

## Electronic Transactions Association

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The Electronic Transactions Association, founded in 1990, is a not-for-profit organization representing entities who provide transaction services between merchants and settlement banks and others involved in the electronic transactions industry. Our purpose is to provide leadership in the industry through education, advocacy, and the exchange of information.

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## President's Message

# Merchant Education Critical

The issue of interchange seems to be everywhere these days.

Early in July, the 7-Eleven convenience store chain placed approximately 10,000 "signature books" on store counters around the United States, asking customers to sign these petitions protesting the interchange fees that "credit card companies" charge for each transaction. The company said it collected its goal of one million signatures in just a few days.

In May, the Federal Reserve Board published a white paper with the ambitious title: *Interchange Fees and Payment Card Networks: Economics, Industry Developments, and Policy Issues*. Most interesting reading. It lays out, in great detail, a description of the backbone of our industry, explaining the how the business works, the economics behind interchange, and the policy implications of the current system and proposed regulation for it. This will be read by exactly the people—legislators and regulators—who will influence how the interchange debate is resolved.



Those in the know think the interchange legislation introduced on the Hill does not have a lot of steam behind it. But that does not mean that we can sit idly by while the fate of such an integral issue to our business is decided.

The 7-Eleven ploy made a splash in the media. It is clear that retailers want their dispute with the payments industry over interchange to become a public, consumer issue. They have cast interchange as a kind of hidden tax on merchants that gets passed on to consumers. If that spin on the issue is successful, our industry will face a difficult challenge. We will need to educate the public about the complex system of compensation that makes credit and debit card transactions possible and the value that retailers and consumers get from that system. We have to help merchants understand that interchange is no less a necessary cost of running a successful business than electricity, or water, or any other service.

ETA is actively opposing any attempt to get the federal government involved in regulating or setting interchange rates. The association has an active role in the Electronic Payments Coalition, is closely monitoring proposed legislation and Hill debate, is actively engaged with legislative staffers on the issue, and already this year has led successful grass roots efforts to head off an attempt to incorporate interchange regulation into pending bills in Congress. That job will be more difficult if interchange becomes a consumer issue.

This is the time to head off regulation. Our efforts are bolstered by education of and active discourse with regulators and legislators, which your association, the ETA, is pursuing. But you, as a member of the payments industry, need to assist by doing a better job of educating merchants—your customers. There are tens of thousands of merchants who accept credit and debit cards but have only a vague notion of what interchange is or just how valuable it is to be able to accept payment cards. We must begin the process of educating the general public, beginning with merchants, about the value of what they get for those fees.

We will keep you informed of our government relations progress on this issue. If you become aware of movement in your state about the topic, please let us know. And to the extent you can, please continue to educate merchants about how interchange works and the economics behind paying for the valuable services provided by you and the payments industry.

Warm regards,

Holli Targan

*Holli Targan is president of ETA*

*and a partner at Jaffe, Raitt, Heuer & Weiss, P.C.*