

MEMO# 9546

December 24, 1997

INSTITUTE COMMENT LETTER ON TREASURY PROPOSAL REGARDING CONVERSION OF FEDERAL PAYMENTS TO ELECTRONIC FUND TRANSFER

1 Department of the Treasury, "Management of Federal Agency Disbursements" (September 11, 1997), 62 Fed. Reg. 48714 (September 16, 1997) (the "Release"). The proposal would revise 31 CFR Part 208 (the "Proposed Rule"). The Release indicates that the conversion to an EFT environment will occur in two phases, the first of which occurred on July 26, 1996, and requires all recipients who became eligible to receive Federal payments on or after that date to receive their payments by EFT. At that time, Treasury issued an interim rule implementing these requirements. The second phase is scheduled to occur on January 2, 1999, and would require all Federal payments (except payments under the Internal Revenue Code) made after January 1, 1999, to be made by EFT, unless a waiver is available. [9546] December 24, 1997 TO: OPERATIONS COMMITTEE No. 43-97 SEC RULES COMMITTEE No. 120-97 TRANSFER AGENT ADVISORY COMMITTEE No. 73-97 RE: INSTITUTE COMMENT LETTER ON TREASURY PROPOSAL REGARDING CONVERSION OF FEDERAL PAYMENTS TO ELECTRONIC FUND TRANSFER

Department
has issued a rule proposal that would implement legislation requiring Federal agencies to convert all Federal payments (other than payments under the Internal Revenue Code) from checks to electronic funds transfer ("EFT").¹ Such payments would be made to a financial institution as designated by the Federal payment recipient. The Institute recently submitted a comment letter on the Proposed Rule, a copy of which is attached along with a copy of the Release. The Institutes letter recommends that the Proposed Rule be amended to permit Federal payments to be deposited into an investment account established through an investment company registered with the Securities and Exchange Commission, under the Investment Company Act of 1940, in the name of such investment company with whom the recipient has an account. The letter also recommends that the Proposed Rule not impose deposit insurance requirements in connection with the direction of such payments to registered investment company accounts. Barry E. Simmons Assistant Counsel
Attachments