

From: Bob Gerads
Subject: Reg II - Debit card Interchange

Comments:

January 25, 2011

Federal Reserve Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Federal Reserve Board:

The Federal Reserve has proposed artificially low caps on debit interchange that do not reflect the true costs of running a secure, reliable and efficient debit network, which will force financial institutions to raise consumer fees or reduce debit services. Even the authors of the broader bill, retired Senator Christopher Dodd (D-CT) and Representative Barney Frank (D-MA), have said the Federal Reserve overreached.

Under the proposal, consumer costs are likely to increase, both at retail checkout and for banking services such as checking accounts. In fact, according to respected industry analysts at Aite Group, under the proposed regulations, "there would be little in terms of actual savings for consumers." And the proposed rules eliminate consumer choice by giving full control over the routing of transactions to the retailer. Retailers could simply ignore a consumer's carefully considered choice of payment brand and substitute one of their own, without the knowledge or permission of the consumer.

Finally, price regulation would create a severe disincentive for companies to invest in payment networks and inhibit innovation that delivers valuable benefits to American consumers and the economy overall.

Sincerely,

Bob Gerads