Dear Members of the Federal Reserve Board,

WesBanco, Inc is a 17.7 billion asset multi-state bank holding company headquartered in Wheeling, West Virginia operating more than 190 financial centers across its footprint under its banking subsidiary, WesBanco Bank, Inc. Built upon our 'Better Banking Pledge', our customer-centric service culture focused on growing long-term relationships by pledging to serve all personal and business customer needs efficiently and effectively. We strongly believe that the proposed amendments to the Interchange Cap will negatively impact the relationships we've grown and hinder our ability to continue providing the same level of products and services within our community.

The Board's proposed amendments fail to appropriately capture debit card issuer costs recovered by statute. We believe that all costs should be considered when determining whether an interchange fee is reasonable and proportional to the issuer's incurred costs. Examples of these key costs which are not being considered are card production and delivery, compliance related functions, non-sufficient funds losses, and customer inquiry costs. Many of the various debit transaction related costs, whether direct or indirect, fixed or variable, or voluntary or involuntary, are incurred by financial institutions in order to provide better products and services to our customers. With less revenue available, smaller issuers and large issuers alike, exempt or non-exempt, will be forced to reconsider the continuance or future implementation of investments in technology such as fraud monitoring and prevention.

When it comes to the U.S. consumer, research has shown that the initial implementation in 2011 of the Interchange Fee Cap has resulted in negative impacts. Financial institutions typically rely on interchange revenue in their efforts to provide free or low cost banking services to the consumer. A 2017 Federal Reserve Finance and Economics Discussion Series publication, "The Impact of Price Controls In Two-Sided Markets: Evidence from US Debit Card Interchange Fee Regulation" reported that prior to the 2011 implementation of the interchange cap, 60% of large institutions offered free checking account options. Within the first few years after the cap's implementation, this share fell below 20%. Not only did the availability of free checking products diminish, the average minimum balance requirements for a consumer to avoid a monthly service charge also increased. Indeed, this same study showed that the average minimum balance to avoid a service charge for a non-interest bearing account increased $400, or 50%, while the same measure increased for interest bearing accounts by $1,700, or 55%. Further, the 2017 FDIC Survey of Unbanked and Underbanked Households indicated that 30% of respondents who previously had access to a bank account reported that they became unbanked because fees became too high. The merchant has proven to be the true beneficiary of the fee cap by retaining their savings as profit rather than passing on to the consumer with lower prices on goods and services. The Federal Reserve, also in 2014, illustrated that the majority of merchants maintained their pricing structures with 21% actually increasing their prices. (Wang, 2014) It is clearly visible that a further reduction to the Interchange Fee Cap will only continue to harm the U.S. consumer, as the already increasing costs of providing banking services will continue to surge, while the consumer will see no relief as merchants will continue to retain the benefit of lower interchange revenue. Interchange revenue is not a cost or burden borne by consumers, but its further reduction will continue to have negative consequences

We at WesBanco appreciate the opportunity to have our voice heard in this critical matter and ask the Board to reconsider this amendment until a stronger analysis can be completed.

Sincerely,

Aaron Rykowski
Executive Vice President
Chief Compliance Officer

Works Cited

Wang, Z. S. (2014). *The Impact of the Durbin Amendment on Merchants: A Survey.* Federal Reserve Bank of Richmond Economic Quarterly, Volume 100, Number 3.