

From: Chesapeake Financial Shares, Jeffrey M. Szyperski  
Subject: Reg I I - Debit card Interchange

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Comments:

February 9, 2011

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

Dear Ms. Johnson:

I am writing to comment on the proposed Federal Reserve System's debit card interchange ruling.

Let me get straight to the point.

- The Interchange Amendment sponsored by Senator Durbin passed with little or no study as to the systemic effects this would have on banks, merchants and consumers. The 7-12 cent range put forth in your proposed rule is outrageously low and will have the effect of limiting debit card offerings from banks of all sizes in addition to having a ripple effect of forcing banks to increase fees elsewhere.

- The current rate proposed in the rule does not effectively compensate banks for the costs associated with debit card transactions. In fact, it's not even close.

- We are a \$600 million asset bank and are under no illusions that this regulation would only affect banks larger than \$10 billion in assets. It simply defies free market principles. All banks will be affected, and community banks even more so since they do not have the range of services (capital markets, international, etc...) the larger banks do with which to blunt the income impact of this legislation.

-Currently, community banks are the stalwarts ( I am a little biased here) providing much needed lending to the small business sector in this lagging economy. Despite reports to the contrary, we have not given up on our communities nor question our role in being a catalyst for their recoveries. This rule would severely curtail our ability to be continuing players in the recovery.

-Our bank is in the top 1% of the community banks in the country from a three year return on equity perspective. We estimate, once fully implemented and market forces drive down rates, that this single provision could cost us 10% of our net income. For community banks less profitable than us, this percentage goes much higher!

-Simply put, if the Federal Reserve looks to preserve the community bank sector in our nation, this rule should be significantly modified upward.

I would appreciate the Federal Reserve's due consideration of this matter.

It is of integral importance to ALL banks, not just those over \$10 billion in assets.

Sincerely,

Jeffrey M. Szyperski  
Chesapeake Financial Shares