

Statement for the Record  
Of  
**Consumer Bankers Association**  
**Credit Union National Association**  
**Electronic Funds Transfer Association**  
**The Electronic Transactions Association**  
**Independent Community Bankers of America**  
**National Association of Federal Credit Unions**  
**Third Party Payments Processors Association**

United States House of Representatives  
Committee on Financial Services

Hearing on:

“Who’s In Your Wallet: Examining How Washington Red Tape Impairs Economic Freedom”

April 8, 2014



Chairman Hensarling, Ranking Member Waters and Members of the Committee, CBA, CUNA, EFTA, ETA, ICBA, NAFCU, and TPPPA appreciates the opportunity to submit this statement for the record for the Committee’s hearing, “Who’s In Your Wallet: Examining How Washington Red Tape Impairs Economic Freedom.”

### **Consumer Bankers Association (CBA)**

The Consumer Bankers Association is the only national financial trade group focused exclusively on retail banking and personal financial services — banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members include the nation’s largest bank holding companies as well as regional and super-community banks that collectively hold two-thirds of the total assets of depository institutions.

### **Credit Union national Association (CUNA)**

The Credit Union National Association (CUNA) is the largest national trade association in the United States serving America's credit unions. The not-for-profit trade group is governed by volunteer directors who are elected by their credit union peers from across the nation. With its network of affiliated state credit union associations, CUNA serves America's nearly 7,000 credit unions, which are owned by more than 98 million consumer members.

### **Electronic Funds Transfer Association (EFTA)**

Now in its 4<sup>th</sup> decade, the Electronic Funds Transfer Association ([www.efta.org](http://www.efta.org)) is a professional association dedicated to the advancement of electronic payments and commerce. Its

objective is to inform debate over the consumer, business and policy implications of new and existing payments technology. It does this through public outreach to Congress, the administrative agencies, regulators, consumers and the media.

### **Electronic Transactions Association (ETA)**

ETA is an international trade association representing companies that offer electronic transaction processing products and services. The purpose of ETA is to help the businesses acquiring industry by providing leadership through education, advocacy, and the exchange of information. ETA's membership spans the breadth of the payments industry, from financial institutions and transaction processors to independent sales organizations and equipment suppliers to businesses. More than 500 companies worldwide are members of ETA.

[www.electran.org](http://www.electran.org)

### **Independent Community Bankers of America (ICBA)**

The Independent Community Bankers of America® (ICBA), the nation's voice for nearly 7,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

ICBA members operate 24,000 locations nationwide, employ 300,000 Americans and hold \$1.3 trillion in assets, \$1 trillion in deposits and \$800 billion in loans to consumers, small businesses and the agricultural community. For more information, visit [www.icba.org](http://www.icba.org).

### **National Association of Federal Credit Unions (NAFCU)**

The National Association of Federal Credit Unions is the only national organization that focuses exclusively on federal issues affecting credit unions, representing its members before the federal government and the public. NAFCU member credit unions collectively account for approximately 69 percent of the assets of all federally chartered credit unions.

### **The Third Party Payments Processors Association (TPPPA)**

The Third Party Payments Processors Association (TPPPA) is a national not-for-profit industry association representing and promoting the interests of the payment processors, their financial institutions and their merchants. TPPPA advocates on behalf of its members to the industry and government, educates its members on the latest rules and regulatory updates, and provides comprehensive tools to support operational excellence and integrity in payments. To learn more about the TPPPA, visit the website [www.tpppa.org](http://www.tpppa.org).

We write to express our concerns with the Financial Fraud Taskforce's initiative "Operation Choke Point." We fully support the federal government's role in fighting fraud and ensuring the integrity of markets, but we are concerned that Operation Choke Point's broad and overly aggressive enforcement tactics undermine its effectiveness and create serious risks to consumers and the economy. First, Operation Choke Point is imposing ill-considered and costly mandates on payment systems, which will ultimately result in higher prices and reduced services for consumers. Second, Operation Choke Point threatens to close access to the financial system to law-abiding businesses, because the mere prospect of an enforcement action is sufficient to cause financial institutions to restrict access to their payment systems to only established companies that present low risks. While preventing fraud is a top concern, it needs to be balanced with ensuring that businesses and consumers that operate in accordance with applicable laws can still access payment systems. Finally, the disruption of commerce caused by Operation Choke Point could have adverse economic consequences, especially for the growth of e-commerce. Online businesses are more likely to have business models that Operation Choke Point would view as risky (even though they are lawful businesses). As a result, they are more likely to be restricted from accessing payment systems out of an overabundance of caution, even if they have adequate and balanced controls to mitigate this higher risk. Accordingly, Operation Choke Points, if left unchecked, could seriously deter the natural growth and development of e-commerce and stifle future economic growth.

We believe that a better approach is to permit the payments industry to carry-out its ongoing efforts to strengthen practices and technologies aimed at protecting consumers from unscrupulous businesses. We support industry efforts to strengthen internal controls or processes for institutions that provide payment processing services for customers engaged in higher-risk activities. These should include risk assessments, due diligence to determine if customers are operating in accordance with applicable law, and ongoing systems monitoring . Regulators and law enforcement should not prohibit or discourage these institutions, regardless of their size, from serving these customers provided adequate and balanced controls are in place.

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We would like to thank the Committee for this opportunity to present this statement for the record on this important topic. If you have any questions about this statement or the issues discussed, please contact the respective trade associations.