



May 10, 2024

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

RE: Notice of proposed rulemaking on Regulation II; Docket No. R-1818, RI 7100-AG67

Dear Ms. Misback:

I am writing on behalf of Pike National Bank to comment on the Notice of Proposed Rulemaking to amend Regulation II ("NPRM") issued by the Board of Governors of the Federal Reserve System ("Board"). The Board should not amend Regulation II as proposed in the NPRM because it will have a negative effect on all financial institutions and consumers.

Pike National Bank celebrated 38 years of banking on September 30, 2023, thanks to the dream the late Joe Sones had over 38 years ago of having a local bank focusing on the needs of our community. We owe our very existence to Joe Sones who had the foresight, work ethic, and faith in our community to bring to reality his dream for a community bank dedicated to improving the lives of his friends, neighbors, and associates by improving the banking services offered to all people. His leadership and generosity were unparalleled, and his innovative thinking was even more unique. Over these 38 years, we have grown to be a community bank with assets in excess of \$350 million and have over 80 employees. Our mission is to provide the banking services and expertise necessary to improve the quality of life in Southwest Mississippi.

We are submitting these comments to the Board to make it aware of the harm that Regulation II has caused since it was implemented and the additional harm that will result from enacting the NPRM.

The new reduction in the interchange fee cap proposed in the NPRM will force Pike National Bank to take action to mitigate the detrimental effect on itself and our customers. This will cause us to raise fees on checking accounts and loans. Fraud through debit cards is rampant. Based on reports from our core provider, our bank had debit card fraud cases in excess of \$65,000 for 2023. If the Interchange Fee Cap is implemented, with our current expenses, including reimbursing customers for fraudulent transactions and staffing expenses in our Debit Card department, we will be faced with a large strain on non-interest income. This will result in delays in implementing new products and services for our customers.

Also, the NPRM would create financial and operational challenges for Pike National Bank. The Board would change the interchange fee cap every other year without seeking

comments. The announcement would be made on March 31 of a given year and become effective three months later on July 1. Pike National Bank forecasts revenues based on existing interchange; the changes to the interchange fee cap with only three months prior notice could cause those forecasts not to be useful.

Finally, the NPRM comes at a time when Pike National Bank and the industry more generally are still trying to adjust to the most recent amendment to Regulation II, which went into effect on July 1, 2023. That amendment did not directly affect the interchange fee cap, but it forced us to enable a PINless single-message network for ecommerce transactions. PINless networks do not have the security features of other networks, and therefore we are also likely to face increased costs from fraud losses. In addition, those rules still have not been fully implemented by acquiring banks and we do not believe it would be responsible for the Board to finalize this rule without knowing how a rule from less than a year ago is impacting financial institutions, card fraud, and consumers. If the Board also finalizes the NPRM, it will negatively impact our financial institution and customers, which may imperil access to basic financial services and drive further consolidation in the industry. We believe these predictable outcomes will fail to promote the safety and soundness of our financial system and will harm consumers.

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If you have any questions regarding our comments, please contact the undersigned at (601) 249-4651 or Nhall@pnb-ms.net.

Sincerely,



Nichole Hall
Chief Operating Officer