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Swipe Fee Reform Passed by U.S. Senate

Beverage Alcohol Retailers Applaud Commonsense Legislation to Address Runaway Fees

Bethesda, MD – May 14, 2010 – American Beverage Licensees (ABL), representing nearly 20,000 beverage alcohol retailers and their businesses, applauded the U.S. Senate’s passage yesterday of an amendment to the Restoring American Financial Stability Act of 2010 that will ensure that debit card transactions are reasonable and proportional to the cost of processing the transaction. The amendment was introduced by Senate Majority Whip Dick Durbin (D-IL) and received strong bipartisan support in a 64-33 vote.

“Yesterday, the Senate moved a step closer to protecting retailers and their customers from unfair swipe fees by standing up for Main Street businesses,” said ABL executive director Harry Wiles. “This concrete legislative action will help enhance transparency and increase fairness surrounding swipe fees.”

The Durbin amendment adds two key provisions to the larger bill. First, it directs the Federal Reserve to issue rules to ensure that debit interchange fees are reasonable and proportional to the processing costs incurred. Visa and MasterCard currently charge debit interchange fees of around 1-2% of the transaction amount. These fees are far higher than the actual cost of processing debit transactions, and they mean that small businesses and merchants always get shortchanged when they accept a debit card for a sale.

Second, the Durbin amendment prevents card networks like Visa and MasterCard from penalizing sellers for offering discounts to customers. The amendment allows sellers to offer discounts for customers to use competing card networks and for customers to pay by cash, check or debit card. The amendment also allows sellers to choose to decline credit cards for small dollar purchases (because interchange fees often exceed profits on such sales).

“With the passage of the Durbin amendment, retailers and their customers from all corners of the country have good reason to believe that Congress is serious about reining in spiraling swipe fees as well as credit card companies and big banks,” said Wiles. “ABL has long been engaged in the fight to reform swipe fees and we look forward to seeing this legislation head to the President’s desk for his signature.”

About American Beverage Licensees (ABL)

American Beverage Licensees (ABL) is the preeminent national trade association for beverage alcohol retailers. Its members are comprised of on-premise and off-premise licensees who provide hundreds of thousands of jobs and annually infuse billions of dollars into the American economy. To learn more about ABL, visit www.ablusa.org.