



February 22, 2011

Jennifer J. Johnson
Secretary
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
20TH Street and Constitution Avenue, NW
Washington, DC 20551

Re: Regulation II- Debit Card Interchange Fees And Routing [R-1404]

Dear Ms. Johnson:

On behalf of Costco Wholesale Corporation, please know that we appreciate the time and thoughtful attention the Federal Reserve Board of Governors and the Federal Reserve Board Payments staff have dedicated to the proposed regulations on debit card interchange fees and routing [Regulation II; Docket No. R-1404].

As a major retailer, we continue to pass our savings to our customers by way of reduced costs and competitive pricing. This results in a more satisfied consumer and spurs economic growth with increased spending. Retailers generally operate on razor thin margins on their retail sales. Therefore, unrestrained interchange fees imposed by credit card companies can severely impact our businesses.

When we control the cost of doing business, we are in a better position to further contribute to the economy by adding jobs in our communities while we assist customers with those competitive prices. Every penny taken from the employer by the banks is a penny taken away from creating new jobs. Interchange fee reform, reducing the "swipe" fees, can result in a positive impact on the greater than nine percent unemployment rate.

Government regulations of debit card fees will provide the stability and certainty that retailers, small and large, require to prudently operate a business. On the other hand, the volatility of rates and fees imposed on merchants disrupts the merchant's ability to predict and plan according to their business needs. With the Federal Reserve carefully watching over consumers and merchants alike, we can rest assured that the banks and card companies will be properly restrained.

The banks have had the freedom to centrally set interchange fees while merchants compete for customers based on prices and services offered. Banks have increased fees without any consideration for the impact on merchants and consumers alike. Another conundrum which should spur questions regarding the banks' motives has to do with the fact that despite technological advancements, increasing efficiency and effectiveness of banking efforts, the fees are increasing rather than the expected decrease in fees and costs.



Therefore, we strongly urge you to continue in your process of implementing the provisions of "Dodd-Frank" according to the timeline prescribed by law.

Sincerely,

A handwritten signature in cursive script that reads "Arthur D. Jackson, Jr." The signature is written in black ink and is positioned above the printed name and title.

Arthur D. Jackson, Jr.
Vice President, General Administration
Costco Wholesale