

From: Lacamas Community CU, Mark Sadowski
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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Comments:

I urge the Federal Reserve Board to reconsider the proposed Regulation II - Debit-Card Interchange Fees and Routing. Even though as an issuer technically exempt from provisions of the regulation, I am concerned that the imposition of the rule with the proposed revenue caps will have a negative impact on all debit card issuers. This could impair an important part of the U.S. payments system resulting in a negative impact on consumers. In the absence of enforcement of the small issuer exemption, there is little doubt that small issuers would be forced to accept significantly lowered revenues as well. Small issuers have depended on this revenue to offset the cost providing transaction accounts to their customers and members. A reduction in this revenue could result in increasing costs for all consumers by the necessary imposition of additional transaction account fees which would likely outweigh any cost savings passed on by merchants in the form of lower prices. A potential consequence of imposition of the rule with its proposed revenue caps could be the exit of institutions from offering debit cards. This could disadvantage consumers by the removal of payment protections offered by the use of their debit card, many of which choose not to use, or may not have access to, credit cards which would offer similar protections. Debit cards are an efficient part of the U.S. payment system today. Limiting the potential revenue to issuers in favor of merchants creates an unfair advantage in an otherwise seemingly equitable system. Merchants would be precluded from paying their 'fair share' yet would get the same benefits they enjoy from the system today, seemingly allowing them to 'have their cake and eat it, too'. Again, I urge you to reconsider and reject the proposed rule. Respectfully, Mark Sadowski Chief Financial Officer