December 17, 2025

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Ms. Misback:

We write in response to a December 8 letter sent by several financial industry trade associations urging the Board of Governors of the Federal Reserve System ("Board") to withdraw the proposed Regulation II update that the Board put forward in November 2023. At a time when affordability and rising prices are urgent concerns for American consumers, it is regrettable that financial trade associations appear far more concerned with preserving their ability to charge excessive transaction fees on debit card payments than they are with the economic well-being of their fellow Americans. We urge the Board to reject this latest financial industry stall tactic and to move forward without further delay to bring long-overdue debit fee relief to the American people.

This is, by our count, at least the sixth time that financial trade associations have publicly advocated for delaying or withdrawing the Board's proposed update to Regulation II.[1] The rationales cited by the financial industry have varied, but the goal has been the same each time: the industry wants to prolong, for as long as possible, the status quo in which large debit card issuers are able to have Visa and Mastercard fix interchange rates on their behalf at levels that exceed the reasonable and proportional standard Congress established. We know that the current Regulation II rate is no longer compliant with the statutory standard; as the Board pointed out in November 2023, "allowable costs incurred by covered issuers have fallen significantly since the original Regulation II rulemaking" and "the Board believes it is necessary to revise the interchange fee standards to reflect the decline since 2009" in issuer costs. But the financial industry wants to delay this necessary reform for as many months as possible because these fees are lucrative for them. Each day of delay means another day of excessively high fees that accrue to large banks but are borne by Main Street merchants and their customers.

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[1] The five previous industry requests were as follows: first, after the Board proposed its Regulation II update on November 14, 2023, comments on the proposed rule were originally due on February 12, 2024, but according to the American Bankers Association, "after numerous requests from industry, the Board extended the comment period until May 12, 2024." (See ABA Report, "Regulation II Debit Card Proposal," p. 3). Second, on February 14, 2024, the American Bankers Association and other trade associations sent a letter asking that the proposed update be withdrawn. Third, on March 7, 2024, the American Bankers Association sent a letter expressing strong support for Congressional legislation that would require the Board to "stop and fully examine" the impact of the Regulation II update before moving forward. Fourth, on May 10, 2024, numerous trade associations submitted a comment letter urging the Board to withdraw the proposal. Fifth, on December 12, 2024, the American Bankers Association sent another letter to Chair Powell urging that the proposal be withdrawn. The December 8, 2025 letter marks the sixth.

Enough is enough.

After all, if big banks do not like the amounts that they are able to charge under an updated Regulation II, all they need to do is set their own fee rates rather than following the debit fee schedules fixed by Visa and Mastercard. Some actual competitive rate-setting by banks would be a welcome departure from the banks' willingness to enrich themselves through the Visa and Mastercard cartel pricing structures.

Of course, the banks consistently ignore this competitive option and instead make meritless arguments. In fact, the substantive claims made in the industry's most recent letter are largely similar to their previous claims which we rebutted at length in our letter of December 23, 2024, and we renew the points we made in that letter.[2]

We also want to respond to a new rationale that the financial associations put forward in their most recent letter: their argument that the Board should not move forward until there is "legal certainty" with respect to Regulation II litigation in the *Corner Post* and *Linney's Pizza* cases. These two cases already provide sufficient clarity to move forward with the Board's proposed update, and they must not stop the Board from moving forward to correct how the current regulated rate no longer aligns with any measure of allowable costs and thus fails to comply with the statutory standard. In each case, the plaintiffs sought to have the Board remove certain cost considerations that the Board had incorporated into Regulation II as allowable costs, as removing such cost considerations would reduce the maximum regulated rate. The *Corner Post* court agreed with the plaintiffs that those cost considerations should be removed, but specifically stated that its order "does not prevent the Board's updates to Regulation II from taking effect, which serve to lower the interchange fee cap based on the latest data reported to the Board by large debit card issuers."[3] The *Linney's Pizza* court upheld the Board's 2011 determination of what costs are allowable under Regulation II – but this means that *Linney's Pizza* also does not forestall the Board's 2023 proposal, as that proposal simply updates the rate the Board established in 2011 to reflect the decrease that has taken place in those allowable costs since then and "does not propose any changes to the allowable costs considered for purposes of the interchange fee standards."[4] In other words, neither *Corner Post* nor *Linney's Pizza* preclude the Board from proceeding with its update. The *Corner Post* court made clear that even though its approach would ultimately decrease the rate even further than the proposed update, that should not hold up the Board from proceeding with an update that reflects how the current set of allowable costs have gone down.

We also renew our objection to the financial industry's argument that the Board cannot move forward because newer data might change the Board's calculations. The industry's strategy on this issue has been transparent: they have relentlessly (and so far successfully) advocated for delay in moving forward with the Regulation II update, and then they argue that the Board cannot move forward because too much time has passed and the facts on the ground have

[2] Merchants Payments Coalition Dec. 23, 2024 letter to Chairman Powell in response to American Bankers Association's Dec. 12, 2024 letter.
[3] *Corner Post, Inc. v. Board of Governors of the Federal Reserve System*, Case No. 1:21-cv-00095, Order Granting Corner Post's Motion for Summary Judgment, at p. 44.
[4] 78 Fed. Reg. 78104.

changed during the delay. The Board must not reward such gamesmanship by the financial industry, particularly at a time when Americans desperately need relief from the price inflation that the financial industry's fees exacerbate. The reality is that every single data collection and report from the Board following the initial promulgation of Regulation II has supported decreases in the regulated rate, yet the Board has still not yet updated its rule. After a decade and a half, it is time for the Board to fulfill its responsibility as a regulator and get the job done.

We have now seen more than two years of industry-supported delay since the Board put forward its 2023 proposal to finally reduce big bank debit card fees from their current excessive levels. America's merchants and consumers cannot afford to let the financial industry continue its rigged fee games. Finalizing the Regulation II update would provide prompt and much-needed relief to Main Street businesses and their customers from inflationary fee pressures. The Board should reject the financial trade associations' latest call for delay and move forward with its much-needed reductions to debit swipe fee rates.

Thank you for your consideration of this letter.

Sincerely,

Airport Restaurant & Retail Association

American Booksellers Association

Energy Marketers of America

FMI – The Food Industry Association

Merchant Advisory Group

Merchants Payments Coalition

National Association of College Stores

National Association of Convenience Stores

NAW - National Association of Wholesaler-Distributors

National Grocers Association

National Lumber and Building Material Dealers Association

National Restaurant Association

National Retail Federation

National Sporting Goods Association

NATSO, Representing America's Travel Centers and Truck Stops

Outdoor Hospitality Industry

Pet Advocacy Network

Retail Industry Leaders Association

SIGMA: America's Leading Fuel Marketers