

OLD NATIONAL BANK

Robert G. Jones
President and CEO
bob.jones@oldnational.com

February 14, 2011

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

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

Dear Ms. Johnson:

Old National Bank is the largest independently owned bank domiciled in the State of Indiana with \$7.5 billion in assets. We have locations in the states of Indiana, Illinois and Kentucky; however, the majority of our customers are located within the State of Indiana. Our Bank is community focused, which is demonstrated by our associates who contributed over 75,000 hours in 2010 to the communities we serve through volunteer service initiatives. We proudly offer a range of products to our many customers, including savings and checking accounts, which also include the use of a debit card. Providing debit card services to our customers is a very important aspect of our relationship with our customers and one which involves significant expense.

Although Old National Bank has weathered the financial distress and economic downturn better than most banks (we were recently ranked the 22nd best bank in the country by Forbes magazine), the last few years have not been endured without stress in the Bank's earnings capacity and in the day-to-day business activities of the Bank. It is within this context that I write to express Old National Bank's opposition to the rule proposed by the Board of Governors of the Federal Reserve System to implement the Debit Interchange Provisions of Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The price cap of \$.07 to \$.12 imposed by this proposed rule will have adverse consequences on Old National Bank, the banking system and consumers in general.

I recognize that every major bank or bank group is writing to express to you opposition to the proposed rule. Old National Bank is a member of the Mid-size Bank Coalition of America, Consumer Bankers Association and the Indiana Bankers Association. These groups will be presenting their own letters which detail the defects in the legislative process leading up to the adoption of the Durbin amendment, as well as the defect in the Federal Reserve Board's handling of the issuance of this new rule. My purpose in writing today is not to set forth all of the major technical and legal aspects to our challenge – although there are many. I write today to urge you to reconsider the rule in light of the harm it will cause to the financial system. We

One Main Street
P.O. Box 718
Evansville, IN 47705-0718
T: 812.464.1280
F: 812.464.1567
oldnational.com

believe this rule must be fundamentally changed in order to avoid what we believe will be a profoundly negative impact to our Bank, the banking system in particular, and the general economy.

We believe the Federal Reserve Board has gone beyond the Dodd-Frank Act requirements in issuing its new rule which basically institutes a government price control on how much Old National Bank can charge its customers for debit card interchange fees. We believe the proposed rule's approach in implementing the Durbin Amendment is legally defective for various reasons, including that the rule would create a hard and fast cap, whereas the Durbin Amendment only authorizes the Federal Reserve to develop "standards for assessing". Additionally, the proposed rule erroneously applies the statutory phrase "reasonable and proportional" standard to costs, while the statute applies this phrase to fees. The proposed rule also fails to follow the statutory definition of "costs" as "incremental costs." Lastly, the interchange fee cap of between \$.07 and \$.12 is so far below what it actually costs issuers to provide customers with debit card services (indeed, Old National's costs are more than double the cap), and the cap certainly does not allow the issuers like Old National to make any return on their investment. Because of this, we believe the cap is confiscatory and violates the Takings and Due Process Clauses of the Fifth Amendment.

In addition to being legally defective, this proposed rule will harm consumers in an extraordinary way and provides a windfall to merchants that is almost beyond comprehension. Consumers will be hurt as a result of below-cost debit interchange fees since there will likely be a loss of free debit card services and products. Consumers will also be hurt because the proposed rule will stifle the innovation that benefits consumers, and lastly, the consumer is hurt because the proposed rule does not guarantee any benefits to consumers. Indeed, the only entities that will benefit from the proposed rules are the merchants who will reap an unprecedented windfall of fees.

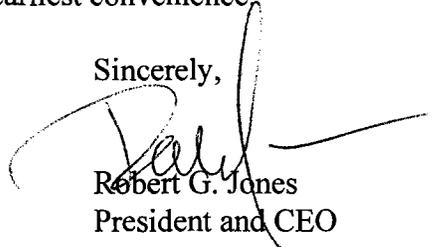
The proposed rule also threatens the safety and soundness of the financial system. The loss of fees and customers that will likely result will have a particularly severe effect on smaller banks in the United States which obtain a considerably higher percentage of their total revenues from debit interchange fees. Old National Bank is one such bank. It has been estimated that banks the size of Old National will have income reduced in interchange fee income by up to 70% as a result of the \$.12 cap.

Based upon the above, we urge the Federal Reserve Board to revisit the proposed rule. The proposed rule should only set standards for assessing fees and not impose government price controls. The proposed rule's standards should use a cost base line that is based on incremental costs and not on average variable costs, and the proposed rule should allow for a reasonable and proportional fee in comparison to the costs base line that permits banks to earn a reasonable profit on their debit card services. This profit should be sufficient to avoid burdening customers with higher fees and to allow for continuing innovation in the debit card market.

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I appreciate your time in considering the views that Old National has expressed in this letter. I would appreciate the opportunity to share our views with you and to discuss them further at your convenience. Should you have any questions concerning the contents of this letter, please do not hesitate to contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Jones", with a long horizontal flourish extending to the right.

Robert G. Jones
President and CEO