



CREDIT CARD ROUTING MANDATES WOULD BENEFIT “BIG-BOX” MERCHANTS AT THE EXPENSE OF CONSUMERS

The yet-to-be-reintroduced Credit Card Competition Act would create new credit card routing mandates requiring banks with over \$100 billion in assets to offer merchants at least two networks to process credit cards, at least one of which cannot be owned by Visa or Mastercard.

The new routing requirements would apply to well over 80 percent of the credit card market by card issuance and volume. This change would shift the choice of network over which a transaction is routed – from the issuer and the consumer to the merchant. The choice of routing network should ultimately remain with the consumer.

NEW COSTS WOULD BE SUBSIDIZED BY COMMUNITY BANKS AND CONSUMERS

If enacted, the new mandates would force an overhaul of the payments landscape at significant systemic cost – a cost ultimately borne by consumers and the community banks that serve them.

The legislation would require major new infrastructure investments throughout the payments ecosystem – card issuers, processors, merchant acquirers, and networks. The mandates may also require the reissuance of hundreds of millions of credit cards and chip recertification, resulting in substantial costs for community banks and putting increased pressure on an already-stressed chip supply.



SECURITY WILL BE COMPROMISED AND CONSUMER REWARDS WILL BE DIMINISHED

Interchange fees directly fund transaction security and innovation as well as consumer rewards programs, features highly valued by consumers. Allowing merchants to control network routing regardless of the issuing bank or consumers preference will translate into larger and more frequent security breaches, higher incidence of consumer fraud, as well as diminished or eliminated consumer rewards programs. Rewards programs have been valued by consumers for over a generation, from cash-back programs to airline miles to points toward purchases at favored merchants. By depriving consumers of network choice, the Credit Card Competition Act represents a sweeping change to fundamental consumer behavior.

EXPERIENCE OF DURBIN AMENDMENT SHOWS THAT BIG-BOX MERCHANTS FAIL TO PASS ON SAVINGS

A study from the Federal Reserve Bank of Richmond shows that since the passage of the Durbin Amendment in 2010, over 98.8 percent of merchants failed to pass these promised savings to consumers and the largest retail merchants have retained over \$106 billion in interchange fees. Credit card routing mandates would further boost the profitability of large merchants at the expense of consumers and the community banks that serve them.

MESSAGE FOR YOUR MEMBERS OF CONGRESS

- Oppose legislation to create new credit card routing mandates. The choice of routing network should ultimately remain with the consumer.
- Interchange fees fund security, innovation, and consumer rewards. Routing mandates would allow the big-box merchants to choose the least costly routing option for them regardless of security or the customer's preference, boosting their profitability at the expense of consumers and community banks.