

February 11, 2011

Freedom of Information Office
Board of Governors of the Federal Reserve System
20th & Constitution Avenue, NW
Washington, DC 20551

Proposal: Regulation II – Debit Card Interchange Fees and Routing
Document: R-1404

Comments:

Thank you for the opportunity to comment on the proposed regulations to establish ceilings on the debit card interchange fees, as required by the Durbin Amendment to the Dodd-Frank Financial Reform Act. I am aware that these fees as proposed are directed to financial institutions with total assets of \$10 billion and above, and my bank is well below those financial totals. However, I do not believe a two-tier system will work effectively in a market driven economy. The natural consequence will be such that the merchant will automatically direct debit card transactions to the lowest card provider. This selective routing of debit card transactions is allowed within the Durbin Amendment. While this may initially appear productive as a cost saver for the merchant industry, the unintended consequence will be counter-productive for the consumer. Based upon the proposed fee structure in the Federal Reserve's regulation, our bank will eventually be losing debit card fee revenue by as much as 70% of the current rates.

Our cost to provide the debit card service to our customers will not decrease nor will our losses to fraudulent transactions. The net effect will be a decrease in our bank's profitability. To help retain our capital strength and our ability to offer quality consumer financial products, new revenue sources will need to be created to the detriment of consumer's needing financial services. In reality the only group to be enriched will be the merchant groups, as they are not required to pass on their cost savings to the consumers. I believe this proposed regulation is wrong and should be revised to provide the necessary revenue to our financial institution in order to continue providing a safe, secure and much utilized debit card system.

I thank you for the opportunity to submit my comments on the proposed debit card interchange fee and routing regulation.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel P. Finch", written over a circular stamp or seal.

Daniel P Finch