SARATOGA
BANK & TRUST COMPANY
NATIONAL

The Thoroughbred of Banks

February 15, 2011

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

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

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

I am the Chairman, President and CEO of Saratoga National Bank and Trust Company, a small community bank with about $300 million in assets located in Upstate New York. We have forty one employees and six branches which serve small cities, towns and villages in our area.

Our bank is opposed to the proposed rule for a number of reasons. I am by nature a bottom line guy, so I will get to that point first. Debit card fee income is among our strongest non-interest income sources and ultimately it will deteriorate if this rule is adopted. I consider the carve out or exemption for small banks meaningless in that market forces will ultimately force us to adopt pricing models comparable to our larger competitors, or we will be squeezed out of the market.

Merchants, especially the largest ones, will enact measures to steer their customers toward larger bank debit card use. I can envision joint promotions between the largest banks and their retail equivalents to shun the cards issued by community banks like ours. We have many of the largest banks in the country operating in our market.

I like to say that our community bank focus is on regular folks of every walk of life including those of modest means. We support many lifeline community service and local grass roots organizations that, quite frankly, our larger competitors ignore. Taking away or reducing our ability to generate debit card fee income doesn't just hurt our bottom line, but hurts the customers and groups we support whether it is through charitable contributions or the extension of credit.

Capping debit card transaction fees at 7 or 12 cents and the method by which you concluded that those levels encompass our true costs are flawed. I don't know that a small bank like ours, given the scale at which we operate, losses from fraud that we suffer and other financial considerations of the debit card business, could continue to offer this service profitably and competitively.

I would like to make one final point in regard to routing requirements. Alternate A is favored over Alternate B which is impractical and creates a significant amount of additional expense. Creating multiple signature networks, reissuing cards and the sundry other tasks related to this alternative generates significant expense and complexity with no discernable benefit.

Thank you for your consideration of my point of view.

Sincerely,

Raymond F. O'Conor
Chairman, President & CEO