Central National Bank

SENT VIA EMAIL TO: regs.comments@federalreserve.gov

February 22, 2011

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

Re: Proposed Rule on Debit Card Interchange Fees, Docket No. R-1404; RIN No. 7100 AD63

Dear Ms Johnson:

Thank you for the opportunity to comment on this very important proposal. Central National Bank & Trust Company is a community bank in Oklahoma. We have been serving our communities since 1913 with a full range of products and services.

The American Bankers Association has published their opposition to this proposal and we most heartily concur with this position. The proposal is attempting to fix something that isn't broken.

The public policy created by this proposal places the government in a price fixing role.

The income from interchange provides the funds to pay for fraud-detection systems, anti-money laundering detection and identity theft prevention. The technology to manage these processes is not a one-time expense, it is an ongoing and ever-growing expense. None of these items were taken into consideration when the "fee cap" was calculated. Many banks who are providing free accounts to consumers will no longer be able to do so, with their income stream so severely restrained. The unintended consequence will be reduced availability of services to low and moderate income persons.

Merchants benefit from the card payment system and it is not unreasonable for them to pay for those benefits.

- Merchants get secure, guaranteed payment. The risks associated with bounced checks, counterfeit checks, etc. are shifted from the retailer to the banks.
- Merchants do not have to bear the costs of fraud and fraud prevention.
- Merchants can complete more sales in a shorter period of time.
- Merchants get faster access to their money.
- Merchants avoid the costs of handling, processing and transporting cash and checks.

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The small merchant will incur higher training costs in teaching their employees how to manage a two-tiered system, if indeed it can be managed.

The exemption for banks under $10 billion is meaningless. The proposal affects banks of all sizes. Smaller banks will be forced to use the "fee cap" or will get out of the business. If smaller banks are so negatively impacted by the proposal and choose to give up their debit card programs, this will force customers to revert to paper checks. How will the Federal Reserve "un-consolidate" the check processing regions? Customers of these smaller banks who wish to have the convenience of a debit card, will close their accounts and move to the larger institutions who still offer the cards.

Consumers will ultimately be harmed by the proposal because of the loss of free and low cost services that smaller banks will no longer be able to provide.

There is no mandate in the proposal that merchants pass on their savings to consumers. Even if there were such a mandate, how would that be managed?

In conclusion, we are opposed to the Debit Card Interchange Fee proposal in its entirety. The consequences for consumers will be unpleasant and costly. For community banks, the consequences will be devastating. The real and only beneficiary in this proposal is the large big box merchant. The implementation should be delayed until proper hearings can take place with the appropriate attention to the consequences.

Sincerely,

/S/

Mickie L. Giberson
Assistant Vice President and
Compliance Officer