February 22, 2011

<u>VIA EMAIL</u>
Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave. NW.,
Washington, DC 20551
Docket No. R-1404 and RIN No. 7100-AD63
regs.comments@federalreserve.gov

RE: Debit Card Interchange Fees and Routing; Docket No. R-1401 and RIN No. 7100-AD3

Dear Ms. Johnson:

Wintrust Financial Corporation ("Wintrust"), as a financial services holding company headquartered in Lake Forest, Illinois (a suburb of Chicago) with assets of $14.0 billion, would like to provide comment on the proposed "Debit Card Interchange Fees and Routing" rules. Wintrust (NASDAQ: WTFC) is comprised of 23 operating subsidiaries including 15 wholly owned banking subsidiaries (five nationally-charter banks, nine Illinois-chartered banks and one Wisconsin-chartered bank). The Company provides community-oriented, personal and commercial banking services to customers located in the greater Chicago, Illinois and southern Wisconsin metropolitan areas. Wintrust also engages in the business of providing wealth management services, commercial insurance premium financing, mortgage origination, short-term accounts receivable financing, and certain administrative services, such as data processing of payrolls, billing and treasury management services.

Wintrust recognizes that the proposal is a direct result of Congressional mandates set forth in section 1075 of the Dodd-Frank Act, which amends the Electronic Fund Transfer Act (EFTA). However, to adopt this provision in the legislation without hearing, debate or study seems to be rushing into a provision that will have a negative impact on financial institutions of all sizes, limiting our and other banks ability to provide reasonable pricing for banking services further hurting consumers. As a result, we strongly oppose the proposed rule as drafted.

Proposed Interchange Fee Standards Essentially Are Nothing More Than Inappropriate and Unfair Government Price Controls

Wintrust believes that government price controls are inappropriate for debit card transactions. We believe the provision will limit our ability to provide free checking services to our customers and by so doing will further increase the number of unbankable consumers in this country. We are a community bank and continue to see ourselves as an alternative to the bigger banks. This proposal will take away our ability to distinguish ourselves from the big banks and diminish our ability to provide customers with alternatives and personalized cost effective consumer products.

FRB Must Consider All Factors and Costs In Its Calculation of Interchange Fees

Debit card transactions greatly benefit merchants and consumers alike. For merchants, debit card transactions provide many benefits including: faster credit of sales; increased sales, including the ability for sales to be made on the Internet or via other electronic means; and guaranteed payment despite possible loss to the financial institution issuing the card. Consumers benefit in that: they do not need to personally carry with them excessive amounts of cash; they may easily shop on-line or via other electronic methods; and, most importantly, they are protected from unauthorized transactions if cards are lost or stolen. Additionally there is no cost to consumers for using a debit card.

FRB is asking for comment on two possible alternatives with regard to the interchange fee: (1) safe harbor and fee cap; or (2) fee cap for all transactions. The practical result of either alternative is to set the interchange fee cap at 7 or 12 cents per transaction. For either alternative, FRB does not differentiate between various types of transactions (i.e. PIN, signature and prepaid cards), regardless of the costs associated with those transactions. Moreover, while the statute provides that FRB may allow for a narrow adjustment for certain specified fraud costs, FRB is not, at this time, proposing any such adjustment.

At minimum, FRB *must* consider when calculating an appropriate interchange fee that, while both merchants and consumers directly benefit from debit card transactions, *financial institutions* pay the costs for: (1) providing a reliable uninterrupted network 24/7; (2) issuing and replacing debit cards; and (3) fraud losses and fraud prevention. To help minimize and prevent fraud-related costs, financial institutions have taken numerous steps, including: setting of daily and transaction limits; country blocks; and various account monitoring methods to alert debit card holders of possible unauthorized debit card transactions. The fraud losses are shifted to the banks and not the merchants or the customers.

Financial institutions' fraud losses often are due to the actions or inactions of merchants. Merchants routinely fail to properly identify customers presenting debit cards; fail to monitor their own equipment and employees' actions which has resulted in losses due to skimming and other illegal card capture, misuse and unauthorized re-creation of debit card numbers and PINs.

In determining its calculation of the interchange fee, FRB *must* include all fraud-related costs and losses as well as fraud prevention costs. We also recommend FRB include in the calculation of the fee all other factors including network fees, cost of inquiries and disputes, fixed costs, including capital investment, and a reasonable profit. The statute mandates that the fee be "reasonable." Failure to include all factors and costs associated with debit cards into this calculation is unreasonable.

Fees Will Increase and Services Will Be Reduced As a Result of the Proposed Rule

Because the proposal does not permit financial institutions to cover the full costs of providing debit cards, financial institutions will be forced to raise consumer fees or reduce services as a result. FRB even admits that consumers could face higher costs as a result of this proposal. The interchange fee cap will also have a negative impact on an institution's ability to continue to offer and develop products and services to low- and moderate-income customers. We believe it will be increasingly difficult for financial institutions to maintain free and low-cost bank account products and that some low- and moderate-income customers may return to more expensive, less convenient, non-traditional banking services. Looking at the cost of banking accounts, banks again will be limited on what they can provide to our consumers. The most likely outcome of this proposal as it stands will be to charge for our basic banking services. This will not affect the consumer who can maintain relatively large balances but the consumer who is relatively low balances and can least afford to begin paying to have a basic checking account.

Wintrust strongly requests FRB delay implementation until Congress can more thoughtfully act on this matter.

Wintrust appreciates the opportunity to comment on FRB's proposal.

Sincerely,

Thomas P. Ormseth
Senior Vice President
Wintrust Financial Corporation