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BLOG

Understanding Reg E: A Primer

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Regulation E (Reg E), the implementing regulation of the Electronic Fund Transfer Act (EFTA), establishes the basic rights, liabilities, and responsibilities of consumers who use electronic funds transfers (EFTs) and remittance transfer services, and of the financial institutions or others that offer these services. Since its implementation in 1978, Regulation E has been updated to account for new electronic payment technologies and other modernizations in the banking industry. In 2010, the Dodd-Frank Act generally transferred rule-making authority under EFTA from the Federal Reserve Board to the Consumer Financial Protection Bureau (CFPB or the Bureau). The Bureau continues to amend Reg E to address both substantive and technical issues.

Reg E is meant to protect banking customers who use electronic methods to transfer money, and it limits consumer liability for unauthorized and fraudulent EFTs. The regulation covers topics such as disclosure of fees and limits, cancellation and error correction resolution procedures, preauthorized transfers, receipts, and liabilities for electronic fund and remittance transfers. Electronic fund and remittance transfers include ATMs, direct deposit, overdraft, point-of-sale transfers, and international money transfers, among others.

The regulation itself is organized into two parts—Part A and Part B. Part A focuses on EFTs generally while the subject of Part B is remittance transfers. Part A delineates requirements for both banks and consumers relating to timing, process, and procedures for various EFTs. But the regulation itself can be convoluted, and the Bureau's interpretation has, at times, been viewed as hypertechnical. As such, consumers and financial institutions both have an interest in a clear understanding of Reg E's guidelines. Below is a high-level overview of the organization of Reg E,

Reg E's Part A begins by defining the terms used throughout the regulation and proceeds to stipulate the requirements for the issuance of access devices, like debit cards or PIN codes. Next, it limits a consumer's liability for unauthorized transfers. It then outlines the disclosures required when an account is opened, when an institution changes its terms of service, and when an institution sends periodic statements. Part A concludes by outlining an institution's obligations for resolving errors related to EFTs, as well as specific regulations for special types of services: EFTs of government benefits, ATM transfers, overdraft services, prepaid accounts, and gift cards.

Part B, focusing on remittance transfers, outlines the requirements for disclosures, estimates, error resolution, and cancellation or refund.

We hope you will continue to follow us as we dig in on the details of this important area of law.

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Authors

Juan Azel

Arman Aboutorabi

Daniel T. Chaudoin

Caitlin M.R. Mandel

Jennifer Olivestone

Christina E. Zaldivar

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Juan Azel

Arman Aboutorabi

Daniel T. Chaudoin

Caitlin M.R. Mandel

Jennifer Olivestone

Christina E. Zaldivar

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