

Congress Passes Wall Street Reform and Consumer Protection Act

N.G.A. Praises Inclusion of Debit and Credit Card Reforms

Arlington, VA - The Congress completed action on the Dodd-Frank Wall Street Reform and Consumer Protection Act when the United States Senate passed the measure today. The legislation was passed in response to the financial collapse and regulatory failures that occurred in 2008.

"Retail grocers and other merchants won a major victory with the inclusion of Senator Durbin's (D-IL) amendment to reform excessive debit card interchange fees and restrictive practices that are imposed by the credit card networks and their largest banks," said Peter Larkin, President and CEO of the National Grocers Association. "I am especially proud of the grassroots efforts by independent retail grocers and their wholesalers in educating members of Congress about these credit and debit card abuses. Passage of this law makes an important first step forward by giving the Federal Reserve Board regulatory authority to reduce debit interchange fees and reform anticompetitive rules."

Upon signature into law by President Obama, the Federal Reserve Board is required to establish regulations not later than nine months after enactment that determine the amount of debit interchange transaction fees shall be reasonable and proportional to the cost incurred by the issuer with respect to the transaction. The Board is required to consider the similarities between electronic debit transactions and checks that clear at par (or zero) under the Federal Reserve Banking System. The Federal Reserve must also distinguish between the incremental cost incurred by the issuer of the debit card in authorizing, clearing and settlement of debit transactions and other costs that are not specific to a particular debit transaction.

In addition, the Federal Reserve Board shall within one year from the date of enactment issue regulations that prohibit an issuer from restricting debit card transactions to one network or two or more networks which are owned, controlled or otherwise operated by affiliated persons or networks affiliated with the issuer. This will enable merchants to have a choice between payment networks. In addition, issuers or payment card networks will not be able to inhibit the ability of merchants who accept debit cards to direct the routing of electronic debit transactions for processing.

After enactment merchants will be permitted to provide discounts or in kind incentive for payments by the use of cash, checks, debit or credit cards so long as they do not differentiate on the basis of the issuer or the payment card network. This will enable merchants to steer toward consumers to cheaper forms of payment. The discounts or any kind of incentives must be offered to all prospective buyers and disclosed clearly and conspicuously.

Further, payment card networks may not limit the ability of merchants to set a minimum dollar value for the acceptance of credit cards to the extent that such minimum dollar value does not exceed ten dollars and does not differentiate between the issuers or between payment card networks. According to Larkin, "N.G.A. is now committed to working with the Federal Reserve Board to establish regulations that will follow the law and the regulatory intent of Congress. The affected credit card companies and banks have already begun to focus on the regulatory process as a means to weaken the law by Congress."