

July 21, 2011

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

**Subject:** Northwest Credit Union Association Comments Regarding Proposed Rule,  
Regulation E: Electronic Fund Transfers, Docket No. R-1419; RIN No. 7100-AD76

Ms. Johnson:

Thank you for the opportunity to comment on proposed changes to electronic fund transfers under Regulation E. The Northwest Credit Union Association represents Oregon and Washington's 193 credit unions with over 4.2 million members and \$46 billion in collective assets. The Association appreciates the Federal Reserve Board (Board) addressing this subject matter in an effort to help protect potentially vulnerable populations seeking international remittance transfers but believes the Board's proposed blanket regulations are too wide in their reach.

We understand that this proposal and comments will be transferred to the Consumer Financial Protection Bureau (Bureau) for implementation.

#### **General Comments**

The proposed regulation broadly impacts institutions providing international money transfers without regard to method or intent. The legal liabilities that would be put upon small institutions such as credit unions would begin to price their services out of the market. Decreasing competition among remittance providers does a disservice to those needing such services by increasing price and potentially decreasing service and quality.

Further, the level of compliance burden that would be associated with implementing such a system would be high. With myriad new regulations coming out we oppose unnecessary additional regulatory burden and urge both the Board and Bureau to manage the promulgation of new regulations with an eye toward the institutions that will be implementing those changes.

#### **Differentiation of providers**

Providers of remittance transfers generally fall into two groups: those providing services over "closed networks," typically such providers as Western Union and VIGO; and "open networks" such as international wire and ACH transactions often provided by financial institutions. The intent of the proposal appears to be to better manage the practices of closed network providers whose business practices easily would fall within the regulation. However, the

proposal does not address the potential impact on open network providers, likely leading many to abandon providing this service.

The proposal requires the remittance provider to offer the customer specific information prior to the transfer of funds. This includes exchange rate, fees, taxes, and the amount of money to be received by the recipient. Under a closed network this is manageable as a provider is able to direct the flow of funds through private contractors and agents. However, an open network uses intermediary institutions to transfer funds. These intermediaries are not subject to United States law and the sending institution has no control over the routing of funds. These independent intermediaries may apply their own taxes, fees, or exchange rates as the funds are transmitted.

The Association asks that the proposal apply only to closed network providers. Should the Bureau find additional regulation of open networks using ACH and international wire products is necessary we would urge further study of the issue and the development of a separate regulation addressing the specific concerns of such providers, particularly small credit unions and institutions.

Should the Bureau choose not to address open networks separately we would request the Board consider accommodations to make the proposal more manageable for these providers:

*Expand exempted transaction methods:* Expand the exemptions requiring disclosure of the exact amount of funds to be received, currently slated for Fedglobal ACH transactions, to include all open network transactions through internal wire and ACH transfers.

*Exempt certain providers:* To help ensure that this regulation impacts the intended audience, exempt institutions that perform a minimal amount of transfers (for example, 100 wire and 100 ACH per month) from the broad regulations. This would exempt providers that offer this as a service and do not use it as a primary business practice.

*Amend error resolution terms:* The proposed error resolution standards do not reflect a real-world view of international wire transfers over open networks. Institutions should not be held liable for the fault of a transferring institution or depositing institution that may misdirect or delay the transfer. They should not be required to absorb the costs of changing or resending a transfer if a sender provides incorrect information.

*Eliminate one-day cancellation period:* The proposal would allow senders a 24-hour period in which to cancel their transfer. In practice, this would require an institution to hold that transfer for the duration of the cancellation period as once it is initiated the transfer is difficult to cancel. We would suggest reducing this cancellation time to 30-60 minutes which would allow the sender time to discover any error they may have made but still allow for a timely delivery of funds.

## **Conclusion**

Once again we appreciate the intent of the Board in developing this proposal. We believe that the proposal should apply only to closed network transactions and that open network providers should be exempted from this rulemaking. Should the Bureau, upon review of

comments and concerns, find additional regulations are required we would recommend that further study and discussion be done around what is appropriate for open network transactions.

If the Bureau chooses not to exempt open network providers from this proposal we would urge the consideration of additional concessions for such providers as outlined above.

We would be happy to address any questions or concerns you may have.

Respectfully yours,

Jaycee Winn  
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Northwest Credit Union Association