

ICBA Legislative Update: Credit Card Routing Mandates

Status: The Credit Card Competition Act (S. 1838/H.R. 3881) 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.

ICBA Position: New Costs Would be Subsidized by Community Banks and Consumers

- ICBA opposes the Credit Card Competition Act. The choice of routing network should ultimately remain with the consumer.
- 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.

Key Talking Points: 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 breach-prone merchants to control network routing, regardless of the issuing bank's or consumer's preference, will put consumer data at risk and diminish or eliminate valued consumer rewards programs.
- **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.