

**Meeting Between Vice Chair for Supervision Barr and Staff of the Federal Reserve Board  
and Representatives of Merchant Trade Associations  
May 29, 2024**

**Participants:** Vice Chair for Supervision Michael S. Barr, Christine Graham, and Mark Manuszak (Federal Reserve Board)

John Drechny (Merchant Advisory Group); Austen Jensen (Retail Industry Leaders Association); Douglas Kantor (NACS); Stephanie Martz (National Retail Federation); Daniel Swanson (DCSwanson LLC)

**Summary:** Vice Chair for Supervision Barr and staff of the Federal Reserve Board met with representatives of merchant trade associations regarding the Board's notice of proposed rulemaking on Regulation II. The trade association representatives expressed their views that (i) the proposed base component of Regulation II's interchange fee cap is too high and would yield excessive margins for high-volume, low-cost debit card issuers; (ii) the *ad valorem* component of the proposed cap provides disincentives for issuers to combat fraud and shifts too much of the cost of fraud onto merchants; and (iii) the standards that issuers must currently meet to qualify for the fraud-prevention adjustment do not require issuers to take steps to meaningfully reduce fraud and should be made more stringent. The representatives also provided their views on the effects a reduction in the interchange fee cap would have on small issuers and consumers.