

July 28, 2025

Via Electronic Delivery

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

Re: FR 3064; OMB No. 7100-0344, Proposed Agency Information Collection Activities; Comment Request

Dear Ms. Misback:

The undersigned trade associations (the “Associations”)¹ write with respect to the Board of Governors of the Federal Reserve System’s (“Board”) request for comment on its proposal to extend for three years, without revision, the Interchange Transaction Fees Survey (FR 3064).²

The Associations respectfully write to reiterate our long-standing concerns about the limitations of the Board’s Debit Card Issuer Survey (FR 3064a; referred to herein as the “Issuer Survey”).³ The information gathered from the Issuer Survey and the Board’s use of the limited information provided therein has a significant adverse impact on the debit card marketplace by painting an incomplete picture of the costs incurred by issuers with respect to debit card transactions. The impact and conclusions drawn from this limited information would be more significant and direct if the Board were to finalize as proposed the 2023 amendments to Regulation II (“2023 Proposed Rule”),⁴ which the Associations strenuously oppose.⁵ The 2023 Proposed Rule would automatically update the interchange fee cap every other year going forward by directly linking the interchange fee cap to the limited data from the Issuer Survey.⁶ It is critical that Board policy be informed by robust, accurate, and complete data.

As discussed further herein, while the Associations acknowledge the practical utility of the Issuer Survey, there are opportunities to enhance the Issuer Survey to more accurately capture the current, comprehensive costs incurred by debit card issuers to better inform Board policymaking. Specifically, the Board should amend the Issuer Survey in several key areas to ensure that it captures the full range of costs incurred by issuers with respect to electronic debit card transactions,

¹ The Associations include the American Bankers Association, America’s Credit Unions, the Clearing House Association L.L.C., the Consumer Bankers Association, the Independent Community Bankers of America, and the National Bankers Association. Descriptions of the Associations are provided in Appendix A.

² 90 Fed. Reg. 22,726 (May 29, 2025).

³ See e.g., Letter to Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, from The American Bankers Association et al. (Feb. 22, 2011); Letter to Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, from The American Bankers Association et al. (Dec. 17, 2013); Letter to Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, from The American Bankers Association et al. (Oct. 11, 2016); Letter to Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, from The American Bankers Association et al. (June 7, 2019); Letter to Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, from The American Bankers Association et al. (Feb. 1, 2022).

⁴ 88 Fed. Reg. 78,100 (proposed Nov. 14, 2023).

⁵ See Letter to Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, from The American Bankers Association et al. (May 10, 2024).

⁶ See *id.*

while balancing the burden on those required to complete the Issuer Survey. These amendments would help to ensure that the Issuer Survey more accurately reflects the current state and features of the debit card marketplace, which would enhance the value of the survey responses to the Board and to other stakeholders. To achieve this objective and as discussed in greater detail below, the Associations strongly encourage the Board to:

- Publish the 2023 Issuer Survey data;
- Revise the Issuer Survey to capture all costs incurred by the issuer with respect to electronic debit transactions;
- Amend the Issuer Survey to better reflect the current state of the debit card marketplace; and
- Publish additional information about the number and completeness of Issuer Survey responses.

I. Background

Section 920(a) of the Electronic Fund Transfer Act⁷ (“EFTA”) requires the Board to publish, at least every two years, data on costs incurred, and interchange fees charged or received, by debit card issuers and payment card networks in connection with debit card transactions.⁸ In order to fulfill this statutory mandate, Section 920(a) provides the Board with the authority to require issuer reporting on certain costs related to debit card transactions.⁹

The Board accomplishes this requirement through the Interchange Transaction Fees Survey, including the Issuer Survey, which collects data from debit card issuers that, together with affiliates, have assets of \$10 billion or more (“covered issuers”). Currently, the Issuer Survey solicits information regarding (1) volumes and values of debit card transactions; (2) volumes and values of chargebacks and returns to merchants; (3) costs incurred in connection with the authorization, clearance, and settlement of debit card transactions; (4) other costs incurred in connection with particular debit card transactions; (5) costs incurred by debit card issuers to prevent fraud in debit card transactions; (6) interchange fees charged or received by debit card issuers in connection with debit card transactions; and (7) the incidence and loss associated with fraudulent debit card transactions.¹⁰

II. The Board Should Publish the 2023 Issuer Survey Data.

We first note that the Board has yet to publish the summary data from its calendar year 2023 survey, which was submitted to the Board on May 1, 2024—nearly 15 months ago. In most years, the Board publishes Issuer Survey data 6 to 9 months after data is submitted.¹¹ The 2023

⁷ 15 U.S.C. §§ 1693 *et seq.*

⁸ 15 U.S.C. § 1693o-2(a)(3)(B).

⁹ *Id.* Additionally, Regulation II requires covered issuers to submit the Issuer Survey to the Board. 12 C.F.R. § 235.8(b).

¹⁰ Federal Reserve Board, *Regulation II (Debit Card Interchange Fees and Routing), Reports and Data Collections, Debit Card Issuer Survey*, <https://www.federalreserve.gov/paymentsystems/regii-data-collections.htm> (last updated Mar. 26, 2024).

¹¹ For example, the Board published the 2013 data in September 2014, 6 months after the submission deadline; it published the 2019 data in May 2021, 9 months after the submission deadline.

survey data may provide insight into the initial effects of the Board’s card-not-present (“CNP”) routing amendments to Regulation II, which took effect on July 1, 2023.¹² Based on an industry survey, our members report significant growth in fraudulent CNP transactions as well as issuer fraud losses on single message networks, even though these rule changes were only effective for half of the survey year and few merchants had implemented changes to make routing determinations for single-message-network CNP transactions. As a result, the Associations expect the published 2023 data to reflect increases in issuer costs related to fraud for the 6 months of that year in which the rule change was effective.¹³

As the Board acknowledged in its 2023 Proposed Rule, “[i]n 2021, the most commonly reported and highest-value fraud types for covered issuer transactions were [CNP] fraud,” which “accounted for almost half of overall fraud in 2021.”¹⁴ The Board also observed that in 2021, single-message transactions had on average lower fraud losses than dual-message transactions, which the Board attributed in part to “differences in the use of single- and dual-message networks for [CNP] transactions” because “single message networks continue to be used relatively rarely for [CNP] transactions.”¹⁵

The impact of additional changes to the debit card market since 2021 may be reflected in the 2023 data, including revisions to the card network rules designed to shift fraud losses from merchants to card issuers and the rapid growth in contactless and mobile wallet usage. The Associations respectfully request that the Board publish the summary data from its calendar year 2023 survey as soon as possible.

III. The Issuer Survey Should Be Revised to More Accurately Capture Costs.

To better inform the Board’s policy decisions in Regulation II, the Issuer Survey should collect information across multiple categories of debit card issuer cost data.¹⁶ This should broadly include all costs incurred by an issuer with respect to electronic debit card transactions, including costs broadly related to the authorization, clearance, or settlement (“ACS”) of debit card transactions, as well as other costs issuers incur in facilitating debit card transactions.¹⁷ Currently, the Issuer Survey currently fails to capture all transaction-related costs and, thus, fails to capture cost data that rightly should be considered by the Board in establishing standards for assessing recoverable interchange transaction fees under Section 920(a).¹⁸ The Board’s request for costs in the Issuer Survey is too narrow, omits several costs actually incurred by debit card issuers with respect to debit card transactions, and underestimates the true costs of debit card issuers in the modern economy.

Specifically, the Board’s interchange fee cap and associated Issuer Survey omit numerous transaction-related cost components. While the Board includes transaction-monitoring costs, in-

¹² 12 C.F.R. § 235.7(a).

¹³ We expect the 2025 data to show even larger increases in issuer costs related to fraud because the rule change will be effective for the entire year.

¹⁴ 88 Fed. Reg. 78,100, 78,118.

¹⁵ *Id.*

¹⁶ 15 U.S.C. § 1693o-2(a)(3).

¹⁷ *Id.*

¹⁸ In addition to its failure to capture all costs associated with electronic debit transactions, the Issuer Survey is not an accurate reflection of consumer costs incurred because of Regulation II and does not provide the Board with a full view of the statutory factors it must consider when rate setting.

house costs, third-party processing fees, network processing fees, and fraud losses, it excludes many essential issuer costs, including costs relating to offering deposit accounts, rewards programs, non-sufficient funds (“NSF”) handling, NSF losses, debit card compliance costs, cardholder inquiries, fraud-prevention costs (including those relating to international fraud), and costs related to tokenization and digital wallets. The Issuer Survey would better reflect the costs “incurred by the issuer with respect to the transaction” by including these and other transaction-related line-item costs, a comprehensive list of which are included in Appendix B. These categories represent significant costs to issuers associated with debit card transactions, with the costs of cardholder inquiries alone being nearly as large as the ACS costs for which the Board currently collects data. We discuss a subset of these critical costs omitted by the Issuer Survey and the interchange fee cap below.

Cardholder Inquiry Costs. Costs that issuers incur in receiving, responding to, and resolving cardholder inquiries relating to debit card transactions are costs specific to those debit card transactions and are currently not collected for the Issuer Survey or considered in setting the interchange fee cap. Indeed, the Board acknowledged in the original 2011 rulemaking that these costs relate to specific transactions.¹⁹ The Board did not include them in setting the fee cap only because issuers at the time did not separate out cost data for handling inquiries related to debit card transactions from the cost of handling other customer inquiries.²⁰ Responding to customer inquiries about debit card transactions is not only a necessary customer service by covered issuers but also a compliance obligation, as many of these “inquiries” are related to disputes governed by the EFTA and implementing Regulation E, or payment card network rules. Additionally, debit card issuers are prohibited under the EFTA from charging customers for responding to these inquiries, making it all the more important that the costs of handling such inquiries be captured by the survey instrument. While the survey instrument used in 2011 may not have been able to “accurately separate out and assess cost data for customer inquiries related solely to particular debit transactions,”²¹ this is no longer the case and more granular data is now available, and the Board must ensure that the Issuer Survey is now fit for that purpose.

Non-Sufficient Funds Costs. In 2011, the Board excluded the costs of NSF handling and losses from the interchange fee cap because it believed that “[t]he issuer incurs [these costs] as a service to its cardholders, and generally imposes fees to recover the associated risk.”²² Yet, the Board’s premise is now stale as neither we nor the Consumer Financial Protection Bureau are aware of any issuer that charges NSF fees for declined debit card transactions. Additionally, nearly two-thirds of financial institutions with over \$10 billion in assets have eliminated NSF fees for all kinds of transactions.²³ Thus, issuers are no longer offsetting the costs of NSF handling and losses with NSF fees, while the associated expenses are costs specific to debit card transactions when incurred in connection with NSF transactions. The Board must ensure that these costs are properly and accurately captured through the Issuer Survey.

¹⁹ 76 Fed. Reg. 43,394, 43,429 (July 20, 2011).

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ Consumer Financial Protection Bureau, *Vast majority of NSF fees have been eliminated, saving consumers nearly \$2 billion annually* (Oct. 11, 2023), <https://www.consumerfinance.gov/data-research/research-reports/vast-majority-of-nsf-fees-have-been-eliminated-saving-consumers-nearly-2-billion-annually/>.

International Fraud Losses. Issuers also incur material costs as a result of international fraud, even where an international merchant location is involved. International fraud losses may account for a material portion of an issuer’s total fraud losses on U.S.-domiciled debit card accounts. In these scenarios (as with most cross-border fraud losses), the critical data compromise step leading to the fraudulent debit card activities on the account frequently occurs in the country in which the debit card is issued (i.e., inside the United States for U.S.-issued debit cards) even though the second step, the fraudulent transaction, is perpetrated at a merchant location outside the country where the account is held (i.e., outside of the United States for debit cards issued on U.S.-domiciled accounts). For example, a U.S. debit cardholder who has never traveled outside the United States may have debit card information compromised in the United States that is then used to perpetrate fraud at a merchant location in another country, where retail practices and law enforcement may be less effective in preventing such fraudulent activity. As a result, international fraud losses should be included in the Issuer Survey because they represent a real, often significant cost to issuers related to their U.S.-domiciled debit card accounts and transactions.

Further, excluding international fraud losses is at odds with the Board’s approach to other cost data that the Board collects through the Issuer Survey. For example, many issuers maintain backup or co-located transaction processing systems (or pay their third-party processors to maintain these systems) that include infrastructure located outside of the United States. Although these costs are incurred outside the United States, they are an integral component of an issuer’s ACS costs under domestic debit card programs and are collected in the Issuer Survey. Similarly, call centers used to facilitate fraud prevention and customer service may be located outside of the United States, but these costs also are collected in the Issuer Survey because they relate to U.S. debit card transactions.

In issuing Regulation II, the Board construed the scope of its regulatory authority under Section 920(a) as being limited to accounts domiciled and electronic debit transactions occurring in the United States. Consequently, Regulation II limits both the definition of “account” to accounts “located in the United States” and the definition of “electronic debit transaction” to “use of a debit card by a person as a form of payment in the United States.”²⁴ However, the Board did not include similar limiting language in the definition of “merchant,” which means “any person that accepts debit cards as payment.”²⁵ In an evolving marketplace, where online marketplaces enable cardholders to make purchases from overseas vendors or sub-merchants, the Board should acknowledge the borderless fraud landscape that confronts cardholders and issuers. In any event, a limitation on the Board’s authority to regulate activity outside the United States does not preclude the Board’s consideration of issuer debit card costs associated with U.S.-domiciled accounts and collection of associated data in the Issuer Survey. The Board’s limited scope of authority to regulate does not mean it is prohibited from considering costs simply because an element of those costs—which neither would have arisen nor been incurred by an issuer but for the issuance of a U.S.-domiciled debit card—occurred outside the United States.

Tokenization Costs. Given the growth of digital wallet transactions, the Issuer Survey should be revised to expressly capture the costs associated with tokenization and digital wallet transactions. Digital wallets provide security benefits—such as tokenization of account numbers—but often come with significant costs paid by issuers to digital wallet operators. As digital wallets

²⁴ 12 C.F.R. § 235.2(a)(1), (h)(1).

²⁵ 12 C.F.R. § 235.2(l).

become increasingly popular, the Board should collect data from issuers regarding these costs in the Issuer Survey.

IV. The Issuer Survey Should be Amended to Reflect the Current State of the Debit Card Marketplace.

The Issuer Survey has existed in largely the same form since its inception and does not reflect the contemporary state of the debit card marketplace.²⁶ Since the original publication of the Issuer Survey more than 15 years ago, the debit card industry has undergone significant change, driven by technological advancements and marketplace trends. As a result, the Issuer Survey no longer captures the present-day costs of processing transactions, which limits its value as a rate setting tool.

For example, payment processing fees have emerged as a leading cost to merchants, encompassing a significant portion of the fees paid by merchants to accept electronic debit transactions.²⁷ This is a different economic reality than the Board considered when promulgating Regulation II and developing the Issuer Survey instrument. Other legacy views of the debit card marketplace pervade the Issuer Survey, including the formal separation of data from single-message networks and dual-message networks.

The Board should reimagine the Issuer Survey to better reflect the current costs incurred by Issuers (e.g., tokenization costs discussed above), the evolution of debit card routing and authorization (e.g., PIN-less debit), and the economics of debit card transactions (e.g., merchants incurring third-party processor costs). Only then will the Board’s policymaking truly consider the evolving reality of the debit card market.

V. The Board Should Publish Information About the Number and Completeness of Issuer Survey Responses.

The Board’s report summarizing the Issuer Survey data, does not include the number of survey responses or information as to the completeness of the surveys submitted. This omission undermines public confidence in the accuracy of the Board’s reported cost data, particularly to the extent that such data is used to directly set interchange fee caps. Providing clarity on how the data is analyzed and compiled would better assist the public in understanding and interpreting the data, as well as informing issuers of the appropriate ways in which to complete the Issuer Survey, and allowing the public to provide additional feedback on the survey instrument itself. For example, if non-responsive fields are treated as an issuer reporting no costs for a category, then summary data may be skewed downwards, and this fact would be unknown to issuers completing the survey or

²⁶ Compare Federal Reserve Board, *Regulation II (Debit Card Interchange Fees and Routing), Reports and Data Collections, Debit Card Issuer Survey (Calendar-year 2011)*, with Federal Reserve Board, *Regulation II (Debit Card Interchange Fees and Routing), Reports and Data Collections, Debit Card Issuer Survey (Calendar-year 2023)*, <https://www.federalreserve.gov/paymentsystems/regii-data-collections.htm> (last updated Mar. 26, 2024).

²⁷ Compare Federal Reserve Board, *Regulation II (Debit Card Interchange Fees and Routing), Average Debit Card Interchange Fee by Payment Card Network*, <https://www.federalreserve.gov/paymentsystems/regii-average-interchange-fee.htm> (last updated Oct. 16, 2024) (finding that the Average Debit Card Interchange Fee for covered transactions in 2023 was \$0.23 with an average transaction value of \$48.59), with Nilson Report, *Merchant Processing Fees in the United States Exceeded \$187 Billion in 2024*, <https://www.globenewswire.com/news-release/2025/03/19/3045828/0/en/Merchant-Processing-Fees-in-the-United-States-Exceeded-187-Billion-in-2024.html> (Mar. 19, 2025) (finding that for “every \$100 in card payments merchants accepted in 2024, they paid \$1.57 in fees.”).

those reviewing the summary data. Increased transparency would also allow issuers to better contextualize data points to provide feedback on policy initiatives or the survey instruments themselves, and to improve future responses.

In the future, the Board's published summary data from each Issuer Survey should include the following information to enhance the transparency and utility of the Issuer Survey: (i) how many responses were provided and whether they were all complete responses; (ii) how many responses contain blank or "NR" (Not Reported) values for fields; (iii) the distribution of blank and NR responses across categories of issuers; (iv) how missing data and NR fields are treated; (v) whether outlier responses are excluded; and (vi) whether any other editing or manipulation of the responses is conducted by the Board prior to inclusion in the aggregated publicly published results, either currently or in prior survey years.

* * *

Thank you for considering the views expressed in this letter. We appreciate the opportunity to share our views and would be pleased to discuss any of them further at your convenience.

Sincerely,

The American Bankers Association
America's Credit Unions
The Clearing House Association L.L.C.
The Consumer Bankers Association
The Independent Community Bankers of America
The National Bankers Association

APPENDIX A

The American Bankers Association is the voice of the nation's \$24.5 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard \$19.5 trillion in deposits and extend \$12.8 trillion in loans

America's Credit Unions is the national trade association for consumers' best option for financial services: credit unions. America's Credit Unions advocates for policies that allow credit unions to effectively meet the needs of their nearly 142 million members nationwide

The Clearing House Association L.L.C., the country's oldest banking trade association, is a nonpartisan organization that provides informed advocacy and thought leadership on critical payments-related issues. Its sister company, The Clearing House Payments Company L.L.C., owns and operates core payments system infrastructure in the United States, clearing and settling more than \$2 trillion each day.

The Consumer Bankers Association is the only national trade association focused exclusively on retail banking. Established in 1919, the association is a leading voice in the banking industry and Washington, representing members who employ nearly two million Americans, extend roughly \$3.4 trillion in consumer loans, and provide \$270 billion in small business loans.

The Independent Community Bankers of America has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams.

The National Bankers Association, founded in 1927, champions minority depository institutions, advocating for mission-driven banks that serve underserved and low- to-moderate-income communities. Representing community banks across 43 states and territories, NBA promotes economic empowerment, capital access and financial inclusion.

APPENDIX B

List of Line-item Costs for Proposed Inclusion in the Issuer Survey

The Board does not currently collect data from issuers on a number of additional categories of costs that are “incurred in the course of effecting” debit card transactions but that issuers are able to capture and report to the Board as discrete costs incurred in connection with debit card transaction processing. The Associations have collected these costs from their members in separate data collections. Below is a list of these line-item costs, organized under broad cost categories, for proposed inclusion in the Issuer Survey, to the extent that they are not already included. The Associations note that this list is intended to serve as a broad overview of applicable cost categories, and should be examined at a granular level in the survey instrument.

Fraud-Related Costs

- Fraud prevention costs (including during and beyond authorization)
- Fraud detection and monitoring
- Fraud losses (unauthorized transactions)
- Costs of developing and implementing anti-fraud technologies
- Data breach-related fraud costs

Transaction Processing and Network Costs

- Authorization costs (including personnel, equipment, and systems)
- Transaction monitoring during authorization
- Clearing and settlement costs
- Network fees (per-transaction and allocated fixed network fees)
- Posting transactions to customer accounts
- Storage and recordkeeping of transaction information
- Transaction security costs

Cardholder Customer Service and Inquiry Costs

- General cardholder inquiry and support costs²⁸
- Dispute resolution costs
- Error correction processes (Regulation E compliance)
- Call center operations related to debit card transactions
- Handling of non-sufficient funds (NSF) transactions²⁹
- NSF-related losses

Card Maintenance Costs

- Card replacement (ordinary course and fraud replacement)

Program Setup, Infrastructure, and Account Maintenance Costs

- Agreements with debit card networks

²⁸ In its 2011 final rule, the Board acknowledged that these are includable costs. 76 Fed. Reg. 43,394, 43,429.

²⁹ *Id.*

- Development and distribution of account terms and required disclosures
- System setup for transaction processing
- Account setup costs specific to debit card functionality
- Account maintenance costs related to debit card programs
- Funds loading costs (for prepaid or reloadable debit products)

Rewards and Incentive Program Costs

- Rewards program administration
- Revenue sharing with affinity or rewards partners

Research, Development, and Technology Costs

- Development of new debit card products or features
- Technological upgrades to support secure and reliable debit transactions

Capital and Fixed Costs

- Fixed processing and capital costs (equipment, systems, facilities)
- Scaling infrastructure to accommodate transaction volume growth

Compliance and Regulatory Costs

- Compliance costs related to debit transactions (Regulation II, Regulation E, etc.)
- Costs of legal, audit, and regulatory reporting functions specific to debit cards

Periodic Statement and Account Information Costs

- Providing transaction details on paper or electronic statements
- Online access to account and transaction information for cardholders

Third-Party Service Provider Costs

- All third-party costs associated with debit card operations
- Costs for outsourced transaction processing or support services

Consumer Impact Metrics (Suggested for Broader Data Collection)

- Changes in availability and terms of free checking accounts
- Debit card rewards availability and reductions
- Changes in consumer fees related to debit card use

Other Costs

- Any other direct or reasonably attributable costs related to providing debit card services that issuers can identify
- An “Other Costs” narrative category to allow issuers to explain additional relevant expenses