



September 30, 2011

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

Dear Ms. Johnson,

The Conference of State Bank Supervisors (“CSBS”) is pleased to have the opportunity to comment on the Board of Governors of the Federal Reserve System’s (“Board” or “FRB”) interim final rule regarding Debit Card Interchange Fees and Routing, Docket No. R-1404, RIN 7100-AD 63. CSBS appreciates the considerable thought the Board put into establishing reasonable interchange transaction fees for institutions with more than \$10 billion in assets. Importantly, CSBS believes the FRB must strongly adhere to its commitment to continuously monitor the debit card market and make certain the exemption for institutions with less than \$10 billion in assets is meaningful.

Section 1075(a)(6) of the Dodd-Frank Act (“the Act”) exempts debit card issuers with less than \$10 billion in assets from the interchange fee cap the Act requires the FRB to promulgate. This exemption recognizes the economic differences between large and small issuers and rightfully allows small issuers to set prices in line with their higher marginal costs. Through this and other \$10 billion and below exemptions in the Dodd-Frank Act, Congress has recognized the importance of insulating community banks and other small institutions from regulatory burden. Community banks’ understanding of local markets is crucial to the American economy, and saddling these institutions with price regulations by fee attrition may generate safety and soundness concerns and negatively impact access to financial services.

As a matter of public policy, exemptions like the small issuer exemption must be present in both law and practice. Accordingly, CSBS urges the Board to fulfill its promise to monitor debit card networks and “assess whether the statute and the rule are effectively accomplishing their intended goals.”¹ If the statute and rule adversely affect exempt institutions, the FRB must act to ensure that the policy and economic underpinnings of this exemption remain meaningful.

Thank you for your continued diligence in addressing these and other fundamental issues related to smaller institutions.

Sincerely,

John Ryan
President & CEO

¹ Statement by Chairman Ben S. Bernanke (June 29, 2011) available at <http://www.federalreserve.gov/newsevents/press/bcreg/bernanke20110629a1.htm>.

CONFERENCE OF STATE BANK SUPERVISORS

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