



August 11, 2021

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

Re: Debit Card Interchange Fees and Routing; Docket No. R-1748; RIN 7100-AG15

Dear Ms. Misback:

On behalf of the 2.2 million credit union members we represent in Kansas and Missouri, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the Federal Reserve System Board's (Board) proposal to amend Regulation II to clarify that the requirement that each debit card transaction must be able to be processed on at least two unaffiliated payment card networks applying to card-not-present transactions, clarifying the requirements that Regulation II imposes on debit card issuers to ensure that at least two unaffiliated payment card networks have been enabled for debit card transactions, and standardize and clarify the use of certain terminology.

HCUA believes that our credit unions will experience the proposed Regulation II rule on debit card interchange transactions as a material change in how they handle debit card transactions. We oppose this rulemaking and believe it should be withdrawn.

Fundamentally, the rule shifts the compliance paradigm for the Durbin Amendment by placing the burden on credit unions to ensure merchants can enforce certain new rights across all geographies and transactions. The proposed rule does not explain how an issuer can ensure these conditions are met. In the card system, credit unions only control their own cards and they have no knowledge of, or control over, merchants' transaction choices. In a nation this large, most merchants are located far from any given credit union, making the all-geographies requirement particularly challenging.

Our credit unions have complied with the Durbin Amendment for a decade by issuing cards with two networks and the merchant has done their part by supporting cards that came across the checkout counter. It is beyond any reasonable technical expectation that credit unions can issue a card that is guaranteed to support every merchant across the country who insists on an unsupported transaction configuration. The information to prevent such a violation would be literally unknowable since credit unions do not have a direct business relationship with every merchant in the United States. Industry experts believe this would require elaborate technical builds and potentially still fall short.

The Federal Reserve asserts that there are solutions available today, yet it then states that these transactions are not used frequently enough for merchants' liking. There are legitimate operational reasons for these trends which, unfortunately, the proposed rule does not explore. Working through these myriad issues, on a timeline set by third-party providers, could crowd out and deprioritize discretionary investments credit unions would like to make, including adopting faster payments systems.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in black ink that reads "Bradley D. Douglas". The signature is written in a cursive style with a large initial 'B'.

Brad Douglas
President/CEO