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Press Release

September 18, 2014

Federal Reserve Board publishes report containing summary information on debit card transactions in 2013

For release at 10:30 a.m. EDT

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The Federal Reserve Board on Thursday published a report containing summary information on the volume and value, interchange fee revenue, certain issuer costs, and fraud losses related to debit card transactions in 2013. The report is the third in a series to be published every two years pursuant to section 920 of the Electronic Fund Transfer Act (EFTA).

The Board's Regulation II (Debit Card Interchange Fees and Routing), which implements this provision of the EFTA, provides that a debit card issuer subject to the interchange fee standard (a covered issuer) may not receive an interchange fee that exceeds 21 cents plus 5 basis points multiplied by the value of the transaction, plus a 1-cent fraud-prevention adjustment, if eligible. The interchange fee standard does not apply to debit card issuers with consolidated assets of less than \$10 billion, certain government-administered debit cards, and certain prepaid cards. The interchange fee standard became effective on October 1, 2011.

As in prior years, covered issuers' costs of authorizing, clearing, and settling (ACS) debit card transactions, excluding issuer fraud losses, varied greatly across respondents in 2013, with the median issuer having an average ACS cost of 14.9 cents and the issuer at the 75th percentile having an average ACS cost of 42.2 cents. Issuers with the highest debit card transaction volume generally had the lowest ACS costs per transaction as reflected in an overall average of 4.4 cents per

transaction, down from 5 cents per transaction in 2011. Conversely, issuers with the smallest debit card programs generally had the highest ACS costs per transaction.

The Board estimated debit-card fraud losses to all parties (merchants, cardholders, and issuers) to be \$1.57 billion in 2013, with an average loss of approximately 8 basis points as a share of transaction value, up slightly from 2011. The median covered issuer's average fraud loss as a share of transaction value was 5 basis points, up slightly from 4.7 basis points in 2011. The median covered issuer had average fraud prevention and data security costs of slightly more than 1.4 cents per transaction.

The Board does not plan to propose revisions to the Regulation II interchange fee standard or the fraud-prevention adjustment based on these survey data. Sixty-four percent of covered issuers had average ACS costs, including issuer fraud losses, below 21 cents plus 5 basis points of the value of a transaction (the base component of the interchange fee standard) in 2013. This proportion is slightly lower than the 66 percent of covered issuers with average ACS costs below the maximum interchange fee in 2011. Covered issuers with average ACS costs below the maximum interchange fee in 2013 processed over 99 percent of all reported covered transactions, the same proportion as in 2011.

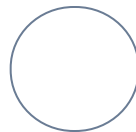
The median issuer fraud loss, which serves as the basis for the ad valorem portion of the interchange fee standard, is essentially unchanged from 2011 (5 basis points). Further, when rounded to the nearest cent, the median fraud-prevention and data security costs remained at 1 cent per transaction (the current fraud-prevention adjustment).

[Attachment \(PDF\)](#)

For media inquiries, call 202-452-2955.

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