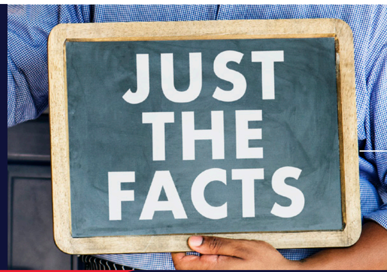
NATIONAL RESTAURANT ASSOCIATION



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SERIES

CREDIT CARD COMPETITION ACT

The *Credit Card Competition Act (CCCA)*, S. 1838/H.R. 3881, would enhance competition in the credit card processing market and drive down the exorbitant swipe fees small businesses pay on every credit card transaction. This carefully targeted, bipartisan legislation would require the nation's largest banks to enable at least two credit card processing networks — one from the existing duopoly, and one from an independent network — when issuing a new card. **If passed, CCCA will lower swipe fees, improve credit card security and service, and save U.S. businesses — including restaurants — and consumers an estimated $15 billion a year.**

The *Credit Card Competition Act* is sensible, targeted legislation to **strengthen market competition, lower swipe fees for small businesses and allow restaurant operators to pass on savings to customers.**

FACT: The credit card processing duopoly is squeezing restaurant operators — 9 in 10 of which are small businesses — and harming consumers.

- Two companies control 80% of the credit card processing market.
- Processing credit card transactions is one of the largest operating expenses for restaurants.
- U.S. credit card swipe fees are among the highest in the world.
- Swipe fees have more than doubled over the past decade, costing U.S. businesses over $160 billion in 2022 when debit cards are included, driving up prices for the average family by more than $1,000 a year, according to the Nilson Report.

FACT: CCCA would benefit small businesses — like restaurants — and consumers.

- Small business operators are disproportionately impacted by high swipe fees. Because of their small volume and lack of market power, these businesses pay the highest swipe fee rates.
- After the 2010 debit card reforms went into effect, merchants saw more than $9 billion in savings from increased competition in the debit card processing market.
- Merchants passed on 70% of those savings to consumers through lower prices.

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FACT: CCCA would only impact the largest banks in the nation; small banks and credit unions would not be affected.

- This carefully targeted legislation only applies to financial institutions with at least $100 billion in assets.

FACT: CCCA would not eliminate credit card reward programs.

- History has shown that big banks will continue to offer reward programs. After similar reforms for debit cards were enacted in 2010, debit card reward programs continued to grow.

- Banks, not credit card processing networks, offer rewards and this bill would not hinder banks' ability to continue offering rewards to attract customers and influence consumer behavior.

FACT: CCCA would improve credit card security.

- Similar debit card reform spurred new security innovations, including end-to-end encryption, which was a direct result of the increased competition between networks.

- According to the Federal Reserve, the independent processing networks have about one-fifth the fraud of the existing processing duopoly.

FACT: CCCA would strengthen national security.

- This bill would ban foreign-controlled networks like China UnionPay from entering the U.S. credit card processing market.

- This is important because the two largest U.S. credit card processors — which control the industry bodies that set security standards — have allowed China UnionPay to join these bodies.

FACT: CCCA would not require credit cards to be reissued.

- If passed, this bill would be easily implemented with the technology banks currently have in place.

- Banks did not have to reissue debit cards after the 2010 reforms.

FACT: Swipe fees are not needed to cover credit card fraud costs because restaurant operators already pay for the majority of fraud losses.

- Every time a card is swiped, a restaurant is pre-paying for fraud losses, because banks insist swipe fees cover potential fraud.

- In practice, if a card is fraudulently used at a restaurant, the operator is still responsible for the full cost of the chargeback — plus an additional fee — instead of the loss coming from swipe fees alone.

- According to 2019 data from the Federal Reserve Bank, merchants pay the costs of more than 60% of fraud on dual message debit cards, which are processed similarly to credit cards.