

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

Description:

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From: Troy Bank & Trust, John R. Ramage

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

Comments:

NONCONFIDENTIAL // EXTERNAL

To Whom It May Concern:

I appreciate the opportunity to write to you today regarding a Notice of Proposed Rulemaking on Reg II Debit Card Interchange Fees and Routing on behalf of my bank, Troy Bank and Trust Company, FDIC Certificate #5598:

My Comments regarding this Proposed Rule are as follows:

Data collected by the Fed Board indicated that two unaffiliated networks are often not available to process card-not-present debit card transactions because some issuers do not enable two networks for those transactions - we believe this is a big bank issue, not a community bank issue.

We have seen reported increases in the volumes of Card-Not-Present transactions being processed by single message (PIN debit) networks. This contradicts a statement in the Fed's NPRM, "Despite the widespread adoption of these innovations, the volume of card-not-present transactions processed over single-message networks remains low."

I firmly believe that increased volumes over PIN networks mentioned a resultant will decrease our interchange revenue even further.

I appreciate the NPRM statement, "The Board does not intend these amendments to be an expansion of coverage to any additional small entities that were not already subject to the rule." I join in my trade associations view that we are very concerned that the Fed has ambiguously stated in NPRM that it may revisit Durbin: ".Board will continue to review the regulation in light of the most recent data collected by the Board and may propose additional revisions in the future."

The Fed should ensure such fraud and risk mitigation policies would not render an issuer ineligible for satisfying Reg II requirements as long as the issuer has enabled two unaffiliated networks on their debit cards for card-present and card-not-present transactions.

Requiring issuers to enable at least two unaffiliated payment card networks for each method of cardholder authentication is inconsistent with Section 1075 of the Dodd-Frank Act and the fundamental principle articulated by the Board in the 2011 Final Rule and reaffirmed in the Proposal. We strongly opposes expansion of transaction types to include subcategories of card-present and card-not-present transactions, which would inhibit innovation by preventing issuers from supporting new transaction types or cardholder authentication methods.

The Durbin Amendment was intended to help consumers and small businesses, in practice it has functioned as a subsidy for big box retailers and harmed consumers and small merchants and has negatively impacted community banks like mine!

Although the Durbin Amendment "exempted" small institutions from the price caps, Federal Reserve data clearly shows that interchange revenue fell for community banks like mine.

Loss of revenue for exempt issuers is untenable - it threatens the ability for community banks to continue to serve their communities.

Large merchants have not passed on any savings to consumers to date, and we have no reason to believe they would now or in the future.

In closing, I applaud the FED for acting in the best interest of community banks during the creating and

implementation of FEDNOW and other ways of helping us. We once again need your help to allow us to operate in a way that allows us to serve our communities in the best way possible. As such, we at Troy Bank and Trust strongly oppose any changes to Durbin provisions that could impact community banks such as ours.

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