

November 14, 2011

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

**Re: Proposed Agency Information Collection Activities; Comment Request:  
Interchange Transaction Fees Surveys – Issuers (FR 3064a)  
FR Doc. 2011-23614; Billing Code 6210-01-P**

Dear Ms. Johnson:

On behalf of RBS Citizens, National Association and Citizens Bank of Pennsylvania (the “Banks”), we welcome the opportunity to respond to the comment request (the “Comment Request”)<sup>1</sup> issued by the Board of Governors of the Federal Reserve System (the “Board”) on September 15, 2011 regarding the proposed Regulation II Debit Card Issuer Survey, FR 3064a (the “Interchange Issuer Survey”). The Comment Request solicits input on several proposed surveys, including the Interchange Issuer Survey, which will be used by the Board to gather industry information necessary for the Board to meet its obligations under Section 920(a) of the Electronic Funds Transfer Act (the “EFTA”),<sup>2</sup> as added by Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”),<sup>3</sup> and Regulation II.<sup>4</sup>

By way of brief background, RBS Citizens, National Association is a national banking association located in Providence, Rhode Island and Citizens Bank of Pennsylvania is a state-chartered savings bank located in Philadelphia, Pennsylvania. The Banks are the wholly-owned subsidiaries of Citizens Financial Group, Inc. (“CFG”), a financial holding company registered with, and subject to the regulations of, the Board. CFG is a U.S. subsidiary of The Royal Bank of Scotland Group PLC, Edinburgh, Scotland.

**The Banks support the positions described in the Associations’ comment letter.** As a threshold matter, the Banks write in general support of the comment letter submitted jointly by the American Bankers Association, The Clearing House Association L.L.C., the Consumer Bankers Association, the Credit Union National Association, The Financial Services Roundtable, the Independent Community Bankers of America, the Mid-Size Bank Coalition of America, and the National Association of Federal Credit Unions (collectively, the “Associations”), and specifically in support those portions of the Associations’ comment letter addressing issues related to the proposed Interchange Issuer Survey. As noted by the Associations, the Banks believe that the proposed Interchange Issuer Survey lacks necessary specificity to ensure responses and data provided by regulated issuers is consistent and useable by the Board in performing its obligations under Section 920 of the EFTA and Regulation II.

The Banks also support the Associations’ conclusion that the cost data requested by the Interchange Issuer Survey may be incomplete and fail to consider the *full* costs of an issuer’s debit program, including those not currently considered by the Board to be recoverable by issuers through interchange fees. Moreover, as proposed, the Interchange Issuer Survey requests certain information, particularly that regarding network incentives, that is of limited value on an individual or aggregate basis and may lead to inaccurate conclusions given the nature of the request and the manner in which a response would be required to be reported in the Interchange Issuer Survey. Information regarding certain fees, incentives and rebates can only be interpreted fairly in the context of the unique facts and circumstances related to a particular issuer’s relationship with a particular network and the network’s affiliates, and would be of limited use on an aggregate basis. As a result, this information would not be appropriately relied upon by the Board in establishing additional policies or guidance under Regulation II that would be more generally applicable to all regulated issuers.

For these reasons, the Banks respectfully request that the Board carefully consider the Associations’ comment letter and revise the final issuer Interchange Issuer Survey in a manner that captures issuer cost data related to electronic debit transactions without unnecessary burden on those issuers, including increasing the specificity of the information request to ensure consistent reporting by all regulated issuers.

**The Banks additional comments to the Interchange Issuer Survey.** As noted, the Banks fully endorse and support the Associations’ comment letter; the remainder of this letter addresses the Banks’ responses on those portions of the Comment Request where the Board has specifically asked a question or requested comment and the Banks have particular insights.

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<sup>1</sup> *Proposed Agency Information Collection Activities; Comment Request*, 76 Fed. Reg. 57,037 (Sept. 15, 2011).

<sup>2</sup> 15 U.S.C. § 1693o-2(a).

<sup>3</sup> Pub. L. No. 111-203, 123 Stat. 1376 (2010).

<sup>4</sup> *Debit Card Interchange Fees and Routing*, 12 C.F.R. Part 235.

1. *Confidential treatment of Interchange Issuer Survey data.*<sup>5</sup> Data and information provided in response to the Interchange Issuer Survey is of the greatest utility to the Board when it represents a clear and concise summary of the actual costs and fees paid by an issuer. To the extent that this information is provided on a network-specific basis, it would necessarily become more commercially-sensitive to the issuer and therefore be entitled to confidential treatment under the Freedom of Information Act.<sup>6</sup> Accordingly, the Interchange Issuer Survey and the final instructions thereto should incorporate the Board's existing policies and regulations regarding the confidential treatment of business and financial information, the release of which would be competitively harmful to the disclosing issuer. The final Interchange Issuer Survey should therefore provide issuers with specific guidance and method for providing confidential portions of the Interchange Issuer Survey to the Board. The contents of the confidential information could easily be used by the Board on an aggregate basis, but would not be released with respect to the specific issuer.
2. *Issuer reporting should be conducted at holding company level.*<sup>7</sup> Issuers subject to the reporting requirements of the Interchange Issuer Survey and Regulation II are determined by the consolidated asset size of their operations and the operations of their affiliates. To the extent that reporting burdens impose additional costs on issuers, these reporting requirements should be structured at the holding company level to permit the issuer and its affiliates to allocate such costs appropriately within the organization. CFG notes that it took more than 160 hours to respond to the Board's 2010 survey instrument, which is at least twice the estimated average response per issuer contained in the Comment Request. CFG estimates that requiring the Banks to report separately on a biennial basis would require the use of multiple functional areas within *both* institutions and would add approximately 50 percent in time and costs to the response.

Additionally, the Interchange Issuer Survey and Regulation II necessitate that issuers make capital investments and allocate additional management time to establish the cost-tracking scheme and methods necessary to report information requested by the Interchange Issuer Survey. Requiring this investment be made independently across all issuers will increase the compliance costs associated with Regulation II without providing the Board with corresponding increases in the benefits associated with the reported information.

The Banks believe that such estimates of time and costs for the proposed responses are likely similar across all regulated issuers, the Banks suggest that reporting at the holding company level, rather than at an issuer-by-issuer basis within a holding company structure, is a more cost effective and efficient method of reporting on the Interchange Issuer Survey, while simultaneously providing the Board with sufficient information to meet its obligations under Section 920(a) of EFTA.

3. *PIN and signature terminology is sufficient in Interchange Issuer Survey.*<sup>8</sup> The Banks believe that use of the terms "PIN" and "signature" is sufficient in the Interchange Issuer Survey. References to "single-message" and "dual-message" are understood to mean the same as PIN and signature, respectively, even if there are specific instances where a PIN or signature are not required for an electronic debit transaction.
4. *Prepaid reporting should be done separately.*<sup>9</sup> The processing environment for electronic debit transaction initiated by a prepaid card is significantly different from electronic debit transactions related to a general debit card established by an issuer for access to a cardholder's demand deposit or other transaction account. These differences include scale, pricing and functionality of the prepaid program vis-à-vis an issuer's general debit card program. Accordingly, the Banks believe that prepaid card activity should be reported separately.
5. *Guidance in the Interchange Issuer Survey should be modified to reflect additional specificity requested in Associations' comment letter.*<sup>10</sup> The Banks believe that the instructions and definitions used in the Interchange Issuer Survey provide an insufficient level of clarity. However, as noted in the Associations' comment letter, additional clarity regarding the terms used in defining issuer costs and fees should be amended to reflect a final Interchange Issuer Survey that ensures that all data from responding issuers is consistently provided and enables the Board to accurately evaluate the full costs and fees associated with debit program management.
6. *If a fraud prevention activity checklist is used, items should be clearly defined.*<sup>11</sup> To the extent that the Board uses a checklist of fraud prevention activities, the Banks believe that the Board should clearly define each item within the checklist. However, the checklist should not be an exclusive list or limit an issuer's ability to include activities (and the associated fees and costs) that

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<sup>5</sup> See 76 Fed. Reg. 57,040 (regarding discussion of confidential treatment of reported information).

<sup>6</sup> See 5 U.S.C. 552(b)(4).

<sup>7</sup> See 76 Fed. Reg. 57,040 (requesting comment on "feasibility of requiring each chartered entity that issues debit cards to comply a separate survey rather than requiring a holding company to complete one survey for all its chartered entities[.]").

<sup>8</sup> See 76 Fed. Reg. 57,040 (requesting comment on PIN and signature versus single-message and dual-message terminology for processing electronic debit transactions).

<sup>9</sup> See 76 Fed. Reg. 57,040 (requesting comment on reporting of general-use prepaid card data).

<sup>10</sup> See 76 Fed. Reg. 57,041 (requesting comment on whether guidance in the proposed survey is sufficient).

<sup>11</sup> See 76 Fed. Reg. 57,041 (requesting comment on the usefulness of a fraud prevention checklist).

may be unique to the manner in which the issuer engages in fraud prevention activities. Such a non-exclusive checklist will also help ensure a greater likelihood of substantial compliance by survey respondents as the burden of reporting such information will be somewhat mitigated. As noted throughout this and the Associations' comment letters, clarity is vital to ensuring that all regulated issuers are providing consistent responses on the Interchange Issuer Survey. Additionally, clear and, as appropriate, broad definitions will ensure that fees, costs and other disparate elements of the widely-varying fraud prevention platforms and technologies are reported similarly, though internal nomenclature or policies with respect to such platforms and technologies may vary widely.

In the absence of a checklist, clear and non-exclusive examples should be provided in the general instructions to help issuers understand what should appropriately be included in the fraud prevention items in Section II of the Interchange Issuer Survey.

7. *Sufficiently clarity should be incorporated into items requesting data and information regarding network payments and issuer incentives.*<sup>12</sup> Network payments and issuer incentives are generally the essence of business terms and confidential commercial relationship developed between an issuer and the payment networks. To the extent that such information is requested by the Board in a checklist or similar form in the Interchange Issuer Survey, such information should be defined in sufficiently broad and clear terms to allow issuers to allocate and report incentives by type or purpose. However, as noted above, to the extent that this information represents commercial and financial information, the public release of which could potentially cause competitive harm to an issuer, such information should be clearly afforded confidential treatment by the Board and exempt from public disclosure. Additionally, the Banks support the Associations' position that, reporting certain payment and incentive information in isolation and without due consideration of the facts and circumstances related to the issuer's specific debit card program, may result in misleading and inaccurate interpretations of the issuer's compliance with Regulation II. Examples of relevant facts and circumstances referenced above include:

- Network-issuer relationship scale and impact of other network relationships; and
- Other, non-network/routing relationships or services provided by a network-affiliated company (e.g., transaction processing, ATM driving, card issuance, servicing).

8. *Customer servicing costs should be allocated and reported using a logical methodology.*<sup>13</sup> The Banks believe that most issuers track customer inquiries by type (e.g., balance inquiry, debit or online bill payment) and have reporting systems in place to report at this level. Issuers should be permitted to report debit card servicing costs on an allocated basis using a logical and defensible methodology, at the issuer's discretion. For issuers unable to provide system-generated servicing costs for debit card transactions, a non-exclusive list of permissible allocation methodologies should include:

- Percentage of customers actively transacting via debit; and
- Percentage of all customer transactions (debit, check, teller, ATM, online bill payment, etc.).

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RBS Citizens, National Association and Citizens Bank of Pennsylvania appreciate the opportunity to respond to the Board's Comment Request. We look forward to continuing to work closely with the Board to implement the requirements of the Dodd-Frank Act.

Sincerely,



Brad Conner  
Vice Chairman, Consumer Banking  
Citizens Financial Group

cc: Shagufta Ahmed, OMB Desk Officer

<sup>12</sup> See 76 Fed. Reg. 57,041 (requesting comment on payment and incentive allocations).

<sup>13</sup> See 76 Fed. Reg. 57,040 (requesting comment on allocation of customer service costs).