

Proposal: 1748 (AG15) Regulation II - Debit Card Interchange Fees and Routing

Description:

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From: John A. Richardson

Proposal: 1748 (AG15) Regulation II - Debit Card Interchange Fees and Routing

Subject: R-1748; Regulation II - Debit Card Interchange Fees and Routing

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Comments:

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Proposal: Debit Card Interchange Fees and Routing [R-1748]

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First name: John

Middle initial: A

Last name: Richardson

Affiliation (if any):

Affiliation Type: ()

Address line 1:

Address line 2:

City:

State:

Zip:

Country: UNITED STATES

Postal (if outside the U.S.):

Your comment: Re: Docket No. R-1748, RIN 7100-AG15 Dear Board of Governors of the Federal Reserve System Members, Thank you for the opportunity to comment on Debit Card Interchange Fees and Routing. I support the Federal Reserve Board of Governors' proposal to ensure merchants have options amongst competitive networks when processing debit transaction. I also encourage immediate action to clarify the routing competition provisions and reduce the regulated rate as required by law. One area in which I encourage the Board to make modifications is in the provision requiring only one network per authentication method. While this stipulation was applicable when the debit reforms first went into effect, innovation and technological advancements make it no-longer necessary and instead could create a loophole to further limit merchant choice. The Board has an opportunity to foster competition and innovation in the routing and authentication space while enforcing merchant's routing rights. This can be accomplished by the Board requiring that an issuing bank permit debit networks enabled on a card to use any authentication form a network supports. In addition to requiring issuing banks to allow for networks to authenticate any way they are capable; it is just as important for the Board to ensure network rules do not limit merchant choice. Currently, the global card brand operating rules prohibit their competitors on the Common AID from conveying that a transaction was authenticated via biometrics. Instead, they are limited to sending that there was no card holder verification, even though there was biometric authentication. There is not technological reason for the limitation, only a result that a merchant's choice on networks is limited if a customer used biometric authentication. Arbitrary rules like this stifle competition and should not be permitted by the Board. The Board also must act swiftly to lower the regulated debit rate. The current rate of 21 Cents, plus 5 basis points plus 1 Cent for fraud adjustment has not been lowered since the law went into effect even though issuer costs have reduced by about half in that time. Additionally, fraud losses have shifted significantly away from issuers and onto merchants, removing any reason for the 1 Cent fraud adjustment allowance that is still being collected. I thank the Board for acting on these issues and providing a forum in which to provide comments. Sincerely John A. Richardson