

Corporate & Financial Weekly Digest

July 8, 2011 by [Jeffrey M. Werthan](#)

Federal Reserve Issues Final Debit Interchange Rule

Co-authored by [Christina Grigorian](#)

On June 29, the Board of Governors of the Federal Reserve System (Federal Reserve) issued its long-awaited rule establishing standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions (Debit Card Rule). The issuance of the Debit Card Rule was required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Pursuant to the Debit Card Rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction will be 21 cents per transaction and 5 basis points multiplied by the value of the transaction. The Federal Reserve also approved an interim final rule that allows for an upward adjustment of no more than 1 cent to an issuer's debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve the fraud-prevention standards set out in the interim final rule. Eligibility for the assessment of this fee must be certified by the issuing bank.

As set forth in the issuing release, when the maximum interchange fee is combined with fraud-prevention assessment, an issuing bank could receive an "interchange fee of up to approximately 24 cents for the average debit card transaction, which is valued at \$38."

In accordance with the provisions of the Dodd-Frank Act, issuers that, together with their affiliates, have assets of less than \$10 billion are exempt from the debit card interchange fee standards.

Finally, the Debit Card Rule prohibits all issuers and networks from restricting the number of networks over which electronic debit transactions may be processed to less than two unaffiliated networks.

The provision of the rule regarding debit card interchange is effective on October 1, 2011.

For more information, click [here](#).