



September 20, 2023

The Honorable Richard Durbin  
The Honorable Roger Marshall  
The Honorable Peter Welch  
The Honorable Lance Gooden  
The Honorable Zoe Lofgren  
The Honorable Tom Tiffany  
The Honorable Jeff Van Drew

Dear Senators Durbin, Marshall, and Welch, and Representatives Gooden, Lofgren, Tiffany, and Van Drew:

I write in response to your letter dated September 13. To be clear:

- Mastercard is not increasing US interchange rates this fall.
- Mastercard is not raising network fees in the US required for the processing of transactions this fall.
- The payments industry has never been more competitive.
- Electronic payments empower consumers, allow merchants of all sizes to thrive, and strengthen the American economy.
- Mastercard's technology protects consumers from fraud and keeps them safe.

**Mastercard is not increasing US interchange rates this fall.**

Mastercard is not raising interchange rates this fall, and we never had plans to do so. Despite incorrect accusations, interchange rates are not skyrocketing. They are remarkably flat.

Nilson data show that merchant processing costs per transaction have actually decreased since 2018.<sup>1</sup> This decrease stands in stark contrast to gas and grocery prices, which have both risen more than 20% over this period.<sup>2 3</sup>

Any insinuation that interchange plays a role in these rising prices is patently false. Grocers have long had among the lowest interchange rates in the industry. And interchange for fuel purchases has been capped for sixteen years. This eliminates interchange on the portion of the transaction that exceeds about \$48.

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<sup>1</sup> Nilson Report, "Merchant Processing Fees in the U.S.—2018," June 2019. Nilson Report, "Merchant Processing Fees in the U.S.—2022," March 2023.

<sup>2</sup> [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_nus_dpg&f=m)

<sup>3</sup> <https://www.in2013dollars.com/Food/price-inflation/2006-to-2023?amount=20>

## **Mastercard is not raising network fees in the US required for the processing of transactions this fall.**

Network fees are distinctly different from interchange fees and are an important part of managing a globally interoperable network. With respect to network fees required for the processing of transactions, Mastercard is not raising these in the US this fall—any network fee changes are either optional or they pertain to value-added services for banks and are not associated with transaction processing. It is surprising you would highlight the Authorization Optimizer service as it protects consumers and merchants from declined transactions and canceled subscriptions.

## **The payments industry has never been more competitive.**

There have never been more payment options for consumers and businesses. According to Morning Consult, four out of five consumers believe they have a choice in payments.

In addition to cash and check, Mastercard aggressively competes with global and regional networks, buy now pay later providers, person-to-person and account-to-account services, real-time payments platforms (including from the Federal Reserve), digital currencies, wallet providers, and open banking companies. The variety of payment options available to American consumers is robust.

Furthermore, it's incomprehensible that the second largest credit card issuer in the US, American Express, would be excluded from the Credit Card Competition Act. They extend more than \$1 trillion in consumer credit, operate a payment network, and charge merchants the highest average rate in the US.<sup>4</sup> We are fierce competitors, which makes their exclusion from a bill that is intended to drive competition puzzling.

## **Electronic payments empower consumers, allow merchants of all sizes to thrive, and strengthen the American economy.**

Consumers are empowered by electronic payments because they gain access to credit for essential purchases, benefit from float, have zero liability if something goes wrong with their purchase, can earn rewards for their purchases, and are protected from fraud. The Credit Card Competition Act stands to put all these consumer benefits at risk.

This is not anecdotal or speculative. According to a 2017 Federal Reserve study examining the impacts of US debit regulation, financial services became more expensive for consumers as “covered banks were 35.2 percent less likely after the regulation to offer noninterest checking accounts that did not involve a monthly fee.”<sup>5</sup> Additionally, the Federal Reserve of Richmond found that consumer prices increased after this debit regulation.<sup>6</sup>

In markets outside the US where interchange has been regulated, consumers lost access to credit and lost their rewards. In the EU, according to a study by Edgar, Dunn & Company, there is no evidence that

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<sup>4</sup> Nilson Report, “Top Issuers of General Purpose Credit Cards in the US,” February 2023.

<sup>5</sup> Manuszak, Mark D. and Krzysztof Wozniak (2017). The Impact of Price Controls in Two-sided Markets: Evidence from US Debit Card Interchange Fee Regulation,” Finance and Economics Discussion Series 2017-074. Washington: Board of Governors of the Federal Reserve System, <https://doi.org/10.17016/FEDS.2017.074>.

<sup>6</sup> Wang, Schwarz, and Mitchell (2014), The Impact of the Durbin Amendment on Merchants: A Survey Study. Federal Reserve Bank of Richmond Economic Quarterly.

merchants passed through any interchange savings to consumers, and many are still subject to card surcharging.<sup>7</sup>

Businesses of all sizes accept electronic payments because of the value, benefits, and protections they receive. In addition to increased sales and operational savings, merchants gain access to new channels of acceptance and receive guaranteed payments even when consumers don't pay their bills. Small businesses, in particular, benefit from acceptance of electronic payments.

Mastercard invests billions to keep small businesses safe and thriving, and to ensure our products and services are uniquely tailored to their needs. For example, last year we lowered rates for small ticket purchases, as well as various categories such as hotels, rental car companies, casual dining, and daycare facilities. The credit interchange rate for a cup of coffee is now lower than a regulated debit transaction on our network.

Many merchants, including several who have publicly opposed this legislation, leverage payments products to fuel their loyalty programs. Without these programs, their profitability would suffer, and they would be unable to offer value to consumers.

Electronic payments fuel the American economy. The Nilson Report states the value of purchases made across all US networks generated \$10.5 trillion in sales for US merchants in 2022, roughly half the US Gross Domestic Product.<sup>8</sup>

### **Mastercard's technology protects consumers from fraud and keeps them safe.**

Mastercard invested more than \$7 billion over the last five years to support cybersecurity and identity capabilities that protect payments, as well as all digital interactions. And the impact of this investment is clearly seen. In the past 12 months, more than \$20 billion in fraud was prevented by one Mastercard product alone – Safety Net. That impact is further amplified by the full suite of our services and protections.

Competition has made this country great. It has inspired individuals and companies to think big and drive innovation. However, the Credit Card Competition Act will thwart the competition you seek to protect. The legislation will remove consumer choice, erode security, eliminate rewards, and dramatically prevent small businesses from investing in their future. Competition is threatened when policy is made in the absence of facts.

Sincerely,



Tucker Foote  
EVP, Public Policy

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<sup>7</sup> EU Interchange Fee Regulation Impact Assessment Study, Edgar, Dunn & Company, 2020.

<sup>8</sup> Nilson Report, "Merchant Processing Fees in the U.S. — 2022," March 2023.