From: Newtown Savings Bank, Marlene B. Warren

Subject: Reg I I - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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I am writing on behalf of Newtown Savings Bank to express serious concerns regarding the debit card provisions of the Dodd-Frank Act (Section 1075) which have resulted in the Federal Reserve fixing prices for debit cards to the benefit of virtually no one. This debit price fixing legislation is fundamentally bad policy and requires thorough review and amendment before implementation. We believe the debit provisions are inconsistent with basic American free enterprise principles and will have severe unintended consequences that may harm consumers, threaten data security and stifle payments innovation. Newtown Savings Bank serves 25,518 households, 34,862 consumers and employs 203 people in Connecticut. We believe the debit provisions will harm our business and affect the services we are able to offer our customers. Losing even a portion of interchange revenue will force us to find ways to cover our expenses because revenue from interchange helps offset some of the costs of providing
checking account services to our customers. Our initial analysis suggests that we can expect to lose 80% of our interchange income if the Dodd-Frank Act is implemented as currently written. The Federal Reserve has proposed artificially low caps on debit interchange that do not reflect the true costs of running a secure, reliable and efficient debit network, which will force financial institutions to raise consumer fees or reduce debit services. Even the authors of the broader bill, retired Senator Christopher Dodd (D-CT) and Representative Barney Frank (D-MA), have said the Federal Reserve overreached. Under the proposal, consumer costs are likely to increase, both at retail checkout and for banking services such as checking accounts. In fact, according to respected industry analysts at Aite Group, under the proposed regulations, "there would be little in terms of actual savings for consumers." And the proposed rules eliminate consumer choice by giving full control over the routing of transactions to the retailer. Retailers could simply ignore a consumer's carefully considered choice of payment brand and substitute one of their own, without the knowledge or permission of the consumer. Finally, price regulation

would create a severe disincentive for companies to invest in payment networks and inhibit innovation that delivers valuable benefits to American consumers and the economy overall. The fact is the debit provisions adopted by the 111th Congress were never subject to public debate, hearings or independent review. We hope the 112th will not be as rash in its approach. Changes of the magnitude required - such as government-supported price fixing and payments market structure changes - should not be imposed without serious debate, analysis and study. Because of the many issues related to consumer harm and basic fairness, we urge you to delay the effective date of the Federal Reserve's rulemaking for two years, hold hearings on and direct joint federal agencies to study the debit provisions' impact, and take appropriate additional action as suggested by the study results.