

Fed Issues New Rules on Gift Cards

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WASHINGTON — The Federal Reserve on Tuesday issued the first federal regulations governing gift cards, limiting the fees and expiration dates that have been commonly used by credit card companies and retailers.

Under the Fed's new rules, gift card issuers will only be able to impose fees on gift cards in specific circumstances. The guidelines go into effect Aug. 22.

Fees will be allowed only if a card has not been used for at least a year, if proper disclosures about the policy have been made to consumers and if no more than one fee is charged a month for a card. The regulations also require the expiration date of a card be at least five years after the card is issued or five years after money is loaded onto the card.

Liz Oesterle, vice president of government relations for the National Retail Federation, said the NRF worked with the Fed to try to get a six-month transition period for retailers to enable them to remove old gift card stock off the shelves before having to comply with the new regulations, but were unsuccessful in their attempts.

"People will be scrambling to make sure every single card is off of every single shelf," said Oesterle. "A lot of retailers don't have expiration dates or dormancy fees, but for those that do they will have to go back and check carefully to make sure on Aug. 22 those cards are off shelves."

She said most national retailers no longer use expiration dates or fees on gift cards, primarily because most states have already passed laws banning them. However, some regional retailers still use the practice where permitted. States such as New York and Pennsylvania still partially allow the use of those practices, she noted.

Congress passed a law last May directing the Fed to impose the new restrictions on gift cards to curb what some lawmakers said was widespread abuse. The law applies to retail gift cards and bank-issued gift cards by such companies as MasterCard and Visa.

"These new rules will curb the abusive fees and early expiration dates that can drain gift cards of their value before they are ever even used," said Sen. Charles Schumer (D., N.Y.), a lead sponsor of the legislation. "Now that the new rules are finalized, we will work with the Fed to speed up the effective date rather than keep consumers at risk of being ripped off until next summer."