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Boost and Visa's CEDP

The Visa Commercial Enhanced Data Program (CEDP) has changed interchange discounts applied to some commercial card payments submitted into interchange.

Under CEDP, transactions that had been referred to as Level 2 and Level 3 because they included enhanced data in the authorization message have been consolidated and are now called Product 3. If they accurately transmit Product 3 level data, the lowest published interchange rate a seller's acquirer will pay card issuers is 1.30% plus \$35, which is down from the lowest Level 3 rate, which was 1.40% plus \$35.

However, every transaction submitted into interchange under CEDP is also assessed an additional fee of 0.05% (five basis points), which is paid to Visa. What's more, a supplier earns the lowest rate only if they demonstrate that they consistently transmit Product 3 level data. At authorization and settlement, a 2.70% plus \$0.10 rate is applied.

The lowest interchange rate is earned only after a transaction is deemed to be qualified. When that occurs, the differential between the higher rate and the Product 3 rate is rebated.

Boost Payment Solutions has been a commercial card processing specialist for 17 years. It provides a data exchange bridge between accounts payable and accounts receivable departments at buyers and sellers. It eliminates friction in data exchanges by utilizing straight-through processing (STP).

The company, which processes transactions in more than 180 countries, has never had a chargeback. Transactions processed in the Boost system average \$25,000.

Like all business-to-business (B2B) processors, Boost had to retool its system to accommodate CEDP to be able to provide Product 3 data in the exact manner outlined by Visa.

Internal testing has confirmed that 99% of the transactions Boost facilitates can be verified to earn the lowest interchange rate under CEDP.

The company is so confident in its ability to continue to provide STP, inclusive of the new CEDP requirements, that Boost will front 135 basis points (bps) to the supplier on transactions it processes that will ultimately qualify for Product 3 rates. This includes the interchange fee paid to card issuers.

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Fronting that lower interchange fee also allows suppliers to reconcile transactions when they occur rather than waiting for a Product 3 rebate.

Visa hopes that the 10-basis-point reduction in interchange for commercial card transactions will help expand the network of suppliers willing to accept card payments. For Visa commercial card issuers, a reduction in interchange fees on Product 3 transactions means lower revenue, which they might mitigate by offering their commercial card customers lower rebates.

International business accounts for more than 11% of Boost's top-line revenues. The company, which has staff in seven countries, is looking for additional partners outside the US that focus on B2B transactions.

INTERVIEWED FOR THIS ARTICLE

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