

From: Will Cologna
Subject: Reg I I - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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I am writing to express concern over the implementation of the debit card interchange cap and routing regulations. There is conflict within the regulation as the carve out on the proposed \$.12 cap for institutions under \$10 billion in assets is counteracted by the proposal that all cards have multiple networks. By requiring multiple networks this proposal guarantees all card issuers will suffer reduced interchange rates and take a hit to earnings. This will be especially impacting if option 2 is used, requiring multiple networks for both PIN based and signature based transactions. It is also reckless to not consider any cost of fraud in the calculation of the allowable interchange rate. The Federal Reserve has put this off in the initial proposal to the detriment of the entire system. If the artificially low rate of \$.12 goes into effect without the consideration of fraud there will be a period where payment systems will be forced by government price control to operate payment systems at a loss. Finally, I must note merchants already enjoy the benefits of a card payment system that include guaranteed payment and fast and secure transactions. This proposal offers no guarantees that the addition of the benefit of controlling the interchange cost, merchants will pass any savings onto the consumer. It also does not offer any assurance that the merchant will choose safe and secure networks that consumers trust when routing the transaction. Because of the many issues related to consumer harm and basic fairness - and the fact that the debit provisions were never debated or studied, I urge you to delay the effective date of the Federal Reserve's rulemaking for at least two years, hold hearings on and direct the joint federal agencies to study the debit provisions' impact, and take appropriate additional action as suggested by the study results.