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United States: Durbin Amendment

What will change?

The Durbin Act increases merchant flexibility in card acceptance and merchant leverage in card transaction pricing:

- Debit interchange fees charged by card networks (such as Visa and MasterCard) must be "reasonable and proportional" to the cost of processing the debit transaction. The Federal Reserve's final proposal includes a cap of 21 cents per transaction, plus 5 basis points on the amount of the transaction for fraud costs, plus 1 cent for fraud prevention costs. Financial institutions with \$10 billion or less in assets, governmental benefit cards, and certain prepaid cards are exempt.
- Network exclusivity is eliminated, requiring debit cards to be enabled (i.e., processed) on more than one network. Routing restrictions are also eliminated.
- Merchants can offer discounts or in-kind incentives for the use of cash, check or payment cards.
- Merchants can set minimum and maximum transaction amounts.

Who is impacted - and how?

- **If you use consumer cards**, you may experience reduced incentives, rebates or rewards or may see increased or additional card fees.
- **If you accept card payments**, you will need to reassess and communicate any change in your card acceptance strategy to your customers.

What can you do?

- **If you use debit cards**, you should review your different methods of payment, considering costs of banking products, services and credit. You may also renegotiate pricing for rebate and business-to-business contracts and contracts with Travel and Entertainment merchants.
- **If you accept card payments**, you can evaluate consumer payment incentives, set minimum/maximum transaction amounts for credit cards and consider incentives for customers who use alternative payment mechanisms. You may also seek to renegotiate contracts wherever card payments are used in business-to-business purchases.

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