

From: Macon-Atlanta State Bank, Karen Murr
Subject: Reg I I - Debit card Interchange

Comments:

Thank you for the opportunity to comment on the proposed "Debit Card Interchange Fees and Routing" rule. As Executive Secretary of Macon-Atlanta State Bank a banking institution, with \$200,000,000.00 in total assets, I am writing to express my opposition to the proposed rule.

Our bank is opposed to the proposed rule for the following reasons:

*The safe harbor provides no protection to small issuers from market forces: 1) Although the statute attempts to exempt smaller institutions from the price control elements, economic forces will force our institution to adopt the same price level or risk losing market share to the largest institutions; 2) The price differential between cards will give merchants a strong incentive to steer customers to use cards of the larger institutions & to partner with large institutions to move their accounts to the larger institutions; 3) We will be subject to the same regulatory cap.

*Because the proposal does not permit our bank to cover the cost of providing debit card transactions, we will see new maintenance & other fees on checking accounts. Low & moderate income customers will find it more difficult to maintain a bank account & will have to turn to more expensive, less convenient, non-traditional banking services.

*The Board should exercise discretion to the maximum permitted under the statute. The Board should include in the calculation of the fee: network fees; the cost of inquiries & disputes; fraud losses & fraud prevention costs; fixed costs, including capital investments; & a reasonable profit. A fee that does not take into account these factors is not a "reasonable" fee as mandated by the statute.

*Debit transactions are fundamentally different from checks. The proposal does not recognize important differences between debit cards and checks. This includes the fact that in transactions where the card is present, merchants are guaranteed payment & the issuer suffers the loss in the event there are no funds or a valid account. In contrast, checks may be returned unpayable and merchants suffer the loss.

*Government price controls are inappropriate for debit card transactions. Government price controls do not work. Price controls will lead to inefficiencies in the payment system & will stifle innovation and improvements.

*The Board should adopt alternative A in implementing the routing requirement. Alternative A limits the expense of managing unneeded relationships with additional networks and increases the number of PIN network routes available for merchants.

*Alternative B would require us to have and manage multiple PIN network relationships, creating costs with little benefit. Alternative B would require multiple signature networks be deployed on one card. This is impractical as currently the signature card payment systems do not support such a choice. In addition, Alternative B would require re-issuance of cards in many cases, an unnecessary expense and an inconvenience to customers.

For the reasons stated above we are opposed to capping interchange fees at 7 or 12 cents. It will have a significant impact on our bank, our customers and our operations. We are also opposed to the adoption of Alternative B for routing debit transactions. Alternative A is a more practical approach.

Karen Murr