

June 24, 2024

Dear Members of Congress,

The undersigned organizations write to express our strong opposition to the S.4570, a bill introduced by Senator Budd 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 formal comment period for the Fed's proposed rulemaking ended May 12, and the comment period had 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 was ample time for any and all stakeholders to submit information and views to the Fed during the comment period, and the Fed must and will take those comments under consideration when finalizing its rule. S. 4570 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 S. 4570 and to let 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

