

THE OHIO COUNCIL OF

# *Retail Merchants*

*The voice of retail since 1922*

August 11, 2021

Ann E. Misback  
Secretary, Board of Governors  
Federal Reserve  
20<sup>th</sup> Street & Constitution Ave, NW  
Washington, DC 20551

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

Dear Ms. Misback:

On Behalf of the Ohio Council of Retail Merchants, we thank you for the opportunity to comment on the Board of Governors proposal to amend Regulation II to clarify the requirement that each debit card transaction must be allowed to be processed on at least two unaffiliated payment card networks for card-not-present transactions. The Council proudly represents over 7,000 businesses in the State of Ohio, from the largest retailers in the world to family-owned shops on main street. Our members report that the fees associated with accepting debit cards and the growing barriers to accessing competitive networks is increasing their operating costs and ultimately impacting the customers they serve every day. We respectfully request that the Federal Reserve Board of Governors take immediate action to enforce the routing competition provisions and reduce the regulated rate as required by law.

All merchants rely on debit network routing options to help contain network costs. Networks competing for both banks' and retailers' business benefit all stakeholders in the merchant economy – most importantly the consumer. Retail is highly competitive and functioning on razor thin profit margins. When they shop, consumers have a great number of choices in their community and online. Price is often the only determining factor when a consumer makes a purchasing decision. The consumer has many choices on where and how to buy what they need; however, merchants have little to no choice when it comes to routing card payments used for online purchases.

The events of the past year placed previously unimaginable strains on the retail industry. Store owners pivoted from being ordered to close their stores to keep people safe, to collectively investing billions of dollars into health and safety protocols and protective gear. In a matter of weeks, U.S. consumers shifted a significant portion of their shopping to online and as a result went from paying with various tender forms to paying almost exclusively with debit and credit cards. In response to this shift, retailers have

invested significant resources to accept, fulfill and deliver online orders to meet the increased consumer demand.

This shift has greatly increased our members' cost of doing business, placing further strains on the ability to keep prices low while also facing rising inflation at such a critical time. The Federal Reserve Board of Governors can provide direct relief to retailers in Ohio by enforcing the routing provisions in the 2010 debit reform law and reducing the regulated debit interchange rate commensurate with cost reductions.

While our members are overwhelmingly utilizing competitive routing for in-store transactions, they do not enjoy the same access to competitive debit networks when the card is used online and in mobile transactions. The Board's proposed clarification will do that, and simply clarify that banks and payment networks must compete for retailer business—just as retailers compete for consumer's business and loyalty—regardless of where the transaction occurs. Our members report that many banks already enable a second "PINless" network and can choose among service providers when the card is used online. Unfortunately, they report that some of the largest issuers with a vast majority of the debit business are not enabling a second network, leaving the retailer with no options but to run across more expensive global networks.

The intent and language of the law is clear. Retailers must have access to competitive networks for debit transactions. No network or issuing bank can remove that choice. The Board is entrusted to enforce the law, particularly when more dominant networks are benefiting at retailers' and other networks' expense due to lack of enforcement. As the Board notes, currently only 6% of online debit transactions are being processed by single-message networks. This marketplace distortion is clearly problematic and within the ability of the Board to rectify quickly. An open and competitive market benefits all stakeholders, most importantly the U.S. consumer.

Thank you for your consideration of our member's views on this proposed clarification to the regulations. Our association and its members are eager to work with the Board to ensure robust enforcement of the debit routing law and reduce the regulated debit rate.

Sincerely,

Gordon M. Gough  
President & CEO