

From: Tami N. Donovan
Subject: Reg I I - Debit card Interchange

Comments:

January 31, 2011

Federal Reserve Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Federal Reserve Board:

Federal Reserve Board of Directors

Re: Comment on Fed. Docket No. R-1404

Dear Federal Reserve Board of Directors:

My Credit Union management, officials, and staff are very concerned with the Federal Reserve Board's proposed regulations regarding debit card interchange fees and routing. We believe small issuers like us need to be protected from lower interchange fees. One of our biggest concerns with the proposed regulation centers around the fee structure which excludes a number of reasonable costs and the fact that as the issuing financial institution we bear all of the liability for the transactions. We oppose both fee Alternative 1 and Alternative 2.

We also feel that fraud prevention and data security costs have not been considered within the fee structure recommended by you. We spend a huge amount of money annually to ensure data security and to continue to update our fraud prevention tools as new scams and fraudulent activities are exposed. The current costs associated with fraud prevention could not be recouped with future legislation - the cost needs to be addressed with current legislation in order to continue to provide a safe and secure system for our members. We believe the rate setting rules need to be delayed until fraud preventions costs can be reviewed and a reasonable rate adjustment made to the proposed fee structure.

The regulation calls for a two-tiered system to be put in place. We urge the Federal Reserve Board to adopt routing "Alternative A" which requires issuers to provide debit cards that can be used over two unaffiliated networks rather than requiring the heavier burden proposed under "Alternative B." Requiring more than two networks does not conform to current statutory requirements and would be an unreasonable burden on our Credit Union which could in turn negatively impact service to our members. Further, we feel that even if a two-tiered system is put in place, the cost of developing and maintaining the system would be passed on by the processors to the issuer.

We also feel that ATM transactions and networks do not have any place under this regulation. ATM transactions are not typically a payment to a merchant and as such should not fall under this regulation. ATM machines

already fall under a variety of regulations including the fact that the network provider names be posted visibly on the machine for the consumer's benefit.

In closing, we strongly feel that the proposed regulation needs to be delayed to allow time for further (or any) study and in-depth analysis done on each point of the plan. To act hastily benefits no-one and costs everyone.

Sincerely,

Tami N. Donovan