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February 22, 2011

By Email

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1404 (Debit Card Interchange Fees and Routing)
RIN No. 7100 AD63

Dear Ms. Johnson:

Global Tel*Link Corporation (“GTL”) hereby respectfully submits these comments in the above-referenced proceeding, supporting those comments that advocate for identical treatment of merchants that transact sales where debit cards are physically presented and sales where the debit card is not present. Additionally, GTL submits that the benefit of any adjustment to the interchange transaction fee associated with the cost of fraud prevention must inure to the merchant, and not the issuer or acquirer.

GTL (along with its two wholly-owned subsidiaries, Public Communications Services, Inc. and DSI-ITI, Inc.) provides secure, customized, highly specialized telecommunications services to correctional facilities throughout the United States. GTL serves all types of correctional facilities, from the smallest county jails to twenty eight of the Nation’s Departments of Correction. GTL has been serving the secure telecommunications needs of the corrections industry for almost twenty years, during which time its service has evolved from traditional public payphone to sophisticated software-based security systems that not only connect inmates with friends and family by telephone but, just as importantly, assist law enforcement and corrections entities in their attempts to prevent illegal activities that may originate within their inmate populations, and prosecute such crimes when they occur.

GTL has no retail outlets, and the called parties of inmates pay for calls in several different ways, one of which is with debit cards via a website interface that results in 100% of payments falling into the “card not present,” (“CNP”) category. As a result of the specific demographic that makes up the predominant class of called parties of inmates, debit cards are a favored method of payment. A large percentage of GTL’s end users do not carry credit, and paying for inmate calls using personal checks or money orders can mean a time delay in the ability to receive calls from loved ones in confinement. In 2010, GTL spent over \$4.4M in interchange transaction fees. Additionally, in 2010, GTL rejected the equivalent of one month’s revenue – hundreds of thousands of calls – in order to avoid exceeding VISA and MasterCard chargeback thresholds. GTL has spent \$1.3 million and devoted thousands of person-hours to date, and will spend close to \$260,000 on PCI data security standard compliance in 2011.

GTL shares all of the burdens and all of the concerns of entities like Amazon.com and Dell.com, whose arguments and comments GTL supports. GTL lacks the ability to pass along some or all of the



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financial burden of accepting CNP debit payments to the card users through the price of goods or services. GTL is regulated as a telecommunications utility at both the federal and state level, and is restricted in the call rates and ancillary fees it can charge for inmate calls under its governing regulations, and its contracts with the correctional facilities it serves. As a non-brick-and-mortar, CNP-transaction merchant, GTL bears a disproportionate burden with respect to accommodating interchange fees than other merchants. In fact, GTL completes some inmate calls the duration of which cannot support the coverage of GTL's remittance of correctional facility commissions, and the costs associated with accepting debit card payment and managing chargebacks, and also provide a return to the company.

GTL joins the other voices that believe that the debit card interchange fee must be set at par. Section 920 of the Electronic Fund Transfer Act requires that interchange fees be "reasonable and proportional" to issuers' costs. GTL believes it is appropriate to use check transactions as a basis for the determination of what is a reasonable and proportional interchange fee. With checks as the standard, the allowed interchange fees should be zero. To the extent that the Board finds that there must be some level of remuneration to issuers of debit cards, the interchange fee must be the lowest possible charge that is reasonable and proportional. Any resulting cap (or safe harbor) should be employed equally for both "card present" and CNP merchants.

Further, any fraud prevention cost fee adjustment should result in a reduction in the interchange fee to the merchant as a credit for its own investment in fraud prevention technology and procedures and its loss of revenue due to chargebacks. So long as merchants bear the lion's share of the risk with respect to fraudulent card use, coupled with network-imposed reductions in the number of "good" cards a merchant might otherwise have chosen to accept as payment, issuers have no justification for passing along fraud prevention costs of their own.

There was much discussion at the February 17, 2011 House Financial Services Committee hearing about delaying the July 21, 2011 effective date of the rules that will issue from this rulemaking. GTL adamantly opposes the imposition of any delay in issuing a final order in this proceeding. The Board has received, and will receive, a substantial amount of data and analysis in this proceeding. Delaying the effective date simply will prolong the burden endured by merchants.

In closing, GTL has an obligation to the correctional facilities it serves, the inmates they house, and the friends and families of those inmates, to connect and complete as many inmate phone calls as possible. The Board has an opportunity to facilitate the maximum fulfillment of this obligation by setting interchange fee standards that are just and reasonable for CNP merchants like GTL, so that GTL can continue to afford to offer its customers the broadest selection of payment options for the receipt of inmate calls; chief among them the use of a debit card. GTL applauds the Board for this carefully considered undertaking, and respectfully requests that Section 920 be codified to embody the recommendations of CNP merchants like GTL, Amazon.com and Dell.com.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Dorothy E. Cukier'.

Dorothy E. Cukier
Executive Director, External and Regulatory Affairs