

From: Donald S Pearson  
Subject: Regulation CC

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Comments:

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Proposal: Regulation CC - Availability of Funds and Collection of Checks  
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Docket No. R- 1409 RIN No. 7100 AD 68 To Whom it may concern: I am in disagreement with the passage of the amendment. One commenter wisely stated, "I feel that 500+ pages of proposed regulations is excessive and burdensome." I cannot agree more. Why does it take over 500 pages to amend Regulation CC when the regulation (in print) is less than 200 pages? The only reason banks are requested to comment on Proposed Regulatory Rule Changes, is because the Federal Reserve is required to allow such comments. There is a sense that the decision has already been made, by some of the wording of the "proposal." There are tens of thousands of bankers in the industry, but as of May 18th, only a few people have commented; Why is that? My guess is that no one wants to read 500 pages of changes to a 200 page regulation, they are intimidated by it or, they think that their voices do not matter. Maybe it's because the banking industry believes the Board of Governors has already approved the changes and the Board is just going through the motions and feel that making comments is a waste of time. See page 3, (3) "Section 609(b)(4) of the proposal that states that, "(i)n order to improve the check processing system, the Board shall consider (among other proposals) requiring, by regulation, that . the Federal Reserve banks and depository institutions take such actions as are necessary to automate the process of returning unpaid checks." 12 U.S.C. 4008 (b) and (c) It is appears that the process was delegated to The Federal Reserve's Legal Department, to draft, print, review and present the changes of this proposal to the Board of Governors. It appears no consideration has been given to the smaller Community Banks, Savings and Loans and Credit Unions whose check volumes may be at such levels as to not make it economically feasible for them to go to the expense of acquiring the required electronic processing equipment. Nor has the Board given any consideration to the possible overdraft and check losses that these institutions are exposed to if they eliminate the requirement to notify a non-electronic processing bank, of large dollar returns (as currently required under Regulation CC, Section 229.33

(a) and (b)) if the bank of first deposit has decided not use the electronic process for presentment, and the return of unpaid items. The large major banks do not appear to be concerned about losses because many of them have already established an internal notification threshold in excess of the required \$2500.00 or have decided to not make notifications to the institution of first deposit at all. Any loss claims made by, and paid to the bank of first deposit will be a drop in the bucket, considering the millions of dollars they make on return check charges. The ones continuing to be left holding the bag are the secondary and tertiary banks; and that is not to mention the misrouted items which have to be printed to paper and then arrive late, causing continued operating losses. In the current economic state, this would be disastrous to these institutions. The protections of notification under the regulation are there to protect against all institutions against operating losses and it is working very well. Why try to fix what is clearly not broken? I am all for doing things electronically, but NOT across the board. The Federal Reserve Bank should not mandate these changes to satisfy the few, at the expense of the many. My hope is that we do not end up playing the same game when it came to the Health Care Plan, when we were told that "you will know what's in it when it is passed." We need the continued protections afforded to ALL banks under the regulation to continue. D.S. Pearson Retired Banker