

## 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 issuing bank and the consumer to the merchant.

### ICBA Position: New Corporate Mega Store Profits Would be Subsidized by Community Banks and Consumers

- ICBA opposes the so-called 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 that will be ultimately borne by consumers and the community banks that serve them, while increasing the profits of corporate mega stores.
- 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 mega stores 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 Corporate Mega Stores 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 corporate mega stores at the expense of consumers and the community banks that serve them.
- Recent polling from Morning Consult shows that two-thirds of American adults, both Republicans and Democrats, believe the new routing mandates would create less secure networks and would not provide savings to consumers but only to merchants.