

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

Description:

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Comment ID: 141451

From: Emily Borowski

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

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Comments:

NONCONFIDENTIAL // EXTERNAL

Dear Secretary Misback,

My credit union will experience the proposed Regulation II rule on debit card interchange transactions as a material change in how we handle debit card transactions. We oppose this rulemaking and believe it should be withdrawn.

Fundamentally, the rule shifts the compliance paradigm for the Durbin Amendment by placing the burden on my credit union to ensure merchants can enforce certain new rights across all geographies and transactions. Yet the proposed rule does not explain how an issuer can ensure these conditions are met. In the card system, my credit union only controls our own cards and we have no knowledge of, or control over, merchants' transaction choices. In a nation this large, most merchants are located far from any given credit union, making the all-geographies requirement particularly challenging.

My credit union has complied with the Durbin Amendment for a decade by issuing cards with two networks and the merchant has done their part by supporting cards that came across the checkout counter. It is beyond any 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, yet it then states that these transactions are not used frequently enough for merchants' liking. There are legitimate operational reasons for these trends which, unfortunately, the proposed rule does not explore. Working through these myriad issues, on a timeline set by third-party providers, could crowd out and deprioritize discretionary investments my credit union would like to make, including adopting faster payments systems.

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

Sincerely,

Emily Borowski