# FEDERAL RESERVE press release

immediate release

October 15, 1984

The Federal Reserve Board today published, in final form, changes in the official staff commentary on Regulation Z (Truth in Lending) regarding the disclosure of fees for the use of automated teller machines. The Board withdrew a proposed change to the official staff commentary that pertains to the application of the securities transaction exemption.

The Board's notice in this matter is attached.

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FEDERAL RESERVE SYSTEM

12 CFR Part 226

[Reg. Z; TIL-1]

TRUTH IN LENDING

Official Staff Commentary Revisions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final official staff interpretation.

SUMMARY: The Board is publishing in final form changes to the official staff commentary to Regulation Z (Truth in Lending), 12 CFR Part 226, that address the disclosure of fees for the use of automated teller machines. The Board is not adopting another proposed change to the official staff commentary that addressed the scope of the securities transaction exemption contained in § 226.3(d) of Regulation Z. The commentary applies and interprets the requirements of Regulation Z with regard to consumer credit transactions and is a substitute for individual staff interpretations of the regulation.

EFFECTIVE DATE: October 16, 1984.

FOR FURTHER INFORMATION CONTACT: Ruth R. Amberg and Gerald P. Hurst, Senior Attorneys, and Richard S. Garabedian, Staff Attorney, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, at (202) 452-3667.

SUPPLEMENTARY INFORMATION: (1) General. Effective October 13, 1981, an official staff commentary was published to interpret Regulation Z

(12 CFR Part 226). The commentary is designed to provide guidance to creditors in applying the regulation to specific transactions and is updated periodically to address significant questions.

On December 6, 1983, the Board proposed to add a new comment 4(b)(2)-2 regarding the disclosure of fees in interchange or shared systems, and an additional example to comment 6(b)-1 (48 FR 54642). Final action on these proposals is being taken at this time. Although creditors are free to rely on the provisions as of the effective date, and are protected if they do so, they need not follow the revisions until October 1, 1985.

In addition, on January 18, 1984, the Board published a proposed change to comment 3(d)-1 of the official staff commentary that would have specifically addressed the application of the securities transaction exemption in § 226.3(d) of Regulation Z to margin credit transactions in consumer asset management accounts (49 FR 2211). These accounts combine transaction and investment features and are offered by brokerage and investment firms. The accounts offer the consumer the capability to place assets (for example, cash and securities) in one account for the purpose of engaging in consumer transactions, investing excess cash balances (in a money market mutual fund, for example), and buying and selling securities. Margin credit is extended by the broker if the uninvested free credit balances and the redemption of money market shares are insufficient to pay for the transaction. After further analysis of the proposal and of the comments received, the staff believes that Regulation Z should not be interpreted to apply to these margin credit transactions. That proposal is therefore not being adopted.

(2) Commentary Revisions. Following is a brief description of the revisions to the commentary regarding the disclosure of fees for using an automated teller machine (ATM) to obtain a cash advance.

SUBPART A - GENERAL

SECTION 226.4 -- Finance Charge

4(a) Definition

Comment 4(a)-5 is added to provide that certain charges imposed on cardholders by card issuers for using an ATM to obtain a cash advance are not finance charges. The final provision has been substantially simplified from the proposal in response to operational and other concerns raised by the commenters, and has been relocated from the commentary on § 226.4(b) to the commentary on § 226.4(a).

The final comment has been revised from the proposal to apply to charges imposed by card issuers on cardholders for using an ATM to obtain a cash advance in a proprietary system, as well as to charges in interchange or shared systems. A charge imposed on the cardholder by the card issuer for obtaining a cash advance at an ATM is not a finance charge to the extent that the charge does not exceed the charge imposed by the card issuer for cash withdrawals from consumer asset accounts, such as checking or savings accounts, at the ATM.

SUBPART B - OPEN-END CREDIT

SECTION 226.6 -- Initial Disclosure Statement

6(b) Other Charges

Comment 6(b)-1 is revised by adding an example to clarify that the charges described in comment 4(a)-5 that are not finance charges must be disclosed as "other charges" under §§ 226.6(b). Comment 6(b)-2 is also revised by adding an example to clarify that the card issuer has no disclosure responsibilities on the initial disclosure statement for certain charges that might be imposed on the cardholder by other institutions for the use of their ATMs.

SECTION 226.7 -- Periodic Statement

7(b) Identification of Transactions

New comment 7(b)-2 is added for guidance on how charges imposed by terminal-operating institutions other than the card issuer should be disclosed on the card issuer's periodic statement.

List of Subjects in 12 CFR Part 226

Advertising; Banks, banking; Consumer protection; Credit; Federal Reserve System; Finance; Penalties; Truth in lending.

(3) Text of revisions. The revisions to the commentary (Supplement I to Part 226) read as follows, with new language underscored:

SUBPART A - GENERAL

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SECTION 226.4 -- Finance Charge

4(a) Definition

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5. Treatment of fees for use of automated teller machines. Any charge imposed on a cardholder by a card issuer for the use of an automated teller machine (ATM) to obtain a cash advance (whether in a proprietary, shared, interchange, or other system) is not a finance charge to the extent that it does not exceed the charge imposed by the card issuer on its cardholders for using the ATM to withdraw cash from a consumer asset account, such as a checking or savings account. (See the commentary to section 226.6(b).)

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SUBPART B - OPEN-END CREDIT

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SECTION 226.6 -- Initial Disclosure Statement

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6(b) Other Charges

1. General; examples of other charges. Under section 226.6(b), significant charges related to the plan (that are not finance charges) must also be disclosed. For example:***

- Automated teller machine (ATM) charges described in comment 4(a)-5 that are not finance charges.

2. Exclusions. The following are examples of charges that are not "other charges":***

- Charges imposed on a cardholder by an institution other than the card issuer for the use of the other institution's ATM in a shared or interchange system. (See also comment 7(b)-2.)

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SECTION 226.7 -- Periodic Statement

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7(b) Identification of Transactions

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2. Automated teller machine (ATM) charges imposed by other institutions in shared or interchange systems. A charge imposed on the cardholder by an institution other than the card issuer for the use of the other institution's ATM in

a shared or interchange system and included by the terminal-operating institution in the amount of the transaction need not be separately disclosed on the periodic statement.

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Board of Governors of the Federal Reserve System, October 11, 1984

(signed) William W. Wiles
William W. Wiles
Secretary of the Board