INTERNATIONAL BANCSHARES CORPORATION, DENNIS E. NIXON

Proposal and Comment Information

Title: Regulation II: Debit Card Interchange Fees and Routing , R-1818

Comment ID: FR-0000-0095-01-C605

Submitter Information

Organization Name: International Bancshares Corporation

Organization Type: Company

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

Re: IBC Letter in Support of the ABA Letter to the Fed on Debit Card Interchange Fees and Routing

Dear Ms. Misback:

This letter is being submitted by International Bancshares Corporation ("IBC"), a publicly traded, multi-bank financial holding company headquartered in Laredo, Texas. IBC maintains 166 facilities and 256 ATMs, serving 75 communities in Texas and Oklahoma through five separately chartered banks ranging in size from approximately $490 million to $9.5 billion, with consolidated assets totaling over $16 billion. IBC is one of the largest independent commercial bank holding companies headquartered in Texas.

IBC is submitting this letter in support of, and in agreement with, the joint association letter to the Federal Reserve System (Board) requesting withdrawal of its 2023 proposed amendments to Regulation II. The joint letter was filed by the American Bankers Association (the "ABA") in conjunction with other trade associations from the financial services industry on or around December 8th.

IBC joins the ABA and other associations in emphasizing that the proposed amendments to Regulation II remain subject to significant legal uncertainty, with active litigation and pending court decisions that could materially affect the regulatory framework. To provide clarity and certainty for financial institutions, payment networks, and consumers during this period, we strongly agree that the Federal Reserve should formally withdraw the 2023 proposed rule. Taking this step would reduce confusion and signal that no changes will be made until the legal process is resolved and the regulatory landscape is clear.

IBC previously expressed deep concern regarding the Federal Reserve Board's reliance on outdated and incomplete data in its proposed amendments to Regulation II. At the time, we highlighted that the Board's cost analysis did not adequately account for the recent and significant changes in the debit card market, particularly those stemming from new routing requirements and the evolving landscape of fraud and error resolution. The data sets used to justify the proposed interchange fee caps failed to reflect the true costs and operational burdens now borne by issuers, especially as fraud component, forces banks to reevaluate the availability and affordability of essential consumer banking products and services, with the most severe impacts falling on low- and moderate-income households. This concern is compounded by the escalating costs associated with fraud mitigation and compliance, particularly under Regulation E.

IBC's internal data demonstrates that fraud-related losses under Regulation E, while fluctuating in recent years, remain a significant and recurring financial burden. In 2025, the average Reg E loss per transaction reached 2.42 basis points, following 3.63 basis points in 2024, 2.91 basis points in 2023, and 3.29 basis points in 2022. These improvements are not incidental; they are the result of substantial investments in advanced fraud mitigation technologies and operational enhancements. In addition to unrecoverable losses, IBC expects combined annual costs for fraud monitoring, dispute resolution, and related compliance activities to exceed $6.5 million in 2025. These investments have enabled more effective fraud detection, real-time transaction scoring, and dispute resolution, but they represent real, recurring costs that must be offset to maintain safe and sound banking operations. The reduction in fraud losses is directly attributable to these targeted, high-cost interventions, underscoring the necessity of adequate non-interest revenue to sustain consumer banking services and protect account holders from financial harm.

The experience following previous amendments to Regulation II demonstrated that promised benefits to consumers, such as lower retail prices, failed to materialize, while the burdens on banks and their customers increased. We continue to emphasize that any regulatory action should carefully weigh the broader implications for the safety and soundness of the banking system, as well as the long-term health of consumer financial services.

In light of these considerations, IBC respectfully urges the Board to withdraw the 2023 proposed amendments to Regulation II.

Thank you for your attention to this important matter.

Respectfully submitted,

INTERNATIONAL BANCSHARES CORPORATION

Dennis E. Nixon
President and CEO