Written Statement of the

**National Retail Federation**

Submitted to the

**United States Senate Committee on the Judiciary**

For its hearing

**Breaking the Visa-Mastercard Duopoly: Bringing Competition and Lower Fees to the Credit Card System**

November 18, 2024

The National Retail Federation (NRF) respectfully submits this statement for the record for the November 19 hearing entitled "Breaking the Visa-Mastercard Duopoly: Bringing Competition and Lower Fees to the Credit Card System." Thank you, Chairman Durbin and Ranking Member Graham, for holding this hearing to examine the anticompetitive practices of Visa and Mastercard, which have forced American businesses and consumers to pay the highest swipe fees among major economies.

NRF passionately advocates for the people, brands, policies and ideas that help retail succeed. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing $5.3 trillion to annual GDP and supporting more one in four U.S. jobs — 55 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies.

The nation's credit card system is dominated by Visa and Mastercard, who together are branded on 83% of credit cards in the United States[1]. The two payment card networks captured this market share through anticompetitive agreements with credit card issuers that have produced record revenues for the networks and banks, while suppressing competition and preventing new entrants into the market. This market failure in the credit card system has enabled the Visa-Mastercard duopoly to centrally set swipe fee rates charged by banks that issue their credit cards. This structure has forced every U.S. business that accepts credit cards to pay excessively high payments fees.

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[1] Credit Card Market Share Statistics | Bankrate

The lack of competition in the credit card market has led to retailers and other merchants experiencing significant increases to their payments acceptance costs. Increased swipe fees, along with the implementation of new fees and customer shopping preferences, have increased costs to the point where retailers report that payments acceptance is now one of their highest operating expenses. Due to the slim profit margins on which retailers operate, these inflated payments costs are often shared with customers, creating further upward pressure on consumer prices. The average American pays an estimated $1,100 a year in higher prices[2] due to excessive swipe fees. Many small businesses have resorted to adding surcharges for credit card purchases out of necessity, though surcharging is a practice that retailers generally avoid due to the friction it can cause in customer relationships and their shopping experience. Arbitrarily high swipe fees are inflationary, and retailers have little to no recourse to manage these fees and shield their customers from higher prices.

Unlike most expenses, retailers are unable to negotiate the swipe fees and other fees they pay to credit card networks and banks. Businesses must either accept take-it-or-leave-it agreements with Visa and Mastercard or refuse to accept credit cards, which is not a viable option in today's economy. Not only is there an inability to negotiate with the network duopoly, but there is also limited transparency into the fees and how they are structured. Visa and Mastercard are also the only vendors that charge a percentage of a retailer's gross sales. Merchants are also charged swipe fees on any sales tax, excise tax or customer tip associated with a credit card transaction. The current credit card system has been designed by the Visa-Mastercard duopoly to maximize profits for the networks and the nation's largest credit card issuers, while forcing merchants and their customers to pay excessive fees without any recourse to help bring these costs under control. This market failure requires action by Congress; fortunately, a legislative solution is currently under consideration.

The Credit Card Competition Act (CCCA) is a bipartisan solution to the Visa-Mastercard duopoly that is increasing payments costs for merchants and prices for consumers. The CCCA would require the nation's largest credit card issuers (issuers with over $100 billion in assets) to enable at least two unaffiliated networks — Visa or Mastercard plus a competing credit card network or independent network — to route credit card transactions. This would finally force Visa and Mastercard to compete with other networks over fees, security and service, just like every other American business. Routing competition between credit card networks is estimated to save nearly $16.4 billion a year in swipe fees[3]. The estimated savings from the CCCA pales in comparison to the over $172 billion in swipe fees collected from credit and debit transactions in 2023; however, the savings would be significant for merchants and their customers. More importantly, the CCCA would finally give retailers more control over their payments expenses and foster a competitive environment that would propel new innovations and improved services.

The banking industry has made numerous unfounded claims about why the CCCA is not a viable solution. These claims include the loss of credit card rewards programs, weakened network security and the alleged unlikelihood that retailers would pass savings along from merchants to consumers. As for the future of credit card rewards, these programs are issuers' primary marketing tool and are used to encourage consumers to open a credit card with them and

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[2] Swipe Fee Cost for Average Household Tops $1,100 | Merchants Payments Coalition
[3] Credit Card Competition Act Could Result in Annual Savings Upward of $16.4 Billion | CMSPI

to keep those credit cards “top-of-wallet” for increased usage. The notion that major Wall Street banks would scrap these lucrative rewards in a more competitive environment is implausible. Furthermore, other countries that have implemented credit card reform still have rewards programs even though swipe fees are capped at much lower rates compared with the United States.

Regarding security, opponents of the CCCA argue that alternate payment networks offer weaker security standards than Visa and Mastercard. If the CCCA were passed, competing networks would include household names like American Express and Discover. Debit networks, which have been safely and effectively processing debit transactions since 2011, would also be possible alternatives. The Federal Reserve’s fraud data directly contradicts security claims made by CCCA opponents, finding that debit networks that must compete with each other experience one-eighth of the incidence of fraud per transaction compared with Visa and Mastercard[4]. NRF argues that competition in the credit card market would not weaken payment security but enhance it, while also providing opportunities for new innovations and technologies.

The claim that retailers would pocket any savings from the CCCA and not pass them along to consumers is unfounded and ignores the realities of the retail economy. The retail industry is highly competitive, and retailers must offer low prices and quality service in order to be successful. Retailers are experts at cost control and are consistently finding ways to keep consumer prices low and shield their customers from price increases. Savings from credit card reform would enable retailers to continue offering competitive prices and allow retailers to grow and invest in their business. Consumers experienced such savings following debit reform when the Durbin Amendment was enacted in 2010. One economic analysis found that nearly 70% of the overall savings from debit reform were passed along to consumers[5]. The report also found that debit reform savings supported over 37,000 jobs. In addition, a report from *Moody’s Investor Service* concluded that debit reform savings shielded consumers from higher prices that would have resulted from higher operating costs in other expense areas such as fuel and transportation[6]. The report’s findings were reflected in the Producer Price Index (PPI) and Consumer Price Index (CPI). In the years following debit reform (2011-2016), the PPI, which tracks cost increases, rose 9.4%. Consumer price increases, reflected by the CPI, only rose 4.3% during that same time period[7]. There is a significant gap between the higher costs merchants incurred for the goods they sold and the prices they charged consumers. The analysis clearly shows that merchants absorbed most of the cost increases, protecting their customers from the majority of the price hikes they faced.

NRF commends the Senate Judiciary Committee for dedicating its time and attention to this important issue. Arbitrarily high swipe fees are adding inflationary pressure to the U.S.

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[4] Board of Governors of the Federal Reserve System, “2021 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions” at 36, Table 10 (Oct. 2023) (available at Federal Reserve Board Publication).

[5] Robert Shapiro, “The Costs and Benefits of Half a Loaf: The Economic Effects of Recent Regulation of Debit Card Interchange Fees,” (Oct. 2013) available here.

[6] “New Debit Rules Hurt Banks and Reshape the Payment Processor Market,” Moody’s Investor Service (June 20, 2012).

[7] Producer price index figures from the St. Louis Fed can be found here. Consumer price index figures from the Minneapolis Fed can be found here.

economy and prevent retailers and other merchants from growing their businesses. The Credit Card Competition Act provides a bipartisan, common-sense solution that would finally bring competition to the credit card routing market. NRF looks forward to continuing to work with Congress to deliver fairness and transparency to the payments system and relief to American businesses and consumers. Thank you for your consideration of this statement.

Sincerely,

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