

UMPQUA HOLDINGS
C O R P O R A T I O N
Parent company for Umpqua Bank and Umpqua Investments, Inc

September 30, 2011

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551
EMAIL: regs.comments@federalreserve.gov

RE: Debit Card Interchange Fees and Routing: Regulation II, Docket No. R-1404
RIN 7100-AD 63

Ms. Johnson,

Umpqua Bank, headquartered in Roseburg, Ore., is a subsidiary of Umpqua Holdings Corporation (NASDAQ: UMPQ), and has 191 locations in Oregon, Northern California, Washington and Nevada. The company reported \$11.5 billion in assets in the second quarter of 2011. Umpqua Bank has been recognized nationally by *The Economist*, *The Wall Street Journal*, *The New York Times*, *BusinessWeek*, *Fast Company* and *CNBC* for its innovative customer experience and industry-leading banking strategy. For the past five years in a row, the company has been included on *FORTUNE* magazine's list of the country's "100 Best Companies to Work For."

Umpqua Bank appreciates the opportunity to comment on the interim rules concerning the one cent interchange fee designed to cover part of the costs of fraud detection, prevention and coverage. Umpqua Bank supports the interim final rule as promulgated.

The provisions allow an issuer to receive an adjustment of one cent to its interchange transaction fee if the issuer develops, implements, and updates policies and procedures reasonably designed to identify and prevent fraudulent electronic debit transactions; monitor the incidence of, reimbursements received for, and losses incurred from fraudulent electronic debit transactions; respond appropriately to suspicious electronic debit transactions so as to limit the fraud losses that may occur and prevent the occurrence of future fraudulent electronic debit transactions; and secure debit card and cardholder data.

If an issuer meets these standards and wishes to receive the adjustment, it must certify its eligibility to receive the fraud prevention adjustment to the payment card networks in which the issuer participates.

The interim final rule helps cover Umpqua Bank's fraud detection and protection program, and therefore the bank will be able to collect the one cent interchange fee for this service if the interim rule is permanently adopted. However, our actual fraud related cost is approximately three cents per transaction, so the rule represents a net loss that should be corrected in the future.

The rule is functional and Umpqua does comply by subscribing to Fiserv's Fraud and Risk Office tools to manage our fraud risk using neural technology to detect possible fraud. Country and state blocking and other rules help minimize the risk of fraud to our debit card customers.

Umpqua Bank greatly appreciates the Federal Reserve Board's tremendous efforts to understand this complex and controversial issue. Please contact me at 541-434-2997 or at stevenphilpott@umpquabank.com if you need additional information. Thank you for your consideration.

Sincerely,



Steven L. Philpott
EVP/General Counsel