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November 14, 2011

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Proposed Agency Information Collection Activities; Comment Request:
Proposed Regulation II Debit Card Issuer Survey (**FR 3064a**), and Government-
Administered, General-Use Prepaid Card Issuer Survey (**FR 3063a**)

Dear Ms. Johnson:

This letter is submitted on behalf of Wells Fargo & Company and its affiliates (“Wells Fargo”) in response to the Comment Request for Proposed Agency Information Collection Activities under the Electronic Fund Transfer Act (“EFTA”) Section 920(a), published in the Federal Register on September 15, 2011 at 76 FR 57037 (the “Survey Proposal” or “Surveys” collectively and “Debit Issuer Survey,” and “Government Prepaid Issuer Survey”)¹. Wells Fargo appreciates the opportunity to comment and respectfully requests the members of the Board of Governors of the Federal Reserve System (“Board”) consider adopting the suggestions set forth herein.

The Wells Fargo vision to satisfy all of our customers’ financial needs and to help them succeed financially is a driving force in the way we do business. Engaging in responsible lending practices, encouraging consumers to make responsible and successful financial choices and conducting business with honesty and integrity, are already at the heart of our vision. It is our

¹ While the Board has requested comment on four surveys, we are limiting our response to the Debit Issuer Survey and Government Prepaid Issuer Survey.

practice to build our business processes and strategies in compliance with all applicable laws and regulations.

Wells Fargo supports the Board's commitment to improving the information collection pursuant to the EFTA and Regulation II ("Regulation"); this letter provides Wells Fargo's comments to the Survey Proposal.

Summary of Key Comments:

- I. Complete, Accurate and Specific Surveys Will Produce Results Suitable for Analysis to Fuel Further Refinement to Regulation II**
- II. Collection of All Costs Related to Electronic Debit Transactions is Essential for a Thorough Review of the Industry as it Relates to Section 920(a)**
 - A. Data Collection Should Not Be Limited to Current Status**
 - B. Further Classification Is Needed in Defining Costs**
- III. Gathering Information from Industry Participants in the Best Position to Provide it Ensures More Complete Information and Spreads the Reporting Burden More Fairly**

Discussion:

General Comments on the Surveys

As a bank issuer issuing many types of debit and prepaid cards, Wells Fargo is providing comments on the proposed Issuer Interchange Survey and Government Issuer Survey.

When finalized, the Surveys will be a key instrument for the Board in implementing Section 920(a), including changes to the Regulation. The Surveys could also influence the statute's future language. Inevitably, the Surveys and their results will have considerable impact on the debit card electronic fund transfer industry. Therefore, Wells Fargo believes it is critical the Surveys gather high quality data.

In reviewing these Surveys, there are a number of reoccurring themes which create general concerns and challenges with respect to the information requested in the Surveys, and hence, the perceived value and usefulness of the resulting data. We also strongly believe the Board is also called upon to ensure that each Survey respondent is provided sufficient time to reply to the Surveys, and request that none of the four Surveys be issued before mid-February 2012, and that all maintain a sixty (60) day response period. Given the timing of the effective date of the Regulation, we also request that the reporting time periods be set as January 1, 2011 through September 30, 2011], and October 1, 2011 through December 31, 2011 for the 2011 reporting period. Lastly, we encourage the Board to consider permitting respondents to report at a holding company level in order to ease the burden of multiple responses.

We encourage the Board to revise the Surveys to meet the goals set forth below.

I. Complete, Accurate and Specific Surveys Will Produce Results Suitable for Further Analysis to Fuel Further Refinement to Regulation II

Wells Fargo believes the Board will best fulfill its statutory mandate and serve the public and industry by utilizing Surveys that completely and accurately gather issuer cost data related to electronic debit transactions without placing an unnecessary burden on respondents. This process will ensure that the Board is well-informed with respect to the prevailing conditions and nuances of this type of payment method. Such information will ensure the ability to recognize and respond to changing conditions. Wells Fargo believes there are several areas within the Surveys which may be revised to increase their completeness, accuracy and specificity.

First, there is a lack of precision in some of the language used in various sections. Such ambiguity could result inconsistent responses, that would cause conflicting data aggregation and reporting, resulting in reduced data quality that could drive inconclusive and/or inaccurate findings.

For example, some Survey language significantly differs from some respondents' established business practices: the phrase "cost of authorization, clearing and settlement" in the Debit Issuer Survey. One way to assist in remedying this issue across respondents, so data can be accurately and fairly compared, would be for the Board to add more definitions and/or examples to assist the respondent. Wells Fargo urges the Board to provide more instructional information to allow issuers to more easily understand what is permitted in the Regulation and what numbers the Board is seeking.

Likewise, the Surveys must ensure that data from issuers using differing accounting systems are filtered to make them consistent, accurate and useful for comparison purposes. Currently, the Surveys lack any reconciliation of U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). Without that reconciliation, the Survey results can be easily characterized as skewed, or even misleading, and therefore a poor basis for Board decision making. The Board has previously acknowledged such concerns surrounding data in its June 2011 report on the 2010 surveys.² One area in which this is particularly relevant is in allocating costs across products or years of reporting. Similarly, areas in which the cost method analysis may differ, such as per transaction or per volume or revenue metric, also cause variance that may limit the usefulness of the data. We encourage the Board to utilize its internal resources in addressing accounting disparities.

Similar to the above, Wells Fargo believes the Board should re-evaluate its inclusion of an issuer's incentive amounts (payments) in the Survey. Such inclusion appears to stem from a desire to categorize amounts (which may or may not be a direct payment) across all issuers for comparison purposes. Such payments are so individualized to each issuer and situation with a network, that such comparison is necessarily questionable. We urge the Board to consider

² Board of Governors of the Federal Reserve System, Report to Congress on Government-administered, General-use prepaid cards (July 2011).

eliminating the Survey section addressing incentives, and instead address the issue on an individual basis via examination. That process will inevitably be the process used to accurately gather and analyze such information in any event.

Finally, Wells Fargo encourages the propagation of an interactive process between respondents and the Board to increase the consistency of responses and the quality of the resulting data analysis. This is particularly important in this situation because the Regulation and its required reporting is new and untried. Such interaction could assist the Board in understanding the industry itself, issues facing the respondents, and lead to better survey criterion for the future, as well as assist a respondent's ability to comply with the Board's Survey requests, and regulatory requirements overall.

Wells Fargo accordingly believes increased direction to respondents, a conversion methodology, and establishment of an interactive process between the Board and respondents would substantially increase the usefulness and reliability of the Survey data.

II. Collection of All Costs Related to Electronic Debit Transactions is Essential for Thorough Review of the Industry as it Relates to Section 920(a)

A. Data Collection Should Not Be Limited to Current Status

To ensure the data collected via the Surveys provides meaningful and accurate cost data now and in the future, Wells Fargo recommends the Surveys be drafted to ensure that *all* relevant cost data be collected to ensure fair and accurate Survey results. Such data may vary from issuer to issuer based on several factors, such as accounting methodology (e.g. GAAP versus IFRS), but also as the data relates to other products, services, and contractual relationships of an individual issuer.³

It cannot be overstated that we, like many other issuers in the industry, strongly believe the scope of the Surveys and the current Regulation underestimate the cost of a true debit program. For example, there are certain costs directly related to a debit program that are not currently considered, such as those related to establishing the account, card production/ mailing, customer service, statement costs, compliance expense, and research and development to facilitate the ongoing evolution of the product and supporting fraud prevention for our customer's benefit. It is understood that although many of these items are not directly related to a debit interchange fee, the fact remains that every complete service is an integrated sum of its parts, and no one part can be removed without affecting the entirety of the service. Therefore, in addition to ensuring collection of accurate and complete information with respect to the costs the Board has determined are allowable under the Regulation, Wells Fargo strongly urges the Board to continue collecting information with respect to costs the Board has currently determined are not allowable costs under the Regulation.⁴

³ We refer to Wells Fargo's previous comments submitted to the Board detailing electronic debit cost information in relation to proposed Regulation II, dated February 22, 2011 for general cost information, and September 29, 2011 with respect to fraud costs.

⁴ *Id.*

As another example, the changes in the law requiring an additional unaffiliated network as well as the emphasis on circumvention and evasion circumstances has caused the industry to spend significant amounts of time reviewing their current and future relationships as they relate to networks, vendors, merchants, and issuers. This will surely cause some shifts in the way the relationships are structured and compensated because the relationships have changed. Therefore, the Board should not assume that the information gathered in 2010 or 2011 continues to adequately represent the industry and the costs associated with various endeavors.

Similarly, we encourage collection of related costs for issuers' exempt products, and collection of such cost data from *all* issuers, including those currently exempt. Although the Board cannot compel responses from exempt issuers under its EFTA authority, requesting such information will help ensure the robust representation from the industry as a whole, thereby forming a firm and accurate basis from which the Board may act in the future.

B. Further Classification Is Needed in Defining Costs

One important recommendation in this area is for the Board to break down the costs into high level functional areas, such as by product type; e.g., ordinary debit cards, general use prepaid cards, etc. Prepaid cards traditionally have different associated costs (and considerations associated with them such as the different various relationships of the cardholder with the issuer). This length and type of relationship between the issuer and the cardholder affects many types of these product costs, from identification for activation to fraud detection.

Instituting the above practices with respect to the Surveys would evidence a mindfulness of the ever-changing electronic payments landscape, thereby effectively fulfilling the purpose behind Section 920(a).

III. Information from Industry Participants in the Best Position to Provide it Ensures More Complete Information and Spreads the Reporting Burden More Fairly

As noted above, significant effort is necessary for a respondent to address each area and question correctly and consistently. One area of particular concern for this is in the Government Issuer Survey, which requests an extensive amount of information and detail.

The role of an issuer in this type of prepaid debit program may be different than in other debit programs; often, an issuer in a government program is not privy to various points of the contractual relationship between the government entity and a third party administrator. While an issuer knows the fee amounts, it often performs transaction settlement on a consolidated basis. Therefore, segregating and reporting on individual fees associated with individual cards and transactions can be extremely impractical in certain circumstances.

Additionally, the Government Issuer Survey assumes all government programs operate in the same manner, and are accounted for in the same manner across all parties and their respective systems. That is frequently not the case, thereby causing integration problems when responding

to a Survey requiring aggregated data. Invariably, some responses will lack uniformity and therefore the possibility of a meaningful comparison is significantly compromised.

Likewise, attempting to respond on a smaller program, which is typically not separated on internal systems due to the cost of doing so, is a significant burden. This stems from the division required, the complexity of the Survey and the differing parties involved. For example, some of the larger programs may contain “mixed” funds such as a government-administered child support program, which may be administered by a state government differently than it might administer its unemployment program. In addition, differences may be evidenced by fees assessed on the card: a fee may be assessed for one program but not another offered by the same state. As a third example, those two programs may be served by the same broad based underlying card platform by the issuer yet the accounting for one or both programs may be addressed by the government body, and therefore the issuer does not have access to a large amount of the detailed information.

We urge the Board to re-evaluate the Government Prepaid Issuer Survey. We recommend requiring reporting by state rather than program. Additionally, we recommend the individual Survey questions be further defined and include examples.

Conclusion

Wells Fargo strives to provide our customers with flexible, wide-ranging and competitive financial products, superior service and education while fully complying with all applicable laws and regulations. We strongly support the Board’s commitment to further defining its Survey Proposal, and appreciate the opportunity to provide recommendations. We respectfully urge the Board to consider all of the comments and suggestions herein.

If you have any questions or would like to discuss any of the issues herein, please do not hesitate to contact me at (612) 316-4449 or Pamela.O.Lindula@wellsfargo.com.

Sincerely,

PAMELA O. LINDULA

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