



Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1404

Re: Debit Card Interchange Fees and Routing

Dear Ms. Johnson:

SCBT, N.A. [SCBT] is a South Carolina based community bank with seventy-five [75] offices throughout the states of SC, GA and the Charlotte NC area. As a provider of “debit card services” for our transaction account customers, SCBT offers the following information relative to the proposed rule amendments to Debit Card Interchange Fees and Routing.

As a \$3.6 billion institution, we have provided debit cards to our customers for over 25 years. Although under \$10 billion in assets and, therefore, exempt from mandatory implementation of the price cap, market forces will dictate merchants steer customers to the lesser priced interchange, reducing the use of SCBT issued debit cards. The interchange fee is the means by which banks of all sizes can subsidize services. The resulting loss in income will impact these services, which are offered free or at low-cost to consumers.

Additionally, the Board should include in the calculation of the fee: network fees; the cost of inquiries and disputes; fraud losses and fraud prevention costs; fixed costs, including capital investments; and a reasonable profit. A fee that does not take into account these factors is not a "reasonable" fee as mandated by the statute. Debit card services are a convenience required by consumers in today's economy. However, the service does not come without risk of fraud. The proposed fee structure does nothing to compensate the institution for fraud loss, fraud prevention, capital and employee costs. Fraud costs are a liability of the banking institution, not the merchant. The merchant receives guaranteed funds and the ability to avoid additional collection costs that are associated with check processing.

While intended to provide a savings to the consumer, there has been little to no evidence provided that merchants will adjust pricing to reflect the reduction of fees as a result of this proposal. In fact, a review of merchant letters to date indicates no substantiation of price reduction to consumers.

For the reasons stated above we are opposed to capping interchange fees at 7 or 12 cents. It will have a significant impact on our bank, our customers and our operations. South Carolina Bank and Trust appreciates the opportunity to comment on these potential rule changes to Debit Card Interchange Fees and Routing. If additional information is needed or there are questions about any of the information in this letter, please contact Lesley Lampert, Senior Vice President, Regulatory Risk Management.

Sincerely,

Lesley Lampert

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