Wawa

August 11, 2021

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

RE: Docket No. R-1748, RIN 7100-AG15

Dear Ms. Misback:

I am the Treasurer of Wawa, Inc. ("Wawa"), a convenience store chain with over 900 locations. Wawa offers these comments to support the Board of Governors of the Federal Reserve System's proposal to amend Regulation II as published in the Federal Register on May 13, 2021.

Wawa is incorporated in the State of New Jersey and maintains corporate headquarters and a beverage manufacturing facility in Wawa, Delaware County, Pennsylvania. Wawa operates as its primary business 940 convenience stores in Pennsylvania, New Jersey, Delaware, Maryland, Virginia, Florida and the District of Columbia, 724 of which include a fuel offering. Wawa typically serves over 650 million customers per year, offering a wide range of convenience and fresh food products for sale in a manner that is convenient for consumers in terms of both location and hours of service. The majority of Wawa's stores operate 24 hours a day and all stores are open 7 days a week, 365 days a year.

As you know, there has been a surge in eCommerce transactions over the past year and Wawa has experienced the same growth as we have expanded our payment options so our customers can shop how they want, especially during the COVID-19 pandemic. Wawa was considered an essential retailer throughout the pandemic and remained opened to serve our customers, which ultimately necessitated that we develop our eCommerce channels and that we support contactless and mobile payments in our stores and at our fuel pumps. We have also expanded into catering, as well, as delivery and curbside pickup at our stores, providing an array of channels for our customers to safely shop with us.

With these changes, we have seen growth in our debit transaction volume. Currently, our debit transaction volume is about two-thirds of our total transactions, which are hundreds of millions a year. It is our expectation that this trend will continue and our card not present volume will become a more significant portion of our business and we believe that these transactions should have the same routing choices as we currently have for card present debit transactions. With this being said, Wawa supports the Federal Reserve's proposed changes to Regulation II which would permit each debit transaction, regardless of whether it is card present or card not present, to have at least two unaffiliated payment card networks available so that merchants can route them as they choose.

Regulation II brought much needed competition to the debit card market. Merchants now have leverage and we were given the opportunity to choose and route transactions to a lower fee network, but it is limited to only card present debit transactions. Technology has evolved and so has customer engagement in the eCommerce channel, with customers using debit as their primary payment tender, which now it is considered a card not present transaction and, thus, routing options can be limited by the issuers. Having consistency between card present and card not present debit transactions is imperative, and issuers should be held accountable to the same standards.

Card fees continue to increase as more customers shift from cash to debit, thus, having options for routing debit transactions has become a key strategy for merchants to drive down expenses. For Wawa, the majority of our transactions in the card present and card not present environment are on debit, therefore utilizing this strategy has been beneficial in keeping our costs down so we can keep our retail prices competitive.

It appears that some banks may be circumventing the law, as we believe Regulation II was initially designed to cover all debit transactions in whatever form factor they are presented for payment. It should not matter if debit is presented as plastic or through some other device, like a key fob; in either case, it should be compliant with the regulations. Also, some issuers may also be limiting the merchant's network choices by refusing to enable competitor networks, which leads to a disparity in routing options when using the same debit tender in a card present as opposed to a card not present channel.

Lastly, Wawa strongly urges the Federal Reserve to consider reducing the limits it has set on the cost of debit interchange. In your recent report, 2019 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions, dated May 2021, issuers fraud losses since 2011 have decreased over 20 percentage points and their average per transaction authorization, clearing and settlement (less fraud losses) cost is half of the value compared to 2009. This is a dramatic decrease for the issuer and should be considered by the Board in resetting the fixed debit interchange fee paid by the merchant as part of the proposed changes to Regulation II. The law called for the fee to be "reasonable and proportional" to the cost of the transaction and it is clearly far from that today.

In closing, Wawa supports the proposed changes to Regulation II and requests that the Federal Reserve Board move swiftly to finalize those changes into law. As a merchant, Wawa appreciates the opportunity to comment on this proposal and that the Federal Reserve Board is monitoring and taking corrective action as needed on payment related issues. Should the Board need further information, Wawa would be happy to provide such assistance as you consider these important issues.

Sincerely,

Jared G. Culotta
Treasurer