

March 7, 2024

Dear Members of Congress,

The undersigned organizations write to express our strong opposition to H.R. 7531, a bill introduced by Representative Luetkemeyer that would unnecessarily further delay the Federal Reserve Board (Fed) from moving forward with its process of considering proposed revisions to Regulation II.

For years, our organizations have supported reforms to rein in the excessively high interchange or swipe fees that card networks like Visa and Mastercard and their card-issuing banks deduct from the transaction amount whenever a debit or credit card is used. These fees, which are price-fixed by Visa and Mastercard in a way that insulates the fees from normal marketplace competition, impose enormous costs upon American merchants and inflate retail prices paid by American consumers.

Fourteen years ago, Congress enacted bipartisan reform providing that when large debit card-issuing banks let card network companies price-fix the interchange fees that the banks deduct from debit transaction amounts, these network-fixed rates must be limited to an amount that is reasonable and proportional to the cost of processing the debit transaction. This reform, known as the Durbin Amendment, took effect when the Fed issued Regulation II in 2011. Regulation II was based on data that found at that time that it cost these large card-issuing institutions about 7.7 cents to process debit transactions, and Regulation II set a maximum debit interchange rate for those institutions of 21 cents plus 0.05% of the transaction amount plus an extra one cent per transaction for fraud prevention costs.

Last year, the Fed published a proposed rule based upon years of data collection which found that the average cost of processing debit transactions for large debit card issuers has decreased from 7.7 cents to 3.9 cents. The Fed's notice of proposed rulemaking stated that, pursuant to the law Congress passed, "it is necessary to revise the interchange fee standards to reflect the decline since 2009 in base component costs." In other words, the regulated rate that large banks currently receive when they let card networks fix debit fees on their behalf is not reasonable and proportional to the cost of processing debit transactions—and it is not even close. That rate must be updated, which the Fed's proposed rule would do.

The Fed is currently in a formal comment period for its proposed rulemaking, and the comment period has already been extended by an additional 90 days at the request of financial industry trade associations. Every day of further delay in the Fed's consideration of its proposed rule means another day in which large card-issuing banks are deducting significantly more money out of debit transactions than is reasonable, proportional, or allowable under the law Congress passed. That is why financial industry trade associations are seeking to delay the Fed as long as possible from taking action to update its 2011 regulation—delay preserves what for

them is an enormously lucrative status quo. It is noteworthy that this status quo has helped regional and money center banks enjoy net profit margins of [around 30 percent](#)—currently the highest net profit margins of any U.S. industry.

There is ample time for any and all stakeholders to submit information and views to the Fed during the ongoing comment period which ends on May 12, and the Fed must and will take those comments under consideration when finalizing its rule. H.R. 7531, which would require the Fed to conduct a second, duplicative study and issue a report to Congress on the impacts of the proposed rule and delay finalizing the rule until the completion of the study and report, is a transparent effort to further delay what the Fed has identified as necessary revisions to Regulation II. We urge you to oppose H.R. 7531 and to let the notice-and-comment process run its customary course.

Sincerely,

American Beverage Licensees
American Booksellers Association
American Economic Liberties Project
Americans for Financial Reform
Energy Marketers of America
FMI – The Food Industry Association
Main Street Alliance
Merchants Payments Coalition
National Association of College Stores
National Association of Convenience Stores
National Association of Theatre Owners
National Council of Chain Restaurants
National Grocers Association
National Lumber and Building Material Dealers Association
National Restaurant Association
National Retail Federation
NATSO
Retail Industry Leaders Association
SIGMA
USPIRG
Workplace Solutions Association
Alabama Grocers Association
Alabama Retail Association
Alaska Fuel Storage & Handlers Alliance
Petroleum & Convenience Marketers of Alabama
Arizona Food Marketing Alliance
Arizona Petroleum Marketers Association
Arkansas Grocers and Retail Merchants Association
Arkansas Oil Marketers Association, Inc.

California Fuels & Convenience Alliance
California Grocers Association
California Retailers Association
Colorado Petroleum Marketers and Convenience Store Association
Connecticut Energy Marketers Association
Connecticut Food Association
Delaware Food Industry Council
Florida Petroleum Marketers Association, Inc.
Florida Retail Federation
Georgia Food Industry Association
Georgia Oilmen's Association
Georgia Retailers
Hawaii Energy Marketers Association
Idaho Petroleum Marketers & Convenience Store Association
Idaho Retailers Association
Illinois Fuel & Retail Association
Illinois Retail Merchants Association
Indiana Food & Fuel Association
Indiana Retail Council
FUELIowa
Iowa Grocery Industry Association
Fuel True: Independent Energy and Convenience of Kansas
Kentucky Petroleum Marketers Association
Kentucky Grocers & Convenience Store Association
Kentucky Retail Federation
Louisiana Oil Marketers and Convenience Store Association
Louisiana Retailers Association
Maine Energy Marketers Association
Maine Grocers & Food Producers Association
Retail Association of Maine
Maryland Association of Chain Drug Stores
Maryland Food Industry Council
Maryland Retailers Alliance
Massachusetts Food Association
Retailers Association of Massachusetts
Michigan Petroleum Association / Michigan Association of Convenience Stores
Michigan Retailers Association
Mid-Atlantic Petroleum Distributors Association
Minnesota Grocers Association
Minnesota Petroleum Marketers Association
Minnesota Retailers Association
Mississippi Petroleum Marketers and Convenience Stores Association
Missouri Grocers Association
Missouri Petroleum & Convenience Association
Retail Grocers Association of Missouri & Kansas
Montana Petroleum Marketers & Convenience Store Association

Nebraska Grocery Industry Association
Nebraska Petroleum Marketers & Convenience Store Association
Nebraska Retail Federation
Nevada Petroleum Marketers & Convenience Store Association
Retail Association of Nevada
New England Convenience Store & Energy Marketers Association
New Hampshire Grocers Association
New Hampshire Retail Association
New Jersey Food Council
Fuel Merchants Association of New Jersey
New Mexico Petroleum Marketers Association
Empire State Energy Association, Inc.
Food Industry Alliance of New York State
North Carolina Retail Merchants Association
North Carolina Petroleum & Convenience Marketers
North Dakota Grocers Association
North Dakota Petroleum Marketers Association
Ohio Council of Retail Merchants
Ohio Energy & Convenience Association
Ohio Grocers Association
Oklahoma Grocers Association
Oklahoma Petroleum Marketers & Convenience Store Association
Oregon Fuels Association
Pennsylvania Food Merchants Association
Pennsylvania Petroleum Association
Energy Marketers of Rhode Island
South Carolina Convenience & Petroleum Marketers Association
South Carolina Retail Association
Tennessee Fuel & Convenience Store Association
Tennessee Grocers & Convenience Store Association
Tennessee Retail Association
Texas Food & Fuel Association
Utah Food Industry Association
Utah Petroleum Marketers & Retailers Association
Vermont Fuel Dealers Association
Virginia Food Industry Association
Virginia Petroleum & Convenience Marketers Association
Washington Food Industry Association
Washington Independent Energy Distributors
Washington Retail Association
West Virginia Oil Marketers & Grocers Association
Western Petroleum Marketers Association
Alliance of Wisconsin Retailers
Tavern League of Wisconsin
Wisconsin Grocers Association

Wisconsin Petroleum Marketers & Convenience Store Association
Wyoming Petroleum Marketers and Convenience Store Association