

## Regulators on Proposed Debit Interchange Rules

Regulators believe that the small bank exemption won't work...

**"We're still not sure whether it will work.....There are market forces that would work against the exemption."***Fed Chairman Ben Bernanke at a 5/12/11 Senate Banking Committee Hearing*

**"It's going to affect the revenues of the small issuers and it could result in some smaller banks being less profitable, or even failing."**

*Fed Chairman Ben Bernanke at a 5/12/11 Senate Banking Committee Hearing*

**"I do think this is going to reduce revenues at a number of smaller banks, and they will have to pass that on to customers in terms of higher fees."**

*FDIC Chairman Bair at a 5/12/11 Senate Banking Committee hearing*

... and that a two-tiered system is unlikely to be maintained to protect small institutions...

**"A number of networks have expressed their interest or willingness to maintain a tiered interchange fee system – but of course that is not required."**

*Fed Chairman Ben Bernanke at a 5/12/11 Senate Banking Committee Hearing*

**"If their [the Federal Reserve] view is that there's no legal authority to require that, it does become even more problematic."**

*FDIC Chairman Bair at a 5/12/11 Senate Banking Committee hearing*

## Outline of Compromise Amendment

12 month delay of interchange provisions.

6 month study focused on: all cost, impact on consumers, effectiveness of small issuer exemption and impact of routing and exclusivity.

Calls on Fed, FDIC, OCC and NCUA to make a determination whether the statute or rules:

- Do not include all fixed and incremental costs
- May adversely impact debit card consumers; or
- The small issuer exemption may not be effective in practice.

If 2 of the Agencies, including the Fed make any one of those determinations, then the Fed is directed to rewrite debit interchange rules within 6 months, taking into account all costs.

Current rules are suspended until a determination is made. If a determination is not made, then current rules would move forward.

Establishes a small issuer review process, beginning a year after the rules are implemented directing the Fed to examine the debit interchange market and the effectiveness of the small issuer exemption. The Fed will report to Congress on its findings and provide recommended regulatory or legislative remedies to mitigate potential harm to small issuers.