

**From:** [Anand Goel](#)  
**To:** [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)  
**Subject:** Comment for Debit Card Interchange Fees and Routing [R-1748]  
**Date:** Wednesday, July 21, 2021 7:30:05 PM

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

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

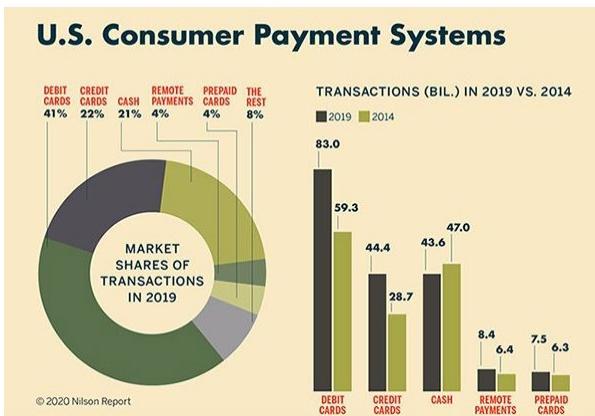
Dear Ms. Misback:

Thank you for the opportunity to submit my perspective on debit card interchange and routing.

My perspective comes from having spent the last 18 years in the card payments/merchant acquiring industry. I spent the first four years in the industry working for Elavon and the last 14 years running an independent payments analytics and consulting firm. Our firm helps merchants streamline and reduce the overall cost of payments. I have an intimate and nuanced perspective on this topic from having worked with large merchants like the US Postal Service, Albertsons, Apple, Staples and smaller merchants like the NPR chapter in Atlanta.

I strongly believe that the Fed should enforce the spirit of the Durbin amendment and allow merchants debit routing choice in all channels, especially ecom/card-not-present. These new rules are badly needed to level the playing field for all debit networks for the benefit of merchants and consumers. Given the shift towards card-not-present (CNP) transactions, accelerated by COVID, merchants of all sizes are facing higher costs for accepting credit and debit cards. Even regulated debit cards cost more in the CNP environment due to higher network fees charged by the global networks (e.g., Visa, MasterCard) as compared to the regional PIN debit networks (e.g., Maestro, STAR, Accel, NYCE).

By providing merchants routing choice in the CNP channel, the Fed will foster competition and innovation amongst issuers and card networks. As it stands today, the card payments market has a perverse dynamic that exists in no other competitive market on this planet – the cost of a service increases every year (inclusive of interchange, network and acquiring fees) despite greater efficiencies, automation, and usage of the service. As the chart below shows, debit and credit card payments grew by 45% from 2014 to 2019. During the same period, the average merchant paid 4% to 6% more for a \$100 transaction from higher interchange and network fees. This April, Visa and MasterCard introduced significant rate increases in the form of higher credit and unregulated debit interchange rate increases and higher network fees (some of these increases were postponed until April 2022). This unrestrained ability to increase pricing by the card networks is not sustainable or healthy in a free market.



Given that the Fed has the mandate to force large banks with over \$10 billion in assets to charge debit card interchange fees that are "reasonable and proportional to the actual cost" and allow merchant access to "multiple unaffiliated networks", it should exercise its power to the benefits of its citizens and 12 million businesses that accept cards.

The Fed should also investigate/explore the some of the following dynamics that have surfaced since the implementation of the Durbin amendment nearly 10 years ago.

1. Visa and MasterCard have debit routing incentive agreements with the largest acquirers and merchants in the U.S. to the detriment of smaller merchants and other debit networks. Also, incentive routing agreements with acquirers create a conflict of interest for the acquirer. Instead of routing debit transactions to the cheapest network, acquirers will prioritize their incentive agreements.
2. Visa and MasterCard have monopoly over non-PIN transactions in retail and almost all debit transactions online
3. Prioritization rules with Visa and MasterCard prevent issuers from entering incentive agreement with competing debit networks
4. Visa and MasterCard prohibit licensing of non-PIN CVMs to competing debit networks of the common AID
5. Visa and MasterCard inhibit merchant debit routing choice by prohibiting merchants from requiring a PIN at the Point of Sale
6. Visa and MasterCard inhibit merchant debit routing choice by refusing to detokenize in-app purchases and card-on-file transactions, requiring the routing of these transactions to their networks
7. Visa and MasterCard have introduced "Check Out" features that inhibit merchant debit routing choice, and are developing additional features that may further block merchants' access to other networks

I appreciate the opportunity to provide my perspective and add to this important dialogue.

Sincerely,

Anand Goel

[anand@optimizedpayments.com](mailto:anand@optimizedpayments.com)

(m) 404-542-8520