



**International Bancshares
Corporation**

July 26, 2019

Via email: regs.comments@federalreserve.gov

Anne E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: FR II; OMB No. 7100-0349
Proposed Agency Information Collection Activities

Dear Sir or Madam:

The following comments are submitted by International Bancshares Corporation ("IBC"), a multi-bank financial holding company headquartered in Laredo, Texas. IBC maintains over 189 facilities and more than 286 ATMs, serving 89 communities in Texas and Oklahoma. With over \$12.0 billion in total consolidated assets, IBC is one of the largest independent commercial bank holding companies headquartered in Texas. IBC is a publicly-traded financial holding company.

This letter responds to the Board of Governors' request for comment regarding its proposal to extend the Recordkeeping and Disclosure Requirements Associated with Regulation II for three years, without revision. IBC is not opposed to the proposed extension. These requirements have been in effect for the better part of a decade, and therefore banks have already made the investments to implement the systems, policies, and procedures needed to comply. IBC urges the Board not to change this requirement and not to reopen any aspect of Regulation II for potential amendments.

More fundamentally, we have serious concerns regarding the Durbin Amendment and the negative consequences that its artificial caps on interchange fees have had for banks and their customers. The law has not brought consumers the benefits that its supporters anticipated. Rather, it has forced banks and their customers to effectively subsidize payment transactions for large merchants. This has distorted the payments market and resulted in banks discontinuing certain products and features because they can no longer be justified from an economic perspective.

According to estimates, large merchants have obtained roughly \$54 billion in cost savings as a result of the price controls imposed by the Durbin Amendment. This

is a breathtaking transfer of wealth from financial institutions to large retailers, and without any corresponding benefit to consumers. In fact, in our industry, the Amendment has harmed consumers. Since its passage, banks have decreased the availability of free checking products. At the same time, they have increased minimum-balance requirements and account fees, and closed thousands of branches because the revenue generated to support these operations has been severely reduced. Moreover, rewards programs for debit-card usage have been discontinued in large part. Simply put, when government limits cost recovery or imposes revenue restrictions in one place, institutions will seek to offset the effect elsewhere.

We urge the Board of Governors to recommend that Congress repeal the Durbin Amendment. When the government picks winners and losers, markets fail to work properly and innovation suffers. Repeal of the Durbin Amendment will leave for the market to decide what products banks offer and where they invest their resources. It is time for large retailers to operate in the payments market on a level playing field.

Thank you for this opportunity to share our views.

INTERNATIONAL BANCSHARES CORPORATION

A handwritten signature in black ink, appearing to read "Dennis E. Nixon", is written over a faint, illegible stamp or watermark.

Dennis E. Nixon
President & CEO