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September 19, 2012

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, DC 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
House Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Majority Leader Reid, Speaker Boehner, Minority Leader McConnell and Minority Leader Pelosi:

On behalf of the Retail Industry Leaders Association (RILA), I am writing in regards to the **proposed** swipe fee settlement of lawsuits filed by merchants against Visa and MasterCard over the anticompetitive card rules and fees imposed by the card networks. The decision by Visa and MasterCard to pursue a settlement rather than defend the anticompetitive practices that are the underpinning of their businesses confirms the validity of retailers' arguments. Further, the networks' tacit admission proves the foresight of the bipartisan debit swipe fee reforms Congress enacted into law in 2010. However, the proposed settlement is a terrible deal for merchants and their customers and should be looked upon unfavorably by policymakers, particularly as opposition to it continues to grow.

By way of background, RILA is the trade association of the world's largest and most innovative retail companies. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Its members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

The terms of the proposed settlement were negotiated by lawyers behind closed doors, and yet if the proposed settlement is ultimately validated, all retailers -- present and future -- will be bound by its terms. Counter to what some reports suggest, the settlement is not a *fait accompli*. A growing number of nationally recognized retail brands and industry trade groups opposes the proposed settlement because it does not meaningfully address the anticompetitive practices of Visa and MasterCard, nor does it bring any semblance of reform to their terms governing card acceptance.

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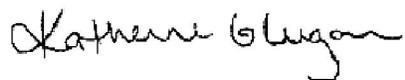
Merchants have many concerns with the proposed settlement, including surrendering their right to future legal action against the networks. The fact that the court failed to rule on the motions regarding class certification and yet may be willing to accept a proposed settlement negotiated by a tiny subset of retailers that we do not believe fairly and adequately represent the 8 million members of the merchant class that would be covered is particularly troubling. Finally, retailers are concerned by the expansion of onerous network rules into emerging mobile technologies that could otherwise revolutionize the point of sale and create meaningful competition in the payments market. These are significant issues and ones that will unfortunately, if left unchallenged, affect merchants and consumers for decades to come.

While the U.S. electronic payments marketplace is important to merchants, their customers and the overall economy, in its current form it is broken and in desperate need of reform. The congressionally approved reforms in effect now are a positive step in the right direction, however more reforms are necessary. The merchant community will continue to use all avenues -- legal, regulatory and legislative -- to pursue meaningful reform.

RILA is committed to keeping you apprised while the legal process plays out and the growing merchant opposition is heard. Enclosed is a short summary outlining the specifics of the proposed settlement. We hope that you and your staff will find the information helpful.

Thank you for your attention to this important matter and please let me know if you have any questions.

Sincerely,



Katherine Lugar
Executive Vice President, Public Affairs

Cc: Members of the United States Senate
Members of the U.S. House of Representatives