

March 30, 2026

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I write on behalf of the American Bankers Association to express serious concerns about the imminent and highly significant adverse consequences of the Illinois Interchange Fee Prohibition Act (IFPA) on our members, other financial institutions, tens of millions of consumers, and millions of businesses that rely on the electronic payments system.

The IFPA is an unprecedented intrusion into the operation of the national banking and payments system. By attempting to impose state-specific processing and pricing requirements on infrastructure designed to function uniformly at national scale, the IFPA threatens to fragment the payments system, undermine operational stability, and disrupt consumers and businesses far beyond Illinois. Now that the district court declined to permanently enjoin portions of the IFPA, the costs and burdens of complying with the IFPA are starting to escalate for banks of all sizes, other members of the payment system, businesses, and consumers.

Statutory Background and Overview of the IFPA's Scope

As you know, the IFPA prohibits a card issuer, a payment card network, an acquirer bank (that is, a bank that assists merchants in settling card transactions), or a payment processor from receiving or charging a merchant any interchange fee on the state tax or voluntary gratuity portion of an electronic payment transaction if the merchant informs the acquirer bank or its designee of these amounts as part of the authorization or settlement process for the electronic payment transaction. Alternatively, if a merchant submits tax documentation for the transaction to the acquirer bank or its designee no later than 180 days after the date of the electronic payment transaction, the IFPA requires that, within 30 days of a merchant's submission to its acquirer bank, the issuing bank must credit the merchant the portion of interchange fees charged on the tax or gratuity amount of the electronic payment transaction. Violations of these provisions can subject banks, processors, and card networks to a civil penalty of \$1,000 per electronic payment transaction.

The burdens of this unprecedented statute will accelerate in the weeks ahead as participants in the payment system prepare for the possibility that the IFPA becomes effective on July 1, 2026. As background to the magnitude of these effects, please note that:

- An estimated 266 million Americans (98.5% of the U.S. adult population) carry credit, debit, or prepaid cards.¹ There are over 1.5 billion such cards in circulation in the United States.² Any of these cardholders could make purchases subject to the IFPA when traveling to Illinois or shopping online. For example, in 2024, Illinois received 112.9 million visitors who generated \$48.5 billion in transactions.
- Up to 8,600 financial institutions in the United States issue credit or debit cards and face the risk that their cardholders will make purchases subject to the IFPA.³ Globally, this number is substantially higher, with Visa alone reporting relationships with approximately 14,500 financial institutions worldwide.⁴
- An estimated 1.3 million merchants in Illinois accept payments with credit or debit cards and thousands more e-commerce merchants would be subject to the IFPA.⁵
- Approximately 6.1 billion card transactions took place in Illinois annually between 2023 and 2024.⁶ Had the IFPA been in effect then, those transactions alone would subject financial institutions to potential civil penalties of at least \$6.1 trillion per year for noncompliance.

The IFPA would undermine the safety and soundness of the current national payment system. The current payment system was not designed to identify, isolate, or price individual components of a single transaction in the manner contemplated by the IFPA. Nor was it designed to support state-by-state variations in transaction processing. Requiring transaction-level logic, pricing, or settlement rules to vary based on individual state laws would fundamentally undermine the current system's design, introduce significant operational and control risk, and fragment a system that depends on national consistency to function safely and reliably at scale. There is also no reliable or consistent way to identify the universe of transactions that would be subject to the IFPA. Merchants and acquirers across the country apply different logic to determine a merchant's location. E-commerce and in-app transactions further compound these risks. A consumer may initiate an online transaction from outside Illinois—or even outside the United States—while the purchased goods are shipped to Illinois and therefore subject to Illinois sales tax.

¹ Federal Reserve Bank of Atlanta, *2024 Survey and Diary of Consumer Payment Choice*.

² Nilson Report (2025).

³ National Credit Union Administration, *Credit Union Data Summary, Q4 2025* (reporting 4,287 federally insured credit unions); Federal Deposit Insurance Corporation, *Institution Directory, as of March 20, 2026* (reporting 4,313 insured institutions).

⁴ Visa Inc., *Visa Fact Sheet (as of September 30, 2025)* (reporting relationships with approximately 14,500 financial institutions worldwide)

⁵ U.S. Small Business Administration, *2024 Small Business Profile: Illinois* (reporting 1.4 million small businesses, representing 99.6% of all Illinois businesses), implying approximately 1.41 million total businesses in the state. Applying an estimated 94% card acceptance rate among U.S. merchants (*Clearly Payments, How Many Businesses Accept Credit Cards in 2025*), approximately 1.3 million Illinois businesses accept card payments.

⁶ Total is estimated by applying Illinois' share of U.S. consumer spending (3.9% in 2024, Bureau of Economic Analysis) to national card transaction volumes. National totals include 56.2 billion credit card transactions in 2024 (Capital One Shopping Research, *Number of Credit Card Transactions*) and 100.7 billion debit and general-use prepaid card transactions in 2023 (Board of Governors of the Federal Reserve System, *2023 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions*).

Implementing the IFPA depends on changes to technical standards and specifications maintained by the sixteen payment card networks, numerous processors, financial institutions, and other participants in the transaction chain, yet there is no precedent for the magnitude of the changes required by the IFPA. The closest analogue is the migration from magnetic stripe cards to EMV chip cards, which required years of planning and investment. The IFPA would require even more complex changes across the payments ecosystem, but on an extraordinarily compressed timeline. This combination is fundamentally inconsistent with safe, sound, and orderly operation of the banking system.

The IFPA's Near-Term Costs to Consumers, Businesses, Banks and Other Members of the Payment System

While we remain hopeful that the U.S. Court of Appeals for the Seventh Circuit will overturn the district court's decision—in large part for the reasons explained in the OCC's *amicus curiae* brief—our member banks and others in the industry are adopting expensive and burdensome measures to limit their exposure in case the IFPA takes effect on July 1, 2026. The IFPA's costs will also soon extend from banks to consumers, businesses, and other members of the payment system. For example, some of the near-term risk mitigation options under consideration by financial institutions would require advance notice to cardholders — both those residing in Illinois and those outside the state — that the terms or conditions governing their card use are changing. Accordingly, there is a real prospect that, in the coming weeks, over 100 million Americans could be notified of changes in the ways they use their payment cards. And even the most well-drafted notices can lead to cardholder confusion.

We are also hearing that some issuing financial institutions—particularly smaller and mid-sized banks—are concluding that the IFPA's risks and costs are too great, and have indicated they may simply cease issuing credit or debit cards to their customers, while also exploring options for declining card transactions in Illinois. Meanwhile, the IFPA is forcing the nation's largest financial institutions to divert resources from critical payment infrastructure modernization, including resiliency, stability, and security improvements that directly benefit consumers. Similarly, Illinois businesses will begin to experience the effects of disruption caused by the IFPA well before the statute becomes effective. For example, businesses may receive notifications that they must invest in new software or hardware that they use to process payments made with a credit or debit card. Even merchants that do not wish to seek refunds under the IFPA will experience disruptions if certain card-issuing institutions decline transactions in Illinois. We expect that burden to fall heaviest on small businesses.

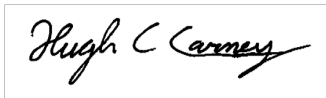
These developments cannot easily be undone. Once institutions notify customers, reconfigure products, or exit particular market segments, the resulting customer attrition and operational fragmentation will persist even if subsequent legal or regulatory developments render the statute inapplicable.

Conclusion

Your recent *amicus curiae* brief supporting our legal challenge to the IFPA summarized the situation well: We are confronting “an unworkable state law that threatens to upend the nation’s intricately designed payments system.” That threat is growing more disruptive and costly as the IFPA’s effective date approaches. It is also worth noting that legislatures in more than 25 states are considering laws aimed at regulating payment processing and pricing, including proposals modeled on the IFPA, underscoring the real and immediate threat of state-by-state fragmentation of the payments ecosystem in the U.S.

Accordingly, we respectfully ask that you urgently use all the tools at your disposal to mitigate these disruptions to financial institutions, to their tens of millions of individual cardholders, and to millions of merchants they serve.

Sincerely,

A rectangular box containing a handwritten signature in black ink that reads "Hugh C. Carney".

Hugh C. Carney
Executive Vice President, Financial Institution Policy & Regulatory Affairs
American Bankers Association