



Credit Union National Association

cuna.org

BILL CHENEY
President & CEO

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May 2, 2011

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
21st Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Bernanke:

On behalf of the Credit Union National Association, I am writing to urge the Federal Reserve Board to consider providing a substantial delay in the provisions on exclusivity arrangements and routing restrictions addressed in the Board's proposal to regulate debit interchange fees and related issues. This letter supplements the four previous comment letters that CUNA has filed separately or with other organizations (Docket No. R-1404; RIN No. 7100 AD 63). CUNA is the largest credit union advocacy organization in this country, representing about 90% of the nation's approximately 7,600 state and federal credit unions.

CUNA continues to support efforts in Congress to delay the implementation of the interchange amendment but as the Board continues to work on the final rule, I wanted to reinforce our very serious concerns and our recommended changes to protect small issuers from the full impact of the debit interchange rule, as Congress intended.¹

One area of concern relates to the routing and exclusivity provisions under Section 1075(b)(1) of the Dodd-Frank Act. As the Board's discussion of the debit interchange proposal on December 16, 2010 demonstrated, there is little clarity on the impact that these statutory provisions will have on the marketplace. Also as the Board's discussion supports, there is a significant likelihood that these provisions will undermine the exemption for small issuers. There are also concerns about the effects of these provisions on government debit card programs.

¹ In the letter CUNA filed February 22, 2011, we urged the Board to include amendments in the final rule that would require networks to ensure a two-tiered system would be operated under which small issuers could receive debit interchange fees that are not restricted by the Board's regulation. To help accomplish this objective, we urged the Board to require the networks to report regularly on their efforts to establish and maintain such a system. We also urged the Board to raise the ceiling on permissible debit interchange fees for large issuers to include fraud prevention and other reasonable costs associated with debit cards programs.



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In light of these issues, and consistent with our previous comments to the Board regarding the need to delay the impact of the rule, we urge the Board to postpone compliance for all issuers with the provisions of Section 1075(b)(1), the exclusivity and routing provisions, for 24 months.

In our view, the Board is authorized to provide such a delay under Section 1075(b)(1). The Board is directed to prescribe rules regarding these provisions, but there is no specific deadline for them to take effect -- unlike the measures in Section 1075(a) regarding rate standards, which have a specific compliance date.

Delaying the effective date of these provisions would not undermine merchants' ability to pay lower fees to large issues. Such a delay would, however, allow time for the exemption to work for small issuers, as Congress intended, without any group of issuers or the federal government being harmed as a result of compliance with the routing and exclusivity provisions.

The regulation of debit interchange fee income is one of the most critical issues facing the 70% of credit unions that offer debit card programs to their members; by law they can only build capital from retained earnings such as from fee income. We urge the Board to give full consideration to delaying the routing and exclusivity provisions. Thank you for your attention to these very important issues.

Best regards,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long horizontal flourish extending to the right.

Bill Cheney
President and CEO

cc: All Federal Reserve Board Governors
Federal Reserve Board General Counsel Scott G. Alvarez