



August 11, 2021

Via email: regs.comments@federalreserve.gov

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Debit Card Interchange Fees and Routing, R-1748, RIN 7100-AG15

Dear Ms. Misbeck:

On behalf of our over 400 community bank members, the Texas Bankers Association writes to respectfully request that the Board of Governors withdraw the recent proposal to Regulation II, 12 C.F.R. Part 235. Alternatively, we request that the proposal be substantially modified to reflect the concerns of our banks.

Texas banks recently committed their time and resources to successfully implement Congressional stimulus efforts. In our state, banks processed the overwhelming majority of over 900,000 Paycheck Protection Loans totaling over \$63 billion dollars. Texas banks were proud to partner in this historic effort that saved millions of jobs. Banks, however, were not expecting a costly and time-consuming proposal to expand routing provisions that require them to provide for two unaffiliated networks to process all debit card transactions, including card-not-present (CNP) transactions. It is especially troubling to note that the proposal appears to have the effect of transferring billions of dollars to the ten largest retailers from community banks and consumers.

Debit card fraud losses continue to be a problem for community banks and fraud is most rampant in CNP transactions. The proposal requires issuers to partner with networks that do not have proven fraud and security capabilities in CNP matters. The proposal could also make it easier for identity thieves to steal consumer data. Costs will increase for smaller issuers and community banks will have to devote personnel to work with issuers and merchants as well as spend funds for third party vendors to help monitor the transactions. Our community banks tell us that setting up a system to combat potential CNP fraud, by working with PIN networks and merchants, could take three or four years.

We strongly disagree with the proposal's assertion that the Regulatory Flexibility Act does not come into play because the proposed regulation will have no impact on small entities because it does not involve any "expansion of coverage" to any new small entities not already covered under Regulation II. The proposal will have a disproportionate and costly burden on the over 3,000 bank and thrift holding companies that qualify under the RFA. A regulatory flexibility analysis is vital to the proper consideration of a regulation of this magnitude.

We strongly urge the Board to withdraw this proposal and we will gladly offer our comments if it is determined that another regulatory effort is justified to cover these types of transactions.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Furlow". The signature is fluid and cursive, with a long horizontal stroke at the end.

Christopher J. Furlow
President and CEO
Texas Bankers Association