

From: Riverside Community Bank, Steven E Ward
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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February 18, 2011 RE: Proposed New Regulation II, Debit Card Interchange Fee and Routing Provisions. I am writing in regard to the "Durbin Amendment," to the Dodd-Frank Wall Street Reform and Consumer Protection Act and to express my deep concern about the debit card provisions of this Act. In implementing these provisions, the Federal Reserve Board has engaged in setting price controls on debit card interchange to the detriment of consumers and financial institutions. I urge you to reconsider the potential impact of the Durbin Amendment and stop the implementation of this proposal. The Federal Reserve Board's proposed implementation of the Durbin Amendment places an artificially low cap on debit interchange. It does not permit banks to recoup the cost of staffing, overhead or costs associated with fraud. The result will be a 70 percent to 85 percent reduction in my bank's interchange revenue. As a small issuer, we will lose money on every debit transaction. Our only option will be to raise consumer fees or reduce debit services. Though our bank is presumed to be exempt from the interchange portion of the Durbin Amendment, we are deeply concerned that the networks in which we participate may not be able to differentiate our customers' transactions or that the transaction routing requirements directed by the Act may impose limits on the interchange we receive. As a result, the revenue we earn on debit card transactions could be substantially affected. An added concern is the possibility that retailers could reject our customer's debit card at the point of sale or require another form of payment. If the purpose of this Rule is to enforce a punitive financial penalty on our nation's banks, it is deeply concerning. The Durbin Amendment, when implemented by the FRB, will intentionally discriminate against banks in every debit card transaction. In a free market economy, I am disappointed that our government would set the price a bank can charge for any transaction. If the Durbin Amendment is ultimately applied to all banks, it is very possible that a significant number of consumers will be driven out of the

banking system. Given the magnitude of this issue, government-supported price fixing and far-reaching changes to the structure of our nation's payment system, should not be imposed without serious debate, analysis and study. To help ensure the continued viability of community banks, I urge you to reconsider the interpretation of "reasonable and proportional" as it relates to debit card interchange under the Durbin Amendment. Alternatively, I urge you to assure safeguards will be implemented to protect the intent of the small issuer exemption. In closing, I thank you for your time in considering my request. Sincerely, Steven E. Ward President and CEO Riverside Community Bank