons most commonly use closed network service providers, such as Western Union. The proposed rules appear to be drafted for customer protection in the closed network system. The same rules cannot be applied rationally to open network service providers, such as Umpqua Bank and other financial institutions.

Umpqua Bank and other financial institutions will not be able to comply with the proposed new disclosures, disputes and errors resolution provisions, and risk liability for the actions of third parties we do not have control over or may not even know, as proposed by the rules. As a result, Umpqua Bank would have to cease providing remittance services to our customers if the rules are adopted as proposed.

Umpqua Bank strongly believes the proposed standards should apply only to transactions in a closed network and not to transactions via open network wire and ACH transfers. This could be accomplished by adopting guidance in the form of an interpretation of the definition of a "Remittance Transfer Provider."

Similarly, Umpqua Bank will not be able to comply with the disclosure standards in the proposed rule. In the open network system utilized by Umpqua, the bank receives a customer request to transfer funds but does not have information about fees that may be charged by entities other than the one with whom we have an immediate relationship. Nor do we have information as to the calculation of taxes that may be imposed in recipient countries, and which may change without notice. Even in cases where the sending bank has a relationship with the disbursing bank, it is not always possible to know what fees the disbursing bank charges to a recipient. Finally, exchange rates can change multiple times per day, and may change in the time between a sender's instruction and the receipt of funds by the receiving agent. Therefore, Umpqua Bank would not be able to provide accurate statements as to the amount to be received by the recipient. Accordingly, it is critical the final rules be limited in their scope to closed systems.

Under the proposed rules, senders generally would have to notify remittance transfer providers of any errors within 180 days of the promised delivery date. A notice will require a transfer provider to conduct an investigation within 90 days and report the results to the sender with a written explanation within three days of completion. If the provider determines an error occurred, it would have to offer a refund of the amount not properly transmitted "or the amount appropriate to resolve the error," or to make available to the designated recipient the amount appropriate to resolve the error. If the provider determines that no error occurred, it would have to notify the sender he has the right to request the documents upon which the provider relied.

Umpqua believes a 180 day period for a consumer notification to a provider is not appropriate in the electronic age. In the half-year that elapses after a transfer, memories fade, records accumulate, and staff turns over. A more appropriate period would be 30 days, which is more than enough time for a consumer to deduce whether funds were received or not.

Of great importance as well, the proposed rules and commentary do not define or provide guidance as to what would constitute an "amount appropriate to resolve the error." Umpqua believes regulatory guidance should be provided so financial institutions may anticipate potential liabilities and design appropriate safeguards in such cases. For example, Umpqua does not believe the term should be read to include any types of consequential damages. Nor should a provider be held liable for any intervening changes in exchange rates. The bank has no control over those circumstances. Amounts appropriate to resolve errors should be deemed to be the specific amounts of transferred funds that should have been received, or the amounts of fees and expenses that would have been due if the remittance had been effected without error.

Finally, we agree with the comments expressed in the Clearing House Letter that "errors" should not be attributed to a providing depository institution when it correctly executed a transfer based on the sender's instructions. The final rules should make clear a financial institution should not be held liable for the acts or omissions of independent third party providers operating in an open network.

The EFTA provides for liability to private plaintiffs and criminal sanctions for violations. As amended by Section 1073 of DFA, Section 919 of the EFTA requires the Board to adopt standards or conditions of liability for remittance transfer providers for the acts of their agents or authorized delegates. In this regard, the Board has proposed two alternative standards. The first would make transfer providers liable for any violation of the proposed rules by an agent when the agent acts for the provider. The second would make the provider liable for any violation of the proposed rules by an agent unless the provider established and maintained written policies and procedures designed to assure compliance by its agents (including appropriate oversight practices), and it appropriately corrected violations, including following the above error resolution procedures.

As noted above, Umpqua Bank does not have local branches or affiliates in other countries. The bank relies on our network of correspondent banks and third-party service providers to disburse funds to intended recipients in foreign countries. We often do not even have contractual relationships with these entities. Especially in the developing world, the reliability of local communications networks, infrastructure, and payment practices are highly varied. For these reasons, we request the final rules make clear intermediary and correspondent institutions are not agents or authorized delegates of depository institutions operating in open network remittance systems. Otherwise, Umpqua would not be able to justify the cost of continuing to provide remittance services for our customers, and may choose not to do so.

Umpqua believes the Board should adopt the second alternative standard for third party liability. Under that standard, remittance transfer providers would adopt and implement written policies and procedures designed to assure compliance by its agents. We believe this is a workable approach with which banks are familiar.

In conclusion, Umpqua Bank strongly supports the Clearing House joint trade association letter on the proposed rulemaking. The bank believes the proposed rule, premised on a closed system, does not have rational application to the open system in which Umpqua and other banks operate. In short, we cannot disclose what we do not know, cannot be liable for what we cannot control, and cannot rectify errors or omissions for which we're not responsible. As proposed, the rule would force Umpqua Bank, and countless other financial institutions, to severely restrict or stop providing this important service to our customers.

Regardless, Umpqua Bank does a great deal of due diligence to identify quality third-party correspondent banking relationships to assist us in facilitating international remittances. If the bank did not uphold the highest industry best practices in this area, we would soon have very few customers seeking this service.

Thank you for the opportunity to provide comments on this important rule making. Please contact me if I can provide additional information at 541-434-2997 or at stevenphilpott@umpquabank.com.

Sincerely,

Steven L. Philpott
EVP/General Counsel

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