

# TransAct!

Resources, perspective and news from the NAPCP

June 16, 2011

## Why All the Talk About Interchange?

by Lynn Larson, CPCP  
NAPCP Manager of Education

**In every edition:** Feature article offers guidance and sets the tone for the topical focus.

Following the June 16 release of this TransAct!, there was additional discussion on this topic. See "*Federal Reserve Issues Final Rules*"

Following the June 8 NAPCP news announcement, the U.S. Senate rejected a proposal that would have delayed the implementation of debit interchange regulation (resulting from last year's "Durbin Amendment") and provide more time to study the potential effects. Now the card industry awaits the final rules/rates from the Federal Reserve, which are scheduled to become effective next month. Based on rates proposed in December 2010, debit interchange could be significantly reduced, which would be viewed as a victory for suppliers/merchants.

Sure, the news is about **debit** interchange, but any regulation of interchange (debit and/or credit) will certainly impact Commercial Cards in some way. For example, a reduction in interchange could lead to a potential reduction in revenue-sharing incentives offered to end-user organizations or perhaps issuers will have fewer funds to invest in technology. Conversely, what if interchange reduction prompts more suppliers to accept card payments? Further, if end-users can use their cards with more suppliers, then end-users gain greater process savings. In turn, issuers would benefit from higher card usage.

### Additional Resources

*Economic Analysis of Claims in Support of "Durbin Amendment" to Regulate Debit Interchange Fees* – by Evans, Chang and Weichert (May 2011)

*Optimizing Revenue Sharing* by the NAPCP reviews rebate as part of a comprehensive package of program benefits.

*Sizing the Prize*, an article by First Annapolis Consulting, discusses the "other drivers of value" in addition to rebate.

*P-Card Value Proposition: Quantifying the Savings* offers a comprehensive look at P-Card program benefits, including potential cost savings based on industry averages.

*Commercial Card Rebate—a Snapshot from the Public Sector* by First Annapolis Consulting presents a look at annual spend vs. rebate in basis points.

*GAO Interchange Report*, November 2009

NAPCP recorded webinar available for purchase

## Could Rebates and Incentives be a Thing of the Past?

Speaker: Peggy Lee, CPCP,  
Intermountain Healthcare

**In every edition:** Relevant resources (the title and contributor) are hyperlinked directly to the document.

**When applicable:** Upcoming events that relate to the *TransAct!* topic are promoted. Post-event, NAPCP updates archived *TransAct!* (online) to promote recorded event if available for purchase.

Would such a scenario compensate for issuers' lost revenue through interchange reduction? All of these things are speculative. The truth is, most industry professionals would agree that change of some sort is ahead. Maybe not next month or even next year, but it looms. Change. Such a simple word that elicits a lot of emotion: resentment, fear, uncertainty, relief, excitement, etc.

Based on interchange research reports that I've read, my conclusion is that interchange regulation is a complex matter—one that can yield mixed results, as demonstrated through similar regulation in other countries like Australia. While suppliers would benefit, buyers (consumers and organizations) would not likely see subsequent reductions in the cost of goods and services. In other words, "fixing" one thing can "break" something else. Change. At a minimum, perhaps all this talk will help end-user organizations look beyond revenue share (rebate) and broadly evaluate **all** the benefits realized from a card program. Thinking of it another way, imagine a payment strategy in which cards are absent. This vision is much more disturbing than any potential reduction in revenue share.

Read more about the [Interchange Debate](#) (open to members and subscribers) and tell us what you think by participating in the current NAPCP poll referenced at right.

## eNetworking Blog

Discussion on the future of rebates and incentives for NAPCP members. See what your peers are saying and add your own ideas!

**When applicable:** Relevant posts within the eNetworking blog are hyperlinked. eNetworking is not just a Q&A forum; members can open a discussion, offer their expertise and encourage member commentary.

## Expert Perspective

In selecting a provider, should organizations be more focused on rebates or other provider solution attributes? We strongly believe that, while rebates should not be ignored, the supplier savings and process improvements opportunity for an organization from implementing or re-launching a commercial card program are worth multiples of any rebates that may be generated.

Frank Martien  
First Annapolis Consulting

**In every edition:** This three-to-four sentence area illustrates an individual's point of view on the featured topic.

## ONLINE POLLS

Members and subscribers, sign in to view the results of this June 2011 poll.

### Impact of Potential Regulation Interchange

[Click here](#) for the results of all past and current polls.

### In most editions:

Open polls that relate to *TransAct!* topic are featured; members and subscribers can participate. Results display automatically at the end of the poll; a "tip" on the closing screen offers additional insight.

Contribute to *TransAct!*  
[See the editorial calendar](#)

## Do you have an area of expertise to share?

The NAPCP has created an editorial calendar with topics and submission deadlines so you can plan to be part of this new communication tool. Everyone is an "expert" in something, and we want to hear from you.

[Campbell@napcp.org](mailto:Campbell@napcp.org)  
or interest

**Ongoing:** The NAPCP seeks contributors for *TransAct!* e-mails. The editorial calendar at [www.napcp.org/calendar](http://www.napcp.org/calendar) includes details on topics and submission deadlines.

## Did you miss it?

The TransAct! archive (for NAPCP members only) includes all editions to date.

## NEXT UP...

The next edition of TransAct!, scheduled for MMY month, will discuss...

**In every edition:**  
The previous three editions are listed in the current e-mail edition. Archived editions are available to members only.

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