

From: Variety Marketplace, Mark Nichols  
Subject: Reg I I - Debit card Interchange

---

Comments:

Date: Jan 31, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing  
Document ID: R-1404  
Document Version: 1  
Release Date: 12/16/2010  
Name: Mark Nichols  
Affiliation: Variety Marketplace  
Category of Affiliation: Commercial  
Address:  
City:  
State:  
Country:  
Zip:  
PostalCode:

Comments:

Fed Docket No. R-1404 | Regulation II - Debit Card Interchange Fees and Routing  
While there appears to be a proposal to regulate DEBIT CARD Interchange Fees ... does this also include a cost control for CREDIT CARD "swipe fees?" Both DEBIT and CREDIT card merchant ("swipe fees") fees are truly costly to merchants! Credit card processing fees must be put under control as well. AS A MERCHANT, I am truly concerned over the fees charged to process both debit and credit cards. As an example, when selling a large screen television and then having to pay some \$50.00 ("swipe fees") to the card processor does seem costly. Even the profit on smaller sales are effected due to debit/credit card processing fees. I am also concerned that if these regulations are put in force banks may have to find other sources of revenue ... and I do NOT want my cost of doing business with the bank to increase! AS A CONSUMER, I am happy to take advantage of credit card rewards programs. Without such reward programs I would probably end my use of credit cards. I would also end my use of credit cards if I was made to pay a processing fee (either with the bank or the merchant) to use such cards. I already avoid credit cards that have an annual fee and/or do not offer any rewards program. I understand that "swipe fees" paid by merchants may help fund reward programs. I do not want banks to have to create new fees or increase current fees on consumer banking services if these regulations are put in force. I SUGGEST A PROPOSAL ... to satisfy banks, card transaction processors, merchants, and consumers. This proposal would consist of limits on debit and credit card fees and/or offer value added services to merchants based on fees paid. Consumers would still benefit from reward programs as banks would still profit to fund such programs. Example of debit and credit card fee limits: There would no longer be a PER TRANSACTION FEE. Now, processors (all parties) would be regulated and limited in both the type of fees and the amounts they could charge either merchants or consumers. A 3% CAP would be placed on card processing fees paid by the merchant, with, say, a 25-cent minimum fee amount and a \$10.00 maximum fee amount per card transaction (perhaps less for debit card transactions). Card

processors may compete for business and charge less than the 3% CAP, as well as charge less than the suggested 25-cent minimum fee, but would not be allowed to charge above the \$10.00 maximum fee per card transaction. Again, processors (all parties) would be regulated and limited in other types of fees and amounts they could charge either merchants or consumers. Example of a merchant benefit program: To help merchants "justify" card processing fees, processors will implement benefits for merchants. These benefits will work to increase and return business back to the merchant, who are now happy to accept debit / credit cards as payment because card processors are working to bring return business. Perhaps a small merchant accumulates \$1,000.00 in card processing fees within a month or calendar quarter. For any amount paid the card processor, an "allowance" will be given back to the merchant in benefits, such as advertising. It will be the goal of the credit card processor to bring more business back to the merchant using this new "allowance." Examples of media benefits a card processor may use to benefit merchants using an allowance: \* Statement Inserts (i.e. coupons advertising the merchant) \* Printed Directories \* Online Advertisements (i.e. search engines, merchant directories, links, etc.) \* Regional print, radio and television media \* Gift Card Promotions (consumers are directed to use rewards to purchase merchant gift cards) \* Personalized Media (pens, calendars, etc.) Card processors may use in-house methods and/or outside services to create benefit programs for merchants. Card processors would be able to compete with each other based on the benefits each offered. The entire goal is to offset the card processing fees paid by the merchant and bring new business back to the merchant. Another consideration would be to adjust the card rewards programs. I have examples of shifting the card processing fees to the consumer and/or merchant and paying it back as rewards. In some of these examples it may be necessary for banks and card processors to work in conjunction with card network brand names to implement such programs. Too, perhaps further changes in banking rules and regulations may be necessary should there be any conflicts between banking and commerce when implementing any of these new programs. It is very important to both consumers and merchants to keep card processing costs under control, and it is important for banks to be afforded consideration as well. Perhaps a combination of price controls and/or a benefit program for merchants will help to keep all parties profitable and satisfied. Finally, because non-cash transactions are so popular it is very important to keep the processing costs of non-cash transactions under control. If the private sector is unable to do this, then I suggest the credit and debit card process (and all other non-cash processes) is removed from the private sector and is made a public service and funded at cost by the government and offered at no charge to the users. The same holds true for other banking services if banks cannot continue to offer free or low cost banking services. We cannot afford to have banking matters upset commerce. From, Mark Nichols Variety Marketplace Fed Docket No. R-1404 | Regulation II - Debit Card Interchange Fees and Routing