

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of Commerce Committee

BILL: CS/SB 966

INTRODUCER: Commerce Committee and Senator Alexander

SUBJECT: Automated Teller Machines

DATE: March 11, 2008      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Johnson</u>	<u>Deffenbaugh</u>	<u>BI</u>	<b>Favorable</b>
2.	<u>Rogers</u>	<u>Cooper</u>	<u>CM</u>	<b>Fav/CS</b>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**Please see Section VIII. for Additional Information:**

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|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

This CS specifically authorizes an owner or operator of an automated teller machine (ATM) in Florida to charge a fee or surcharge on a customer accessing funds from that ATM. The fee or surcharge must be disclosed in compliance with cited federal regulations. The CS provides that an agreement to operate or share an ATM may not “prohibit, limit, or restrict” the right of the owner or operator to charge an access fee or surcharge not otherwise prohibited under state or federal law to a customer conducting a transaction using an account from an international banking corporation. The CS requires an owner or operator of an ATM to disclose such fees or surcharges in compliance with federal Regulation E,<sup>1</sup> addressing electronic fund transfers.

This CS substantially amends s. 655.966, F.S.

<sup>1</sup> 12 C.F.R., 205.

## II. Present Situation:

### Florida Law

In 2006, the Legislature passed SB 704, which was enacted as ch. 2006-216, L.O.F. This law created s. 655.966, F.S., which allows ATM owners and operators to charge an access fee or a surcharge to a customer conducting transactions using an account from an international banking corporation.<sup>2</sup> Section 655.966, F.S., provides:

*The operator of an automated teller machine, as defined in s. 655.960(3), F.S., may charge an access fee or surcharge, not otherwise prohibited under state or federal law, to a customer conducting a transaction using an account from an international banking corporation as defined in s. 663.01(6), F.S.*

As the section reads, a fee “may” be charged on international transactions. The provisions do not specifically address contracts or agreements that might prohibit these fees. Additionally, it is not a requirement of the section that an owner disclose that the transaction is subject to a fee or surcharge or the amount of such fee or surcharge; however, the Federal Reserve Board Regulation E, which implements the federal EFT Act, does require disclosure of the amount of fees to be charged.<sup>3</sup>

### MasterCard/Cirrus and VISA/Plus

This CS is in response to current operating rules of the two international Electronic Funds Transfer networks, MasterCard/Cirrus and VISA/Plus, that allow such fees only if a state’s law expressly permits such fees on international transactions. However, the current law is permissive (“may charge”) and does not specifically address contracts or agreements that might prohibit these fees. Such fees or surcharges are not prohibited under current state law. In response to the 2006 law, VISA determined that it would not add Florida to the list of states that permit access fees to be assessed on VISA/Plus international cardholders. VISA also indicated it would assess fines to acquirers that charge access fees to international cardholders for such transactions originating in Florida.

When a customer withdraws cash from an automated teller machine (ATM) not owned by his or her financial institution, the customer’s financial institution must pay a fee for the transaction, comprised of a “switching fee” to the ATM network and an “interchange fee” to an ATM not owned by the customer’s financial institution. A customer’s financial institution has a choice regarding the imposition of fees. Most financial institutions set a specific limit to the number of interchange fees associated with transactions at ATMs not owned by the customer’s financial

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<sup>2</sup> Section 655.005(1)(h), F.S., defines a “financial institution” as a state or federal association, bank, savings bank, trust company, international bank agency, international branch, representative office or international administrative office, or credit union. Section 655.960(3), F.S., defines an “automated teller machine” as any electronic information processing device located in Florida which accepts or dispenses cash in connection with a credit, deposit, checking, or convenience account. The definition does not include devices used solely to facilitate check guarantees or check authorizations or which are used in connection with the acceptance or dispensing of cash on a person-to-person basis, such as by a store cashier. An operator of an ATM is defined under s. 655.960(10), F.S., to mean a financial institution, other business entity, or any other person who controls the use or operation by a customer or other member of the general public of an ATM.

<sup>3</sup>12 C.F.R., s. 205.16.

institution they will pay without charging the customer. If the customer goes over the limit, the bank will then either charge a flat rate or a per transaction fee.

These fees have existed since the advent of the ATM networks. Financial institutions have always been allowed to pass interchange and switching fees on to their customers. The same is not true of surcharging. The ATM network operating rules historically prohibited surcharging by financial institutions, unless the state expressly authorized it by law. However, there is no state or federal law that prohibits such charges. In 1996, MasterCard/Cirrus and VISA/Plus repealed the rules that prohibited such a surcharge on financial institutions located within the United States.

Similar to domestic surcharging, the current prohibition against ATM operators or owners charging fees to persons who wish to access funds from accounts held by international banking corporations is not based on current Florida law, but rather is the result of the card association operating rules that provide an exception if a state's law *expressly permits* such fees on international transactions.

The lack of fees on international cardholders was less significant in prior years because international interchange fees paid by VISA and MasterCard to ATM owners and operators for international transactions have been historically higher than the domestic interchange fees. However, in recent years, Visa and Mastercard have gradually reduced interchange fees for international transactions. Advocates of the legislation contend that these current international interchange fees do not adequately compensate ATM owners and operators for their inability to impose a surcharge on international transactions.

### **Federal Law: Regulation E, Electronic Fund Transfers**

Regulation E provides a basic framework that establishes the rights and responsibilities of participants in electronic fund transfer systems, such as automated teller machine transactions.<sup>4</sup> The term "electronic fund transfer" (EFT) generally refers to a transaction initiated through an electronic terminal, telephone, computer, or magnetic tape that instructs a financial institution to either credit or to debit a consumer's asset account.

The regulation also requires financial institutions to provide consumers with initial disclosures of the terms and conditions of EFT services. An institution is required to disclose all fees for EFTs and disclose the right to make them. An institution is not required to disclose fees for inquiries made at an ATM since no transfer of funds is involved. A per-item fee for EFTs must be disclosed even if the same fee is imposed on non-electronic transfers. If a per-item fee is imposed only under certain conditions, such as when the transactions in the cycle exceed a certain number, those conditions must be disclosed. Itemization of the various fees may be provided on the disclosure statement or on an accompanying document that is referenced in the statement.

If there are adverse changes in fees, the consumer's liability, types of transfers available, or limits on transfers, the institution must provide a change-in-terms notice at least 21 days prior to the effective date. Although no particular rules govern type size, number of pages, or the relative

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<sup>4</sup> 12 C.F.R., 205.

conspicuousness of various terms, the disclosures must be in a clear and readily understandable written form that the consumer may retain.

An automated teller machine operator that imposes a fee on a consumer for initiating an electronic fund transfer or a balance inquiry is required to provide notice that a fee will be imposed for providing electronic fund transfer services or a balance inquiry; and disclose the amount of the fee. To meet the notice requirements, an automated teller machine operator must post in a prominent and conspicuous location on or at the automated teller machine a notice that: a fee will be imposed for providing electronic fund transfer services or for a balance inquiry; or a fee may be imposed for providing electronic fund transfer services or for a balance inquiry, but this notice may be substituted only if there are circumstances under which a fee will not be imposed for such services; and provide the notice either by showing it on the screen of the automated teller machine or by providing it on paper, before the consumer is committed to paying a fee.

Fees paid by the account-holding institution to the operator of a shared or interchange ATM system need not be disclosed, unless they are imposed on the consumer by the account-holding institution. Fees for use of an ATM that are debited directly from the consumer's account by an institution other than the account-holding institution (for example, fees included in the transfer amount) need not be disclosed.<sup>5</sup>

### III. Effect of Proposed Changes:

**Section 1** amends s. 655.966, F.S., to specifically authorize an operator or owner of an automated teller machine (ATM) in Florida to charge a fee or surcharge on a customer accessing funds from that ATM. The fee or surcharge must be disclosed in compliance with Regulation E.<sup>6</sup> The CS also provides that an agreement to operate or share an ATM may not prohibit, limit, or restrict the right of the operator or owner of an ATM to charge an access fee or surcharge not otherwise prohibited under state or federal law to a customer conducting a transaction using an account from an international banking corporation.

The CS states that these provisions are not to be construed to prohibit or limit the ability of an operator or owner of an ATM to voluntarily enter into an agreement regarding participation in a network that does not charge an access fee or surcharge.

**Section 2** provides an effective date of July 1, 2008.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

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<sup>5</sup> See 12 C.F.R. s. 205.7(b)(11) for the general notice requirement regarding fees that may be imposed by ATM operators and by a network used to complete the transfer.

<sup>6</sup> 12 C.F.R., 205.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The CS may impact ATM cardholders that have accounts with international banking corporations, and conduct transactions in Florida since they may have to pay new fees or surcharges on these ATM transactions, if the ATM operator imposes the fee.

C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Commerce on March 11, 2008:**

This CS clarifies that the account being surcharged is an international account.

B. Amendments:

None.