

Proposal: 1748 (AG15) Regulation II - Debit Card Interchange Fees and Routing

Description:

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Comment ID: 140856

From: Hannah V. Walker

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Subject: R-1748; Regulation II - Debit Card Interchange Fees and Routing

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Comments:

Date: Aug 06, 2021

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Proposal: Debit Card Interchange Fees and Routing [R-1748]

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Your comment: Board of Governors of the Federal Reserve System c/o Ann E. Misback, Secretary 20th Street and Constitution Avenue NW Washington, DC 20551 Re: Docket No. R-1748, RIN 7100-AG15 Dear Board of Governors of the Federal Reserve System Members, I appreciate the opportunity to comment on Debit Card Interchange Fees and Routing. I strongly support the Federal Reserve Board of Governor's proposal to ensure merchants have options amongst competitive networks when processing debit transactions. I urge immediate action to clarify and enforce the routing competition provisions and reduce the regulated rate as required by law. Our economy thrives with open and competitive markets. Retailers compete every day on price and service to earn the consumer's business. To compete, retailers inherently pass along any recognized savings in the system along to the customer in the form of lower prices, enhanced services and selection. Unfortunately, the U.S. card payment system lacks true competition, leaving U.S. retailers paying the highest costs in the industrialized world to process electronic payments. As a result, consumers end up paying more for goods and services due to the inflated cost of accepting cards. Thankfully, Congress recognized that the card system was broken when it passed the Durbin Amendment which introduced much needed competition into the debit routing space. The Board is correct to issue a clarification that the law applies to all transactions, not just those completed in store. The law is clear in text and purpose, competition is essential, and that end is reached by ensuring networks compete for both issuer and merchant business. The law is not limited to only certain debit transactions, or certain retailers; it applies to everyone and all debit transactions. I urge the Board to act swiftly to enforce the law and deliver much needed relief to America's retailers and consumers. Finally, the Board must act swiftly to lower the regulated debit rate. The current rate of 21 Cents, plus 5 basis points plus 1 Cent for fraud adjustment has not been lowered since the law went into effect even though issuer costs have reduced by about half in that time. Additionally, fraud losses have shifted significantly away from issuers and onto merchants, removing any reason for the 1 Cent fraud adjustment allowance that is still being collected. Today, covered banks are collecting 6-times more than their actual cost of acceptance. The law clearly states that the regulated rate must be both reasonable and proportional to issuer costs. Therefore, it is imperative for the Board to reduce the rate to bring it in alignment with the law. I thank the Board for proposing clarifications to protect merchant's routing rights. The Board did not have to provide a comment period, and I appreciate the opportunity it to share my thoughts. I strongly encourage swift action to finalize the clarifications and a reduction in the regulated rate. Sincerely, Hannah vL Walker