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Chairman Durbin, Ranking Member Graham, and members of the Committee, thank you for the opportunity to testify about Visa's role in the dynamic and competitive payments ecosystem and how Visa fosters security, innovation, and growth that benefits everyone who uses our network, including the consumers and small businesses that are the driving force of our economy.

At Visa, we are constantly investing in our network as part of our purpose to uplift everyone, everywhere by being the best way to pay and be paid. We are proud of the work we do to enable consumers and merchants to transact securely and conveniently, supporting commerce and economic growth across our country and around the world. Simply put, when consumers choose to use a Visa card and when merchants choose to accept Visa, they do so with the confidence that their transactions will be processed efficiently, reliably, and securely and that they will receive the rights, protections, and benefits guaranteed for every transaction on the Visa network. It is critical that we continue to deliver significant value to consumers and businesses as we operate in one of the most dynamic industries in the world with robust competition from other increasingly digital payment methods.

Every day Visa provides consumers with the opportunity to securely transact with millions of merchants from around the world, with the peace of mind that they are covered under Visa's Zero Liability protections. Consumers and businesses also have the ability to benefit from simple processes to dispute charges or to get refunds on purchases that did not work out as planned. The Visa network is also designed to level the playing field between small and large merchants. Every merchant that accepts Visa can transact securely with billions of Visa cards across the globe and know that they will get paid because our network stands behind every Visa transaction. By connecting into our network, any main-street, small-town, or rural store, or any small e-commerce site, can benefit from Visa's world class security and fraud-fighting tools so they can better compete with even the largest retailers and technology platforms. Similarly, every small community bank and credit union has access through Visa to the same payment. products, processing capabilities, dispute tools, and fraud-fighting technologies as the largest financial institutions.

While our brand is well known, Visa is only one part of the credit card payments system. For instance, Visa does not issue cards. It is financial institutions, including banks and credit unions of all sizes, that issue Visa cards, set interest rates and customer fees on those products, and compete to offer rewards and other benefits to cardholders. Similarly, acquiring banks sign up merchants for card acceptance, competing for business based on the services they offer and the fees they charge to their merchant clients. Generally, interchange is a bank-to-bank fee paid by acquirers to issuers for credit and debit transactions (the reverse is true for certain other transactions like ATM). It's important to note that Visa has no incentive to set these inter-bank interchange fees at levels that are too high or too low. We focus on growing and optimizing transactions on our network, which we can only do when merchants and consumers successfully and securely complete sales. Without those sales, we have no transactions to process.

Our goal is to foster balance, security, and stability, while growing the overall payments ecosystem. Visa believes the fundamental promise of digital payments is their ability to securely connect people and businesses and facilitate commerce, wherever it happens—whether in person, at a local store, or virtually through e-commerce, in the United States or anywhere else around the globe. For over 60 years, our network has brought consumers and merchants together to enable commerce no matter where they are. Visa operates in more than 200 countries and territories and serves more than 150 million merchant locations. In the last year alone, Visa processed more than 300 billion transactions globally, amounting to $16 trillion in payments volume overall. While we are honored that so many consumers and merchants trust Visa to meet their payment and commerce needs, our future success is far from guaranteed. Our 31,000 employees come to work every day knowing we must earn and re-earn this trust with every single transaction we have the privilege of processing. To achieve our purpose in this intensely competitive environment, Visa remains obsessively focused on two fronts: delivering world class reliability and security; and staying on the cutting edge of innovation for the benefit of all our partners, clients, and consumers.

We strive to ensure Visa's systems are secure and always available to meet the needs of consumers and businesses everywhere. Visa is capable of processing more than 76,000 transaction messages a second. Processing this enormous volume of payments seamlessly is a testament to the investments we have made in the capacity and stability of our network. VisaNet, our core authorization platform, has consistently performed at 99.999% reliability.

With respect to security, we know we can never sit still. The needs of consumers and merchants to engage in new types of commerce are constantly evolving, as are the risks from bad actors seeking to exploit any vulnerability in payments and financial systems. Cybersecurity incidents are on the rise, and it has never been more important to ensure payment networks are secure and reliable. Visa therefore continues to make significant investments in security and fraud prevention. Over the past five years, Visa has invested over $11 billion in technology, including to reduce fraud and enhance cybersecurity. We blocked $40 billion in suspected fraud globally in 2023.

To ensure that consumers and merchants continue to trust us with their business, we must constantly innovate and deliver superior value in a competitive environment where there are more options than ever before to make and receive payments. Many of the critical security features that are now the industry standard in credit card payments, such as chip cards, are groundbreaking innovations that Visa helped to develop and deploy for the benefit of everyone. Our investments in contactless and token technologies are driving the next generation of commerce solutions and experiences. In fact, innovation in security, reliability, and efficiency in payments go hand in hand. We take pride in Visa's role in contributing to economic growth by making payments more convenient, frictionless, and flexible, without compromising security.

The payments industry is dynamic and fast-moving. Rapid innovation and consumer demand are driving new entrants and technologies into the sector from fintech to BigTech to an increasing number of foreign players. I will summarize some of these key trends below, but it is important to note that even the developments of just the past year demonstrate the incredible pace of change that is shaping our industry. The news of Capital One's proposed acquisition of Discover Financial Services, for instance, illustrates the deeply competitive and rapidly evolving nature of our industry.

As I will discuss further, the Credit Card Competition Act ("CCCA") is not only unnecessary, but also potentially deeply harmful to the competitiveness and innovation that drive this country's payments industry. It also impairs the industry's contribution to economic growth. Visa believes that everyone thrives when we strive to maintain the success and security of payments through dynamic market-based competition, without static regulatory mandates that would create significant inefficiencies, impede security, stifle innovation, and undermine the freedom to choose payments that American consumers and merchants enjoy today.

Payments Is a Competitive, Innovative, and Dynamic Industry

Visa competes in one of the most dynamic industries in the world. Driven by new and innovative technologies, consumers and merchants are demanding—and now have—more payment options than ever when choosing how to pay and be paid. With all the new digital payment options in the marketplace, competitive pressure has never been more intense on all participants in the industry—including Visa—to maintain and improve the value, reliability, efficiency, security, and innovation of their offerings. Visa's continuing success is contingent on its ability to compete, innovate, and deliver even greater value in this dynamic marketplace.

Over the past decade, we have seen a dramatic increase in new ways to pay. Now, consumers and merchants can pay and be paid anywhere in the world, from the checkout counter to e-commerce websites, to social media and subscription-based services, using chip-enabled cards, phones, apps, digital wallets, direct-from-account, and embedded forms of payment. Even for a transaction as common as buying a cup of coffee, merchants often enable consumers to select from many payment options; we've all encountered e-commerce checkout pages that present a wide variety of payment choices.

These new payment options have become increasingly popular and accessible to small businesses through companies like Stripe, Square (Block), Shopify, and Toast. They offer all-in-one solutions which allow merchants—from neighborhood dry cleaners to farmers at local markets—to launch businesses and instantly accept multiple forms of payment in-person and online, making payments available wherever, whenever, and however their customers want to transact.

Some of the most significant players and brands in payments now include household names like PayPal/Venmo, Square (Block)/Afterpay, Affirm, Klarna, and Zelle, as well as other fintech solutions and platforms developed by large technology companies and merchants like Amazon, Apple, Google, Facebook (Meta), and Walmart. While we believe that Visa offers the best payment experience, merchants are free to choose to accept or steer consumers to other payment options including alternatives that do not rely on payment cards.

Digital stored-value wallets like PayPal and Cash App, among others, have grown exponentially in recent years. They provide a platform onto which users can load and receive funds, and then make payments using those funds. Many digital wallets enable consumers to complete purchases by transferring money directly from their bank account without any reliance on payment card networks like Visa to process those transactions. In 2023, bank transfers represented the top funding source for transactions completed over PayPal, one of the most prevalent digital wallets in the United States today, which supported $1.53 trillion in total payment volume in 2023 and spans over 400 million active accounts across the globe.[1]

"Buy-now-pay-later" is another example of a widely available payment method that has grown rapidly in recent years, directly competing with traditional credit card purchases. Notably, 20% of Americans made purchases using buy-now-pay-later solutions at least once in 2023.[2] Fintech offerings from Affirm, Afterpay, and Klarna, along with PayPal's "Pay in 4" program, among others, provide installment loans, or buy-now-pay-later plans, directly to consumers during merchant checkout. These solutions have been particularly attractive to younger buyers who appreciate their simplicity. Buy-now-pay-later transaction value in North America is expected to exceed $138 billion by the end of 2024, with nearly 88 million unique users.[3]

Pay-by-bank solutions, offered by fintech companies like Fiserv, Stripe, Yodlee, MX, and Trustly, are also rapidly growing in adoption and use. They allow buyers to pay for goods or services directly from their bank account without involving traditional payment networks and are now utilized by some of the largest retailers in the United States, including Walmart, AT&T,

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[1] *See* Euromonitor, *Global Digital Wallet Market* (June 2024), (identifying "bank account" as the leading PayPal digital wallet funding source); *see* PayPal, 2024 Proxy Statement, https://s201.q4cdn.com/231198771/files/doc_financials/2024/ar/PayPal-Holdings-Inc-Combined-2024-Proxy-Statement-and-2023-Annual-Report.pdf (citing "$1.53 trillion in total payment volume across our platform" and "426 million active consumer and merchant accounts").

[2] *See* Federal Reserve Bank of Philadelphia, *4-in-6 Payment Products – Buy Now, Pay Later: Insights from New Survey Data* (February 2024).

[3] *See* Juniper Research, *Global Buy Now, Pay Later Market 2024-2028* (January 2024).

T-Mobile, Verizon, Uber, Lyft—the list goes on. Notably, pay-by-bank transactions can take many forms, including over real-time payment systems or the Automated Clearing House network. FedNow, a real-time payment system offered by the Federal Reserve, used by more than 900 financial institutions—up from 35 institutions in just over a year—and the privately operated Clearing House Real-Time Payments network handles 75 million transactions each day in the United States.[4] These networks have seen substantial growth in recent years, with global transaction volumes for real-time payments expected to reach $58 trillion by 2028.[5]

In recognition of this tremendous growth, one of the world's largest retailers, Walmart, recently announced that customers will soon be able to pay directly from their bank accounts for online purchases through its partnership with Fiserv to process those transactions over real-time rails.[6] Walmart alone supported $100 billion in e-commerce sales in 2024, illustrating the enormous potential of pay-by-bank solutions.[7] Moreover, the Consumer Financial Protection Bureau recently finalized a rule requiring financial institutions to allow third-party applications used by consumers to access their bank account information to initiate payments to or from those accounts. This would undoubtedly accelerate the adoption of pay-by-bank solutions in the United States.

Alongside these new players, Visa also vigorously competes against other more traditional payment card networks such as Mastercard, American Express, Discover/Pulse, and several other credit and debit options (including those issued directly by merchants and their partners), which are also engaged in rapid innovation and competition against each other and other payment methods. Consumers often carry multiple cards, which may have different networks, issuers, interest rates, rewards programs, and loyalty benefits. Credit cards also compete with other consumer credit products such as personal loans. And more generally, credit continues to

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[4] *See* Federal Reserve, *FedNow Service ends first year with 900+ participants* (August 2024), https://www.frbservices.org/news/fed360/issues/080124/fednow-service-ends-first-year-900-participants; Clearing House Press Release, *Growing Volumes on The Clearing House's ACH Network Lead to Impressive Upward Trajectory* (March 2024), https://www.theclearinghouse.org/payment-systems/Articles/2024/03/2023_ACH_Volume_TCHs_EPN_Continues_Steady_Growth_03-12-2024.

[5] *See* PYMTS, *Global Real-Time Payments to Top $58T by 2028* (July 2024), https://www.pymnts.com/real-time-payments/2024/u-s-real-time-payments-volume-to-surge-600-between-2020-and-2025/.

[6] *See* Bloomberg, *Walmart Plans Instant Bank Payments, Cutting Out Card Networks* (September 2024), https://www.bloomberg.com/news/articles/2024-09-19/walmart-plans-instant-bank-payments-cutting-out-card-networks.

[7] *See* Walmart Inc., Annual Report (2024), https://corporate.walmart.com/content/dam/corporate/documents/newsroom/2024/04/25/walmart-releases-2024-annual-report-and-proxy-statement/walmart-inc-2024-annual-report.pdf ("$100B eCommerce sales").

compete against debit cards, pay-by-bank, account on file, store cards, and other forms of payment that remain the preferred payment method for many Americans—including cash, checks, and money orders. The Federal Reserve's 2024 study of consumer payment choices recently highlighted that only one third of transactions are credit, and about one in six are cash.[8]

One of the biggest trends that has made credit payments so competitive over the last decade is the transition to digital connections and transactions. Rather than being faced with a chicken-and-egg problem of installing a large base of infrastructure with physical terminals and issuing millions of pieces of plastic, today, significant new credit, debit, and other consumer payment systems and players can compete for payments with nothing more than a mobile app. The challenge now is to win the trust and preference of consumers and merchants for each and every transaction by offering the most reliable, efficient, and secure option among the range of choices that are available.

The wide variety of competitors, from small fintechs to large technology platforms, is matched by a wide variety of approaches for keeping up with this dynamic innovation. There are some technology players focused on home-grown or closed systems, others partner with merchants, and still others enable new services through networks like Visa because they want to build on top of the security, reliability, and reach of an existing payments network to develop their own creative payment solutions. Visa and participants in its system face competition from every one of these possible approaches. Visa believes that having this rich mix of multiple levels of innovation—between networks, between established and emerging payment technologies and brands, and among issuers, fintech players, and banks, all trying to best meet consumer and merchant payments needs—leads to robust, dynamic, and multi-layered competition in the consumer payments sector that benefits everyone. We welcome the competition. As a leader in the payments sector, thinking about the dynamic innovation and constantly evolving competitive landscape is what excites me most about the future of this industry.

Consumer Choice Keeps the Payments Market Healthy

Consumers have a right to choose how they pay, including the method by which their payments are processed. With respect to credit cards, consumers exercise this choice when deciding on a specific credit card offered by a bank or credit union and when selecting which card—including the network—they want to use for a specific transaction at a merchant.

When selecting a credit card offered by a bank or credit union, consumers are free to choose the product that makes the most financial sense for their household and transaction needs. About 4,000 U.S. financial institutions compete to offer thousands of credit card products that serve the diverse needs of consumers across age, income levels, and business type (small, medium to large businesses), with variations in interest rates, payment terms, rewards, brand preferences, and

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[8] *See* Emily Cubides, Shaun O'Brien and Berhan Bayeh, *2024 Findings from the Diary of Consumer Payment Choice*, Fed. Rsrv. Bank S.F. 5 fig. 2 (May 2024), https://www.frbservices.org/binaries/content/assets/crsocms/news/research/2024-diary-of-consumer-payment-choice.pdf.

cash-back options, among other features.[9] Consumers, on average, maintain multiple credit cards that they can use for different types of purchases.[10]

American consumers also make a choice when deciding whether to use a credit card to make a specific purchase and, if so, which one to use. Consumers have wildly diverse payment preferences and often choose to use certain payment products for some purchases, and different products and services for others. As discussed, there are numerous benefits and attributes offered by financial institutions to satisfy consumer needs across a full range of financial situations—for example, secured cards to build credit history, cash-back cards, and travel rewards cards.

One of the key features consumers care about is the network brand. When a consumer decides to use a card branded with Visa, the consumer expects that the transaction will receive the benefits and protections offered with a Visa card, including the right to dispute charges, be protected from liability for fraud, and have the peace of mind that the transaction will be processed by a network that lives and breathes to provide best-in-class security. That decision by the consumer should be honored and protected. Undermining that decision would be inconsistent with longstanding principles of consumer protection; the goal of meeting consumer needs and preferences is a bedrock driver of competition in market economies.

Why Consumers, Merchants, and Financial Institutions Choose Visa

To ensure the Visa network remains safe, secure, and reliable, Visa invests heavily in network security. In an era when risks associated with sophisticated cyber and fraud threats constantly hover over financial and digital systems, when consumers choose to pay with a Visa credit card and merchants choose to accept Visa payments, they are each making the decision to trust their transactions to a network that is dedicated to security. Simply put, our investment in security technology is a competitive imperative: without consumers and merchants trusting Visa in every way and place they want to transact, now and in the future, we would quickly lose relevance as a payment network.

Criminals are increasingly sophisticated and taking advantage of tools from phishing to data breaches to using artificial intelligence ("AI") to exploit and disrupt financial and payments systems. Cyberattacks have more than doubled since the pandemic, and perhaps most notably, risk of extreme loss resulting from those attacks has more than quadrupled since 2017 to $2.5 billion.[11] The financial sector is uniquely exposed, with attacks on financial firms accounting for

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[9] *See* Consumer Financial Protection Bureau, *The Consumer Credit Card Market* 18 (Oct. 2023), https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2023.pdf ("About 4,000 financial institutions offer credit cards").

[10] *See* Experian, *What is the Average Number of Credit Cards?* (April 2024), https://www.experian.com/blogs/ask-experian/average-number-of-credit-cards-a-person-has/.

[11] *See* International Monetary Fund, *Global Financial Stability Report* (April 2024).

nearly one-fifth of all incidents.[12] According to the Federal Trade Commission, consumers in the United States reported losing more than $10 billion to fraud in 2023 alone.[13]

Against this backdrop, Visa remains hyper-focused on protecting the consumers and merchants we have the privilege of serving. We have made significant investments to protect our network, including $3 billion in AI and data infrastructure in the last ten years. This includes investment in our flagship AI-based platform, Visa Advanced Authorization, to respond to a significant increase in insidious malware, social engineering, and brute-force attacks. Visa Advanced Authorization is a risk-management tool that evaluates transactions over Visa's network in real time, analyzing billions of Visa transactions each year. Each transaction is scored against up to hundreds of risk factors in one millisecond. Visa cardholders benefit from the greater effectiveness of our fraud controls on their cards, receiving helpful real-time alerts or other support from their financial institutions when a suspicious transaction is spotted. These investments helped prevent more than $40 billion in suspected fraud globally in the last year.

Visa cardholders can also count on our Zero Liability protections on unauthorized or fraudulent transactions, ensuring that consumers do not have to pay for transactions they did not authorize. In addition, we maintain well-established dispute-resolution processes to implement the consumer protections embedded in our network rules.

Visa also stands behind every transaction authorized on our network. For Visa merchants, this means they are guaranteed to receive payment on Visa transactions authorized by the issuer in accordance with Visa rules. This protection extends through our bank and credit union partners to every merchant, irrespective of size, resources, or sophistication. The security of our guarantee allows merchants everywhere to confidently transact with any Visa account holder, from any corner of the world. Because of this systemwide guarantee, merchants do not need to worry—even during times of unusual financial events—whether the bank that issued the card will be able to complete the payment. While this type of peace of mind benefits all merchants, it is particularly important for our small merchant partners that often lack the technologies and resources of their larger competitors to manage such risks. They only need to worry about completing the sale—not whether they will get paid.

These promises go well beyond what is legally required of payment networks, and they underscore the tremendous value Visa provides to consumers and merchants. Given the scope and scale of payments we support, ensuring these promises and providing unparalleled reliability requires enormous investment, infrastructure, processing capacity, fraud and risk tools, and financial resources. It also requires constant, ongoing investment and state-of-the-art innovation, both to live up to the needs and expectations of consumers and merchants in our highly

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[12] *See id*.

[13] Federal Trade Commission, *As Nationwide Fraud Losses Top $10 Billion in 2023, FTC Steps up Efforts to Protect the Public* (Feb. 2024), https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public.

competitive industry, as well as to stay ahead of the increasingly challenging fraud and cybercrime landscape globally.

For example, Visa has been instrumental in developing and deploying significant advances in safety and security at the point of sale. Visa helped to develop, introduce, and rapidly deploy "chip cards," smart payment cards that store data on integrated circuit chips. Though chip cards are now common throughout the United States, their introduction reflected a multi-year effort that included coordination across many payment system participants, significant investment, and incentives to encourage merchants and banks to upgrade existing payment technologies. In the last five years, merchant chip acceptance increased steadily from 50% to 94% with an associated 83% decline in the counterfeit fraud rate at the point of sale on all U.S. issued card transactions. Through this considerable investment, supported by Visa rules and interchange fee incentives, the migration to chip cards resulted in transformational benefits to all participants in the U.S. payment system: consumers and merchants, alike.

Visa has further supported the widespread use of contactless payments so that consumers and merchants can complete a payment with a touchless interaction at a payment terminal utilizing chip technology. As a result of Visa and other payments companies' efforts to roll out chip technology and contactless payments, contactless interactions grew significantly in recent years, particularly as consumers have looked for safer ways to pay. Tap-to-pay is now the preferred technology in areas like transit, where speed and convenience are critical, and notably more than 50% of face-to-face Visa payment transactions in the United States are contactless today.

Additionally, we are especially proud of innovations like tokenization, which deliver both greater security and a faster, more flexible payment experience, making it easier for consumers and merchants to make and receive payments securely in the current digital-first and mobile-first world. A token is a substitute proxy number that effectively creates a payment credential separate from the account number displayed on the physical card. Tokens offer dynamic data elements, making them more secure, and they can be added to a mobile wallet, an app environment, or a web browser, or they can be hosted in the cloud. If a token is somehow compromised by fraudsters, it can be replaced behind the scenes without requiring a new card number or physical card to be issued. To date, Visa has invested heavily to develop, test, and roll out token technology to issuers, acquirers, mobile partners, and merchants. In 2023, we saw a 30% reduction in fraud rates for e-commerce transactions when comparing tokenized transactions to non-tokenized transactions. In 2023 alone, Visa tokens saved more than $600 million in fraud.

In my different leadership positions at Visa, I have spent considerable time with regulators and political leaders in the United States and around the world, and I know policymakers share our central goal of ensuring that the U.S. payments system is as reliable, as efficient, and as secure as possible. We remain steadfast in our commitment and dedication to that cause.

The Credit Card Competition Act Would Undermine Security, Consumer Choice, and U.S. Payments Innovation

We have significant concerns about the CCCA and the negative consequences and risks it poses for consumers, small businesses, and the credit card ecosystem at large. Critically, the CCCA takes away consumers' freedom to choose exactly which credit card works best for their needs and which payment systems to trust with their money. Consumer choice has been a bedrock principle of payments in the United States for decades; consumers want to select the payment system and device they trust to handle their sensitive financial transactions. Today, a consumer using a Visa credit card expects to receive valuable benefits and protections whenever using that card, including the right to dispute charges, be protected from liability for fraud, return defective goods, enjoy certain travel protections, or receive rewards points. Under the CCCA, merchants would not be required to obtain the consumer's consent or provide notice before switching the transaction from Visa to another network, which could be a network that lacks the same protections and benefits that Visa guarantees. This not only takes away the consumer's freedom to choose how they want to pay for things, but it also leaves consumers vulnerable to fraud and other significant security concerns and potentially blindsides them if things go wrong. Such routing requirements directly conflict with fundamental consumer-protection principles, which aim to empower consumers and protect them from unfair business practices.

The proposal also comes with substantial risk by adding friction, unnecessary inefficiency, and expense to a system that is today convenient and secure. Particularly in today's digital environment, consumers and merchants have come to value secure, hassle-free payments. What is now a rapid tap-and-go experience will be disrupted by the CCCA, and key services that protect consumers, like real-time fraud alerts, may disappear as merchants direct payments to platforms that do not provide the same level of security and fraud-fighting tools and seamless transaction experiences consumers have come to expect and which in some cases are built on business models that rely heavily on the collection and use of personal data. The CCCA also introduces substantial new gaps and weak points that criminals will learn to exploit, attaching untested systems to credit cards that currently operate over sophisticated networks that have learned from experience and stood the test of time. At a time when cybersecurity presents unprecedented challenges, the CCCA undermines the extraordinary efforts that payment networks and financial institutions are making to keep American consumers and businesses safe.

Notably, the CCCA will also require a massive overhaul of credit infrastructure that, unlike debit, is not built to accommodate multiple networks on a credit card. For instance, financial institutions will need to establish connectivity to new networks to support billions of credit transactions, replace entire systems, and invest in additional resources to test, manage, and troubleshoot new platforms on an ongoing basis—the list goes on. All physical credit cards in the United States would need to be reissued, creating a significant opportunity for targeted mail fraud. Ultimately, adding unnecessary costs and risks to efficient payment systems is not in anyone's interest.

The CCCA's routing and intellectual property sharing mandates create a competitive environment where contestants have to run in pairs with their legs tied together. The proposed law appears to require networks to share innovations with their competitors, and wait until everyone can use them, before deploying new technologies. As a result, the ability of credit card systems to rapidly adjust to the changing competitive environment and evolving needs of consumers and merchants would be impaired, effectively creating a lowest-common-denominator approach where the fastest, most innovative, and reliable systems would need to wait for the slowest and least innovative systems, including systems that have never processed credit card payments as a network. By diminishing the industry's incentives to innovate, this type of government mandate risks ceding U.S. payments leadership to foreign or other payment systems that are not constrained in the same way and exposes credit card payments to new and increased risks we are currently able to stay ahead of. Payment experiences stand to become riskier, more inconvenient, and less reliable. Ultimately, consumers and merchants lose the most by policies, like the CCCA, that stymie innovation.

Furthermore, while the legislation's purported focus is on increasing competition between credit card systems, it expressly exempts three-party networks, including two of the four major traditional credit card networks in the United States. Notably, it excludes a credit card network widely recognized as the most expensive for merchants to accept. Government mandates that impose greater costs and impediments to innovation on only certain competitors and not others are inherently anti-competitive, tilting the playing field to give unique advantages to the exempted companies. Competition overall suffers when the government uses its authority to pick winners and losers.

The exemption ignores that four-party networks like Visa offer open platforms that enable businesses of all sizes to compete. Any financial institution, no matter their size or scale, can join our network and leverage our investments in security, reliability, and innovation to begin issuing payment products to their cardholders and competing against more established players. Similarly, Visa is open to a wide variety of acquirers and processors who can compete by offering their merchant customers payment acceptance services, including Visa, right away. We are proud to offer an open network that enables competition and provides consumers and merchants more choice, not less. Three-party networks are proprietary, meaning they generally restrict participation on their network by other issuers and acquirers, or only offer it to a select few on terms they dictate. Competition is not served by giving more exclusive three-party networks unique competitive advantages by government mandate.

While proponents of the CCCA claim that the bill will lower fees and that those purported savings will be passed on to consumers, we learned from experience under existing debit regulation that this will not happen. The Federal Reserve Bank of Richmond found that after passage of the Durbin Amendment, only 1.2% of merchants reduced retail prices, and as many as

22% of merchants actually increased pricing.[14] Similarly, under the CCCA, reduced card revenue will actually result in financial institutions—especially small and community-owned banks—finding it increasingly difficult to fund and offer credit access and rewards to businesses and consumers. These changes will disproportionately impact small businesses and lower-income Americans, stifling economic growth across the country.

Ultimately, the bill is based on an antiquated view of the payments landscape, where conducting credit transactions relied primarily on physical cards being swiped through a dedicated terminal inside a store. Most consumers will know from experience that the world today is far different. Unlike ten or more years ago, the ability to complete credit or other payment transactions today is enabled and secured by digital interactions, whether the merchant is small or large, brick-and-mortar or online.

In this fast-moving industry, regulation should consider the dynamic and innovative payments landscape that exists today, not the landscape of yesterday. It should recognize that credit cards and established payment networks are not only efficient and secure; they are also subject to extensive regulation and oversight that give consumers and merchants further assurance in the security and safety of their transactions. Policymakers in this environment should consider how proposed legislation like the CCCA, by impairing the current dynamism of credit card competition, might also shift consumer spending to payment options that are less regulated, less secure, more vulnerable, or more reliant in their business model on monetizing consumer data.

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Visa shares the Committee's goal in ensuring the payments ecosystem remains competitive, as we believe competition benefits everyone. Competition gives consumers options, drives innovation, and ultimately lifts individuals, businesses, and communities. We are proud of the role Visa has played in developing and delivering safe digital payments experiences to consumers and merchants across the United States and the world. We take our role in the payments ecosystem seriously and are deeply committed to keeping the trust of those we have the privilege of serving.

Thank you for the opportunity to appear before you today. I am grateful to be able to speak with the Committee regarding these important issues, and I would be happy to answer any questions that you may have.

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[14] *See* Federal Reserve Bank of Richmond Economic Quarterly, Vol. 100 No. 36, *The Impact of the Durbin Amendment on Merchants: A Survey Study*, (2014).