**Senator Dick Durbin**
**Chair, Senate Judiciary Committee**
**Written Questions**
**Hearing on "Excessive Swipe Fees and Barriers to Competition in the Credit and Debit Card Systems"**
**May 11, 2022**

**Questions for Bill Sheedy, Senior Advisor to the Chairman and CEO, Visa Inc.**

1. Mr. Kim testified during the hearing that "I think roughly 60 percent of interchange revenue goes out in the form of rewards."

    a. **Is Mr. Kim correct?**

    b. **If not, what is the percentage of interchange revenue that goes out in the form of rewards?**

    c. **Does Visa ever receive information from card-issuing banks in the Visa network on what percentage of the banks' interchange revenue goes out in the form of rewards? If so, how often does Visa receive such information and from how many banks does Visa receive it?**

Visa does not earn revenue from interchange fees; our revenue comes from fees we charge financial institutions who issue cards and process transactions over our network. Those institutions, which include banks and credit unions of all sizes, receive interchange fees and compete with each other, and with other forms of payment, to offer attractive fee structures, credit access, and other features and benefits to cardholders. Visa does not receive information from financial institutions on how they allocate revenue from interchange fees to cover the costs of benefits, like rewards, offered to cardholders.

**Senator Marsha Blackburn**
**Questions for the Record to Bill Sheedy**
**Senior Advisor to Chairman and CEO, Visa Inc.**

1. Financial institutions face more risk with credit card transactions than they do with debit card transactions because credit transactions are unsecured loans to the consumer. If we were to legislatively create a framework that allows regulators to dictate the terms for which credit unions and banks are allowed to extend credit for credit cards, **what would be the impact on consumers' access to credit?**

Any legislative framework that would allow regulators to dictate the terms for extending credit would result in significant detriments to consumers, including fewer cards being issued, reduced access to credit, and increased cost of credit – with low-income Americans bearing the brunt of a more restrictive credit market.

Credit cards and debit cards have varying levels of risk for financial institutions. For example, a debit card has no built-in credit component and enables consumers to make payments by using money they already have in their bank accounts. Credit cards, on the other hand, afford consumers the ability to purchase goods and services by providing access to an unsecured line of credit from their financial institution. When a credit card is used to make a purchase, the merchant is guaranteed payment for that transaction, but the purchase amount constitutes a loan that the issuing financial institution extends while absorbing the risk of non-payment.

Credit card programs also tend to be more expensive than debit card programs for financial institutions for several reasons, including the costs associated with maintaining the underlying line of credit, the period of "free float" provided to cardholders, the risk of default by cardholders, the fact that there tends to be more fraud on credit cards than on debit cards, and because these products often come with additional benefits for consumers.

Government mandates, whether in the form of price controls, routing or network enablement requirements, or otherwise, will make the administration of credit card portfolios more expensive and force financial institutions to reassess their offerings, including access to credit, to consumers and businesses. This will be particularly acute for small and medium sized financial institutions, including credit unions and community banks, ultimately harming the communities, consumers and businesses they serve locally, and slowing economic growth. In short, dictating the terms by which financial institutions offer credit cards to consumers would unnecessarily upend a thriving, highly innovative and competitive payments sector and will reduce access to credit products and slow consumer spending, with disproportionate negative impacts for lower-income consumers and small businesses.

**Senator Charles E. Grassley**
**Question for the Record to Bill Sheedy**
**Senior Advisor to Chairman and CEO, Visa Inc.**

1. Using cards to pay for purchases has been on the rise. Some argue that merchants feel like they have to accept Visa and Mastercard regardless of the fees that are charged, or consumers will go elsewhere. Others believe that these cards allow for convenience and higher buying power benefiting both parties. Do you believe that retailers have no choice but to accept Visa because of their market power in the credit and debit card markets?

No. Merchants have more payment choices than ever because competition in the payments sector is more dynamic than it has ever been, a trend that has accelerated rapidly over the last several years. In our experience, merchants accept Visa because it is good for their business.

Some of the most significant domestic players and brands in payments now include names like PayPal, Venmo, Square (Block), Affirm, Afterpay, Klarna, and Zelle, as well as large technology platforms, and a growing list of international entrants. These players offer digital prepaid wallets, digital marketplaces, closed commerce ecosystems, real-time payments, Buy-Now-Pay-Later solutions, open banking systems, and cryptocurrency solutions. Many of these new payment options are offered outside the traditional banking regulatory structure, some of which promote account transfer rather than card-based payment methods. In addition to these new alternative payment methods, there are four successful credit card networks in the United States, and more than a dozen debit networks. Cash and checks also remain an important part of the payments landscape. Merchants also remain free to steer consumers to use their preferred payment options with discounts or other benefits.

From traditional payments options, fintechs, Big Tech companies, and domestic and foreign players, consumers and merchants have many choices for how they can choose to pay and be paid, and we expect those options to continue increasing over time. Card networks like Visa enable merchants of all sizes to compete on a level playing field. Whether the merchant is large or small, they can transact securely with billions of Visa cards across the globe and know they will get paid. Likewise, all merchants that accept Visa can equally benefit from our security and fraud fighting tools. It is this dynamic that drives Visa to invest and innovate constantly in order to continue having the privilege to serve consumers and businesses, so that the next time a consumer and merchant are making the choice of what payment option to use or accept, no matter how many options are available, they will elect to use Visa.