



2010 Government Relations Policy Position

ISSUE: Interchange System

The system of interchange has contributed to the tremendous growth of electronic payments world wide and provides significant benefits to consumers, retailers and the financial services industry. For the consumer, the interchange system provides a secure, cash-free way to make purchases and receive instantaneous "credit." For retailers and the financial services industry, the interchange system is a well-established way to facilitate business and mitigate certain risks. Over the past few years, as the volume of electronic payments has grown enormously, the interchange system has simultaneously adapted and continues to mitigate payment risks while increasing consumer convenience.

Recently, interested parties have scrutinized the interchange system. This attention has primarily focused on the price of conducting transactions rather than the infrastructure required to process an ever-increasing number of transactions moving through the interchange system. Interested parties include federal regulators assessing the need and viability of controlling said pricing, as well as merchants and other stakeholders who, in the face of escalating volume associated with electronic payments, have initiated numerous acts of litigation and public relations campaigns attempting to influence the rates levied for these essential services. These same interested parties enjoy the ability to transact at stores all around the world where they would otherwise have to pay cash or secure the merchant's own private label credit (if even available.) This fact is supported by the U.S. General Accounting Office's (GAO) report to Congress (GAO-10-45) in November, 2009, that strongly suggests the interchange system is an efficient and valuable commerce enabler.

Ubiquitous acceptance is a fundamental tenet of the modern electronic payment processing system, made possible in large part by the interchange system. The interchange system delivers interoperability of a single card account which can be used to purchase goods, return goods, or dispute goods and services at a business without that business incurring significant capital expense. All consumers, because of this inter-operability, and no matter what entity issues their payment card, can purchase goods and services at any merchant regardless of geographic location or currency type. Business owners are stakeholders in promoting the interoperability of retail electronic payments by consumers. For example, as stated in the GAO report, retail businesses benefit from the electronic payment system through an increased number of sales, higher ticket amounts per sale, faster payments, and decreased labor costs. As such, they have a vested interest in an interchange system that is secure, equitable, growth-oriented and enables the highest levels of consumer understanding, convenience and confidence.

The continuation and advancement of the current interchange system will enhance the time-tested and valuable payments framework and will ensure a structure that is adaptable, responsive and a driver of growth and value for all.

ETA POSITION

- ETA supports the maintenance of a ubiquitous and interoperable electronic payment system for the financial benefit of all businesses and for the convenience and safety of consumers.
- ETA advocates for private sector oversight and regulation of interchange.
- ETA supports the industry-based creation, maintenance, and prudential supervision of the interchange system.
- ETA advocates for an interchange rate setting process that is open, transparent, market-driven, and appropriately communicated to stakeholders throughout the system.
- ETA opposes government efforts to regulate or establish price controls on interchange rates.
- ETA opposes efforts to involve the government or government-sanctioned entities to mediate interchange rates.
- ETA opposes efforts to manage interchange rates through individually negotiated settlements.
- ETA opposes efforts to create artificial market forces in an attempt to manipulate or manage interchange rates.