



Overview of Regulation CC Subpart B Final Amendments

ECCHO®

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The comments today are my own and not necessarily those of The Clearing House or the ECCHO membership.



AGENDA

- Background
- Changes to Regulation CC Subpart B:
 - Inflation adjusted amounts
 - Extending EFAA coverage
- Not Covered in Final Amendments



ECCHO

- ECCHO was established in 1990 to electronify checks, has approximately 3,000 members, and is a business line of The Clearing House
- Member services include:
 - Rules for private-sector electronic check exchange
 - Advocacy for the check payment system
 - Check education
 - National Check Professional (NCP) certification
- For more info, www.eccho.org
- The Clearing House was established in 1853
- For more info, www.theclearinghouse.org



FYI: Acronyms, Abbreviations & Terms

- Agencies – Federal Reserve Board and CFPB
- CFPB – Consumer Financial Protection Bureau
- CPI-W - Consumer Price Index for Urban Wage Earners and Clerical Workers
- ECCHO – formerly Electronic Check Clearing House Organization—now ECCHO, a business line of The Clearing House
- EFAA – Expedited Funds Availability Act
- EGRRCPA - Economic Growth, Regulatory Relief, and Consumer Protection Act
- FRB – Federal Reserve Board
- RDC – Remote Deposit Capture
- Reg CC – Regulation CC
- RFC – Request for Comment
- TCH – The Clearing House



FYI: Index of Reg CC Subpart B

Subpart B—Availability of Funds and Disclosure of Funds Availability Policies

- §229.10 Next-day availability.
- §229.11 [Reserved]
- §229.12 Availability schedule.
- §229.13 Exceptions.
- §229.14 Payment of interest.
- §229.15 General disclosure requirements.
- §229.16 Specific availability policy disclosure.
- §229.17 Initial disclosures.
- §229.18 Additional disclosure requirements.
- §229.19 Miscellaneous.
- §229.20 Relation to state law.
- §229.21 Civil liability.



Reg CC Subpart B Final Rule

BACKGROUND & SUMMARY OF CHANGES



Background on Subpart B Rulemaking Process

- March 2011, FRB requested comment on proposed amendments to Reg CC Subpart B (regarding funds availability) along with certain changes to Subpart A, C, D
- July 2011, the Dodd-Frank Act became effective, providing FRB and CFBP with joint rule-making authority for Reg CC Subpart B
- FRB did not move forward with Subpart B amendments when publishing July 2018 final amendments to Subparts A, C and D
- November 2018, FRB and CFPB jointly published proposed rulemaking to Reg CC Subpart B to implement statutory requirements/make technical changes. The Agencies also re-opened the 2011 Subpart B proposal (regarding funds availability) for additional comment
 - Comment letters were due by February 8, 2019
 - Agencies received 32 comment letters
 - TCH/ECCHO provided a comment letter
- Final Rule on Regulation CC Subpart B (statutory requirements/technical changes) was issued on June 24, 2019



Summary of Changes to Reg CC Subpart B

- To implement statutory requirements:
 - Inflation updates to dollar amounts
 - Expanding EGRPCPA coverage to certain American territories:
 - American Samoa
 - Commonwealth of the Northern Mariana Islands
 - Guam
- Makes certain other technical amendments:
 - To reflect joint-rulemaking authority of FRB and CFPB over certain EFA provisions (Reg CC 229.1(a))
 - Non-substantive error correction in Reg DD Appendix A



Reg CC Subpart B Final Rule

INFLATION ADJUSTED AMOUNTS



Background of Mandated Inflation Adjustment

- Under the Dodd-Frank Act, the Agencies are required to adjust the EFAA dollar amounts for inflation
- Dodd-Frank reference: Section 1086(f)
 - Added Section 607(f) to the EFAA
 - Provides that the dollar amounts under the EFAA shall be adjusted every five years after December 31, 2011
 - Adjusted by the annual percentage increase in the CPI-W (Published by Bureau of Labor Statistics) and rounded to nearest multiple of \$25



Inflation-Adjusted Amounts effective July 1, 2020

- The Final Rule establishes a methodology for various amounts referenced in Subpart B to reflect inflation, as required by the statute
- The first set of adjustments appear below:
 - 229.10(c)(1)(vii) – minimum amount will be \$225
 - 229.12(d) – cash withdrawal amount will be \$450
 - 229.13(a) new-account amount will be \$5,525
 - 229.13(b) – large-deposit threshold will be \$5,525
 - 229.13(d) – repeatedly overdrawn threshold 5,525
 - 229.21(a) – civil liability amounts for failing to comply with EFAA’s requirements will be \$100, \$1,100 and \$552,500
- For each subsequent set of adjustments, the Agencies anticipate issuing a rule in the Federal Register with the adjusted dollar amounts at least one year before their effective date



Inflation Adjustment Process

- New section 229.11 and commentary to implement the CPI-W index calculation method
- Inflation Measurement Periods: 229.11(b)(1)
 - July 1, 2020 – first set of adjustments (using aggregate percentage change in CPI from July/2011 to July/2018)
 - July 1, 2025 – second set of adjustments (using aggregate percentage change in CPI from July/2018 to July/2023)
 - Subsequent adjustments effective July 1 every fifth year after 2025 (using the same method for determining the aggregate change in CPI for each subsequent five-year period)
- Indexing Procedure: 229.11(b)
 - Uses the July CPI-W (released in August) during the applicable inflation measurement period
 - Agencies will not adjust dollar amount if no aggregate percentage increase or aggregate percentage increase does not round to multiple of \$25
 - Inflation adjustments will always be zero or upward, never downward



Inflation Adjustment Calculation

- First set of adjustments, effective **July 1, 2020**, used the change in the CPI-W for the adjustment period:
 - July 2011 CPI-W: 222.686
 - July 2018 CPI-W: 246.155
- Formula: Adjustment Amount = Aggregate % Change x Existing \$ Amount

Round Adjustment Amount to Nearest \$25

(No change if 0 or Negative)

- Minimum Amount (229.10(c)(1)(vii)) adjusted to \$225
- Cash Withdrawal Amount (229.12(d)) adjusted to \$450



More on Inflation-Adjusted Amounts

- Agencies plan to publish adjusted dollar amounts within Reg CC at least one year prior to the date the adjustments will take effect
 - Adjustments effective July 1, 2020 were published in the Federal Register
 - Agencies anticipate publishing adjustments in the Federal Register in the first half of 2024 to be effective July 1, 2025
- Final rule's inflation adjustments and changes to disclosures will impact all depository institutions—including those with no more than \$10 billion in assets



Notices to Consumer Customers

- Depository institutions (DIs) are required to send written notice to consumer account holders at least 30 days before implementing changes to their funds-availability policy (Reg CC 229.18(e)). Changes to the dollar amounts in Reg CC would trigger this notice requirement.
- Despite requests, the Agencies declined to establish in Reg CC an exception to the required change in terms notice as it is required by statute.
 - Agencies believe the one-year timeframe provides DIs enough time to plan/send their change in terms notices
 - The Agencies noted several ways that depository institutions could lower their costs under the rule:
 - Providing required notice electronically
 - Sending notice with the monthly account statement



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EXTENDING EFA ACT COVERAGE



Background of Mandated Extension of EFAA

- Implements the EGRRCPA by extending Reg CC funds availability, payment of interest, and disclosure requirements to financial institutions in:
 - American Samoa
 - The Commonwealth of the Northern Mariana Islands
 - Guam
- Amends the defined terms “state” and “United States” to include these territories in 229.2(ff) and 229.2(jj)
- Adds these territories to the list of locations that are eligible for one-day extension of the availability schedules under 229.12(e) of Reg CC and EFAA
- Effective date for mandated EFAA changes is September 3, 2019



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NOT COVERED IN FINAL RULE



June 2019 Amendments did not Address

- 2011 Funds Availability Proposal
- Deposits made by customers via RDC
 - RDC deposits are governed under customer/account/RDC agreements with the depository institution



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Questions?

THANK YOU

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