

**Meeting between Federal Reserve Board Staff
and a Representative of the Credit Union National Association (CUNA)
August 6, 2010**

Participants: Louise Roseman (Federal Reserve Board)

Mary Dunn (CUNA)

Summary: Louise Roseman spoke with Mary Dunn of the CUNA by phone to follow up on a July 28th letter from Bill Cheney, President and CEO of CUNA to Chairman Bernanke, and a July 28th memo from the CUNA Interchange Working Group to Ms. Roseman, regarding interchange fees. Ms. Dunn expressed CUNA's concern regarding the effect of the interchange fee legislation on small issuers. CUNA believes that the small-issuer exemption in the legislation may not be meaningful in practice, unless it can be regulated and enforced. In particular, she expressed concern that higher interchange fees to small issuers and others exempt under the interchange provisions may not be accommodated in the marketplace if interchange fees to large issuers are much lower, based on the standards the Board develops for such fees to large issuers.

Ms. Dunn urged the Board to take the impact of its rules on small issuers into consideration in developing its interchange rate standards and to include provisions in the regulation that will ensure small issuers, government administered programs and others exempt under the statute are not adversely affected by such standards. Also, because three credit unions are not exempt from the rate standard provisions, and because of CUNA's concern that small issuers may be impacted by the Board's rules, she urged the Board to be as inclusive as is reasonably possible, consistent with the statute, in determining what debit card program, processing and related costs may be included in interchange fees for large issuers under the standards the Board develops.

Ms. Dunn also raised concerns about the routing and exclusivity provisions in the interchange law. She noted that unlike the interchange fee standard provisions, small issuers are not exempt from these provisions, and she urged the Board to take the impact on credit union debit card issuers into account when implementing the routing provisions. Some of the specific concerns she raised are costs to credit unions if required to participate in more than one payment network and appropriate regulation of the merchants' authority to direct the routing of debit transactions.