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Submitted via agency website

July 28, 2025

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

RE: Proposed Agency Information Collection Activities: OMB Control number 7100-0344, FR 3064

Dear Ms. Misback:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to respond to the Federal Reserve Board's Proposed Agency Information Collection Activities on Interchange Transaction Fees Survey. The Board of Governors of the Federal Reserve System (Board) proposes continuing the current surveys without changes for three years. The data from the Debit Card Issuer Survey (FR 3064a) and the Payment Card Network Survey (FR 3064b) (collectively, the Surveys) are used to implement Regulation II requirements regarding debit card transactions, resulting in the biannual Debit Card Report.

While ICBA supports the Board's efforts to collect data necessary for fulfilling Regulation II requirements, we express significant concerns about the structure, utility, and burden of the current survey instruments, particularly FR 3064a, which imposes disproportionate and impractical reporting demands on community banks.

EXECUTIVE SUMMARY

The FR 3064a survey requests over 260 data points and is estimated to require 160 hours to complete. Many of these data elements lack relevance to the Board's statutory objectives and are difficult for community banks to report accurately due to their reliance on third-party processors and the misalignment between survey instructions and operational realities. ICBA recommends eliminating outdated distinctions such as card-present versus card-not-present transactions, consolidating fraud reporting requirements, and removing Sections III and IV,

¹ *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. For more information, visit ICBA's website at icba.org.*

which duplicate data collection without yielding actionable insights.

With these recommended changes, the FR 3064a survey could be streamlined from over 250 data points to fewer than 100, significantly reducing the regulatory burden on community banks while enhancing the accuracy and utility of the data collected.

ICBA also urges the Board to modernize the FR 3064b survey by expanding the scope of reporting entities to include Payment Facilitators (PayFacs), which now play a central role in transaction routing and merchant services. These entities meet the regulatory definition of a payment card network and should be required to report data to ensure a complete and accurate understanding of the debit card ecosystem.

Therefore, it is imperative for the Board to reassess its survey, particularly for covered institutions under \$100 billion in assets. ICBA respectfully submits the following comments and recommendations to support the Board in obtaining an accurate perspective on community institutions for understanding the impacts of Regulation II and fulfilling regulatory requirements.

Below, ICBA outlines specific sections that may be removed or revised to reduce the regulatory burden on community banks, while still enabling the Board to meet its statutory and oversight responsibilities in an efficient and effective manner. Our recommendations include:

- Elimination of card-present and card-not-present data separation;
- Streamlining the collection of fraud data;
- Removing Sections III and IV;
- Expanding entities filing the FR 3064b.

BACKGROUND

FR 3064a collects data from covered institutions, issuers of debit cards that have assets of \$10 billion or more.² The data requested includes the volume and value of debit card transactions; chargebacks and returns; costs of authorization, clearance, and settlement of debit card transactions. Other data collected includes select fraud prevention costs, fraud losses and interchange fee revenue. FR 3064b collects data from payment card networks, including the volume and value of debit card transactions, interchange fees, network fees, and payments and incentives paid by networks to acquirers, merchants, and issuers.

Together, FR 3064b and FR 3064a serve as the bedrock of data for the Board's Regulation II debit card policy formulation. While FR 3064a furnishes the Board with data directly from

² See 88 Fed. Reg. 78101, 78101

covered banks, the FR 3064b holds particular significance for exempt community banks, providing the Board with select exempt transaction metrics.

ICBA previously submitted recommendations regarding the Surveys in our comment letter responding to the proposed amendments to Regulation II.³ In that letter, ICBA expressed several concerns regarding the structure and implementation of the Surveys' instruments. Specifically, we noted that the FR 3064a survey contains significant flaws that compromise the quality and completeness of the data on which the Board is relying, particularly with respect to covered community banks. ICBA joined other financial trade associations in a joint trades letter highlighting concerns with the FR 3064a.⁴

DEBIT CARD ISSUER SURVEY (FR 3064a)

Clarify Directions in Section II: All Debit Card Transactions

Please enter totals only for transactions and associated costs related to debit cards linked to U.S.-domiciled accounts involving a merchant located in the United States during the calendar year (CY) 2023.

ICBA recommends that the survey includes clear and practical guidance on how to define a merchant located in the United States. As the payments landscape has evolved dramatically over the past 15 years, particularly with the growth of internet commerce, it has become increasingly difficult for financial institutions to accurately determine a merchant's physical location.

In many cases, the location of an online merchant is ambiguous. A merchant may operate virtually, with infrastructure spread across cloud services, fulfillment centers, and remote offices. The merchant's presence may not be tied to a single, identifiable geographic location. Moreover, the transaction data available to consumers and financial institutions often reflects a location that does not correspond to the merchant's actual physical presence. For example, the location shown on a consumer's statement may be that of a payment processor or a third-party service provider, rather than the merchant itself. This issue is especially apparent in online transactions through marketplace platforms like eBay, Etsy, and Amazon.com. While these transactions may appear to originate from within the United States, the actual vendors may be located overseas. Issuers cannot determine whether a cardholder purchased a domestic product or one that was shipped internationally. Similarly, some online merchants offer U.S. based purchase options, despite being physically based outside the U.S. In both

³ See Letter to Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, from ICBA (May 11, 2024).

⁴ See Letter to Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, from ICBA, American Bankers Association et al (July 28, 2025).

scenarios, the transaction details may appear domestic.

Given these complexities, ICBA recommends that the Board include specific criteria in the survey to help institutions consistently and accurately classify merchant locations. Without such guidance, responses may vary widely, undermining the reliability of the data collected.

Eliminate Question 1b. Card-present vs. card-not present transactions

ICBA recommends the Board eliminate Question 1b from FR 3064a, which asks issuers to break out debit card transactions and dollar values by card-present (CP) and card-not-present (CNP).

Card-present vs. card-not-present transactions	Volume	Value (\$)
1b. Allocate "1a. Settled purchase transactions" between the following categories: $1b.1 + 1b.2 = 1a$	1a:	1a:
1b.1 Card-present transactions		
1b.2 Card-not-present transactions		

This distinction is outdated and no longer serves a practical utility. Since the survey was developed over 15 years ago, the payments landscape has evolved dramatically, particularly in how card data is entered and how transactions are routed. Today, the CP/CNP framework no longer reliably reflects authorization, clearing, and settlement (ACS) costs, nor does it serve as an accurate proxy for routing options.

Traditionally, CP transactions were associated with magnetic stripe and chip card use, where a consumer was physically present to swipe, dip, or tap the card at a merchant terminal. CNP transactions, by contrast, were typically key-entered and associated with catalog and phone purchases. This model is no longer relevant.

Many modern transactions defy the old CP/CNP categories. Card entry modes today include magnetic stripe, chip, manual key entry, card-on-file, and tokenization. For example, when a consumer uses a tokenized payment app on their phone to tap and pays at a merchant terminal, the card is not physically present even though the consumer is. The industry broadly considers such transactions as "card-present" for risk, although they may be classified under CNP based on legacy data definitions. Similarly, large online retailers increasingly use tokenized credentials for card-on-file purchases to reduce fraud risk, further blurring the CP/CNP risk distinction.

Additionally, the introduction and expansion of PINless debit (i.e., single-message transactions without a PIN), which began in 2018 and expanded significantly during the COVID-19 pandemic, has made it possible to route CNP transactions through payment networks that traditionally required a PIN. The Federal Reserve's 2023 clarification of Regulation II has

further accelerated growth in CNP single-message transactions.

In short, CP and CNP categories no longer align with how transactions may be routed or how ACS costs are incurred. Given that Regulation II establishes a single interchange fee regardless of card entry method or risk profile, collecting this information does not contribute to routing differentiation. As such, requiring covered issuers, especially community banks, to split debit transaction data by CP and CNP creates unnecessary regulatory burden without a commensurate policy benefit.

ICBA strongly recommends removing the CP/CNP distinction in Question 1b, and throughout the surveys, to streamline the survey and reduce unnecessary data collection.

Expand Question 3 authorization, clearance and settlement

FR 3064a falls short in capturing the full spectrum of costs incurred by covered community banks. The growing use of tokenized transactions on debit rails introduces ACS cost elements that the current survey fails to capture. Token-related fees, which are often assessed directly to the issuer, are clearly part of ACS costs and are typically identifiable on invoices from technology partners. FR 3064a should be updated to include a specific line item for token costs to ensure these expenses are properly reflected.

ICBA urges the Board to reconsider the structure and assumptions underlying Survey Question 3, which addresses ACS costs. Community banks overwhelmingly rely on core processors for data storage and reporting. As a result, the Board's request in Question 3b.1 to identify in-house processing costs for ACS is particularly difficult for these institutions to fulfill. The specific instructions provided by the Board for calculating these costs do not align with how community banks record or account for operational expenses. In most cases, covered institutions are unable to isolate internal ACS costs in the manner prescribed, and are therefore forced to report "NR" (not reported) for this item.

Community banks are typically able to report third-party processing costs (Question 3b.2) and network processing fees (Question 3b.3), if these costs are reported to the covered issuer by their debit processing technology partner. Consequently, a significant portion of ACS costs, particularly internal costs, are missing from the total reported in Question 3a. This incomplete data weakens a foundational element of the Board's cost analysis.

3. CY 2023 costs of authorization, clearance, and settlement		Dollars (\$)
3a.	Costs of authorization, clearance, and settlement	3a:
3b.	Allocate "3a. Costs of authorization, clearance, and settlement" between the following categories: $3b.1 + 3b.2 + 3b.3 = 3a$	
	3b.1 In-house costs	
	3b.2 Third-party processing fees	
	3b.3 Network processing fees	

This highlights a broader concern: Regulation II and the Durbin Amendment more generally represent flawed policy. The regulation requires banks to isolate and report narrowly defined components of debit transaction costs while excluding legitimate, related expenses such as cardholder inquiries, non-sufficient funds, and fraud mitigation efforts, even when these activities are directly tied to authorization. The requirement to disaggregate internal costs in this manner imposes an unreasonable and artificial accounting burden on small institutions.

If the survey directions remain in its current form, community banks will continue to struggle with reporting requirements that do not reflect the operational realities of debit card issuance and reporting a value for Question 3b.1 will remain an ongoing challenge.

Consolidate Questions 7-12b fraud questions

ICBA respectfully urges the Board to revise the fraud data reporting requirements in FR 3064a, specifically those related to the breakdown of fraud losses by type. Questions 7 through 12 currently requests covered institutions to report fraud losses separately by card-not-present (CNP), counterfeit, lost and stolen, and other categories. ICBA recommends that these categorical breakdowns be removed from the survey. This information collection does not provide practical utility in relation to debit transaction routing and should be removed.

Debit card fraud is the most significant source of fraud losses for community banks.⁵ Many community banks do not have access to the granular data required to report losses by the specified subcategories. As a result, these institutions are forced to respond with "NR" (Not Reported) for the subsection's questions, rendering the dataset incomplete and inconsistent. ICBA is concerned that these data limitations are not clearly disclosed in the Board's published analyses of the survey responses. The lack of statistical transparency regarding the accuracy and completeness of reported fraud data raises serious concerns about the extent to which the Board's findings accurately represent fraud experiences at community banks.

⁵ Federal Reserve Financial Services, *Key Findings From the Annual Federal Reserve Financial Services (FRFS) Financial Institution Risk Officer Survey (2024)*
<https://www.frbervices.org/binaries/content/assets/crsocms/news/research/2024-risk-officer-survey-results.pdf>

ICBA also reiterates our earlier recommendation to eliminate the use of the "card-not-present" designation throughout the survey. The term is increasingly obsolete and fails to reliably identify electronic commerce transactions. Moreover, the fraud categories currently used in the survey are not mutually exclusive. For example, community banks frequently receive consumer reports of fraud for online purchases classified as "lost and stolen," since the customer's account credentials were used without permission. This overlap further complicates the ability to provide clean and consistent data in the requested format.

7a. Total number of fraudulent transactions

7b. Allocate "7a. Total number of fraudulent transactions" between the following categories:
To the extent possible, include each fraudulent transaction in only one category consistent with how your institution categorizes the loss associated with the fraudulent activity.

7b.1 Card-not-present

7b.2 Counterfeit

7b.3 Lost and stolen

7b.4 Other

<p>7a. Total number of fraudulent transactions</p>	
<p>7b. Allocate "7a. Total number of fraudulent transactions" between the following categories:</p>	
<p><i>To the extent possible, include each fraudulent transaction in only one category consistent with how your institution categorizes the loss associated with the fraudulent activity.</i></p>	
<p>7b.1 Card-not-present</p>	
<p>7b.2 Counterfeit</p>	
<p>7b.3 Lost and stolen</p>	
<p>7b.4 Other</p>	

Additionally, ICBA recommends the removal of the "counterfeit" category from the fraud section. The prevalence of counterfeit card fraud has dropped significantly following the widespread adoption of EMV chip technology. The Board itself has acknowledged this trend in prior publications.⁶ Maintaining a reporting requirement for a largely diminished fraud type adds unnecessary complexity to the survey without yielding meaningful insights.

To streamline the survey and improve data quality, ICBA encourages the Board to align its fraud data collection framework with the Federal Reserve's own Fraud Classifier Model. The Board has promoted the use of this model, and it should set an example by incorporating the classifier into its own data collection instruments. ICBA recommends that the initial focus be placed on distinguishing between authorized and unauthorized fraud, which is an approach that is actionable, relevant, and consistent with industry practice and Regulation E.

ICBA strongly supports efforts to enhance the quality and consistency of data collection related to debit card transactions. However, the current fraud loss breakout requirements in FR 3064a place an undue burden on community banks without generating accurate or actionable insights. We respectfully request the Board to remove the fraud type breakout questions and adopt a simplified and modernized reporting structure based on the Fraud Classifier Model.

⁶ Federal Reserve Board, Report, *2021 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions*, at 1 (Oct. 2023), https://www.federalreserve.gov/paymentsystems/files/debitfees_costs_2021.pdf.

Remove Section III & IV Dual and Single Message Transactions

Section III: All Single-Message Debit Card Transactions
(excluding general-use prepaid card transactions)

Exact copy of Section II (except 1c and 1d would be removed) but for single-message debit programs only.

Section IV: All Dual-Message Debit Card Transactions
(excluding general-use prepaid card transactions)

Exact copy of Section II (except 1c and 1d would be removed) but for dual-message debit programs only.

ICBA requests that the Board remove Sections III and IV of FR 3064a in their entirety. Eliminating these sections would significantly reduce the regulatory burden on community banks by approximately 120 individual data entry points without compromising the quality or purpose of the survey.

Section III duplicates all questions from Section II, requiring issuers to report data separately for single-message debit card transactions (currently approximately 60 data points). Section IV repeats this process for dual message transactions. This layered reporting structure imposes considerable effort on covered institutions, especially community banks, without providing actionable insights aligned with the survey's stated goal of informing ACS cost analysis in relation to routing options.

The Board's *Debit Card Interchange Fee Study* defines the term "single message networks" to refer to alternative networks (e.g., STAR, SHAZAM, NYCE) and "dual-message networks" for legacy four-party systems (e.g., Visa and Mastercard). However, in FR 3064a and accompanying guidance, the Board refers simply to "single-message" and "dual-message" transactions—without any reference to network affiliation.

FR 3064a does not instruct institutions to distinguish between single-message transactions routed over legacy four-party networks (such as Visa) and those routed over alternative networks. As a result, community banks may be reporting significant volumes of four-party network traffic under Section III, which the Board may then misinterpret as representing alternative network routing. This mischaracterization could significantly distort the findings reported in the Board's analysis.

ICBA reiterates its concern that message type, whether single message or dual message, does not equate to routing path. A transaction's message format does not determine whether it was routed over an alternative or traditional network. Therefore, disaggregating data by message type does not meaningfully contribute to the Board's effort to evaluate routing dynamics or ACS cost implications. These sections introduce complexity without a clear policy benefit and should be removed.

To align the survey structure with its policy objectives, ICBA recommends that the Board simplify the data request by asking issuers to report volume and transaction data specific to routing over alternative networks, regardless of message format. This would provide more accurate and policy relevant insights into network routing practices without imposing unnecessary and duplicative reporting requirements.

In their current form, Sections III and IV lack the clarity and utility necessary to justify the burden they place on community banks. Their removal would promote a more efficient and focused data collection process while preserving the integrity of the Board's analysis on debit card transaction routing.

PAYMENT CARD NETWORK SURVEY (FR 3064b)

Transaction volume data for institutions under \$10 billion in assets is captured through FR 3064b and collected from the Networks. ICBA supports this data collection approach, as it is significantly more efficient to gather relevant information from a limited number of payment card networks than to require thousands of small financial institutions to submit the FR 3064a individually. ICBA acknowledges and values the Networks' continued cooperation in supplying this important data.

Many of ICBA's recommended changes to the FR 3064a are likewise applicable to the FR 3064b instrument. For instance, ICBA recommends eliminating the requirement to separate card-present from card-not-present transactions. Additionally, the current mandate that Payment Card Networks submit separate surveys for dual-message and single-message transactions further emphasizes a fundamental concern: message type and network routing are distinct concepts and should not be treated synonymously in the reporting framework.

Expansion of Reporting Entities under FR 3064b

Community banks and small businesses are vital to local economies, anchored by trust-based relationships and service-oriented business models. Community banks provide roughly 60% of small business loans nationwide and consistently receive the highest satisfaction ratings among small business borrowers.⁷ However, since the implementation of the Durbin Amendment, many community banks have ceased providing merchant acceptance services. In today's ecosystem, most small and medium-sized businesses (SMBs) rely on Payment Facilitators (PayFacs) to accept and process debit card payments. These entities offer proprietary services and technological infrastructure to route transactions and settle funds and charge merchants for these services.⁸ Prominent PayFacs, such as Square, Stripe, Toast, and Clover, are often recognized by consumers at the point of sale. Despite their growing market share and critical role in the payment ecosystem, PayFacs are not currently required to report data under FR 3064b.

ICBA urges the Board to expand the scope of entities required to submit the FR 3064b survey to include service providers that perform transaction routing functions. As stated in ICBA's recent letter to the Board, debit card acceptance by merchants has evolved substantially since

⁷ ICBA analysis of FDIC Call Report data <https://www.icba.org/about/community-banking>

⁸ What is a payment facilitator? <https://stripe.com/guides/payfacs#stripes-payfac-solution> last visited July 7, 2025

the surveys were first implemented over 15 years ago. The Board's most recent analysis, presented in the *2021 Report on Debit Card Interchange Fees and Routing*, presumes that banks provide card acceptance services directly to merchants, omitting the increasingly dominant role of PayFacs. This pricing model lacks transparency and undermines the regulation's policy objectives and perpetuates a data gap in understanding the true ACS cost structure facing SMBs.

ICBA believes that Payment Facilitators fall squarely within the definition of a "payment card network" under Regulation II and should therefore be subject to the FR 3064b reporting requirements. Regulation II defines a payment card network under §235.2(m)(2) as:

"An entity that directly or indirectly provides the proprietary services, infrastructure, and software that route information and data to an issuer from an acquirer to conduct the authorization, clearance, and settlement of electronic debit transactions; and a merchant uses in order to accept, as a form of payment, a brand of debit card or other device capable of initiating electronic debit transactions."

Further, the official commentary to §235.2(m)(3) provides that:

"A processor is considered a payment card network if, in addition to acting as processor for an acquirer and issuer, the processor routes transaction information and data received from a merchant or the merchant's acquirer to an issuer. [...] If the processor establishes, charges, or receives a fee for the purpose of compensating an issuer, that fee is considered an interchange transaction fee for purposes of this part."

Given this definition and accompanying interpretation, any business entity, such as a Payment Facilitator, that routes transaction information between merchants and issuers and receives compensation accordingly clearly falls within the regulatory definition of a payment card network. Therefore, the Board possesses the authority to require such entities to submit the FR 3064b survey on an annual basis and should start collecting this data.

CONCLUSION

ICBA respectfully urges the Board to revise the FR 3064a and FR 3064b survey instrument to:

- Eliminate the separation of card-present and card-not-present transaction reporting;
- Streamline the collection of fraud data reporting;
- End the collection of dual- and single-message data and its use as proxy for network routing;
- Expand the scope of reporting entities filing FR 3064b to include all transaction

routing providers, including Payment Facilitators, that route transaction data and thus fall within the Regulation II definition of a payment card network.

With ICBA's recommended changes, the FR 3064a would be streamlined from over 250 data points to fewer than 100 data points. This reduction would significantly enhance the accuracy of the data collected, improve the effectiveness of the Board's implementation of Regulation II in today's evolving payments landscape, and reduce the regulatory burden on community banks.

The Surveys are flawed, and thus the data upon which the Board is relying for their Debit Card Reports and any Reg II proposed rulemaking is incomplete and flawed. We would like to offer our assistance with survey outreach and bank staff training to ensure data quality.

Collaboration with the community bank industry ensures quality information is collected and valuable industry insights gained. For further information regarding the impact on community banks, please contact Kari Neckel Mitchum at kari.mitchum@icba.org.

Sincerely,

Kari Neckel Mitchum

Kari Neckel Mitchum

Vice President, Payments Policy

cc:

Office of Management and Budget Desk Officer for the Federal Reserve Board
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