

Summary of Welch Interchange Legislation

Part 1: Prohibit anti-competitive practices. These all address practices that are banned by the contracts merchants sign with Visa and MasterCard. We believe that these are fundamental rights that ensure an open, competitive market and should not be able to be limited by the credit card companies.

- Eliminate Additional Charges for Premium Cards or access devices. This section prevents credit card companies from charging the merchant more when a customer uses a “special” card, like a rewards card, or a corporate card or internationally issued cards.
- Pricing display restrictions. This section allows merchants to offer a lower price for customers who pay with lower cost payment types or devices.
- “Honor all cards” rule. This section allows merchants to choose not to accept certain cards that have especially high fees.
- Steering customers. Allows a merchant to ask a customer if he/she is willing to use an alternative payment device.
- Single entity rule. Allows a business to not accept cards at a given location. E.g. a company with a website and a retail store can decide to accept payment types and devices for their online business, but not in their retail location.
- Reason code 96 chargebacks. Relevant mostly at the gas pump where when you swipe a card, a \$50 transaction is authorized. As gas prices rise, these transactions are frequently exceeding the \$50 authorization amount. We’ve heard reports that Visa is denying any repayment to the merchant in some of these situations. This section prohibits that.
- Maximum/minimum transactions. Allows merchants to set a minimum for purchases initiated with a credit card or other payment device (many places do this anyway, like \$5 minimum, but it technically violates the rules). Also would allow merchants to set a maximum so that transactions don’t exceed the preauthorization amount discussed in the previous section.
- Restrictions on network routing on PIN transactions. Allows merchant to choose which financial routing network to use (Cirrus, NYCE, Interlink, etc) based on which is least costly for them.
- Restrictions on number of Transactions. This section prevents credit card companies from requiring any merchant to conduct any minimum number of transactions for using such network’s payment device during any given time period.

Part 2: Disclose Rules and Provide FTC Authority to Eliminate Anticompetitive Rules. This section requires MasterCard and Visa to disclose all terms, rates, and conditions to the FTC and allows the FTC to review and determine if any practices are anti-competitive.

Part 3: Require full disclosure of interchange or other fees collected from merchants to the Fed and the public. Creates mechanism through the Federal Reserve for the disclosure and publication of full terms and conditions of the credit card company contracts.

Part 4: Require full disclosure of interchange or other merchant-paid fees to consumers. Requires credit card companies to disclose to consumer in several places the interchange rates they are charging.