

Payments Policy and Consumer Security

ISSUE

Retailers utilize technology that improves consumers' shopping experience and advances innovation while safeguarding critical data. In a modern retail world, where shopping occurs both in-store and online and includes payments from cash to mobile, retailers are working to secure customers' credit and debit card data. Even when payment cards and mobile devices are secure, the "swipe fees" the card industry charges to process transactions drive up prices for consumers, so we have continuously sought to bring fees under control.

We need an open and transparent process to drive new technology and competition that improves our payments system and provides convenience, flexibility and security to consumers and businesses alike.

IMPACT ON RETAILERS

Credit card security – a large component of overall data security – is one of retailers' top priorities. Unfortunately, the U.S. payments system is powered by a complex architecture that is not state-of-the-art. U.S. retailers continue to warn that traditional credit cards are fraud prone, magnetic stripes are easy to copy and signatures are of little value in verifying the user is the legitimate cardholder. As a result, in 2016 the U.S. was responsible for \$9 billion of the world's \$22.8 billion in card fraud. By 2025, that number is expected to grow to over \$14 billion.

For many retailers, swipe fees are the second or third highest cost behind wages and employee benefits. With retail industry profits averaging only about 2 percent, there is no room for retailers to absorb these expenses, so swipe fees are passed on to customers in the form of higher prices. By NRF estimates, swipe fees cost the average U.S. household hundreds of dollars a year in higher prices and hurt retail sales.

HOW CONGRESS CAN HELP

Retailers believe that we can innovate to make the U.S. payments infrastructure the strongest and most secure in the world provided we advance policies that adopt the following principles:

Strong User Authentication

To ensure the security of the payment system, we need to authenticate the identity of each person making a payment. Innovation is coming by way of mobile and Internet-driven payment methods that validate a user's identity, such as biometrics, text-message codes and back-end algorithms to identify fraud. In the meantime, chip-and-PIN, which has been used in some countries for more than a decade, is the world standard for credit card security, and retailers believe U.S. consumers deserve the same level of security as shoppers elsewhere.

Payment Security Innovation

Payment technologies take a lot of different forms, but we must always ensure that the payments system uses the best security technology available. Currently, that is chip-and-PIN, but as payment technologies continue to rapidly evolve to keep pace with the many ways commerce is conducted, it is important that payment security evolves as well. We support innovative technologies that drive the U.S. payments system forward and make U.S. transactions the most secure in the world.

Open Security Standards

The payment system is complex and made up of many participants, all of whom have expertise and a role to play in card security. That should include a role in setting the standards by which the industries abide. Security standards are important because they establish guidelines for anyone who is accepting or processing sensitive cardholder data. There should be an open decision-making process that provides merchants an opportunity to help shape security standards on payments transactions.

Network Routing Competition

Every credit card should have multiple networks enabled to process transactions. Multiple networks are required for debit cards and this requirement should be expanded to include credit cards. Doing so will foster innovation, help contain costs, and more importantly create important redundancies. Additionally, requiring multiple networks on a credit card will foster innovation and advancements in security as networks compete for both bank and retailer business.

Preserve Debit Swipe Fee Reform

In October 2011, debit card swipe fees – the percentage of a transaction that banks can take – were capped at 21 cents per transaction (down from an average of about 45 cents) under the Dodd-Frank Consumer Protection and Wall Street Reform Act. We believe that debit swipe fee reform must be preserved so that costs to retailers do not further increase, which would mean higher prices for consumers and less opportunity for economic growth. Swipe fee reform has brought competition into the payments market and we encourage Congress to support the future of payments and continue to make sure competition is protected.