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Comments:

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I am deeply concerned after reviewing the Fed's Proposal to limit debit card interchange to such a minuscule amount, an amount that will not even cover the entire costs to run the program and what can also be construed as "price fixing" of free enterprise. Merchants receive great benefit from the usage of cards, far greater than the checks for which cards are being compared, by receiving funds immediately (no risk of NSF, closed account or checks returned under the mid-night rule), reduced cash carrying costs and consumers proven to spend more when using a card to name a few. If merchants do not want to pay for a cost of doing business, stop accepting cards and they can gauge the worthiness of cards based on a potential drop in revenue/business. This should be a merchant choice to pay to play and not a government mandate to price fix with no benefit to consumers as we know merchants will not reduce their prices with this cost savings. With this proposal, why not place a limit on the price of a gallon of gas to \$2.00 or tell retailers that they cannot sell their products for anything more than 2% above their cost regardless if it will force them to operate at a loss. The proposed amount does not even cover fraudulent activity - where the majority of losses, stemming from counterfeit cards which continue to rise on a yearly basis, are primarily caused by merchants through merchant database compromises leading to the theft of magnetic stripe data (that they should not be storing in the first place), unsecured/compromised payment terminals or rogue employees stealing card data. If banks cannot recoup their fraud losses, then those merchant responsible for breaches should be 100% responsible for the losses their breach caused. You mention fraud losses are split 55% to the issuer and 45% to the merchant - chargebacks are only available to the issuer when the merchant did not follow specific rules on card present transactions - in reality if the merchant follows the established rules and timeframes, they should NEVER lose money on a card present transaction. These losses are caused by their own internal lapse in procedures. The majority of chargebacks occur in the card not present space and a lot of this fraud could be reduced via merchant education and training to

use the tools available to them to reduce their exposure. When a small merchant gets a large order out of Indonesia and is excited of the potential sale, but does no validation before shipping the product, they should lose the money for again their lapse in procedure. I am a heavy debit card user and carry little cash. I accept the prices as they are with the usage of my card and I will only receive additional harm by now most likely having to pay a checking account fee with no reduction in merchant prices to recoup my additional costs. These fees will also cause additional burden to lower income families that are also slapped with additional costs as retailers enjoy the cost savings. There are more bad unintended consequences than good that could ever come by "price fixing" debit interchange or in the future credit interchange. The Fed needs to educate themselves at a much greater level before hastily jumping into this proposal after only a few months of study.