ENERGY MARKETERS OF AMERICA **ISSUE BRIEF**

GENIUS Act: Marshall-Durbin Amendment – Vote Yes!

Background

The Energy Marketers of America (EMA) urge Senators to vote **YES on the Marshall-Durbin Amendment** which is a market-based solution to lower costs and improve reliability in the U.S. credit card payment system. The amendment, which is expected to mirror the *Credit Card Competition Act* ("CCCA", 118th Congress), would require that credit cards issued by the largest U.S. banks have at least two unaffiliated payment networks – ensuring competition in transaction routing. While there are nearly a dozen independent networks equipped to route transactions, credit cards only have one network enabled on a card and lack any back up options if there is an outage. The lack of competition results in higher costs for consumers, reduced security, and less innovation.

The Issue

Credit card processing fees – or "swipe fees" – have more than doubled over the past decade despite technological improvements that have driven down processing costs. U.S. retailers face some of the highest swipe fees in the world. Because Visa and Mastercard set the fee structure—and issuing banks follow—there is no real price competition, keeping rates high. According to the Nilson Report, swipe fees reached a record $187.2 billion in 2024, a 70% increase over four years.

The Marshall-Durbin Amendment Promotes Stablecoin Success

- <u>Enables Competition from Stablecoin Networks:</u> By requiring multiple payment networks per card, the Marshall-Durbin Amendment weakens Visa/Mastercard's duopoly—opening the door for stablecoin-based payment systems to compete on cost, speed, and programmability.
- <u>Lowers Barriers for Merchant Adoption:</u> With reduced interchange fees and increased pricing transparency, merchants may be more willing to accept stablecoins, especially through digital wallets or blockchain-based point-of-sale tools.
- <u>Advances U.S. Payment Innovation Goals:</u> The Marshall-Durbin Amendment aligns with the Genius Act's objectives by encouraging open, flexible payment infrastructure that supports blockchain innovation, financial inclusion, and digital asset leadership.

What fees do retailers pay for credit and debit card processing?

When a consumer pays with a credit card, merchants pay a fee typically composed of:

- Interchange fees (about 80% of total): Paid to the bank that issued the card.
- Network fees: Paid to card networks like Visa or Mastercard.
- Processing/acquiring fees: Ranging from 2-4% of the transaction, which is paid to the retailer's card processor or acquiring bank.

How do these fees impact consumers?

- Swipe fees account for merchants' second highest operating cost after labor
- Increase retail prices, estimated to cost the average American family over $1,200 a year
- These fees account for between $2 and $4 of every $100 consumers spend. In other words, a product that sells for $100 could sell for between $96 and $98 without these fees.

"The Ask"

EMA urges Senators to promote small business interest, technological innovation, and reduce costs for consumers by voting YES on the Marshall-Durbin Amendment.

May 2025

FAQ: Marshall-Durbin Amendment/Credit Card Competition Act

Will credit card rewards be affected by the CCCA? NO!

The bill addresses which networks transactions are routed over for processing, which has nothing to do with rewards. Rewards are determined by banks, not networks, and are used as a marketing tool to convince consumers to choose a Visa or Mastercard card from one bank rather than another bank.

Furthermore, the $16 billion in projected savings is less than 10 percent of swipe fee revenues, so banks would still have plenty of profits to pay for rewards. Many retailers offer rewards of their own through loyalty programs and manage to do so even with an average profit margin of under 3 percent. By comparison, the banks that issue the vast majority of credit cards have an average profit margin of 27 percent, with 45 percent for Mastercard and 50 percent for Visa in 2022.

Finally, rewards have not gone away in other countries where swipe fee reform has been adopted. A decade after reform in Australia, the Reserve Bank of Australia found banks still offered "significant credit card rewards" despite Visa and Mastercard claims that rewards would go away. In fact, Australian banks even lowered interest rates, a move that benefits the average consumer far more than rewards points.

Will credit card security be harmed? NO!

The bill requires that credit cards have two unaffiliated network options for routing. One could still be Visa or Mastercard while the second could be networks like NYCE, Star or Shazam. Banks and consumers currently trust those networks with billions of dollars in debit card and ATM transactions each day. The freedom of choice and competition can also force Visa and Mastercard to improve their security protocols. In fact, the Federal Reserve says they have about one-fifth the fraud of Visa and Mastercard's networks. American Express and Discover, both of which have robust security, could also be the second network. Competition leads to innovation in security. For example, it was only after debit card swipe fee reform that networks began introduction of end-to-end encryption of data and accelerated the adoption of EMV chip cards in the United States.

In addition, the legislation would close a glaring security gap by blocking networks supported by foreign governments like China's UnionPay from entering the U.S. processing market. Currently, any bank could choose to route its credit card processing to UnionPay, effectively outsourcing consumers' sensitive financial data to a foreign government.

Will community banks and credit unions be affected? NO!

The carefully targeted legislation applies only to financial institutions with at least $100 billion in assets. According to the Federal Reserve, there are only 32 banks in the entire country that are that large. That list includes American Express and Discover's banks, which do not issue Visa or Mastercard cards and therefore are not affected. Further, Morgan Stanley and Capital One are counted twice, leaving an actual total of 28 affected banks. Only one credit union – Navy Federal – meets the $100 billion threshold. Not a single community bank or small credit union would be affected.

Will retailers share savings with consumers? YES!

The retail motor fuels market is the most competitive marketplace in the country. Retailers post their prices on large signs where a one-penny difference can determine where customers choose to fill up. After similar routing competition for debit card transactions took effect in 2011, a landmark study by acclaimed economist Robert Shapiro found 70 percent of the estimated $8 billion a year in savings was passed on to consumers.

Will cards need to be reissued? NO!

Routing is a back-office procedure in which banks share information regarding enabled networks with processors. It does not require the change of anything physical on the cards. When debit routing was debated, banks claimed they would need to reissue cards, but they did not when the routing was actually implemented. Over time, some credit cards – Diner's Club, for example – have used more than one network with no reissuance required. Even if banks choose to replace cards, credit cards are routinely reissued every two or three years as they reach their expiration dates, so the change could be phased in as part of that cycle.

Would consumer choice be affected? NO!

Consumers can currently choose among a wide variety of Visa or Mastercard credit cards issued by banks across the country, each offering different interest rates, rewards, cash-back options, logos of universities and sports teams and other benefits. Nothing about that will change. By contrast, neither merchants nor consumers have any choice in which networks credit card transactions are routed over today. This legislation would allow merchants to choose the networks that offer the best security, service and fees for the benefit of their customers, bringing choice to how credit card transactions are routed and improving the consumer experience.

Would Free Checking go away? NO!

Banks claim the number of checking accounts without a monthly fee dropped after debit card swipe fee reform was passed by Congress. But the 11 percent drop they cite is from 2009 to 2010 – a period before debit reform took effect – and was actually prompted by the financial crisis of 2007-2008. Debit reform didn't take effect until October 2011. And, according to the American Bankers Association, 61 percent of banks offered free checking in 2014 – up from 50 percent of banks in 2010. Free checking actually increased after debit reform.

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