

PATRICK LEAHY
VERMONT

COMMITTEES:
AGRICULTURE, NUTRITION, AND
FORESTRY
APPROPRIATIONS
JUDICIARY

United States Senate

WASHINGTON, DC 20510-4502

June 15, 2011

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Bernanke:

I am pleased that you continue to make progress promulgating rules to enforce the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). This is a difficult undertaking, and I applaud the work of you and your staff.

I write today with regard to one piece of the Dodd-Frank Act, section 1075, which governs debit interchange transaction fees. This section requires the Federal Reserve to issue rules to ensure that interchange fees for electronic debit transactions are "reasonable and proportional" to the cost of processing such transactions, among other restrictions. I supported inclusion of these provisions in the legislation, and hope that they will bring much needed relief to small merchants who are struggling to stay afloat in these difficult economic times.

One critical component to section 1075 is a provision that exempts small card issuers with total assets of under \$10 billion from this interchange fee regulation. This section was intended to protect small financial institutions, and this exemption makes that clear. However, over the past few months, I have heard concerns raised by small banks and credit unions in Vermont and around the country that card networks may not distinguish between large and small banks in setting their swipe fees. As a result, smaller financial institutions may be unfairly penalized under laws that were explicitly targeted to large banks.

I understand that the Federal Reserve plans to issue final rules regarding these interchange restrictions soon. In so doing, I hope you will be mindful of promulgating interchange rules that protect small financial institutions as the Dodd-Frank Act affords.

Sincerely,



PATRICK LEAHY
United States Senator