



November 14, 2011

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

Submitted Electronically

Docket No. FR 3064a (debit card issuers) and FR 3064b (payment card networks)

Re: Proposed Agency Information Collection Activities on Debit Card Interchange Fees and Routing

The Food Marketing Institute (FMI) appreciates the opportunity to respond to the notice and request for comment from the Federal Reserve Board of Governors on proposed agency information collection activities on debit card interchange transaction fees and routing.

FMI is the national trade association that conducts programs in public affairs, food safety, research, education and industry relations on behalf of its 1,500 member companies – food retailers and wholesalers – in the United States and around the world. FMI's members in the United States operate approximately 26,000 retail food stores and 14,000 pharmacies. Their combined annual sales volume of \$680 billion represents three-quarters of all retail food store sales in the United States. FMI's retail membership is composed of large multi-store chains, regional firms, and independent supermarkets. Our international membership includes 200 companies from more than 50 countries. FMI's associate members include the supplier partners of its retail and wholesale members.

We have three general comments regarding the debit card issuer and payment card network surveys:

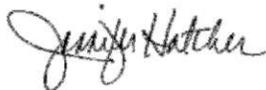
- 1) We would like to commend the Federal Reserve for the detail sought in question #3 of the debit issuer survey (3064a) regarding the costs of authorization, clearance and settlement (ACS). We were pleased to see the survey request separate data on in-house costs, third party processing fees, and network processing fees as we view those categories as separate from ACS costs, and believe it is critical for the Federal Reserve to have that separate item level cost detail.
- 2) Both surveys do a great deal to quantify existing fraud in the system, but based on the statutory language that requires the Federal Reserve to review fraud prevention costs expended by all parties in the payments chain, we would like to see a greater effort either through these surveys or elsewhere that engages the merchant and merchant acquiring communities in this process so

that the fraud prevention costs expended by all parties will be taken into account going forward. We would also encourage the Federal Reserve to focus data collection efforts more on fraud prevention efforts and the effectiveness of those efforts. We believe this could partially be done by adding a section to the payment card network survey (3064b) to explore what criteria networks are requiring for an issuer to get a fraud prevention adjustment and what research the networks have that proves those criteria are effective in preventing or reducing fraud.

- 3) We would encourage the Federal Reserve in an effort to enforce the anti-circumvention provisions from the statute to add a section to the payment card network survey (3064b) that requires networks to report and provide details on any changes to their network fee structures from October 1, 2011. Additionally, we believe networks should report on any changes to their chargeback policies from October 1, 2011.

Thank you in advance for the opportunity to provide feedback on the Federal Reserve Board's proposed agency information collection activities on debit card interchange transaction fees routing. We are happy to provide any additional information that would be helpful.

Sincerely,



Jennifer Hatcher
Senior Vice President, Government Relations
Food Marketing Institute