



February 22, 2011

Lisa E. Peerman
Senior Vice President,
General Counsel & Secretary

Via Electronic Delivery

Jennifer J. 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:

Thank you for the opportunity to comment on the proposed new Regulation II, Debit Card Interchange Fees and Routing, published in the *Federal Register* on December 28, 2010 at 75 *Fed. Reg.* 81722 *et seq.* (the "Proposed Rule").

Comdata Network, Inc. ("Comdata") was founded in 1969 and is headquartered in Brentwood, Tennessee, with approximately 1,000 employees. Comdata provides transaction processing and financial services through Comdata MasterCard credit, PIN debit and prepaid cards (PIN and signature), as well as through Comdata proprietary cards. Comdata's MasterCard programs (including Cirrus ATM and Maestro POS) are sponsored by Regions Bank, as the MasterCard member.

As a general proposition, Comdata, as a member of the National Branded Prepaid Card Association ("NBPCA"), endorses the comments to the Proposed Rule submitted by the NBPCA. In addition, Comdata requests the Federal Reserve Board (the "Board") to consider the comments set forth below.

While certain of Comdata's card programs clearly fall within the exemption from the debit interchange restrictions for general use prepaid cards, not all of its programs meet such exemption. Comdata receives the interchange and relies on the interchange to cover the costs for its card programs. Comdata is a small business that would meet the asset size of the small issuer exemption. However, it is not clear, given Comdata's unique business model, whether Comdata, or Regions Bank, is considered the issuer for purposes of this exemption. The Durbin Amendment was intended to address large financial institutions and not businesses like Comdata. Given the intent of the legislation, Comdata urges the Board to clarify that for purposes of the small issuer exemption, the issuer is the person receiving the interchange.

Comdata agrees with the Board that Regulation II should not cover ATM networks or three-party systems for the reasons stated in the Proposed Rule.

Comdata is extremely concerned about the enormous efforts and costs required to add payment card networks for processing our electronic debit transactions. Today, Comdata only provides for the use of MasterCard affiliated payment card networks. Comdata has chosen to utilize the MasterCard affiliated payment card networks for a variety of reasons, such as the associated infrastructure (including fraud controls and disputed transaction processes) which is narrowly tailored for efficient and cost-effective service to Comdata's customers. Comdata would want to undertake appropriate due diligence in selecting alternative payment card networks for its card programs.

Once additional payment card networks have been selected, extensive, burdensome, and expensive work would be required to successfully implement the additional payment card networks. Comdata's efforts would include the establishment of network connectivity, development of interfaces and programming changes for transaction routing as well as all back office processes, and training numerous personnel on each network's rules. Comdata, like many companies, carefully plans its available resources many months in advance, and so our current plans would have to be disrupted to free up resources for implementation of each additional payment card network.

As a consequence of the enormous efforts required, Comdata would want to add as few additional networks as possible (Alternative A). The Board's suggestion that multiple regional networks could be added to create an additional nationwide network is not feasible due to costs and required time and resources to implement. Given all that would be required, it would be impossible to implement Alternative A by October 1, 2011.

Comdata strongly urges the Federal Reserve Board to consider the effect that the proposed Regulation II will have on businesses like Comdata that were not intended by the legislation.

Respectfully,

COMDATA NETWORK, INC.

A handwritten signature in cursive script, appearing to read "Lisa E. Peerman".

Lisa E. Peerman
Senior Vice-President and General Counsel