Communication Between Federal Reserve Staff and
Representatives of the Retail Industry Leaders Association (RILA)
June 2, 2011

Participants: Louise Roseman, David Mills, Mark Manuszak, Edith Collis and Julia Cheney (Federal Reserve Board)

Bill Hughes, Mark Warren, and Carolyn Burnett (RILA); Denis Bouchard (Sears Holdings); Mike Cook (Wal-Mart); Rich Peck (7-Eleven); Dennis Stokely (Safeway); Jeff VanMeter (Target); and Jeff Shinder and Todd Anderson (Constantine Cannon)

Summary: Representatives from RILA participated in a telephonic discussion with Federal Reserve staff regarding certain aspects of the small issuer exemption, the fraud-prevention adjustment to the interchange transaction fee, and the exclusivity and routing provisions of the Board's proposed rule to implement the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act. RILA's representatives stated that the small issuer exemption will be effective for two reasons: (1) it is impractical for merchants to discriminate among issuers at the point of sale and (2) networks processing about 80 percent of existing debit card volume have committed to supporting two-tier interchange pricing.

RILA's representatives discussed fraud-prevention costs of merchants, particularly those costs related to supporting PCI-DSS compliance, and reviewed the Merchants Payments Coalition's proposal for designing the fraud-prevention adjustment to the interchange transaction fee. Finally, RILA's representatives expressed a preference for the Board's alternative B approach to the network exclusivity provisions characterizing it as the only alternative providing merchants with a routing choice for most debit transactions. Alternative B provides that the number of networks over which an electronic debit transaction may be processed is not less than two unaffiliated networks for each method of authorization.