



March 23, 2026

State of Rhode Island
General Assembly
Senate Commerce Committee
82 Smith Street,
Providence, RI 02903

CCUA Testimony on House Bill S2344— Relating To Commercial Law -- General Regulatory Provisions -- Interchange Fees

The Cooperative Credit Union Association (Association), on behalf of Rhode Island’s fourteen credit unions, writes in opposition to SB.2344, which would regulate “**Interchange Fees**” by prohibiting credit card and debit card networks from charging interchange fees on the portions of credit card and debit card purchases representing taxes and gratuities. In addition, the bill would allow merchants to claim a refund of interchange fees paid on taxes and tips based on unverified receipts. This bill, if adopted into law, would be an invitation to fraud that would impose significant compliance costs on credit unions as well as lead to worse rates and/or reduced services for Rhode Island credit union members.

As not-for-profit, member-owned cooperatives, credit unions’ mission is people helping people, returning profit to members through lower loan rates, higher savings rates, and improved financial services such as reduced overdraft costs. Credit unions serve over 480,000 consumer members in Rhode Island.

SB.2344, if it becomes law, will impose significant compliance costs on Rhode Island credit unions because credit unions must pay processing fees on all of a debit card or credit card transactions regardless of the amount of interchange income they receive, if any. This is because the credit union’s receipt of interchange fee income is contractually independent from their liability for the processing fees credit unions owe their vendors.

Debit card interchange fees are already subject to comprehensive price-controls under the Federal Reserve Board’s Regulation II. This federal law only allows credit unions to charge debit card interchange fees at a rate of \$0.21 plus 0.05 percent multiplied by the value of the transaction, plus a \$0.01 fraud-prevention adjustment. Rhode Island credit unions, however, have reported receiving as little as 7 cents per debit card transaction in practice.

Not allowing credit unions to receive interchange fees on the portions of a transaction representing tax and tip would reduce the funds credit unions have available to pay processing fees as well as to pay for their regulatorily mandated anti-fraud and anti-money laundering/countering the financing of terrorism programs. Such costs are generally fixed for the length of the credit union’s contract with its card processor irrespective of how much interchange income the credit union receives. Processing fees are also based on market rates outside the credit union’s control.



Merchants should already pay negligible interchange fees on, for example, the portions of a restaurant meal representing tax and tip when an individual pays with a debit card. While interchange rates are typically higher on credit cards, credit unions nonetheless will owe their card processors fees on the entire transaction even if the credit union did not receive interchange income on that portion of the transaction.

In addition, the legislation's merchant rebate provisions would independently lead to fraudulent rebate claims, the costs of which would ultimately be borne by credit unions and their members. Bill section 6-26.2-2(c) provides in relevant part:

"If a merchant is unable to capture and transmit tax or fee and gratuity amounts relevant to the sale at the time of sale, then the payment card network shall accept proof of tax or fee amounts and gratuity collected on sales subject to a Interchange fee on the submission of sales data by the merchant and provide the rebate no later than one hundred eighty (180) days after the date of the electronic payment transaction, and, within thirty (30) days after the merchant submits the sales data." [emphases added]

This bill gives no incentive to payment networks to guard against this type of fraud because Subsection (d) of the bill grants them legal immunity:

"This section shall not create liability for a payment card network regarding the accuracy of the tax or gratuity data reported by the merchant."

In other words, unscrupulous merchants using obsolete payments terminals would be allowed to claim false rebates by submitting receipts without controls in place to verify the accuracy of those receipts. Tip amounts in particular vary in amount from purchase-to-purchase and could be easily manipulated after the fact to create fraudulent rebates.

Payment card networks would have little reason to scrutinize such claims because they would be immune from legal liability even if they implemented zero anti-fraud procedures. Credit unions, however, would presumably be required to absorb these fraud costs and reimburse the payment card networks for all rebate claims issued.

Thank you for the opportunity to share the Association's concerns about SB.2344 to regulate Interchange Fees, which would invite fraud and impose significant compliance costs on credit unions as well as result in worse rates and/or reduced services for Rhode Island consumers. We ask the committee to study this legislation further and not move it forward.

Thank you,

A handwritten signature in blue ink, appearing to read "John V. [unclear]".



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