

THE FINANCIAL SERVICES ROUNDTABLE



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December 17, 2010

The Honorable Elizabeth A. Duke,
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

E-Mail info@fsround.org
www.fsround.org

Re: Proposed Rule on Debit Card Interchange Fees and Routing

The Honorable Elizabeth Duke:

I am shocked and dismayed at the Federal Reserve Board's decision yesterday to approve a plan that places an arbitrary and hard cap on debit interchange fees. The Board's proposal falls substantially short of capturing the costs associated with providing the debit service and, although the statute is very limiting, it by no means reflects the discretion accorded to the Board in establishing the proposed guidelines. Left unaltered, these proposed rules will drastically change the way consumers are accustomed to paying for goods and services and potentially damage our economic recovery.

Debit cards are a lifeline for the American consumer. According to your own study debit card usage exceeds all other forms of noncash payments and has grown by almost 15% from 2006 to 2009. Any proposal that caps debit interchange fees will increase the cost of debit cards for consumers and potentially curtail debit card use.

Payment cards require an enormous capital investment. It is precisely because of this substantial financial investment by the payment card industry that card transactions are effortless for merchants and consumers. If significant changes are not made, the proposed rule will only harm the payment card industry. This rule will allow merchants to receive all the benefits of the payment card system without any financial responsibility. This proposal will harm small businesses, consumers, and stifle our nation's economic recovery by reducing overall sales for small businesses and severely limiting the ability of consumers to select form of payment.

The Federal Reserve's mission is to promote and protect the stability of our nation's financial system. This proposal would undercut your stated mission by threatening the safety and soundness of well capitalized financial institutions that participate in the payment system. Ironically, retailers would also be harmed by this proposal over the long-term because the proposed rule will weaken the cost-efficient payment system in place today and compel consumers to use outdated forms of payment that are inherently risky, less efficient, and more expensive.

The Roundtable expects that your proposed rule is exactly that – a proposal. We expect nothing less than the Board’s commitment to remain open-minded and receptive to public comments, including substantive suggestions on how to improve your proposal from the payment card industry. Anything less would undermine the integrity of the rulemaking process.

Sincerely,

A handwritten signature in black ink that reads "Steve Bartlett". The signature is written in a cursive, slightly slanted style.

Steve Bartlett
President & CEO
The Financial Services Roundtable