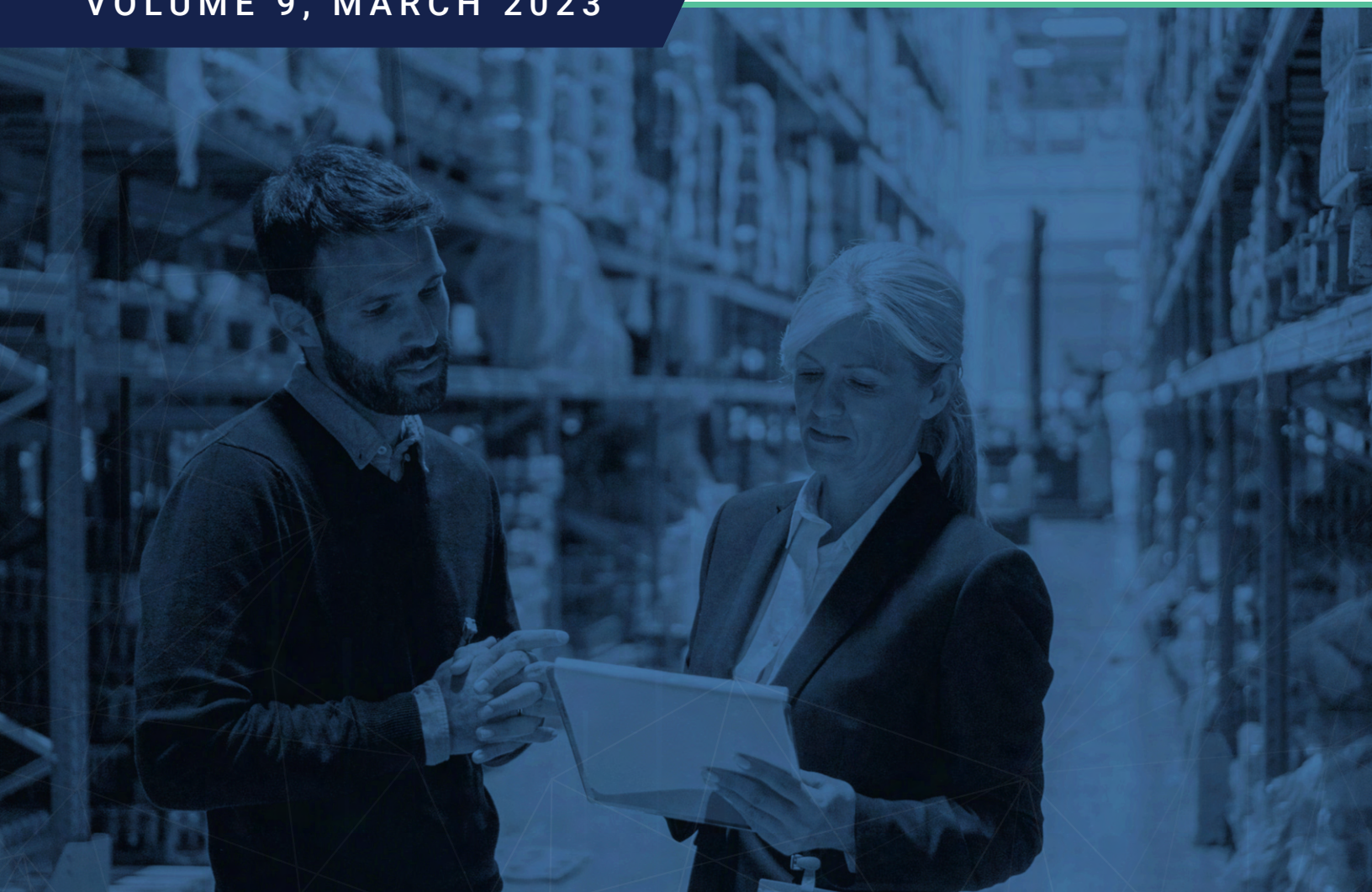


# Proposed Surcharge Changes for April 2023: Rate Cap Reductions and Compliance

**B2B ACCOUNTS RECEIVABLE  
QUARTERLY UPDATE**

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Welcome to our first publication in the New Year. Ironically, this comes just after Groundhog Day, and yes...here we go again. As we shared in our last update, the card brands have rolled out escalating noncompliance fines to address and ensure merchants, solution providers, and acquirers comply with their rules and regulations when surcharging the card holders. We surmised that the reasons for doing this are many, including but not limited to, that surcharging is becoming more commonplace and the number of businesses surcharging in a non-compliant fashion is on the rise. The latest announcements seem to reinforce these thoughts.

### **Proposed Changes to Surcharging Rules Set to Go Into Effect on April 15, 2023**

- The Credit Card Surcharge cap will be reduced from 4.00% to 3.00%.
- The Credit Card Surcharge must be included in the transaction amount and be identified within the transaction data as a separate line item.
- You, the Merchant, will be required, depending on which is earlier to:
  - Notify your acquirer in writing at least 30 calendar days before publicly announcing your intention to impose a Credit Card Surcharge.
  - Notify your acquirer in writing at least 30 calendar days before assessing a Credit Card Surcharge.

The largest impact is the surcharge cap reduction to 3.00%. This change basically limits the savings that you can achieve. As we pointed out in our July 2021 update, there are card types, transaction qualification paths, and customer spend levels that can drive interchange fees to 3.15%. That does not include the pass-through fees from the card associations which can add up to more than 0.20%, thus well beyond the 3.00% cap. Interchange and card association pass-through fees (we call these wholesale costs) are the baseline charges. You would also be assessed additional bps and fees from the acquirer on each transaction. For retail businesses this may have little impact, but for the B2B business this could/will be a very different story.

Transmitting the surcharge amount as part of the transaction data is a new requirement. Surcharge solution providers and processors are busy making the programming changes to support this change. This is not a requirement that your business can implement. However, you can be held responsible under the non-compliance escalating fines detailed previously if your surcharge solution provider and/or processor are not compliant with this rule.

The notification of intent to surcharge requirement basically sets forward a 60-day timeline for companies to put a compliant surcharge program in place. Communication is key to both a successful surcharge program and B2B relationships, so the notification requirement is likely to have little impact. Companies that proactively reach out to their customers when implementing a surcharge program have experienced successful migration of customers who do not want to pay the surcharge to less expensive forms of payment, like eCheck which runs on the ACH rails and debit card, from the outset.

It is worth noting that these rules are pending, and we have seen the card brands delay some changes in the past. However, we are proceeding with the assumption these will be implemented unless we hear differently. We will obviously keep you and your B2B teams informed as we learn of future developments. In the meantime, if our team of B2B experts can be of assistance, please reach out.

## About Unified A/R

Unified A/R simplifies accounts receivable and payment acceptance with best-in-class, cloud-based solutions and ongoing consultation from B2B A/R experts to help you get paid faster at reduced cost while improving your customers' experience. Unified A/R's Executive Team brings more than 150 years of combined management success from the payment and finance industries and has partnered with many of the nation's largest Trade and Professional Associations, Financial Institutions and Technology Firms.

## **About the Authors**



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John Perez sets strategic direction, aligning procedures and resources to help bring solutions for Unified A/R's customers. Prior to joining Unified, John had leadership roles with customers varying in size from Middle Market to Fortune 500 organizations with both Fifth Third Bank and BB&T, now Truist. John also opened Fifth Third Bank's European Representative Office in 1996.



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Madeline Long oversees all activities and initiatives related to go to market strategies and implementations for Unified's enterprise customers. The Enterprise Solutions team is actively involved with each implementation from a seat of the client perspective to ensure a successful roll out of each project and initiative. Her strengths in strategic planning are evidenced by her success in launching one of the largest strategic Financial Institution partnerships.