



Electronic Transactions Association

Mr. Matt Johanson
Vice President, Acquirer Relations
Discover Network
2500 Lake Cook Road
Building 2 Floor 3 Wing B
Riverwoods, IL 60015

December 1, 2008

Dear Matt,

We are writing to you on behalf of the 500 member companies of the Electronic Transactions Association (ETA) to suggest an opportunity of mutual benefit to every stakeholder in the payment card industry. The current communication processes for regulatory and interchange release notices emanating from the card companies pose significant challenges to achieving timely implementation of changes and compromise compliance.

The acquiring community believes that the resulting inefficiencies have slowed implementation, increased costs, and created elevated levels of risk in the payments system. These frequent and mandated modifications have also affected our merchant customers. Faced with a regular stream of change requirements at the point of sale, merchants have begun to question, resist and demand greater transparency on all aspects of payment card acceptance, particularly interchange. This has contributed to additional scrutiny by law makers and increased the potential for unwanted external regulation.

The following are current conditions identified by the ETA's constituents that have adversely impacted their businesses and created the undesirable effects described above:

- The frequency and volume of interchange and regulatory release notices has increased significantly in the past few years due to numerous requirements generated from multiple card companies on non-standard schedules.
- The combined effects of initial release and follow-on change notices exacerbate the already demanding release management process and lead to significant compression of the time frames for compliance.
- Full and timely access to the above information is not available to all parties responsible for its implementation. System participants without a direct relationship with Discover must rely on pass through channels to receive all of the requisite compliance information. Those with direct access bear the burden of monitoring and managing an unnecessarily complicated flow of information.

These issues are important. And while some aspects have improved, many challenges remain. Individually and through the efforts of the ETA and like organizations, businesses in the merchant acquiring community have communicated concerns related to release management for several years. Yet despite the time and number of voices involved, insufficient attention has been given to addressing these matters.

Fortunately, we believe that many of these problems are within our collective control to resolve. The ETA realizes that Discover, as compared to other companies, has a short history in this area. As Discover's acquiring business continues to grow, the ETA hopes that you will recognize the difficulties created when rate and technical changes are required to be implemented in a short time frame and consider giving acquirers and merchants greater a minimum of 90 days to comply with release implementation. The ETA would also like to suggest that Discover avoid off-cycle releases and employ clear and consistent labeling of change bulletins so that they may be easily identified. Going forward, the ETA seeks the opportunity to discuss ongoing improvements to the management of rate, technical and regulatory release implementation. Further, to work individually and collectively with the card companies to devise viable and mutually advantageous solutions.

Improvements to the processes for communication and implementation of card company regulations will benefit the entire payments system. At a time when our industry is under increased scrutiny from government and other regulatory entities, the ability to demonstrate effective, capable, and ubiquitous self-regulation is essential. The ETA stands ready to recommend and fully support solutions in order to create efficient, reliable and more effective implementation protocols for the management of payment system modifications. Your active consideration of these issues is sincerely appreciated and we look forward to working with you to create a mutually beneficial outcome.

Sincerely,
The ETA Board of Directors

Todd Ablowitz
ViVOtech, Inc.

Stuart Harvey
Elavon

Debra Rossi
Wells Fargo Bank

Roy Banks
CAM Commerce Solutions

Robert McCullen
Trustwave

J. David Siembieda
CrossCheck, Inc.

James W. Baumgartner
Moneris Solutions

David McMackin
*AmericaOne
Merchant Services, Inc.*

Holli Targan
Jaffe, Raitt,,Heuer & Weiss, P.C.

Nicholas W. Baxter
First National Bank of Omaha

John E. Myers (Eddie)
Payment Processing, Inc.

Tom A. Wimsett
National Processing Company

Kim Fitzsimmons
First Data Corporation

Richard B. Pylant
COCARD Marketing Group LLC

Carla Balakgie
*Electronic Transactions
Association*

Heidi Goff
Hypercom, Inc.

About The Electronic Transactions Association (ETA)

The ETA is an international trade association representing companies that offer payment processing products and services. ETA's membership spans the breadth of the electronic payments industry and includes financial institutions, transaction processors, independent sales organizations (ISOs), equipment suppliers and other service providers to the merchant acquiring business. More than 500 companies worldwide are members of ETA. ETA's stated mission is to fully serve its members and advance their profession by providing leadership through education, advocacy and the exchange of information.