From: FirstBank, Doug Cruickshanks

Subject: Reg I I - Debit card Interchange

Comments:

Board of Governors:

I am writing on behalf of my teammates at FirstBank to express our grave concerns about the debit card provisions of the Dodd-Frank Act (Section 1075) which will result in the Federal Reserve fixing prices for debit cards to the benefit of virtually no one except retailers. This interchange price fixing legislation is fundamentally bad policy and requires thorough review and amendment before implementation.

We believe the debit provisions are inconsistent with basic American free enterprise principles and will have severe unintended consequences that may harm consumers, threaten data security and stifle payments innovation. Efficient and innovative payment services are critical to the economy. Payment cards have been critical to the development and growth of global internet commerce and efficiencies in the flow of consumer and small business commerce

FirstBank serves 55,411 households, is 105 years old, has $2bn in total assets and employs 528 people across Tennessee. We believe the debit provisions will harm our business and affect the services we are able to offer our customers. Despite the amendment's intention of excluding smaller banks, we will all be affected as the market moves to the low price leader. At FirstBank, we expect a drop of at least 70% in income related to debit card interchange. It is my belief that our debit card revenue is disproportionately large versus the mega banks and therefore smaller banks over time will be further disadvantaged.

Allow me to summarize just a few of my concerns:

There is no provision to insure that 'savings' are passed on to consumers by retailers. The loss of revenue to the banks is specific and measurable. The likelihood is that this will at least in part be a transfer of profit from the banking system to the retail sector. Cynically, as retailers are not similarly burdened, banks are being taxed to enrich retailers.

Banks bear the total risk for fraud loss, retailers are protected.

Fraud losses are both periodic and episodic. While periodic losses are somewhat predictable, it is the episodic events that are usually most costly to individual banks. The cost of fraud and continued fraud detection developments are very real costs of this service.

There remain over 7,000 banks in the U.S. It seems inconceivable that with that much competition there could be systematic consumer price abuse. Many argue that this legislation could spell the end of free checking.

If there is no profit in a service, competition will disappear leaving only the low cost provider. Perhaps that is good in the short term, but where will the innovation come from? If only the low cost provider is left how will that provider be kept in check?

I worry that a 'legislative victory' in this matter will lead to additional price fixing on other products or perhaps interest rates which will doom the community banks leaving the banking landscape with only faceless, soulless banking behemoths.

Because of the many issues related to consumer harm and basic fairness, we urge you to delay the effective date of the Federal Reserve's rulemaking for two years, support hearings and charge joint federal agencies to study the debit provisions' impact, and take appropriate additional action as suggested by the study results.

I would be delighted to engage in any discussions that may be helpful to your deliberations.

Doug Cruickshanks
FirstBank