

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

Description:

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Comment ID: 140800

From: Siouxland Federal Credit Union, Mike Horner

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

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Comments:

NONCONFIDENTIAL // EXTERNAL

Dear Federal Reserve,

Siouxland Federal Credit Union will experience a significant change in how we must handle debit card transactions as outlined in the proposed Regulation II rule on debit card interchange transactions. We absolutely oppose this rulemaking and believe it should be withdrawn.

Basically, the rule moves the compliance requirements for the Durbin Amendment by placing the burden on our credit union to ensure merchants can enforce certain new rights across all geographies and transactions. But the proposed rule does not explain how we can ensure these conditions are met. In the card system, my credit union only controls our own cards and we have no control over merchants' transaction choices. Nor do I think the merchants want the card issuers affecting the merchants choices. Plus the merchants already benefit from having authorization for the transaction from the credit union and lower interchange fees.

My credit union has complied with the Durbin Amendment for a decade by issuing cards with two networks. It is not a reasonable technical expectation that we can issue a card that is guaranteed to support every merchant across the country who insists on an unsupported transaction configuration. The information to prevent such a violation would be literally unknowable since we do not have a direct business relationship with every merchant in the United States. Industry experts believe this would require elaborate technical builds and potentially still fall short.

The Federal Reserve asserts that there are solutions available today, but it then says that these transactions are not used frequently enough for merchants' liking. That is up to the merchants and the manner in which they route transactions. Working through these myriad issues, on a timeline set by third-party providers, could crowd out and deprioritize discretionary investments Siouxland Federal Credit Union would like to make, including adopting faster payments systems.

Thank you for the opportunity to submit comments on this matter.

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