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President and CEO

June 21, 2011

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

Dear Chairman Bernanke:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America, I am writing to urge the Federal Reserve Board (Board) to incorporate provisions in the final debit card interchange fees and routing rule to mitigate the adverse impact of government intervention on community banks and other financial institutions with less than \$10 billion in assets.

ICBA remains deeply concerned that community banks will not receive the benefit of the statutory small bank exemption designed to insulate community banks and their customers from decreases in interchange revenue and the subsequent increases in customer fees over time. Our concerns and recommendations for changes to the proposed rule were described in detail in our February 22, 2010 comment letter on the proposal. In summary, to address these concerns, ICBA strongly urges the Board to include provisions in the final rule that:

- Set standards for determining whether interchange fees are reasonable and proportional by permitting interchange fees that cover **all** allowable issuer costs (including fraud prevention and fraud losses) and a reasonable rate of return instead of the proposed harsh, below-cost price caps. We also believe a safe harbor at some level is appropriate for administrative convenience.
- Ensure networks adopt tiered-pricing schedules and require that the small bank (exempt) tier pricing be sufficient to recover all issuer costs and provide a reasonable profit.
- Require acquirers to adhere to published pricing schedules and prevent merchants from using routing control or multi-network rules to circumvent or evade the schedules.

With regard to multi-network provisions, ICBA strongly encourages the Board to adopt a requirement wherein a card issuer would have to provide no more than two unaffiliated debit network connections.

Finally, we strongly urge the Board to adopt a delayed compliance date as the July 21, 2011, statutory effective date is only a few weeks away and there will not be sufficient time for the industry and payment card networks to understand the final rule and implement the appropriate operational changes necessary for compliance.

We believe Section 1075 gives the Board substantial regulatory discretion to address our concerns by incorporating our recommendations into the final rule. We strongly urge the Board to use this discretion to lessen the harm for community banks and their customers consistent with Congressional intent.

Thank you for the opportunity to underscore our key positions on this important rulemaking.

Sincerely,

A handwritten signature in black ink, appearing to read "Camden R. Fine". The signature is fluid and cursive, with a large initial "C" and a long horizontal stroke at the end.

Camden R. Fine
President and CEO