



February 22, 2011

Jennifer L. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Docket No. R-1404 and RIN No. 7100 AD63

Dear Ms. Johnson:

This letter is submitted by MetaBank dba Meta Payment Systems ("MetaBank") to comment on the rules proposed by the Federal Reserve Board of Governors ("Board") to Regulation E, which implements the Electronic Fund Transfer Act ("EFTA") and its proposed rulemaking regarding Section 1075 of the Dodd Frank Act, entitled "Reasonable Fees and Rules For Payment Card Transactions," and adds section 920 to the Electronic Funds Transfer Act. It mandates that the amount of any interchange transaction fee that an issuer may receive or charge with respect to an electronic debit transaction (EDT) must be "reasonable" and "proportional" to the cost incurred by the issuer with "respect to the transaction" as well as putting forth regulations for routing. The rule was published in the Federal Register on December 28, 2010, 12 CFR Part 235 [Regulation II; Docket No. R-1404] RIN 7100-AD63 Debit Card Interchange Fees and Routing (the "Proposed Rules") in light of the passage of



The Dodd–Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173).

MetaBank is an issuer of prepaid card products including gift cards, and also provides a turnkey national branded prepaid card solution that includes gift and reloadable card products to financial institutions and other merchants who desire to offer a prepaid solution to their customers. MetaBank also acts as a sponsor bank to many marketing partners that market, sell, and distribute MetaBank-issued prepaid cards. MetaBank issued prepaid cards serve millions of Americans, including those who would otherwise be considered unbanked or underbanked. Americans use prepaid cards for the convenience and efficiency they offer, and the fact that prepaid cards offer Americans the ability to receive payroll, direct deposit -- including federal payments, unemployment payments, and many other options for loading and using funds.

MetaBank's most recent Consolidated Statement of Financial Condition dated February 7, 2011, indicated that MetaBank has assets of around 1.13 billion dollars. Accordingly, MetaBank would technically fit under the small issuer exceptions to the Proposed Rules as applicable. As a small issuer, MetaBank is still subject to the routing restrictions put forth by the Board. As there is no question that these routing restrictions will directly affect MetaBank, we view this as our most important issue, and will begin our discussions by addressing the routing questions and challenges presented by the Board. Following that discussion, MetaBank will discuss issues arising out of the proposed interchange caps. MetaBank appreciates the opportunity to comment on the Proposed Rules and respectfully requests that the Board consider integrating/adopting the suggestions set forth herein.



Based upon MetaBank's significant experience in the payment systems industry, MetaBank will identify the following issues and forward the following comments:

1. Routing and Definitional Issues:

- a. Routing restrictions were never intended to apply to prepaid gift cards or to any debit/prepaid card that is solely signature based.
- b. Automated Teller Machine withdrawals should not be included in the scope of rule.

2. Interchange Issues:

- a. More enforcement is need to ensure small issuers are receiving the exemptions they are afforded.
- b. The cap on interchange is not reasonable and proportional to costs incurred for issuers to produce prepaid products.
- c. Various costs should be included when considering standards on reasonable and proportional interchange fees.
 - i. Costs go beyond authorization, clearing and settlement.
 - ii. Fraud costs should be included.
- d. The Board should leave fraud prevention strategies to the issuers.
- e. The Board should require merchants to pass on savings to customers.
- f. Clarification is requested on types of prepaid restrictions regarding interchange.
- g. More research should be completed before full implementation of these regulations.



1. ROUTING AND DEFINITIONAL ISSUES

- a. **Routing restrictions were never intended to apply to prepaid gift cards nor to any debit/prepaid card that is solely signature based.**

It appears the Board is requiring one signature-based network and one PIN-based network for such products that do not currently allow PIN access or cash access today. Such restrictions for network routing do not reflect Congress' intentions and would create a completely unworkable structure that will confuse consumers and merchants, and increase costs as well. If the Board moves forward with the one signature-based network and one PIN-based network requirement, such changes would scar innovative features of these products.

Gift cards, although a relatively new product, have served an important role in the marketplace, allowing an easy gift giving option. A gift card is generally a payment card with a preloaded value that one consumer typically gives to another as a gift. Like a gift certificate, a consumer may use a gift card to purchase goods or services from one or more merchants. There are generally two types of gift cards. 1) Network branded or open-system gift cards carry the logo of a payment card network (e.g., Visa, MasterCard, or Discover) and can be used at any merchant that accepts the corresponding payment network's brand. 2) Private-label or closed-system gift cards are usually limited to a defined merchant or location (or set of locations) and limited to the initial value posted to the card. Both types of gift cards are usually non-reloadable, and issuers of gift cards generally do not provide cash access to the consumer. Instead, the consumer must use their gift card to purchase goods or services. Gift cards are now subject to fee restrictions, disclosure requirements, and



expiration date restrictions, as a result of the Credit Card Accountability and Responsibility Act of 2009, and other applicable restrictions.

The Board acknowledged in the Proposed Rule that 74% of prepaid cards do not enable PIN,¹ and gift cards fall largely within that category. Gift cards, as the product is defined within the marketplace, are meant to be spent for goods or services only and not meant to have cash access. As an added benefit, restricting cash access on a gift card prevents unnecessary costs associated with ATM fees. Because the card does not provide cash access, is not reloadable, and has very low load limits (usually of \$500), the card has very low risk of money laundering or terrorist financing.² If the gift card were allowed cash access, it would be subject to such additional BSA/AML requirements, such as registration. Products that require more BSA/AML scrutiny are more costly in the marketplace because policies and procedures must be in place in order to comply with such requirements. As such, the cost of adding PIN debit functionality is likely disproportionate to any value that may be provided to the customer or other parties in the payment system. For these reasons, MetaBank believes these routing restrictions were never intended to apply to prepaid gift cards nor to any debit/prepaid card that is solely signature based.

The Proposed Rules might also affect health related HRA/HSA/FSA cards. These types of products permit pre-tax dollars to be used to fund health-related payments. Any

¹ The Board indicated in the Proposed Rule that, "four percent of debit cards and 74 percent of prepaid cards were enabled for use on signature networks only." See 75 FR 81722, 81728.

² In fact, MetaBank's regulator, the Office of Thrift Supervision, actually suggested that gift cards with no cash access have low money laundering risk. See the OTS Guidance on Gift Card Programs, OTS CEO Memorandum 254 (February 28, 2007). The OTS indicated: Currently, issuers of disposable, fixed denomination gift cards are not required to comply with a major aspect of the USA PATRIOT Act: customer identification. However, savings associations that issue open system reloadable prepaid cards should develop systems to apply the customer identification program to such gift card products. Conversely, open system gift cards carrying a major payment card network that are not reloadable and have no cash access are less likely to be used for money laundering or terrorist financing.



requirement to support one or more PIN networks will adversely affect HRA/HSA/FSA card programs since these programs are not meant to have cash access. Because of the type of restricted functionality these cards have, these types of cards are not able to be used on PIN debit networks without significant cost and operational changes. Such changes may lead to consumer confusion and unhappiness with the product, as well as increased health care administrative costs.³ Additionally, only Visa and MasterCard support health care programs, so even requiring two signature networks may not be feasible at this time. Additionally, providing cash access to cardholders that use these accounts may cause tax consequences to those cardholders who may inadvertently or willfully remove funds and use those funds for expenses other than specifically required by the IRS. According to IRS Publication 969 (2010), for HSA accounts, the additional tax on distributions not used for qualified medical expenses is increased to 20%, attributable to distributions after 2010.⁴

³ Senator Dodd affirmed on the floor of the Senate that benefit cards were not intended to be covered by Section 920. See. 156 *Cong. Rec.* S5927 (2010). Dodd indicates, "Since interchange revenues are a major source of paying for the administrative costs of prepaid cards used in connection with health care and employee benefits programs such as FSAs, HSAs, HRAs, and qualified transportation accounts—programs which are widely used by both public and private sector employers and which are more expensive to operate given substantiation and other regulatory requirements—we do not wish to interfere with those arrangements in a way that could lead to higher fees being imposed by administrators to make up for lost revenue. That could directly raise health care costs, which would hurt consumers and which, of course, is not at all what we wish to do. Hence, we intend that prepaid cards associated with these types of programs would be exempted within the language of section 920(a)(7)(A)(ii)(II) as well as from the prohibition on use of exclusive networks under section 920(b)(1)(A)."

⁴ <http://www.irs.gov/publications/p969/ar01.html>. The Publication indicates: "**Additional tax increased.** For HSA and MSA purposes, the additional tax on distributions not used for qualified medical expenses is increased to 20%. This applies to distributions after 2010."

Also see: http://www.irs.gov/publications/p969/ar02.html#en_US_2010_publink1000204045 which indicates, "If you do not use a distribution from your HSA for qualified medical expenses, you must pay tax on the distribution. Report the amount on Form 8889 and file it with your Form 1040 or Form 1040NR. If you have a taxable HSA distribution, include it in the total on Form 1040 or Form 1040NR, line 21, and enter "HSA" and the amount on the dotted line next to line 21. You may have to pay an additional 10% tax on your taxable distribution."



Current HSA products are commonly subject to a Merchant Category Code restriction, which means that MetaBank issued products of these types are only able to be used and can only function when purchasing approved medical goods or services. Requiring multiple networks and cash access will eliminate any control over how the consumer uses this product, thereby altering the product type by merely creating a general purpose reloadable card, but potentially causing tax issues for our cardholders.

Accordingly, based upon the above, it is our position that the two unaffiliated networks requirement would inhibit the development of devices that may be capable of being processed using only a single authorization method (ie only signature). Because MetaBank believes the aforementioned products were not intended to be included within the scope of these requirements, and because of the harm these requirements have on these types of products, we request a specific exemption based on prepaid gift cards and debit/prepaid cards that are meant to be solely signature based.

b. ATM withdrawals should not be included within the scope of the rule.

MetaBank does not believe ATM networks and ATM transactions should be included in the scope of the rule. ATM networks work differently, interchange is paid differently, there are no signature based transactions, and ATMs provide significant consumer benefits while at the same time posing unique risks that require additional security costs and procedures. We see no reason to change a system that is working properly today, a system that is driven by a competitive consumer market. ATM pricing is set by the consumer, based on the current usage of the ATM systems. We also note that the issues driving the adoption of the Durbin Amendment were more focused on costs to merchants, which generally do not apply in the ATM context, and as such, not significant time, studies, or resources have been



devoted to this topic. ATM networks and transactions should be left out of the scope of this rule, especially until a significant amount of research has been completed, so that a full analysis of why ATM networks and transactions could be considered as a product that should be subject to the rule.

2. INTERCHANGE ISSUES

a. More enforcement is needed to ensure small issuers and issuers of prepaid cards are receiving the exemptions they are afforded in the Proposed Rule.

Because MetaBank is a small issuer within the definition of the Rule, MetaBank is deemed technically to rest within the exclusion of the interchange regulations. However, there is no specific requirement that networks must implement a bifurcated system for providing small issuers or exempt prepaid cards with a higher interchange rate. Significant operational issues arise when there is nothing currently in place for networks to separate exempt prepaid cards from non-exempt prepaid cards, or other debit cards, and nothing is currently solidified within the current system for being able to determine those small issuers from the large issuers. Without any enforcement, MetaBank is not confident that any exclusions allowed by the Proposed Rule will have any effect.

There is no mechanism in the Proposed Rule to prevent merchants from discriminating based on the size of the bank or the type of card being presented. The Proposed Rule requires that the merchants cannot discriminate, but this rule is empty without any means of enforcement. It certainly makes practical sense for the merchant to seek to lower its costs by accepting cards only subject to the lower interchange amount, thus excluding cards issued by smaller issuers. This type of restriction puts retailers' interest over consumer



costs and convenience. Small banks would be pressured to either decrease their interchange rate and effectively become subject to the rule, or withdraw their products from the market.

b. The cap on interchange is not reasonable and proportionate to costs.

The Board requests information on which alternative is preferable: Alternative A -- \$.07 safe harbor with a \$.12 cap, or Alternative B, a flat \$.12 cap. MetaBank's answer is that both alternatives are too low and do not take into account fixed costs or costs for fraud prevention. The Durbin Amendment requires all debit interchange fees received by an issuer to be "reasonable and proportional to the cost incurred by the issuer with respect to the electronic debit transaction." The imposition of a cap of \$.12 should not be viewed as reasonable and proportionate with respect to any issuer who can provide clear evidence that its incremental costs for the authorization, clearance and settlement of a transaction is more than \$.12. This is the case with prepaid card costs. The Federal Reserve survey, which was conducted to determine the median per-transaction interchange fee for various forms of debit and prepaid payments and was only directed at financial institutions with assets in excess of \$10 billion, showed that the median total per-transaction processing cost was 13.7 cents for signature debit, 7.9 cents for PIN debit and 63.6 cents for prepaid cards.⁵ The Board did not propose interchange fees for PIN debit, signature debit or prepaid separately, but instead proposed a "one-size fits all" cap. This blanket fee-cap framework may be unrealistic for many types of debit issuers, and it is particularly unrealistic for issuers of non-exempt prepaid cards. For issuers of non-exempt prepaid cards, the blanket fee cap results in a per transaction median net loss of between 51.6 cents and 56.6 cents per

⁵ See 75 FR 81722, 81725, footnote 25. By transaction type, the median total per transaction processing cost was 13.7 cents for signature debit, 7.9 cents for PIN debit and 63.6 cents for prepaid cards.



prepaid card transaction, depending on which proposal is implemented. It should also be noted that while the Dodd-Frank Act did require “reasonable and proportional” interchange fees, it did not require one interchange fee apply to all debit and prepaid transactions. The blanket fee cap is not appropriate in these circumstances, in light of the discrepancies between the different types of products the Proposed Rule affects.

c. Issuers should be allowed recovery through interchange fees of other costs of a particular transaction beyond authorization, clearing, and settlement costs.

The costs of a card program encompass many more areas of expense than authorization, settlement and clearing costs. The Board’s costs as presented are not deemed to include the expensive areas of customer service, dispute resolution and fraud management, because they are apparently 'fixed costs' or perhaps too difficult to quantify. Issuers bear costs including, and not limited to, fixed costs such as salary and other types of employee compensation, overhead, general insurance coverages, network maintenance, card maintenance, customer service costs, network fees, association costs, required reserves. Issuers also bear variable costs such as BSA/AML/OFAC and other compliance costs, employee travel expenses, ACH processing and other prepaid card processing costs, operational errors postage, negative balance writeoffs, FDIC Insurance coverage, revenue share and program commissions, marketing, processing, plastic fulfillment and disclosures costs, legal and compliance costs, the cost of inquiries and disputes, fraud losses, fraud prevention costs, costs associated with complying with escheatment requirements, training, consulting costs, and a reasonable profit, as well as potentially supporting employee and customer reward programs. Prepaid Card costs also present special circumstances and additional costs that general debit programs may not incur. Prepaid card programs typically involve a number of non-bank parties which act as the agent of the issuer to



market and support the issuer's prepaid card program. The costs associated with these relationships are an essential component of the incremental cost incurred by issuers in connection with prepaid card transactions and must be included in allowable costs which an issuer may recover as part of the interchange transaction fee. In addition, MetaBank incurs costs associated with custom information technology related to the prepaid industry, aside from fraud related costs as discussed below. All of the costs mentioned, as well as those not mentioned, and the fraud breakdowns presented below, are what card issuers spend in order to deliver a seamless product to the consumer.

The fraud prevention costs that MetaBank incurs as a result of the prepaid programs on an annual basis are significant. Last year, MetaBank incurred, around a half million dollars in fraud prevention costs, and will likely incur similar costs year after year. This number does not include costs resulting from consumer fraud and chargeback losses. The following list provides a general overview of some of MetaBank's expenses in support of the fraud prevention protections we afford our cardholders on a daily basis: costs to monitor for phishing sites, software to scan for vulnerabilities, PCI compliance testing, firewalls, Intrusion Prevention Systems (IPS), event consolidation and correlation systems, encryption appliances, encryption software, software for file integrity monitoring, software acting as an endpoint security solution that provides zero-update attack protection, data loss prevention, anti-virus software providing protections against the latest viruses, spyware, and adware, email and web content filtering solutions, two-factor authentication systems, vulnerability scanner, physical security, data breach insurance, as well as contracting to third party providers to scan for fraudulent websites implementing phishing schemes, to name a few. In addition to fraud prevention, MetaBank as a card issuer is also responsible for consumer fraud perpetrated to its issued cards, and is responsible for chargeback losses on its prepaid programs; costs which are significant.



It is important to mention that all the fraud costs that are incurred by the bank directly benefit the merchant. Issuers guarantee the merchant the money spent by debit cards will be deposited to the merchant's account. Merchants do not accept any fraud responsibility when taking payment via a debit card, and instead this responsibility weighs completely on the financial institution that issued the card. Fraud prevention and fraud recovery costs are essential in making the card useful for purchases at merchants, and therefore should be included in the costs of each transaction. The final rules should ensure that issuers will be able to recoup their eligible fraud costs as of such time that the final rules are effective, and that issuers will not have to bear fraud costs without the merchants at least paying some portion of that cost, since Merchants may benefit from the bank's fraud prevention strategies.

d. Should the Board have any decision making power in fraud reduction technologies?

MetaBank views a more adaptive approach as necessary to enable prepaid card issuers to adopt security standards that are suitable to each prepaid product, based on risk of the product, card value and functionality. Each issuer should have the freedom to determine which fraud technologies it wishes to pursue. Should the Board determine a technology-specific approach, this would cause drastic harm to the industry. No blanket approach is perfect for every program, and it only makes sense to allow issuers to create their own custom fraud prevention program. Because of the pace and breadth of technological advancement on all sides of the fraud equation by those attempting fraud and those attempting to prevent it, significant research and resources would need to be dedicated on



an ongoing basis for the Board to effectively maintain the regulation in concert with the market.

If fraud prevention activities were not reimbursed, would issuers scale back? With a decline in revenue, all aspects of card programs, including fraud prevention may suffer in the industry. MetaBank is required to provide a high standard of fraud prevention, so MetaBank card programs would remain protected with the highest amount of security. However, if the revenue does not meet the ongoing needs of current fraud costs (in addition to other costs as mentioned), the product may be discontinued for lack of financial and operational viability.

e. The Board should mandate the merchant forward cost savings to the consumer.

Currently, there is no assurance in the law or proposal that any savings for merchants as a result of the government-set interchange fee caps will be shared with the consumers. To the contrary, the Board suggests that issuers utilize consumer fees to make up for the reduction in interchange issuing banks will be receiving.⁶ This is surprising considering this regulation is stemming from a consumer protection act, and there have been historic passes in legislation in the last years regarding consumer protection, including the fee restrictions set forth in the Credit Card Accountability, Responsibility and Disclosure Act of 2009. The proposed rule mandates a transfer of revenue from the banking sector to the merchant sector, with no consideration being given to the impact on the consumer. A result of the Proposed Rule is that reasonable costs necessary for issuers to provide prepaid card programs may ultimately end up being borne by consumers, while the merchants benefit from each transaction, and likely without any Board requirement or mandate for merchants

⁶ See 75 FR 81722, 81737. The Board notes that even the highest cost issuers have sources of revenue in addition to interchange fees, such as cardholder fees, to help cover their costs.



to pass on savings to consumers. Consumers may also be harmed because any rewards and benefits that consumers enjoy today may be eliminated. Consumer facing benefits are created based on existing economics and benefits received from interchange. Any interchange rate decreases will likely create less benefits being offered to consumers. For example, many of the credit unions and banks providing comment letters warn that free checking was subsidized by interchange, so free checking will no longer be in existence. This may also create PIN fees being re-introduced to PIN products, creating more costs to customers.⁷ It is frustrating that the merchant may not pass cost savings to customers; however, there is historical analysis to back the allegation. For a robust example, just look at the Australia model.⁸ Notwithstanding all of the challenges presented, one of the stated goals for the Durbin Amendment is the reduction of costs to consumers. Therefore, the Board should require most of the benefit gained by merchants be passed on to consumers in the form of lower prices.

⁷ "Pursuant to the law, the Federal Reserve announced before Christmas that it plans to slash the interchange rate to between 7 cents and 12 cents, a 90% cut from the current rate. While this will provide a major windfall to big-box retailers and other merchants, the impact on consumers will be devastating—and again low-income consumers will be the hardest hit. Even before the Fed's announcement of its low price ceilings, some banks covered by the Durbin Amendment (any institution with over \$10 billion in assets) had already announced that they would be cutting cardholder benefits and imposing new account maintenance fees. Customers who maintain large balances or use other bank services can avoid some such fees, but many low-income consumers cannot. Many low-income Americans will be unable to qualify for free checking under the new fee regime, meaning they will have to pay higher fees or simply drop out of the banking system. Financial products that cater to unbanked consumers—check cashers, pawn shops, purveyors of nonbank prepaid cards—can expect to benefit from the Durbin Amendment, just as payday lenders have prospered as a result of credit-card regulations." Todd Zywicki: Dodd-Frank and the Return of the Loan Shark – Wall Street Journal Online. Page 1 of 2 1/4/2011. Found at: <http://online.wsj.com/article/SB10001424052748704735304576058211789874804.html?KEYWORDS=Todd+Zywicki%3A+Dodd-Frank+and+the+Return+of+the+Loan+Shark+>

⁸ Rising Interchange Fees Have Increased Costs for Merchants, but Options for Reducing Fees Pose Challenges, U.S. Government Accountability Office, November 2009. The USGAO indicated, "If interchange fees for merchants were lowered, consumers could benefit from lower prices for goods and services, but proving such an effect is difficult, and consumers may face higher costs for using their cards. With lower card acceptance costs, merchants may pass on their interchange fee savings through lower prices to consumers; however, the extent to which they would do so is unclear.⁶⁰ As discussed previously, consumers—even those paying with cash and by check—may be paying higher prices because of merchants' increased costs of interchange fees. By capping interchange fees, RBA estimates that fees to merchants were lower by about 1.1 billion Australian dollars for the period of March 2007 through February 2008, but officials acknowledged that it would be very difficult to provide conclusive evidence of the extent to which these savings have resulted in lower retail prices because so many factors affect such prices at any one time. Moreover, the degree of savings depends on whether or not merchants are increasing their prices because of higher interchange fee costs."



f. Other restrictions to prepaid card exemptions require clarifications.

The Board provides an exemption for general-use prepaid cards if the cards are “not issued or approved for use to access or debit an account held by or for the benefit of the cardholder (other than a subaccount or other method recording or tracking funds purchased or loaded on the card on a prepaid basis).” Although the phrase “other than a subaccount” covers most prepaid cards, the Board commentary suggests a narrower interpretation of this key phrase by potentially restricting the exemption based on whether a demand deposit or NOW account has been established. Clarification is needed that the general-use prepaid card exemption extends to all types of subaccounts, whether or not a demand deposit or NOW account has been established, since it is common for issuers to record or track funds purchased or loaded on prepaid cards.

Additionally, the Board restricts the exemption being applied to a prepaid card if any of the following fees may be charged to a person with respect to the card: (i) An overdraft fee, including a shortage of funds or a transaction processed for an amount exceeding the account balance; and (ii) a fee charged by the issuer for the first withdrawal per month from an ATM that is part of the issuer’s designated ATM network.⁹ MetaBank proposes the

⁹ “Therefore, proposed § 235.5(c)(2) provides that the term “reloadable” also includes a temporary non-reloadable card if it is issued solely in connection with a reloadable general-use prepaid card. Proposed comment 5(c)-6, similar to comment 20(b)(2)-6 under the Gift Card Rule, provides additional guidance regarding temporary non-reloadable cards issued solely in connection with a general-purpose reloadable card. D. Sec. 235.5(d) Exception EFTA Section 920(a)(7)(B) provides that after the end of the one-year period beginning on the effective date of the statute, the exemptions available under EFTA Sections 920(a)(7)(A)(i) and (ii) become subject to an exception. The statute provides that the exemptions are not available if any of the following fees may be charged to a person with respect to the card: (i) An overdraft fee, including a shortage of funds or a transaction processed for an amount exceeding the account balance; and (ii) a fee charged by the issuer for the first withdrawal per month from an ATM that is part of the issuer’s designated ATM network. The Board proposes to implement this exception to the exemptions in § 235.5(d), substantially as presented in the statute with one minor clarification.” See 75 FR 81722, 81746



Board remove the overdraft and ATM fee restriction from the exemption for general-use prepaid cards.

MetaBank also suggests further clarification on the definition of an “issuer’s designated ATM network.” MetaBank proposes that if the Board does not remove the surcharge fee free restriction on this exemption, then the Board should further clarify “issuer’s designated ATM network” as an ATM that is directly owned and located at that branch bank. MetaBank acts as a Network sponsor to ATM locations, and does not feel that this type of restriction to the interchange exemption is meant to be applicable to cards issued by issuers that also sponsor ATMs into certain networks.

g. There is more to be reviewed and analyzed. These significant changes cannot happen correctly or with great precision overnight.

Because there will be only 90 days between the issuance of final interchange fee rules and the statutory effective date of July 21, 2011, it will be impossible for networks and processors to implement systems to facilitate processing of exempt cards. MetaBank strongly urges consideration and prudence when determining the implementation dates for the final regulation. Clearly the legislation imposes significant and substantial changes to the payment systems. It is critical for that system to continue to function efficiently and effectively. Otherwise, it could potentially have the effect of subjecting all issuers and all products, including exempt issuers and exempt products, to the proposed fee caps. MetaBank recommends that the Board undertake a study to evaluate the technical issues involved in implementing the exemptions. Additionally, although the statutory language dictates implementation of interchange fee restrictions by July 21, 2011, we urge consideration of delaying final rule effective dates to assure that network operators and



systems capabilities are in place and capable of compliance with any final rules and provide for a period of at least 24 months for implementation.

MetaBank urges the Board to consider all of the comments and suggestions set forth herein, and appreciates consideration of these views. If any other information would be useful regarding these matters, please contact Jessica Zitterkopf at 605-782-1821 for any further clarification.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessica Zitterkopf".

Jessica Zitterkopf, Esq
Senior Legal Counsel
MetaBank dba Meta Payment Systems