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July 15, 2021

Ann E. Misback
Secretary
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:

My business, Pence Oil Company, operates one store in Watsaka, Illinois. Debit card transactions are an important payment option that my business accepts. I appreciate the Federal Reserve clarifying its rules and urge you to move swiftly to finalize the clarification.

It is important that retailers have at least two network options when they accept debit cards and it is the law. This provides needed competition in the marketplace which can help improve prices and services offered by networks (including improving security).

Unfortunately, the clarification is necessary because many banks that issue debit cards have refused to enable competitor networks on their cards to handle transactions that don't include the use of a personal identification number ("PIN"). This is a rampant problem for Internet and app transactions, but it is common for in-person transactions too.

In my industry, this is a particular problem at fuel pumps. When customers at the pump decide not to enter their PIN, I typically do not have a choice of which network on the card to use for that transaction because the bank that issued the card does not enable one of the networks on the card to handle transactions that don't use a PIN. This blocking of my preferred routing choice is unfair and, in my view, violates the Fed's regulation II.

As you finalize the Fed's clarification, I urge you to make clear to all payment card networks and card-issuing financial institutions that they need to stop evading regulation II. That means that those financial institutions need to enable the networks on their debit cards (at least two of them) to handle all types of transactions that those networks have the ability to handle, including specifically transactions that do not include a PIN. These so-called "PINless" transactions are the most common way that banks and the dominant card networks get around the intent of regulation II today. I hope that you will end this common

evasion of the law and finalize a clarification that leaves no doubt that at least two networks must be enabled on debit cards to handle all the types of transactions those networks can handle without artificial constraints or limitations being placed on them by card issuing financial institutions or their competitor card networks.

I would also urge the Fed to take action to reduce its limits on the debit card fee levels that payment card networks can set. The Fed's reports on the costs of processing debit transactions have consistently shown declines in these costs, yet the Fed has never adjusted the associated debit interchange fees in response to these significant cost declines. Those interchange fees hit my business and customers hard. It is time for the Fed to recognize that the current fees being charged are not consistent with the law. Those fee limits should be reduced commensurate with the reduction in costs that debit card issuers have experienced since the Fed undertook its initial data collection efforts in writing regulation II.

Thank you for considering my views on this important topic.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry Pence', written in a cursive style.

Terry Pence
President
Pence Oil Company