



# Department of Justice

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## **VISA INC. RESCINDS DEBIT CARD RULE AS A RESULT OF DEPARTMENT OF JUSTICE ANTITRUST INVESTIGATION**

### ***Department Was Investigating Whether Visa's Rule Restricting Certain PIN Debit Transactions Adversely Affected Competition in the Debit Card Industry***

WASHINGTON — As the result of a Department of Justice antitrust investigation, Visa Inc. has rescinded a rule that required merchants to treat Visa-branded debit cards differently when used as a PIN-debit card (and processed via non-Visa networks) from the same cards when used as signature debit cards and processed on the Visa network. The Department said that it had been investigating whether the rule adversely affected competition in the debit card industry by restricting certain PIN debit transactions, particularly small-value and Internet transactions, and by potentially interfering with the introduction of new types of PIN debit services.

The Department's Antitrust Division will close its investigation now that Visa has rescinded its operating regulation and adopted new regulations that should eliminate any potential for competitive harm.

The Department opened its investigation to examine whether Visa's operating regulation had the potential to reduce competition between Visa and the PIN debit networks. The Department had not completed its investigation when Visa proposed eliminating the rules under investigation. The Department coordinated its investigation with the attorneys general of the District of Columbia, New York and Ohio, who conducted parallel investigations.

"Visa's amended operating regulations overcame the competitive concerns that prompted our investigation," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "Visa's amended rules allow banks issuing Visa-branded debit cards to enable their customers to use the PIN debit functionality of those cards without entering a PIN. In light of Visa's changes, there was no need for the Department to continue its investigation. However, the Department remains prepared to investigate allegations of anticompetitive conduct in this important industry."

A debit card enables a consumer to pay a merchant by debiting the consumer's checking account. The payment is made directly to the merchant's bank account over one of several competing payment telecommunications networks. There are two types of authenticated debit transactions: PIN and signature. In a PIN debit transaction, the cardholder enters a PIN to authorize the transaction. In a signature debit transaction, the cardholder instead signs a receipt. Approximately 70 percent of all signature debit cards in the United States carry the Visa brand and virtually all Visa signature debit cards can be used to conduct PIN debit transactions.

Cardholders may choose to purchase goods and services using the card's PIN debit network(s) rather than Visa's signature debit network. Cardholders typically indicate whether they want to pay with PIN or signature debit simply by either entering their PIN or signing the receipt. The merchant then routes the payment transaction to the cardholder's bank using the network selected by the cardholder

Visa has for some time allowed banks to permit some types of merchants to waive the signature requirement for certain signature debit transactions, including "small ticket" transactions of \$25 or less and certain types of transactions initiated over the Internet. Both types of transactions have accounted for significant growth in debit card use in recent years. Waiving signature authentication for these transactions has benefitted merchants and consumers by, for example, reducing transaction time at the point of sale, the Department said. Waiving signature authentication has also encouraged merchants to adopt contactless readers, a new technology that allows consumers to tap rather than swipe debit cards at the point of sale.

While permitting signature waiver, the Visa operating regulation the Department was investigating had prohibited banks from allowing merchants to waive entry of a PIN for most non-Visa debit transactions initiated from Visa-branded debit cards, including "small ticket" transactions and almost all Internet transactions. Visa's new regulations adopted in response to the Department's investigation allow banks to provide merchants the option of waiving the entry of a PIN. Visa has also amended its operating regulations to require that banks notify their cardholders that transactions not authenticated by a PIN or a signature might be processed via a PIN-debit network and not by Visa.

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