

August 11, 2021

*Via eRulemaking Portal*

Ann Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

**Re: Comments Regarding the Proposed Amendments to Regulation II – Docket No. R-1748, RIN 7100-AG15**

Dear Ms. Misback:

On behalf of the Electronic Transactions Association (“ETA”), we appreciate the opportunity to share our thoughts on the proposed amendments to Regulation II, which would specify that card-not-present debit card transactions must be able to be processed on at least two unaffiliated payment card networks (the Proposed Rule).

As discussed below, given the breadth of ETA’s membership, we do not offer feedback on the merits of the Proposed Rule. We do emphasize, however, that if the Board of Governors proceeds with finalizing the proposal, it should include at least an 18-24 month implementation period.

**Who We Are**

ETA is the world’s leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing more than \$21 trillion in purchases worldwide and deploying payments innovation to merchants and consumers.

**Comments**

ETA appreciates the Fed’s efforts to collaborate with the payment industry to foster innovation in the payment system. Given the range of ETA’s membership, we do not take a collective position on the merits of the rulemaking. We do emphasize, however, that if the Board of Governors proceeds with the Proposed Rule, its complexity requires an adequate implementation period.

Payment processing is subject to a complex ecosystem that connects the card brands, sponsor banks, and various service providers. This ecosystem is contractual in nature, and it relies on each participant passing along the card brand and sponsor bank requirements in its agreements. If adopted, the Proposed Rule may require significant changes for some within the payment processing ecosystem.



Further, for those within the payments ecosystem who need to, adding a payment network requires multiple operational workstreams. And although some of this work can be conducted concurrently, a well-managed process would require that much of this work be conducted in a sequential manner, which requires adequate time.

As an example of the types of operational work that payments stakeholders may need to navigate:

- A contract negotiation process can require as much as four to six months to complete, given that contracting can require a Request for Proposals process; a supplier selection phase; supplier onboarding; contract negotiation; and modifications to existing network agreements;
- Network setup and testing can take another three to nine months;
- Fraud scoring and rule setup could add another three to six months;
- Disputes and chargebacks setup could add another two to nine months; and
- Settlement setup could take another one to six months.

These work phases and time periods are offered as non-exclusive examples that may be relevant for those affected by the Proposed Rule. Other affected parties may require different or additional work phases, which may differ in length.

Given the potential implementation requirements, we ask that if the Board of Governors finalizes its proposal, it provides a compliance date of at least 18 to 24 months for parties following publication of any final rule.

\* \* \*

ETA appreciates the opportunity to provide input on this important issue. If you have any questions, please contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott at [stalbott@electran.org](mailto:stalbott@electran.org).

Sincerely,



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