From: Kenneth Olan

Subject: Reg I I - Debit card Interchange

---

Comments:

Date: Dec 22, 2010

Proposal: Regulation II - Debit Card Interchange Fees and Routing
Document ID: R-1404
Document Version: 1
Release Date: 12/16/2010
Name: Kenneth Olan
Affiliation:
Category of Affiliation:
Address:
City:
State:
Country:
Zip:
PostalCode:

Comments:

This proposed regulation appears to have been formulated in a vacuum and without the relevant facts. It effectively relegates financial institutions to the category of public utility rather than a viable business concern. In an effort to more heavily regulate a business that has been all but unanimously identified with the ills caused by just a handful of organizations, the business models of responsible companies that have taken years or decades to develop appear to be under attack. These companies that support their respective communities and give back in so many ways will now be less able to give back to the communities they serve. Tightening the capital of financial institutions, which this policy will ultimately do, does not serve a nationwide economic recovery. In fact, it only goes further to hurt it. Unfortunately, nobody other than retailers will benefit from this proposed regulation. Predictably their profits will go up while they say they are adjusting their product
pricing to 'pass along the savings to consumers.' Who's going to measure and make sure that happens? We all know the answer. . . Retailers, the obvious benefactors, will certainly not fully adjust pricing, if at all, unless that stipulation is in the regulation and I didn't catch it. Banks, credit unions, etc. are still, indeed, companies and have fiduciary responsibility to shareholders or their members. They will have to make up the lost income. And who will pay? Not the retailers to be certain. And what about the consumer? Financial institutions will see less income and have to find alternative ways of making it up through new fees or pricing strategies from the very same debit card users who are receiving no direct benefit from this proposal in the first place. Debit card interchange is an important part of a financial institution's non-interest income stream. Just as the income earned for generating loans doesn't just cover overhead and expenses for only loan-related items, debit interchange income is an important component to supporting a financial institution's overall profitability and viability. Financial Institutions' income streams and expenses are no more linear than a retailer's product sales are, say, only used to cover the cost of the products sold. So

in summary, on the margin this change will serve to line the pockets of retailers and ultimately hurt consumers with more fees and the shareholders or members financial institutions' with less profit and less ability to invest in the communities they each want to serve.