

THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.



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April 23, 2008

Member of Congress
U.S. House of Representatives
Washington, DC 20515

Dear Representative:

The Financial Services Roundtable is writing to express our opposition to H.R. 5546, *the Credit Card Fair Fee Act of 2008*. We urge you to oppose this legislation that would put government price controls on electronic payment systems. This legislation ignores competition within the market and will ultimately harm consumers and the further evolution of products and services.

Price controls come with unintended consequences, distorting the market and harming consumers. H.R. 5546 would have a government appointed panel of judges dictate the terms and rates of interchange fees, which support electronic payment systems. Interchange fees are an important component of a fee structure that helps facilitate electronic payment services that benefit both consumers and merchants.

The price controls created under H.R. 5546 would impact thousands of financial institutions and the underlying networks that facilitate electronic payments, resulting in less competition. Interchange fees enable competition amongst financial institutions of all size --consumers benefit.

H.R. 5546 by substituting government intervention for market forces will also affect the competition among payment networks, which include four established credit card networks and six debit card networks. There are no barriers to entry; there are a number of newer entrants, including PayPal, Google Debit, and RevolutionCard. There is competition amongst established networks, as well as new entrants, for market share.

Competition is benefiting consumers and consumers are increasingly choosing credit and debit cards to make purchases. This usage is due to convenience, flexibility, fraud protection, and the security of not having to carry cash.

Merchants also receive significant benefits in accepting payment cards, including prompt guaranteed payment, increased sales, and the ability to sell products worldwide over the Internet. In addition, payment card transactions eliminate the risk and costs associated with bounced checks and miscounted or misappropriated cash. These benefits come with a cost, which is no different than other business expenses, such as electricity or rent.

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Using a panel of judges to determine an appropriate cost and rate of return for electronic payment services will distort the market and have a harmful effect on competition and the further evolution of the market. Ultimately the true cost of this legislation will be borne by all American consumers.

The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for \$66.1 trillion in managed assets, \$1.1 trillion in revenue, and 2.5 million jobs.

We urge you to oppose H.R. 5546, *the Credit Card Fair Fee Act of 2008*.

Best regards,

Steve Bartlett
President and CEO