



# Addressing top of mind issues for credit card issuers



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Similar to 2025, the market in Q1 2026 for mergers and acquisitions (M&A) activity and partnerships has been increasingly active. In January 2026, a major card issuer announced a landmark deal to acquire a fintech startup, one of the largest bank-fintech acquisitions to date. Through the acquisition, the card issuer will continue to build out and modernize its suite of banking services and acquire the fintech's artificial intelligence (AI)-centric capabilities.

Co-brand partnership activity continues to intensify, with issuers further investing in their co-brand card strategy. Additionally, other issuers are actively improving their offerings, with some issuers pursuing tech partnerships in travel cards. Smaller issuers are also active in the market and introducing credit card products to expand their product offerings and market reach, as evidenced by a bank in Nebraska issuing its first co-brand credit card with a convenience store that is primarily based on the East Coast.

Beyond M&A, issuers continued to refine products and pricing to gain an edge on competitors. Many issuers increased annual fees on premium cards in 2025 while adding more benefits (travel credits, airport lounges, and lifestyle perks) to justify the increased cost. The average fee on a mid-tier rewards card has crept upward (now approximately \$150), contributing to richer but more complex value propositions.

The Q1 2026 competitive landscape is defined by consolidation among top issuers and rapid innovation in product features. Larger players are leveraging scale and tech acquisitions to widen their lead, while others seek differentiation through specialized offerings and partnerships.

## Opportunity

1

Reevaluate your strategic position – possibly pursuing acquisitions or alliances – and ensure your product suites (rewards, fees, digital features) remain compelling yet sustainable in an increasingly crowded market

2

Conduct scenario planning related to various headwinds and uncertainties facing the industry and evaluate your current and future business strategies (especially around tariff implications)

## Resources

- [KPMG 2026 M&A Deal Market Study](#)
- [KPMG - Modernizing Payments and Partnerships](#)

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## Credit Card Interest Rate Cap Legislation

Recent developments in potential legislative activity renewed focus on the credit card industry, with certain proposals capping credit interest rates at the federal level at 10%. Credit card issuers should consider the following key factors:

- **Legislative status:** A proposal has been introduced through the 10 Percent Credit Card Interest Rate Cap Act (S.381 / H.R.1944) but has not advanced out of committee, and no federal interest rate cap has been enacted to date
- **Policy context:** While federal interest rate caps have been proposed previously at higher thresholds (e.g., 15–18 percent), the current 10 percent proposal represents a more restrictive iteration.
- **Potential risk implications:** If enacted, a 10 percent cap could have material implications for issuer economics, including tighter underwriting standards, reduced credit availability, adjustments to rewards programs, and increased pressure on subprime portfolios.

Taken together, the proposed 10 percent credit card interest rate cap remains a topic to actively monitor rather than an immediate regulatory event or change. Credit card issuers should monitor legislative developments and assess potential impacts to underwriting, product design, and portfolio strategy should similar proposals gain traction in the future.

While new developments range from pending legislation to evolving AI capabilities, proactive monitoring and strategic assessment remain essential for issuers to navigate potential shifts in the regulatory environment and maintain a competitive edge.

## Opportunity

1

Update API standards to meet customer demand and be prepared in case interim final rule, or final rule, is issued around Open Banking.

## Credit Card Competition Act

The Credit Card Competition Act (CCCA) is a bipartisan bill that would require large banks to offer merchants at least two unaffiliated payment networks to process credit card transactions. The legislation has been introduced in both the House and the Senate. The bill was most recently reintroduced in January 2026. If the act becomes law, it would lower interchange fee revenue for credit card issuers, which could in turn cause issuers to scale back rewards programs and issue higher annual fees to cardholders to offset lost income.

## 1033 Open Banking

Back in December 2025, the Consumer Financial Protection Bureau (CFPB) planned to issue an “interim” final rule on open banking while bypassing the standard rule-making process, as the CFPB claimed it could not receive funding from the Federal Reserve. However, a DC federal district court ruled against the CFPB, and funding was requested by CFPB. In the wake of that decision, no interim final rule or final rule has been issued yet. In the meantime, open banking continues to evolve through private commercial agreements and API standards.

## AI Use in Fraud

While fraudsters are increasingly using artificial intelligence to attempt fraud, financial institutions are also using it to prevent and detect fraud. The major credit card networks have implemented generative AI (GenAI) to fight fraud. A study conducted by KPMG about GenAI found that financial services companies are increasingly investing in GenAI in order to prevent fraud. 76 percent of respondents said fraud detection and prevention was their top application for GenAI, 83 percent of financial institutions said they plan to increase their GenAI investments by at least 50 percent.

2

Continue to explore Generative AI capabilities to enhance fraud prevention and detection abilities.

## Resources

- [1033 Open Banking: CFPB Final Rule](#)
- [Fighting fraud in payments with AI](#)

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The Health of the Consumer—How will consumers fare against labor stagnation, interest rate policy, and growing debt?

- After a series of three meetings with continuous rate cuts, the Federal Reserve (Fed) held its benchmark interest rate steady in both the January and March 2026 meetings. Although the Fed paused its rate-cutting cycle, it upgraded its forecast for growth and inflation this year, while holding its estimate of unemployment steady.
- The most recent “Job Openings and Labor Turnover Survey” (JOLTS) published by the US Bureau of Labor Statistics reported that job openings rose in January 2026, up from December 2025 but down year-over-year. KPMG Economics notes that the revisions made in the report do not change its understanding of the 2025 labor market—low churn but stagnant.
- The JOLTS report also indicated that private-sector job openings rose 370,000, reversing sharp declines in December. KPMG Economics also noted that a recent uptick in ADP employment data suggests that job gains at small businesses indicate they entered 2026 with positive momentum.
- KPMG Economics also reported that although credit demand growth missed consensus estimates at the start of 2026, credit demand remains strong, as evidenced by outstanding consumer credit rising nearly 2 percent in January. Revolving debt, primarily credit cards, continued to climb by over 4 percent in January, despite surging over 11 percent during December’s holiday spending spree.

Multiple factors from interest rate policy, labor market performance, and consumer sentiment will continue to mix and impact the health of the US consumer—issuers should be monitoring credit portfolio trends and taking actions to ensure the creditworthiness of the book.

## Opportunity

1

Credit card issuers should continue to monitor credit trends, identifying whether credit performance activity aligns with risk appetite and take action to manage overall exposure.

2

Credit card issuers should carefully consider macroeconomic trends and factors, paired with model performance when evaluating adequacy of reserve levels in the first quarter.

## Resources

- [CECL Pulse Check Q1 2026](#)
- [Consumers took on more debt to start the year](#)
- [Dovish pause on Fed rate cut, hawkish undertones](#)
- [Job openings rise, layoffs fall](#)

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