

From: Jim Yard  
Subject: Reg I I - Debit card Interchange

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Comments:

February 24, 2011

Federal Reserve

Dear Federal Reserve:

I appreciate the work that the Federal Reserve engaged in to come up with its proposed rules. In my view, though, there is no good reason for interchange on debit transactions. While I think that the fees should be zero, the proposed rule is a good step toward having some reasonable limits on these fees. Even without interchange, banks have incentives to give people debit cards because it is cheaper for the banks than other ways of letting people get access to their own money (paper checks, tellers, etc).

Debit card swipe fees are a tremendous burden on my business and result in higher prices for my customers. This is unfair. The banks should not be able to charge centrally set fees at all on debit cards. They should compete on price like every other business in the country.

Having competitive choices for networks to use to route transactions is also very important. We need competitive pressures to limit the fees that the networks charge us. While not as large as interchange, these network fees have been growing at a faster rate and are significant.

It is not enough to only have a competitive choice on PIN transactions. Many transactions, such as those on the Internet, currently cannot be PIN transactions. The way that the dominant card networks exclude other networks from taking "signature" transactions is arbitrary and unfair. There are "signature" transactions with no signature and PIN transactions with no PIN entered. All of these are simply debit transactions - with the same card, at the same merchant, paying the same amount from the same bank account. Whichever network can do this the best and cheapest way should get that business.

Finally, please take into account the fact that merchants pay big dollars for fraud every day. Debit cards do not give us guaranteed payment. We lose many sales through fraud charge-backs and on top of that we pay huge sums on PCI compliance and other expenses to reduce fraud. We should not have to pay more for fraud through interchange unless the banks come up with a system that reduces our existing fraud costs by improving on fraud prevention that is already in place when a PIN is required.

Sincerely,

Jim Yard