

September 12, 2016

Dear Financial Service Committee Member:

KEY VOTE: Oppose the Financial Choice Act, HR 5983

The National Association of Convenience Stores (NACS) represents the more than 154,000 convenience stores in the United States – 63% of which are single store operations. The convenience and fuel retail industry handles one of every 30 dollars spent in the United States, and processes over 73 billion payment transactions per year.

Payment card swipe fees are the second highest operating cost for convenience stores. Starting in 2006, the credit card companies and banks have made more on a gallon of fuel than retailers every year but one.

Prior to Congress passing debit reform in 2010, there was no competition and no incentive for banks to compete on debit swipe fees. Debit reform brought free market-based changes to address that problem, but the Financial Choice Act would repeal debit reform.

Visa and MasterCard price-fix the fees their bank members charge merchants on debit transactions. Banks do not compete on price – they take the price-fixed fees. Debit reform requires that for any bank with more than \$10 billion in assets, the Federal Reserve will limit the amount of fees they can price-fix. But, unlike any other regulation in Dodd-Frank, this threshold is voluntary for these banks. If they choose compete on their fees, they can charge any amount they want and not have those fees subject to regulation.

Debit reform also stopped Visa and MasterCard from blocking their competitor debit networks from competing for transactions. Now, under reform, there must be two network options on debit transactions.

Together, these reforms give banks incentives to compete on price (though they have refused to do that to date) and ensure networks cannot stop competition for handling transactions. These free market reforms were necessary given the spiraling costs of transactions.

The story that debit reforms are not consistent with bringing free market competition to debit transactions is categorically false. If banks compete on price, they face no government limits on their prices.

A vote to repeal debit reform is a vote in favor of the global card networks price-fixing debit fees for the largest banks in the nation.

NACS will be key voting a NO vote on HR 5983, the Financial Choice Act.

Respectfully,



Lyle Beckwith
Senior Vice President, Government Relations