



Credit Union National Association

cuna.org

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April 29, 2011

The Honorable Jon Tester  
U.S. Senate  
Washington, DC 20510

The Honorable Bob Corker  
U.S. Senate  
Washington, DC 20510

Dear Senators Tester and Corker:

Earlier this week, Sony announced that the personal data of approximately 77 million consumers had been compromised in a data breach. While it is not clear at this time whether debit and credit card information has been compromised, this event has impacted millions of consumers and their card issuing credit unions and banks. And, it highlights the importance of your legislation (S. 575) which would delay the implementation of rules proposed by the Federal Reserve Board regulating debt interchange fees.

When news of the Sony data breach broke, customers were correctly advised by the media to contact their bank or credit union and ask that their debit and credit cards be reissued. Credit unions have been working with their members affected by this breach, reissuing cards at no cost to their members in a prudent step to protect their members. The expense for taking this action is not reimbursed by Sony; rather, credit unions rely on interchange revenue to cover the cost of debit program administration, including in these circumstances, reacting to a merchant data breach.

Today, the debit interchange rate is a percentage of the total value of the transaction; under the Board's proposed rule, the rate could not exceed \$0.12 per transaction. This capped rate would be significantly below the operational cost of providing debit program services. Without meaningful protections in the regulation ensuring that the statutory small issuer exemption is workable, the Board's proposed rule will affect all debit card issuing credit unions. Data breaches like the one we learned about this week will only exacerbate the problem for credit unions because the proposal would not allow these costs to be taken into consideration.

Sadly, while the size of Sony's data breach is significant, this is not the first merchant data breach and it certainly will not be the last. Credit unions will continue to protect their members when merchants lose consumer data. However, if your legislation is not enacted, merchants will receive a windfall while credit unions cover even more of the costs of merchant data breaches. We encourage you to continue to pursue the enactment of your legislation.



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Senators Tester and Corker

April 29, 2011

Page 2

On behalf of America's credit unions and their 93 million members, thank you very much for your leadership on this issue. We encourage all Senators to support your legislation to delay and study the impact of debit interchange fee regulation.

Best regards,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping underline that extends to the right.

Bill Cheney  
President & CEO