



May 9, 2024

Ann. E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th St. and Constitution Ave. NW
Washington, DC 20551

**Re: Docket No. R-1818, RIN 7100-AG-67
Notice of Proposed Rulemaking: Debit Card Interchange Fees and Routing**

Dear Ms. Misback:

On behalf of the Energy Marketers of America (EMA), I submit these comments regarding the Federal Reserve Board's ("Board" or "Fed") Notice of Proposed Rulemaking ("NPRM") which aims to reduce the maximum debit interchange fee for regulated debit card issuers and to establish a regular process for updating the interchange fee limit every other year.

EMA is a federation of 48 state and regional trade associations representing family-owned and operated small business energy marketers including 60,000 convenience stores throughout the United States. Energy marketers represent a vital link in the motor and heating fuels distribution chain. EMA members supply 80 percent of all finished motor and heating fuel products sold nationwide, including renewable hydrocarbon biofuels, gasoline, diesel fuels, biofuels, heating fuel, jet fuel, kerosene, racing fuel, and lubricating oils. The vast majority of these energy marketers qualify as small businesses under U.S. Small Business Administration size categories for both wholesale and retail entities.

EMA applauds the Fed for proposing these much needed and long overdue improvements to the debit interchange fee market. EMA urges the Board to move forward with its proposed rule, however, the Board should reduce fee levels and include safeguards to prevent big bank manipulation of the process.

1. **The lower proposed rate is still far too high.** The proposed rulemaking would allow the largest banks to have a debit interchange windfall that nearly quadruples the amount of their costs. Reining in unquestionably excessive debit swipe fees will help Main Street businesses manage a cost that has for too long been insulated from marketplace competition, but the Federal Reserve proposal just doesn't go nearly far enough.

2. The Board **must safeguard the process for future fee limit adjustments** so that banks are not able to manipulate it by inflating or misrepresenting costs. That is why we support the proposal to begin updating the debit swipe fee limits every other year, especially since the limits have not been touched since they were put into place 12 years ago.
 - Swipe fees are one of the highest operating costs our businesses face. In fact, they are our second-highest operating cost after labor. This is neither reasonable nor fair to energy marketers, and our customers who are forced to pay higher prices when swipe fees are fixed at windfall levels. Negotiating costs or finding marketplace alternatives, however, is out of the question due to the Visa and Mastercard dominance over the payment card markets.
 - Not only were the debit fee limits that were established in 2011 higher than they should have been then, but debit issuer costs have fallen by about half since then.
3. The Fed **must also carefully monitor the cost data** that is submitted by the big banks to make sure they don't try to manipulate the system by inflating or misrepresenting their costs.
4. The **proposal to reduce the fees to cover fraud losses should also be adjusted.**
 - The Fed's own data shows that merchants now pay for more fraud losses than issuers pay. That is a major shift since the Fed finalized its rule.
 - So, there should not be any fees charged to merchants to cover issuer's fraud losses. If there is to be any reimbursement to cover fraud losses, it should be paid by issuers to merchants – not the other way around.

Reining in debit swipe fees will help marketers, convenience store owners, and their customers to push back against a payment card market that is dominated by only two worldwide payment-processing corporations and leaves competition to languish.

Sincerely,

Sherri Stone

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