

FR 3052  
OMB No. 7100-0322  
Approval expires August 31, 2015

# FEDERAL RESERVE BOARD SURVEY OF SMALL DEBIT CARD ISSUERS



## Background

Section 1075 of the Dodd-Frank Act instructed the Federal Reserve Board (“the Board”) to write regulations related to debit card interchange fees and network exclusivity and routing. The Board implemented the statutory provisions in Regulation II (Debit Card Interchange Fees and Routing, 12 CFR part 235).

Regulation II is comprised of two main parts. The first part establishes standards for the interchange fees that certain debit card issuers can receive for electronic debit transactions. This portion of the regulation reflects exemptions contained in the statute and does not apply to debit card issuers that have consolidated assets less than \$10 billion, debit cards issued pursuant to government-administered payment programs, or certain general-use prepaid cards.

The second part of the regulation concerns network exclusivity arrangements and merchant routing restrictions. The network exclusivity prohibition in Regulation II requires an issuer to ensure that all of its debit cards (including general-use prepaid cards) are enabled to process electronic debit transactions over at least two unaffiliated payment card networks. For the issuers of most debit cards, this provision of Regulation II became effective April 1, 2012. The prohibition on merchant routing restrictions prohibits an issuer or payment card network from inhibiting the ability of a merchant to direct the routing of an electronic debit transaction over any network enabled on a debit card. This provision of Regulation II became effective October 1, 2011.

In contrast to the interchange fee standard, the Dodd-Frank Act does not include any exemptions from the second part of the regulation; consequently, all debit card issuers and debit cards are subject to the prohibitions on network exclusivity and merchant routing restrictions, regardless of whether those issuers or cards are exempt from the interchange fee standard.

## Purpose of this Survey

The Board is requesting that your institution respond to this voluntary survey so that it can gather information about the experience of debit card issuers that are exempt from the interchange fee standard with respect to the network exclusivity provision of Regulation II. Prior to April 1, 2012, some of your institution’s debit cards may already have been enabled to process electronic debit transactions over two unaffiliated payment card networks and, consequently, may already have been in compliance with this provision of the regulation. Other debit cards may not have been enabled for processing over two unaffiliated payment card networks, and your institution may have incurred costs in order to comply with the provision by April 1, 2012.

The survey requests information about the extent to which your institution needed to enable an additional network on its debit cards (excluding prepaid cards) to comply with the regulation. The survey further requests information about the costs of such adjustments to your institution’s debit cards. Finally, the survey requests information about whether your cardholders have faced rejection or other discrimination with respect to the use of their debit cards at the point of sale because their cards are provided by an issuer that is exempt from the interchange fee standard.

**Please respond to the survey by October 31, 2012.**

## Response Confidentiality and Burden

The Federal Reserve Board regards the individual organization information provided by each respondent in response to the questions about the size of the respondent's card program, costs of compliance, and merchant discrimination as confidential (5 U.S.C. 552(b)(4)). The Board, however, may publish aggregate or summary information in a way that does not reveal your individual organization's confidential information. If it should be determined subsequently that any information collected on this form must be released, the respondents will be notified.

Public reporting burden for this collection of information is estimated to be 2 hours per response, including the time to gather data in the form and to review instructions and complete the information collection. Send comments regarding this burden estimate to Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> and C Streets, N.W., Washington, D.C. 20551 or via email to [regs-comments@frb.gov](mailto:regs-comments@frb.gov); and to the Office of Management and Budget, Paperwork Reduction Project (7100-0322), Washington, D.C. 20503. The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Section I: Respondent Information

1. Institution Name

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2. Contact information for the person completing this survey

Name	
Phone	
Email	

Section II: Debit Card Program Information

For questions 3 – 6, you should report information about **debit cards** issued by your institution.

- Include information related to all **debit cards** (i.e., cards that can be used through a payment card network to make payments by debiting funds from an account) issued by your institution, regardless of whether those cards enable signature-based purchase transactions, PIN-based purchase transactions, or both.
- Include information about cards issued by your institution that may be marketed or labeled as ATM cards, but have the functionality to perform signature-based or PIN-based purchase transactions.
- Do NOT include information about **prepaid cards** issued by your institution.
- Do NOT include information about **ATM-only cards** issued by your institution (i.e., cards that can only be used at ATMs and do not have the functionality to perform signature-based or PIN-based purchase transactions).

3. Does your institution issue debit cards (excluding prepaid cards and ATM-only cards)?  Yes  No  
*If "yes," proceed to question 4. If "no," proceed to question 14.*

4. Number of debit cards outstanding as of December 31, 2011 (excluding prepaid cards and ATM-only cards).

5. Number of debit card purchase transactions settled during 2011 (excluding ATM transactions).

6. Value of debit card purchase transactions settled during 2011 (excluding ATM transactions).

Section III: Cost of Becoming Compliant with the Network Exclusivity Provision of Regulation II

For questions 7 – 10, you should report information related to **debit cards** issued by your institution.

- Include information related to all **debit cards** (i.e., cards that can be used through a payment card network to make payments by debiting funds from an account) issued by your institution, regardless of whether those cards enable signature-based purchase transactions, PIN-based purchase transactions, or both.
- Include information about cards issued by your institution that may be marketed or labeled as ATM cards, but have the functionality to perform signature-based or PIN-based purchase transactions.
- Do NOT include information about **prepaid cards** issued by your institution.
- Do NOT include information about **ATM-only cards** issued by your institution (i.e., cards that can only be used at ATMs and do not have the functionality to perform signature-based or PIN-based purchase transactions).

7. Did your institution have to add a payment card network to any debit cards to comply with the network exclusivity prohibition of Regulation II?  Yes  No

If "yes," proceed to question 8. If "no," proceed to question 11.

8. Approximately what percentage of your institution's debit cards outstanding as of December 31, 2011 (as reported in question 4) required the addition of a payment card network to comply with the network exclusivity provision of Regulation II?

9. Provide the approximate **one-time implementation costs** that your institution incurred to comply with the network exclusivity provision of Regulation II.

- Include any legal fees, any cost of establishing network connectivity, other costs of updating systems to enable an unaffiliated payment card network to process electronic debit transactions for your institution's debit cards, and any one-time network fees.
- Do NOT include any debit card or debit card program costs associated with actions that were not necessary for your institution to achieve compliance with the network exclusivity provision of the regulation (for example, reissuing debit cards in order to display the logo of a newly added unaffiliated payment card network or adding networks over and above those needed to comply with Regulation II).

10. Provide the projected **ongoing annual** costs that your institution will incur to comply with the network exclusivity provision of Regulation II.

- Include any network connectivity fees, ongoing membership or licensing fees, and any other ongoing costs that your institution will incur to enable an unaffiliated payment card network to process electronic debit transactions for your institution's debit cards.
- Do NOT include any debit card or debit card program costs that your institution may incur as part of its debit card operations, but that are not incurred to achieve compliance with the network exclusivity provision of the regulation (for example, network connectivity fees for pre-existing networks on your institution's debit cards).

Section IV: Merchant Discrimination

11. Has your institution received any complaints from your accountholders about merchants refusing to accept or otherwise discriminating against the debit cards issued by your institution because your institution is exempt from the interchange fee standard of Regulation II?  Yes  No

*If "yes," proceed to question 12. If "no," proceed to question 14.*

- *Do NOT report complaints that are unrelated to your institution being exempt from the interchange fee standard of Regulation II, such as authorization denials, non-functional cards, or transaction restrictions that apply to all debit cards (i.e., minimum transaction amounts that apply to exempt and non-exempt cards).*

12. Approximately how many such complaints has your institution received?

- *Do NOT report complaints that are unrelated to your institution being exempt from the interchange fee standard of Regulation II, such as authorization denials, non-functional cards, or transaction restrictions that apply to all debit cards (i.e., minimum transaction amounts that apply to exempt and non-exempt cards).*

13. Use the comment box below to describe the specifics of the complaints (e.g., specific merchants or types of merchants, geographic locations, transaction amounts).

Section V: Prepaid Card Program Information

For questions 14 – 15, you should report information about **general-use prepaid cards** issued by your institution.

- *Include information related to all cards that are issued on a prepaid basis, whether or not that amount may be increased or reloaded, and can be used for purchase transactions at multiple, unaffiliated merchants.*

14. Does your institution issue general-use prepaid cards?  Yes  No  
*If "yes," proceed to question 15. If "no," stop and submit the survey.*

15. Number of general-use prepaid cards outstanding as of December 31, 2011.