

# MERCHANTS HAVE ALL THE POWER THEY NEED TO MANAGE THEIR ACCEPTANCE COSTS

The recent interchange settlement agreement capped years of significant gains for retailers, which – collectively – have given them dramatically more power over their acceptance costs. Retailers now have more options and greater flexibility than ever before, from applying a surcharge on credit transactions to controlling routing decisions at the point of sale. With these changes, retailers can steer customers to pay the way they choose and manage point-of-sale economics in their favor.

## Merchants Have Willingly Settled Their Outstanding Legal Claims

- After years of negotiations, merchants have agreed to resolve class-action litigation that provides:
  - The ability for merchants to surcharge credit products
  - The ability for merchants to form buying groups to negotiate interchange rates collectively
  - A temporary reduction in credit interchange rates worth over a billion dollars
  - \$6.6 billion in settlement payments
- The settlement payment and rate reduction are in addition to the \$8 billion windfall merchants received from debit price controls.

## Merchants Received Significant Reductions in Debit Card Fees

- As part of the Wall Street Reform Act, merchants secured a 50 percent reduction in debit interchange. This resulted in government price controls that capped rates at \$0.24 per transaction for cards issued by regulated financial institutions – those with assets over \$10B.
- This cap will result in a savings of approximately \$8 billion to merchants. Merchants have no obligation to pass this reduction along to shoppers, so it potentially drops straight to their bottom line.

## Merchants Control How a Consumer Pays

- Merchants can now require a \$10 minimum on credit card purchases.
- Merchants can offer a discount for paying with cash, check or PIN debit or for using a specific network-branded card.
- Merchants can offer discounts for paying with non-rewards cards versus rewards cards.

## Merchants Control Transaction Routing

- Starting in April 2012, merchants control how debit transactions are routed.
- As part of the Wall Street Reform Act, all financial institutions are required to have two unaffiliated payment networks on each debit card, giving merchants more competitive options.
- This increases pressure on networks to compete for retailers' routing decisions, and gives merchants a further opportunity to lower their acceptance costs or receive additional benefits.

**\$6.6B**  
payment to retailers.

**\$1.0B+**  
in interchange reductions.

**50%**  
cost reductions  
not passed on to consumers.

Can require consumers to pay

**\$10**  
minimum

on credit card purchases.

**\$8,000,000,000+**  
and counting

...windfall from debit regulation  
and future cost-saving benefits.