

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

Description:

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Comment ID: 141726

From: Kirk Jones

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

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

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Comments:

NONCONFIDENTIAL // EXTERNAL

February 25, 2022 Hon. Jerome Powell Chair Board of Governors of the Federal Reserve System Washington, DC 20510 Re: Docket ID No. R-1748, RIN 7100-AG15; Debit Card Interchange Fees and Routing Dear Chair Powell: Walmart is falling into the same trap as many citizens of the USA - it is easier to vote for a raise than to earn one. Because Walmart cannot get what it wants through good old competition, it is using the government regulators. That is just wrong. I find it over-the-top strange that Walmart defends its ability to set prices, yet denies that same right to banks - all in the name of increasing Walmart profits. Really? The Walmart letter only covers one prong of the Proposal, and states that the banks cited are "enabling" two networks for "routable" online transactions. While some issuers may offer this capability in some cases, that is fundamentally different than universal "enablement" which is what the Proposal would require. The Proposal forces the issuer to take on responsibility for enabling virtually any transaction type the merchant desires, across all geographies, regardless of the security or capabilities of the processors, networks, or merchants along the way. It makes my bank responsible for a standard of service at a merchant thousands of miles away, with whom it has no relationship nor control. Walmart claims that 75% of "routable" transactions at its website are from exempt issuers. But they provide no information on what constitutes a "routable" transaction or how much of a share of their debit transactions this represents. Their statistics also do not differentiate between the kind of debit transactions covered by the Durbin Amendment and new "PINless" transactions that many would argue are not. Walmart's numbers do not tell anything about the cost of processing these transactions or the possibility that this routing may result from core provider agreements that push volume to the core processor's subsidiary networks, not free choice by the card issuer. Finally, Walmart does not provide any statistics on fraud costs it may transfer to issuers through routing choices and how the Proposal would increase any such subsidy. In addition to correcting the record about the impact that the Proposal will have on community banks and their customers, I am also concerned about the Fed's assertion that this is a "clarification" of an existing rule, rather than a major change to the current rule. In doing so, the Fed failed to perform the analysis required under federal law to assess the burdens and benefits to regulated entities and consumers. I appreciate your attention to this matter and hope that you will consider the diverse comments received during the official comment period. For the reasons stated above, I reiterate the broadly held views of small and medium financial institutions that the Proposal should be withdrawn unless it is significantly revised. Sincerely, Kirk Jones