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Credit Card Competition Act of 2026: Implications for Card Issuers, Payment Networks, and Consumers

by Ross M. Speier

The reintroduction of the Credit Card Competition Act in January 2026 has major implications for the U.S. payments infrastructure, with the potential to fundamentally alter the competitive dynamics of the credit card industry.

Originally proposed in prior sessions of Congress, the 2026 iteration of the bill has arrived with significant political momentum, backed by bipartisan sponsors and an endorsement from the executive branch. This legislation aims to introduce mandatory routing competition into the credit card market to drive down the interchange fees (also known as "swipe fees") that are charged to merchants by the payment networks for each credit card transaction.

The Credit Card Competition Act of 2026 (CCCA) would require large financial institutions to provide multiple unaffiliated network options for processing credit card transactions. This would effectively end the practice of exclusive network arrangements that have traditionally locked merchants into utilizing one specific payment network regardless of its fee structure.

The CCCA's sponsors argue that the current credit card market structure is anti-competitive, and imposes excessive costs on merchants and, by extension, American consumers. However, opponents of the bill – such as financial institutions and banking and payments trade groups – warn that the legislation could result in the reduction or elimination of credit card rewards programs, restriction of access to credit, and could jeopardize the security of the payments ecosystem.

Legislative Background

The framework of the Credit Card Competition Act is modeled after the 2010 Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act. That earlier reform targeted the *debit* card market, requiring that debit cards be enabled with at least two unaffiliated networks and capping interchange fees. The CCCA, which had been introduced in substantially similar form in 2023, seeks to replicate the routing competition mandate of the Durbin Amendment but for *credit* card transactions, although it notably stops short of imposing the direct price caps that were applied to debit cards.

The CCCA was reintroduced in January 2026 with the bipartisan support of Senators Durbin and Marshall, with the related House version sponsored by Representatives Lofgren and Gooden. President Trump also publicly supported the bill on social media, characterizing swipe fees as an "out of control ripoff." This endorsement appears to have cast a new light on swipe fee limitations, reflecting it as a priority in the current administration's economic agenda.

Key Provisions and Regulatory Mechanics

The core principle of the CCCA is the prohibition of payment network exclusivity on credit cards issued by large financial institutions. Specifically, the bill would amend the Electronic Fund Transfer Act to require the Federal Reserve to issue regulations prohibiting "covered card issuers" (those with assets exceeding $100 billion) and payment card networks from restricting the number of networks on which an electronic credit transaction may be processed.

Under the proposed law, a card issuer must ensure that each credit card is enabled with at least two unaffiliated payment card networks. Crucially, however, the legislation specifies that the issuer cannot satisfy this requirement by simply providing the two largest networks by market share. At current, this effectively mandates that if a card is issued on the Visa or Mastercard networks, the secondary network offered must be an alternative such as NYCE, Star, Shazam, or Discover. The Federal Reserve Board would reassess the market share of payment networks every three years to determine which entities constitute the two largest players.

The CCCA would generally provide that card issuers and payment card networks cannot restrict a merchant's ability to route a transaction over a competing network or inhibit a competing network's ability to process transactions. That is, the bill would explicitly prohibit a covered card issuer or payment network from:

1. requiring a merchant to use "an authentication, tokenization, or other security technology that cannot be used by all of the payment card networks" enabled to process a transaction on that card;

2. inhibiting “the ability of another payment card network to handle or process electronic credit transactions using an authentication, tokenization, or other security technology for the processing of those electronic credit transactions;” or
3. imposing “any penalty or disadvantage, financial or otherwise,” on a merchant for choosing to route a card transaction over a valid payment network or failing to satisfy minimum transaction volume requirements.

The Three-Party System Exemption

A notable exemption from the CCCA’s requirements applies to credit cards issued in a “3-party payment system model,” where the credit card issuer is also the payment card network (or under common ownership with the payment card network). For example, such 3-party payment system model has traditionally been used by American Express and Discover. Because these systems do not involve the same type of inter-institutional interchange structure as Visa and Mastercard, they are exempted from the "No Exclusive Networks" and "No Routing Restrictions" provisions of the CCCA.

Economic analysts have suggested that this exclusion could create a market advantage for three-party systems in the event that issuers utilizing a four-party system network (e.g., Visa and Mastercard) are forced to reduce their interchange fees and/or curtail rewards programs and other cardholder benefits.

Varying Stakeholder Positions

The groups voicing support for the Credit Card Competition Act are primarily composed of retail associations, small business groups, and consumer protection advocates. The opposition to the bill is primarily led by a coalition of financial institutions, credit unions, and community banks.

Supporting Positions:

- *Increased competition and reduced fee burden*. Supporters of the CCCA argue that the legislation is essential to restoring market discipline to a sector that has long been insulated from competition. They emphasize that interchange fees are typically non-negotiable for small businesses, and contend that because the fees are calculated as a percentage of the transaction, they function as a multiplier for inflation as the bank’s revenue increases every time the price of goods rises.

- *Enabling merchant choice*. The legislation would shift the authority to select the processing network from the card issuer to the person accepting the card for payment. For example: currently, if a consumer uses a Visa card, the transaction is typically routed through the Visa network, and the merchant must pay the associated fee. By contrast, the CCCA would allow the merchant to choose the most cost-effective or secure route among the multiple networks enabled on the card.

- *Pricing transparency*. Consumer advocates supporting the bill argue that swipe fees are a "hidden tax" that all consumers pay, and that by introducing competition, proponents believe merchants will pass on a significant portion of their savings to consumers.

Opposing Positions:

- *Rewards depletion*. Opponents of the CCCA argue that it will lead to the elimination or severe reduction of credit card rewards programs, since such programs (including cash back, travel points, and airline miles) are funded primarily through the interchange fees card issuers collect. Some analysts have cited international precedents where similar fee regulations led to the elimination of rewards programs. An analysis from independent advisory firm Oxford Economics Research suggests that the CCCA could cost the U.S. economy $228 billion and 156,000 jobs by eliminating rewards programs supporting travel and tourism.

- *Security and fraud risks*. Some of the bill's opponents from the financial services sector have warned that the CCCA would compromise the security of the U.S. payment system. They contend that by requiring banks to enable multiple networks, the legislation forces transactions onto platforms that may not have the same level of sophisticated fraud detection as networks like Visa or Mastercard. Critics suggest that a reduction in interchange revenue will lead to a decrease in security investments, leaving both merchants and consumers more vulnerable to cyberattacks and data breaches. This argument may be supported by the increase in fraud rates on debit card transactions following the cap imposed on debit interchange fees under the 2010 Durbin Amendment.

- *Impact on credit access*. Financial institutions have argued that the loss of interchange revenue under the CCCA will make it more expensive for banks to issue credit, leading to a contraction in the availability of credit cards for low-income and subprime borrowers.

Impact on Banks and Financial Service Providers

If the Credit Card Competition Act were to pass and become law, it may necessitate a substantial shift in the business models of impacted banks and financial service providers.

Revenue Compression and Operational Adjustments

Analysts have suggested that the reduction in interchange fee revenue under the CCCA could lead banks to seek alternative revenue streams, such as higher annual fees on credit cards or increased interest rates, where legally permissible.

From an operational standpoint, the transition to a multi-network system could involve significant compliance costs. For instance, banks would need to reconfigure their back-office systems to accommodate the technical requirements of secondary networks, ensuring that authentication and security protocols are interoperable as mandated by the CCCA.

Strategic Market Consolidation

The legislation could also accelerate the trend of consolidation within the financial services industry. Large institutions may find it necessary to acquire alternative networks or vertically integrate their payment processing to maintain profitability. The 2025 Capital One and Discover merger may serve as an example of a proactive response to these types of market pressures, as it allows the combined entity to operate its own network and potentially avoid the CCCA mandates that apply to four-party systems.

While smaller institutions like some credit unions and community banks are technically exempt from the CCCA, they contend that they will face higher operational costs to remain competitive with the dual-network cards issued by large banks, and they may face difficulty competing for customers if they cannot offer the same level of rewards or the same processing options as their larger counterparts. Such institutions have expressed concern that the CCCA will accelerate consolidation in the banking industry as smaller lenders struggle to maintain profitability in a market with lower interchange margins.

Legislative Status and Outlook

The Credit Card Competition Act was reintroduced in both the House and Senate on January 13, 2026. The sponsors of the bill have indicated they will likely seek larger legislative packages to attach the bill to in 2026. One attempt to do so took place on January 29, 2026 when Senator Marshall attempted to advance the CCCA as an amendment to the Digital Commodity Intermediaries Act (also known as the CLARITY Act), which is focused on creating a regulatory framework for digital assets such as cryptocurrencies. However, the CLARITY Act was ultimately advanced *without* the CCCA amendment. Potential alternative legislation the CCCA's sponsors may target include the National Defense Authorization Act or a broader economic relief package focused on the cost of living. The upcoming 2026 midterm elections are expected to play a significant role in the legislative strategy.

Kilpatrick's Consumer Financial Services team will continue to monitor the progress of this legislation and related developments impacting financial institutions and the financial services sector.