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Comments:

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As a leading consulting firm to mid-sized and community banks, we conducted a survey to gather comments on the FRBs proposed rules regarding the Durbin Amendment. 1) 80% of responders were less than \$8B, 10% between \$8-10B, 10% greater than \$10B 2) 100% would be willing to certify asset size annually to the payment networks 3) 90% are very likely or definitely going to raise checking account fees as a direct result of the interchange cap 4) 70% prefer a non-prescriptive fraud adjustment rule 5) 80% believe the non-prescriptive approach should be based on basis points of loss compared to total purchase volume for signature and PIN debit, the other 20% believe just signature debit losses should be in the formula for basis point loss 6) Of the 30% that would prefer a technology specific fraud adjustment rule, 50% would require a 25 cent adjustment to encourage investments in EMV card issuance, 20% 20 cents, 10% 10 cents, and 20% 5 cents 7) 50% would continue debit fraud prevention activities without an adjustment, 50% will reduce debit fraud prevention activities if the networks change operating rules to make the merchant more liable for losses 8) 40% have a cost-accounting system that captures and tracks enough detail to know how much their fraud prevention programs cost 9) 60% have an exclusive PIN POS network contract 10) If an existing PIN POS network does not pass the geographic or merchant acceptance test, 60% will drop that network from their cards 11) 90% prefer the one signature and one PIN path option for meeting merchant choice requirements 12) 90% do not want ATM transactions and networks included in the routing restriction rules Submitted February 22, 2011