

GAO Report Recognizes That Consumers Could Be Hurt By Government Intervention on Interchange

Concludes That Merchants Receive Significant Benefits from Payment Card Acceptance

Purchase, N.Y. November 19, 2009 - The Government Accountability Office (GAO) released a report confirming the benefits that merchants and their customers receive with payment card acceptance, and the downsides to governmental intervention. The report also makes very clear that while lower interchange rates might benefit big merchants' profits, consumers could be harmed through higher costs to use their credit cards.

"The GAO makes it clear that regulating interchange fees presents significant challenges, and would hurt both consumers and merchants," said Shawn Miles, MasterCard head of global public policy and regulatory strategy.

Among the conclusions of the GAO report are:

- Card acceptance benefits merchants, including through increased sales, faster and more convenient payment, and lower labor costs;
- Consumers benefit from competition in the credit card market through cards with no annual fees, lower interest rates, and greater rewards;
- Government intervention in this area could hurt both consumers and merchants; and
- Existing law grants the Department of Justice and the Federal Trade Commission with sufficient authority to investigate claims of anticompetitive behavior.

"We're pleased that the GAO recognizes the many benefits that payment cards provide merchants," Miles said. One of the most significant benefits is the ability to shift credit risk to the card issuer. "Merchants benefit greatly due to their ability to shift credit risk to someone else when they accept a credit card."

The GAO report also confirms that interchange regulation in Australia hurt consumers. It concludes that when the government mandated interchange be cut in half, Australian cardholders saw their annual fees rise and benefits shrink. At the same time, the report says, it is difficult to find any evidence that retailers lowered prices to reflect the lower interchange fees.

"If the merchant lobby succeeds in artificially reducing their acceptance costs, consumers will pay higher card fees while having fewer payment choices with fewer benefits. Nowhere

in the report is there a conclusion that if merchants are successful in shifting their costs to consumers that they will pass any savings on to their customers in the form of lower prices” Miles said. “The merchant lobbyists have staked their entire argument on the assertion that consumers will somehow benefit if consumers are asked to pay more for their payment cards,” noted Miles. “The GAO, however, exposes the weakness of that argument.”

About MasterCard Worldwide

MasterCard Worldwide advances global commerce by providing a critical economic link among financial institutions, businesses, cardholders and merchants worldwide. As a franchisor, processor and advisor, MasterCard develops and markets payment solutions, processes approximately 21 billion transactions each year, and provides industry-leading analysis and consulting services to financial-institution customers and merchants. Powered by the MasterCard Worldwide Network and through its family of brands, including MasterCard®, Maestro® and Cirrus®, MasterCard serves consumers and businesses in more than 210 countries and territories. For more information go to www.mastercard.com.

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