

November 19, 2010

Ms. Louise Roseman
Director
Division of Reserve Bank Operations and Payment Systems
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Ms. Roseman,

The ABA has sponsored, on behalf of its members and the U.S. banking industry, a White Paper that demonstrates why Issuers must be compensated for the costs they incur in managing debit card fraud. Fraud endangers the integrity of the debit card product and of the entire payments system, which is predicated on the payment guarantee that issuers offer to merchants. Issuers need to be compensated to make the investment required to manage fraud because they have to constantly evolve and adapt their fraud prevention measures to make sure that their debit products and their institutions do not become weak links in the system. Since merchants benefit so significantly from the debit card product and its payment guarantee, it is important that they bear that portion of the cost of fraud risk management that are incurred for debit card programs.

We therefore urge the Board of Governors to take the conclusions from this white paper into consideration as you establish your guidelines for the establishment of debit card interchange rate structures.

The paper was authored by Edgar, Dunn & Company, a global management consulting firm that has been providing advisory services to the payments industry for over 30 years. Over the course of the firm's history, EDC's major activities have included providing consulting services around fraud risk management to players throughout the payments value chain, including issuers, acquirers, card networks/brands, processors, merchants, and solution providers.

Thank you for considering our views. As always, we would be happy to answer any follow-up questions that you may have with respect to this topic.

Sincerely,



Kenneth J. Clayton