

September 19, 2025

Jennifer M. Jones  
Deputy Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

Via <https://www.fdic.gov/resources/regulations/federal-register-publications/>  
Attention: Comments—RIN 3064-ZA48

Re: Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies

Dear Ms. Jones:

The Merchant Advisory Group (MAG) respectfully submits these comments in response to the Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies issued by the Federal Deposit Insurance Corporation (FDIC).

The MAG applauds the FDIC’s efforts to align U.S. banking policy with current innovations and consumer needs. MAG members play a fundamental role in the monetary and payments ecosystem, competing to offer the highest quality goods and services to consumers at the lowest prices. MAG members are deeply invested in seeing an American financial system that facilitates modern, efficient, and competitive payments. The MAG submits these comments to highlight the potential benefits of expanding FDIC’s approach to industrial bank approvals.

About the MAG. The MAG is a global organization dedicated to driving positive change and innovation in the payments industry through merchant collaboration, education, and advocacy. Representing over 175 of the world’s leading merchants across many industries, including airlines, retail, restaurants, insurance, amusement parks, grocery, and software, the MAG facilitates strategic engagement across North America, Europe, and Asia.

### **1. Modernization of the U.S. Banking System is Urgently Needed.**

The MAG and its members support modernizing the U.S. payments system to make it more secure, more efficient, and less costly. As the FDIC notes, the character of industrial banks has evolved drastically since 1910. A space once dominated by “small, limited-purpose institutions,” now consists of “a diverse group of insured financial institutions with a variety of business lines.”<sup>1</sup> Meanwhile, the payments landscape is also evolving, with the advent of new

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<sup>1</sup> 90 Fed. Reg. 34272.

payment technologies such as instant payments and stablecoins.<sup>2</sup> As these payment methods begin to proliferate, they have the potential to facilitate faster, innovative payment approaches that may replace expensive, fraud-prone, and slower card-based forms of payment. Current banking regulations, however, have not kept pace with these innovations. In the absence of a clear and consistent regulatory framework for innovative payment solutions, fintechs have resorted to a piecemeal approach by signing extractive Banking as a Service (Baas) agreements with traditional chartered banks. This approach imposes downstream costs on merchants and consumers. The MAG appreciates the FDIC’s willingness to modernize its approach to industrial banks to reflect these recent advancements.

## **2. FDIC Should Prioritize New Entrants to the Banking System.**

The MAG recommends that the FDIC take steps to ensure its review of new industrial banking applications provides a level playing field for new entrants to compete against large and established financial institutions. This recommendation is informed by U.S. merchants’ experience with card payments. Because of the persistent lack of competition in the payment card industry, MAG members and other merchants pay billions of dollars in payment card acceptance fees to card networks and issuing banks each year.<sup>3</sup> Furthermore, these products are slow (taking days to settle) and are susceptible to fraud—particularly in the U.S., which experiences a disproportionate amount of card fraud, and where the rate of fraud is increasing compared to the rest of the world. “Cards issued in the U.S. accounted for 25.29% of total card volume worldwide in 2023, but 42.32% of worldwide fraud losses.”<sup>4</sup> In addition to card fraud losses, chargebacks are also growing. According to a report commissioned by Mastercard, “With the growth of chargebacks, traditional dispute management processes and legacy fraud systems are limited in their ability to handle them — especially in the U.S. and U.K. . . .”<sup>5</sup> In a competitive retail environment, the cost of fraud and chargebacks must be passed on to consumers in the form of higher prices, fewer services, or surcharges. The FDIC should aim to dismantle barriers to entry and encourage the development of new financial institutions that can compete with traditional banks, which are overly reliant on card-based programs.

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<sup>2</sup> Tom Groenfeldt, [Real-Time Payments Are Soaring In The U.S.](#), Forbes (Jul. 17, 2025); Justin Bachman, [Stablecoins set to transform cross-border payments](#), PaymentsDive (Aug. 25, 2025).

<sup>3</sup> See CMSPI, [State of the Industry Report: Payments Acceptance Costs](#) (2024) (estimating that U.S. merchants paid \$224 billion to accept card payments in 2023, including \$143 billion in interchange fees).

<sup>4</sup> Nilson Report, Issue No. 1276 at 1 (Dec. 2024).


<sup>5</sup> Mastercard, [The Window of Chargeback Opportunity](#) (Mar. 2025).

### **3. Promoting Competition Will Serve Consumer Interests.**

The FDIC's updates to its approval processes for industrial banks have the potential to spark competition and innovation. The current dominance of a few large financial entities has led to higher costs and limited choices for consumers and merchants alike. The incumbent financial institutions engaged in retail payments have little incentive to develop innovative payment products that compete with their lucrative card-based payment programs. The MAG urges the FDIC to consider the potential societal benefits of opening up competition to nontraditional financial institutions and factor these benefits into its analysis of the convenience and needs of the community to be served. This approach will encourage a more dynamic and competitive payments ecosystem, ultimately benefiting consumers through lower prices and improved services.

The MAG urges the FDIC to consider these points as it evaluates the current regulatory landscape. By modernizing its approach to industrial banking, the FDIC can play a pivotal role in shaping a more innovative financial system. We appreciate the FDIC's consideration of the merchant perspective and look forward to continued collaboration in this important endeavor.

Respectfully,



John Drechny  
CEO  
Merchant Advisory Group