

INTERPRETIVE LETTER 96-3 (JUNE 24, 1996)

Financial institution's main office may be directly connected to a different switch than the switch used by one or more of its branches, although each banking office may only be directly connected to one switch.

We are writing in response to your request to the Illinois Commissioner of Banks and Trust Companies (now the Office of Banks and Real Estate ("Office")) for a written opinion regarding Section 35 of the Electronic Fund Transfer Act ("Act"), 205 ILCS 616/35 (1994). Specifically, you inquired that if * Corporation consolidates its Illinois banks into a single charter, may that bank utilize more than one switch as that term is defined by the Act? As set forth in this letter and subject to the conditions set forth, the Office is of the opinion that a financial institution's main office and one or more of its branches may be directly connected to different switches.

* Corporation currently maintains several downstate Illinois state-chartered banks and a Chicago area national bank. You stated that * Corporation is considering consolidating its separate Illinois banks into a single charter. After this consolidation, the single chartered bank would issue debit cards bearing different regional network logos and in effect, the main office and the bank's downstate branches would be directly connected to different switches. The debit cards issued by this consolidated bank to customers in the Chicago area would bear the Cash Station logo, while debit cards issued to downstate customers would bear the EFTI logo. Currently, the Cash Station network and its member financial institution process interchange transactions through EDS, a switch as that term is defined in the Act. The EFTI network and its member financial institutions process interchange transactions through M & I, also a switch under the Act.

Effective January 1, 1996, the Electronic Fund Transfer Transmission Facility Act, 205 ILCS 615 (1994), was repealed and replaced by the current Act. Section 35 of the Act limits switch connections when it provides:

No **main office or branch** of a financial institution shall at the same time be directly connected to more than one switch; provided, however, that (a) no financial institution shall be deemed to be directly connected to a switch that is, or is owned directly or indirectly by, that financial institution, and (b) nothing in this Act shall preclude (1) a terminal that does not accept deposits from being connected to more than one switch, (2) a network from utilizing more than one switch, or (3) a network from utilizing a single switch (emphasis added). 205 ILCS 616/35 (1994).

The plain language of Section 35 of the Act does not prohibit a financial institution's main office or any one of its branches from being directly connected to different switches. While no main office or single branch may be connected to more than one

switch at one time, each separate branch location could process interchange transactions through different switches.

In the past, although not prohibited by the former act, it was not customary for a main office to process interchange transactions through a different switch than its branches. All transactions were usually routed through the same system. The change to Illinois law authorizing interstate branching, P.A. 89-208, effective September 29, 1995, necessitates this interpretation because branches may exist that function as main offices but remain branches of the bank that has its main office located in another geographic region.