



MISSOURI CREDIT UNION ASSOCIATION

September 30, 2011

Jennifer J. Johnson, Secretary,  
Board of Governors of the Federal  
Reserve System, 20th Street and  
Constitution Avenue, NW, Washington, DC 20551  
[reg.comments@federalreserve.gov](mailto:reg.comments@federalreserve.gov)

**RE: Michael V. Beall, Esq., - Docket No. R-1404; RIN No. 7100 AD 63  
Interchange Fee Fraud Prevention Adjustment**

Dear Ms. Johnson:

On behalf of the 1.3 million credit union members, the Missouri Credit Union Association (MCUA) would like to take this opportunity to express our views on the Interim Final Rule regarding the Interchange Fee Fraud-Prevention Adjustment. We support the Interim Rule's objective of reimbursing issuers for the cost of preventing and deterring fraud, the implementation of non-prescriptive fraud-prevention methods, and the application of the adjustment to all types of debit card transactions including signature transactions. MCUA strongly opposes the amount of the fraud-prevention adjustment because the formula from which it was derived lacks fundamental factors.

MCUA agrees with the interim rule which allows more flexible, non-prescriptive fraud-prevention standards. Mandating a technology-specific method would create a predictable setting allowing criminals to adapt over time. A non-prescriptive method allows each institution to customize fraud prevention programs according to individual risk and available resources.

MCUA generally agrees with a fraud-prevention adjustment; however, we consider the 1 cent cap to be insufficient to cover the real cost associated with deterring fraud. We believe that applying an adjustment equal to the median per transaction fraud prevention cost will not sufficiently cover fraud-prevention expenses for all issuers. As such, this lower limit will deter some issuers from developing fully functional, robust and adaptable systems. The median cost was determined by evaluating a select group of larger (assets > \$10 billion) issuers; however, it ignores the cost of the smaller "exempt" issuer. Because smaller issuers tend to have higher relative costs, including higher fraud-prevention costs, the 1 cent adjustment likely will deny smaller issuers the ability to recover a substantial portion of their fraud-prevention costs. MCUA recommends the Federal Reserve reconsider costs to include the cost of researching and developing new technologies and strategies needed to keep ahead of the criminal activity.

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In summary, we are in favor of a fraud-prevention adjustment using non-prescriptive methods and the upward adjustment to all types of transactions. Please carefully consider the stifling affect too low of a cap will have on issuers if they believe they cannot recoup their costs in the debit card system.

As always, we appreciate the opportunity to respond to the fraud prevention adjustment proposal. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael V. Beall". The signature is fluid and cursive, with the first name "Michael" and last name "Beall" clearly distinguishable.

Michael V. Beall, Esq.  
President/CEO