

Corporate & Financial Weekly Digest

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Federal Reserve Implements Gift Card Rule

The Federal Reserve Board on July 11 announced its approval of an interim final rule implementing recent legislation modifying the effective date of certain disclosure requirements applicable to gift cards under the Credit Card Accountability Responsibility and Disclosure Act of 2009. For gift certificates, store gift cards, and general-use prepaid cards produced prior to April 1, the legislation and interim final rule delay the August 22 effective date of these disclosures until January 31, 2011, provided that several conditions are met. While the Gift Card Amendment delays the effective date for certain disclosure requirements set forth in the Credit Card Act, the Gift Card Amendment does not address the status of additional requirements adopted in the Board's final gift card rule. As a result, persons seeking to take advantage of the relief afforded by the Gift Card Amendment may be unable to do so if certain of these additional provisions were to apply after August 22. For example, Section 205.20(e)(1) prohibits any person from selling or issuing a certificate or card unless the consumer has had a reasonable opportunity to purchase a certificate or card with at least five years remaining until the certificate or card expiration date. Thus, a card produced prior to April 1 that has a card expiration date of less than five years could not be sold under the final gift card rule, notwithstanding the provisions of the Gift Card Amendment. Therefore, in order to carry out the intended purpose of the Gift Card Amendment, this interim final rule also delays the effective date of certain of these supplemental requirements. This interim final rule revises Sections 205.20(c) and (g) of the final gift card rule ("Form of Disclosures" and "Compliance Dates," respectively) and adds a new Section 205.20(h) ("Temporary Exemption").

The interim final rule is effective August 22. The Board is, however, seeking public comment on the interim final rule. Comments on the interim final rule must be submitted within 30 days after publication in the Federal Register, which is expected shortly.

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