

From: Intrepid Ventures, Eric Grover
Subject: Reg II - Debit card Interchange

Comments:

You asked for comment on whether PayPal should be covered under section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Set aside how the words debit card and payment card network are commonly used. Read how the legislation more expansively defines them. Under the Dodd-Frank Act a PayPal account is often a debit card. Funds on account at PayPal or at a DDA backstopping a PayPal account are an asset account debited by PayPal and authorized by "other means" - a password rather than a signature or a pin number. PayPal is a payment card network. It provides proprietary services, infrastructure and software that routes information and data to conduct debit card transactions -directly, and indirectly such as with its First Data Star partnership. Firms use PayPal to accept debit card payments. The ban on network exclusivity and new debit routing rules should therefore cover PayPal along with the traditional retail card payment networks.

PayPal as a largely closed network acts as the payment card network, the issuer and merchant acquirer. While it is consequently hard to demonstrate, it is reasonable to assume some of the fees PayPal charges merchants are de facto interchange fees for PayPal issuance and should therefore be covered by debit interchange price controls required by section 1075 of the Dodd-Frank Act.

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