



August 10, 2021

Board of Governors of the Federal Reserve System
Attn: Ann E. Misback
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Comments on Proposal to Amend Regulation II, Docket No. R-1748

Dear Ms. Misback:

Coastal Federal Credit Union is headquartered in Raleigh, NC with \$4.2 billion in assets serving over 287,000 members. We appreciate the opportunity to provide comments regarding the proposed amendment for Regulation II/Debit Card Interchange Fees and Routing. We strongly believe that the proposed expanded routing requirements create a price cap on revenue received from these transactions as well as imposing recurring costs to comply with the new rules. These requirements further reduce our ability to effectively mitigate the higher fraud costs associated with the newly routed transactions. Therefore, we urge the Federal Reserve to withdraw the proposed rule.

Coastal, like other credit unions, is a not for profit institution designed to serve our members and provide a maximum return to our members. Revenue from debit transactions offsets the operational costs of providing and maintaining debit card products and their associated accounts for our membership; implementing this proposal will only benefit the largest national retailers and merchants at the expense of smaller community merchants and credit union members, both of which are essential to the US economy. Adopting the proposed changes will place the burden of compliance with the Durbin Amendment to card issuers, whose ability to support multiple transaction configurations used by merchants is much more limited than merchants' ability to conform to issuers' two networks. This could result in inadvertent violations and fines that reduce credit unions' operational capacity and ability to serve our members.

Additionally, the proposed rule would introduce more complexity into the fraud detection engines of the payments ecosystem and reduce system security, which would negatively impact consumers. The current rule (and any expansion to card-not-present transactions) allows merchants to select how transactions are routed without regard to how those selections affect card issuers, meaning that a merchant-selected routing option may increase costs for the credit union issuer by undermining consumer fraud protection benefits currently offered, such as text alerts for potentially fraudulent debit card transactions or zero liability protection. Payments security has never been more important for our members and expanding the current rule's coverage would remove a critical level of security.

Coastal strongly encourages the Federal Reserve to withdraw the proposed rule to expand routing controls to card-not-present debit card transactions and the requirement to have two unaffiliated networks for routing to ensure that credit unions can retain every capability to allow them to effectively serve their members' financial needs with no increase in unnecessary compliance costs. We would like to thank the Reserve Board for the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Jim Pack".

Jim Pack
Chief Member Service Officer