



North Dakota Grocers Association

3155 Bluestem Dr. #378 • West Fargo, North Dakota 58078 • Phone (701) 223-4106
www.ndgrocers.com

June 16,2021

Attention: Federal Reserve Board of Governors

Regarding: Debit Card Interchange Fees and Routing

The North Dakota Grocers Association (NDGA), representing over 120 grocers in North Dakota and Minnesota, is concerned about the increase cost of doing business caused by the lack of access to competitive networks. NDGA requests 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.

COVID-19 caused our industry to drastically change the way grocers met the needs of our customers. Billions of dollars nationally were spent providing personal protection equipment, enhanced cleaning and in many cases, hazard pay to their employees who were designated as "essential workers". In a matter of weeks, the consumer shopping habits dramatically changed. More and more customers were staying home, and ordering groceries delivered or used store pickup services. Many chose to use online shopping services. Prior to COVID-19 consumers used a variety of payment methods, after COVID-19 debit and credit cards were the primary form of payment. This shift in payment patterns has greatly increased NDGA members cost of doing business.

The Federal Reserve Board of Governors can provide direct relief to grocers in North Dakota and Minnesota by enforcing the routing provisions in the 2010 debit reform law and reducing the regulated debit interchange rate commensurate with cost reductions. NDGA members are utilizing competitive routing for in-store transactions. They do not have access to competitive debit networks when the card is used online and in mobile transactions. It is important to grocers that Visa and Mastercard compete for retailer's business regardless of where the transaction happens.

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 the dominant networks are benefitting at the retailers' expense due to lack of enforcement.

In addition to enforcing the routing provision the North Dakota Grocers Association request that the Board act quickly to reduce the regulated debit rate to reflect the true cost to the regulated issuing bank. In 2010 the Federal Reserve Board set the regulated rate at 21 cents plus an extra penny for fraud. In its biannual survey of issuers costs and fraud losses, the Board reported that the card issuers cost was less than four cents. At the same time the fraud losses incurred by the retailer increased from 38.3 percent to 56.3 percent. The Board needs to act immediately to reduce the regulated rate to bring it into alignment with the statutory requirement that is both reasonable and proportional to the issuer costs. Grocery retailers should not be paying high interchange rates that are neither reasonable nor proportional to the issuers actual costs.

Thank you for the opportunity to share my members concerns. The North Dakota Grocers Association is ready to work with the Board to ensure robust enforcement of the debit routing law and reducing the regulated debit rate.

Thank you

A handwritten signature in black ink, appearing to read "John Dyste", written over a light blue horizontal line.

John Dyste
President
North Dakota Grocers Association