



February 22, 2011

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, D.C. 20551
Docket No. R-1404
RIN No. 7100-AD63

Dear Ms. Johnson,

The Conference of State Bank Supervisors (CSBS) appreciates the opportunity to comment on the Federal Reserve Board's Notice of Proposed Rulemaking (NPR) regarding Debit Card Interchange Fees and Routing. We are concerned that the NPR's response may disproportionately disfavor community banks engaged in debit card issuance, thus raising safety and soundness concerns and potentially driving further consolidation in the banking industry. Accordingly, CSBS recommends extending the rulemaking process to allow time for further study of the implications of the interchange fee alternatives and the small debit card issuer exemption.

Considering the magnitude of this regulation, we do not believe the full impact on the industry is understood. If economic pressures force small debit card issuers to operate at a 12 cent interchange fee, it is possible that many banks will stop issuing cards because their costs do not utilize the same economies of scale as larger financial institutions. This scenario raises safety and soundness concerns as a large revenue stream will be ceased, and will also incentivize further consolidation between debit card issuers and potentially drive customers to alternative products outside of the banking system. Due to these uncertainties, CSBS believes it would be prudent to fully understand the economic consequences across the dual banking system and determine the benefit, if any, to the consumer. We appreciate the opportunity to comment, and would be glad to coordinate any efforts to include state chartered banks in the interchange cost study process.

Sincerely,

Neil Milner
President & CEO

CONFERENCE OF STATE BANK SUPERVISORS

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