76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session   **MEASURE:** SJM 18
STAFF MEASURE SUMMARY   **CARRIER:** Sen. Shields
Senate Committee on General Government, Consumer and Small Business Protection

REVENUE: No revenue impact
FISCAL: No fiscal impact

Action:	Be Adopted
Vote:	3 - 0 - 2
Yeas:	Bonamici, Monroe, Shields
Nays:	0
Exc.:	Boquist, George
Prepared By:	Patrick Brennan, Administrator
Meeting Dates:	4/4

WHAT THE MEASURE DOES: Urges Congress to protect debit card swipe fee reforms in the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

ISSUES DISCUSSED:
- Description of how interchange fees work
- Potential for federal legislation to amend, delay or rescind the Durbin Amendment
- Impact on merchants
- Differences in operation for debit and credit cards

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), signed into law on July 21, 2010, included a number of provisions related to financial institutions. A provision of that measure, known as the Durbin Amendment (Senate Amendment 3989), applies to card issuers with over $10 billion in assets; such issuers are restricted from charging debit card "swipe fees" that are unreasonable or disproportional to the actual cost of processing card transactions.

When a consumer purchases goods using a credit or debit card, the transaction is entered at the merchant's location and transmitted to the merchant's bank (the "acquiring bank") for verification. The acquiring bank sends the data to the system network (e.g. Visa or MasterCard), which contacts the consumer's bank that issued the card (the "issuing bank") to access the consumer's account or line of credit. The issuing bank notifies the system network to either approve or decline payment, which is relayed to the merchant bank and subsequently the merchant. For a $100 transaction, the merchant may receive approximately $97.80; of the remaining $2.20, the issuing bank receives 70 to 80 percent as an interchange/swipe fee.

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This summary has not been adopted or officially endorsed by action of the committee.
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