



CITIZENS BANK

Your Business Is Personal Here.

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February 1, 2011

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

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

Dear Ms. Johnson:

Thank you for the opportunity to comment on the Federal Reserve System's proposed "Debit Card Interchange Fees and Routing" rule.

I am the CEO of a small community bank in Fort Scott, Kansas. We serve mostly rural Kansas supporting farmers and small businesses. We have 77 employees and 8 branches.

We are opposed to the concept of fee limits because it is effectively introduces arbitrary price controls. Anytime the government implements prices controls we see reduced options for consumers, reduced quality, and longer lines - all bad things for the consumer.

This change is being pushed by the powerful retailers who have no intention of reducing their prices if the interchange costs come down. In the end, all you are doing is cost shifting from the retailers to the banks. Retailers enjoy easy and cheap access to the electronic payment systems with virtually no fraud or credit risk exposure. The banks carry all the fraud and credit risk. The interchange fees help cover the expense of putting cards in the hands of consumers and making them feel safe and secure in using the electronic payment system. This costs a lot of money and it has to come from somewhere.

While the law currently suggests our bank would be exempted from interchange fee limits due to its size, reality is such that we will be affected in a big way. The unintended consequences of this price fixing will have widespread impacts.

Large merchants like Wal-Mart and Amazon will find ways to only accept debit cards from large banks due to their lower costs. They will start charging their customers additional fees if they present a debit card from a community bank versus a large bank. Customers will naturally make the choice of switching to the lower cost alternative which means that unless community banks match the price, we are out of business.

Price fixing has never produced the desired result it intends accomplish. There are always unintended consequences and in this case those consequences are going to result in 70% reduction in interchange fee income and for our bank that is about \$400,000, with no corresponding drop in costs. That means our company must either layoff workers or try to recover some of the lost revenue by charging bank customers more. Either way this is a cram down on the community banks. Remember, we are the banks that are paying for all the mistakes of the Wall Street banks. We actually support the communities we serve and help keep rural America a viable place to live.

In summary, we are absolutely opposed to any kind of price fixing for debit card interchange fees. The free market exists in this space now. The laws of supply and demand and customer choices are alive and well. Don't arbitrarily insert the government into this. There is no national security issue. There is no national systemic risk issue being solved. The only thing happening is the implementation of political favoritism to pay off the retail lobby and it is politically popular because it is supposed to only apply to the big banks, but we know that is a lie.

What country do I live in? It sure doesn't seem like the America I use to know.

Sincerely,



Randall S. Edge
Vice Chairman & CEO
Citizens Bank N.A.