

From: John Robinson
Subject: Reg I I - Debit card Interchange

Comments:

February 15, 2011

Federal Reserve

Dear Federal Reserve:

I appreciate the work that the Federal Reserve engaged in to come up with its proposed rules. In my view, though, there is no good reason for interchange on debit transactions. While I think that the fees should be zero, the proposed rule is a good step toward having some reasonable limits on these fees. Even without interchange, banks have incentives to give people debit cards because it is cheaper for the banks than other ways of letting people get access to their own money (paper checks, tellers, etc).

There is no need for interchange to be a source of excessive profit-taking through fixed fees. I hope the final rule will have fees even lower than what was proposed, but of the options provided, the 7 cent safe harbor is by far the better of the two.

It is not enough to only have a competitive choice on PIN transactions. Many transactions, such as those on the Internet, currently cannot be PIN transactions. The way that the dominant card networks exclude other networks from taking "signature" transactions is arbitrary and unfair. There are "signature" transactions with no signature and PIN transactions with no PIN entered. All of these are simply debit transactions - with the same card, at the same merchant, paying the same amount from the same bank account. Whichever network can do this the best and cheapest way should get that business.

Finally, please take into account the fact that merchants pay big dollars for fraud every day. Debit cards do not give us guaranteed payment. We lose many sales through fraud charge-backs and on top of that we pay huge sums on PCI compliance and other expenses to reduce fraud. We should not have to pay more for fraud through interchange unless the banks come up with a system that reduces our existing fraud costs by improving on fraud prevention that is already in place when a PIN is required.

The problems my business has with debit fees are large and growing. We need you to build upon the good progress you have made in proposing these rules by finalizing them and putting them into effect as soon as possible under the law so that we and our customers can see some relief. Thank you for your work on this issue and your consideration of these comments.

Sincerely,

John Robinson