

# Payments Dictionary

Terms Worth Knowing



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## Terms to Put on Your Radar

### Card-Not-Present (CNP)

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Transaction in which a merchant honors the account number associated with a card account and does not see or swipe a physical card or obtain the account holder's signature.

### Customer Lifetime Value

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Prediction of the net profit attributed to the entire future relationship with a customer.

### Omnicommerce

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Retailing strategy concentrated on a seamless consumer experience through all available shopping channels.

### Payments Intelligence

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The ability to better know and understand customers through data and information uncovered from the way they choose to pay.

# Card Acceptance Terms

## Acceptance Marks

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Signifies which payment brands are accepted at a merchant location; provides the cardholder with information on where his or her card can be used.

## Account Holder

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Person to whom a credit and/or debit account is issued or who is authorized by such person to use the account.

## Account Issuer

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Bank that offers card brand (Visa, MasterCard, etc.) payment cards directly to consumers.

## Account Number

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The unique identifier (typically a number) that an account issuer, as part of providing a credit or debit account, issues to an account holder.

## American Express

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Multinational financial services corporation best known for its credit card, charge card, and Travelers Cheques business.

## Association

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Group of card-issuing banks or organizations that set common transaction terms for merchants, issuers, and acquirers.

## Card Acceptor Business Code

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A 4-digit numerical representation of the type of business in which the card acceptor (merchant) engages.

## Card Brands

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Member-based corporations that connect consumers, businesses, and banks to transact through electronic payments instead of cash and check; also establish and enforce rules amongst members and promote the brands (popular card brands include Visa and MasterCard).

## Card Issuer

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Any association member financial institution, bank, credit union, or company that issues (or causes to be issued) plastic cards to cardholders.

## Cardholder

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Person or entity that receives an account from a card company or issuer.

## Credit Card Number

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Unique number assigned to a credit card account.

## Discover

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Major credit card, issued primarily in the United States; most cards with the Discover brand are issued by Discover Bank; payment transactions are processed through the Discover Network.

## Expiration Date

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The date embossed on a credit or debit card beyond which it becomes invalid.

## “Honor All Cards” Rule

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Requires merchants that accept one of a major card network’s cards to accept all of the network’s cards regardless of card issuer or specific card program.



## Master Merchant

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Payment Facilitator that becomes the “Merchant of Record” on behalf of a network of smaller merchants (sub-merchants) or billing companies that regularly collect payments; key markets for Master Merchant networks include government, education, utilities, and nonprofit organizations.

## MasterCard

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American multinational financial services corporation; its principal business is to process payments between the banks of merchants and the card-issuing banks or credit unions of the purchasers who use MasterCard debit, credit, and prepaid cards to make purchases; a publicly traded company since 2006.

## Merchant

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A commercial entity or person authorized to accept cards and access devices when properly presented; an organization that uses credit cards to receive payments from its customers pursuant to agreement with card brands.

## Merchant Agreement

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A written agreement between a merchant and a bank that contains their respective rights, duties, and warranties with respect to acceptance of payment cards and matters related to card activity.

## Merchant Bank

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Bank that has an agreement with a merchant to accept (acquire) deposits generated by card transactions.

## Merchant Category Code (MCC)

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A code designating the principal trade, profession, or line of business in which a merchant is engaged. The MCC is used by American Express, Discover, MasterCard, and Visa.

## Merchant Identification Number (MID)

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A unique number assigned to a merchant account to identify it through the course of payment processing activities.

## Payment Facilitator

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A merchant registered by an acquirer to facilitate transactions on behalf of sub-merchants.

## Payment Gateway

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Facilitates the transfer of information between a payment portal and the front-end processor or acquiring bank.

## Payment Processor

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Company appointed by merchants to handle card transactions for merchant acquiring banks.

## Payment System

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An operational network governed by laws, rules, and standards that links bank accounts and provides the functionality for monetary exchange using bank deposits.

## Primary Account Number (PAN)

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The number that is embossed and/or encoded on a plastic card that identifies the issuer and the cardholder account.

## Recurring Services Merchant

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A merchant that provides services of an ongoing nature to a cardholder (club membership, magazine subscription, etc.) and uses recurring transactions to bill the cardholder for these services.

## Standard Industrial Classification (SIC)

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A system for classifying industries by a four-digit code; historically used by the IRS and the banking industry.

## Sub-Merchant

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A merchant that, pursuant to an agreement with a Payment Facilitator, is authorized to accept cards when properly presented.

## Third-Party Presenter Agreement

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Separate agreement between an acquirer and a presenter authorizing the presenter to act as an agent of a merchant; presenter agrees to comply with the applicable terms of this agreement.

## Third-Party Processor

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Entity that contracts with a member to provide processing services such as authorization clearing and settlement services.

## Third-Party Settlement

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Service where payment is made to a third party according to instructions from a merchant as described by a separate, three-way agreement between the merchant, the third party, and the processor.

## Visa

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An American multinational financial services corporation facilitating electronic funds transfers throughout the world, most commonly through Visa-branded credit, debit, and prepaid cards; Visa-branded payments products are processed on VisaNet, the world's largest retail electronic payments processing network.

# Chargeback Terms

## Arbitration

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A process where the card brand determines financial liability between members for interchange transactions that are presented and charged back.

## Arbitration Committee

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Committee that resolves disputes between members that arise from chargebacks.

## Chargeback

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Forcible return of funds to a customer by the issuing bank of the instrument used by a consumer to settle a debt; reversal of a prior outbound transfer of funds from a consumer's bank account, line of credit, or credit card.

## Chargeback Adjudication Services

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Where processor i) receives chargebacks; ii) displays them to merchant via its online user interface; iii) counsels merchant, when needed, about regulations, information requirements, and appropriate responses; iv) collects the relevant information from processor's files and, if necessary, from merchant and other sources; v) forwards properly formatted re-presentment data to the initiator for disputed chargebacks; vii) acts as liaison between merchant and the initiator for any subsequent dispute resolution procedures such as arbitration; vi) transfers chargeback liability from merchant back to the initiator for disputed chargebacks resolved in merchant's favor (a "reversed chargeback").

## Chargeback Advice

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A form that notifies the issuer that a chargeback has passed certain validations and has been forwarded to the acquirer.

## Chargeback Period

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The number of calendar days from the endorsement date of a transaction receipt (or processing date, as applicable) during which time the issuer may exercise a chargeback right.

## Chargeback Reduction Service

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Service that screens presentments and chargebacks; returns certain invalid items to the acquirer or issuer, as appropriate.

## Direct Arbitration

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A process whereby the card brand assigns financial liability for a transaction when either the chargeback reduction service rejects a presentment because it cannot verify authorization or the acquirer claims that the rejected transaction was authorized.

## Presentment

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A clearing record that an acquirer presents to an issuer through interchange, either initially (a first presentment) or after a chargeback (a re-presentment).

## Re-Presentment

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Process by which a merchant can dispute a chargeback with an issuing bank; allows merchant to present evidence to prove the chargeback is not warranted.

## Reversed Chargeback

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Chargeback that a processor resolves in the merchant's favor by transferring the chargeback liability back to the account issuer.

# International Payment Terms

## Bank Identification Code (BIC)

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Similar to a routing number in the United States, a BIC uniquely identifies financial institutions globally. Mainly used when transferring money between banks (e.g., SEPA payments). Also known as SWIFT code.

## Cross-Border Fees

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Fees associated with cross-border transactions.

## Cross-Border Transaction

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A transaction for which the country/region of the payment card's issuing bank and that of the merchant's acquiring bank are different.

## Domicile

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See Local Entity.

## Dynamic Currency Conversion

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Conversion of the purchase price of goods or services from one currency to another, as agreed to by the cardholder and merchant; that currency becomes the transaction currency, regardless of the merchant's local currency.

## Foreign Currency

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A currency other than local currency.

## IBAN (International Bank Account Number)

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An internationally agreed system of identifying bank accounts across national borders to facilitate the communication and processing of cross-border transactions with a reduced risk of transcription errors.

## Interchange Fee Regulation in the EU

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A regulation adopted by the European Parliament in 2015 (and effective December 2015) that caps interchange fees on Visa and MasterCard consumer credit and debit cards issued in the EU.

## Local Acquiring

---

The ability to acquire in country/region in which acquiring and issuing banks reside. Generally drives higher approvals and lower issuer and network assessment fees.

## Local Entity

---

An organization or business that has a legal and separately identifiable existence within a given jurisdiction.

## Purchase Currency

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The currency in which an issuer bills a cardholder for transactions.

## SEPA

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Stands for Single Euro Payments Area. Refers to an initiative within the European Union to streamline Euro-denominated bank transfers across the EU. Now serves as the infrastructure supporting all direct debit payments in the EU.

## Settlement Currency

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The currency in which the merchant will be paid in.

# Fraud & Security Terms

## 3-D Secure

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XML-based protocol designed as an additional security layer for online credit and debit card transactions; initially developed by Visa, the protocol has been adopted by MasterCard, American Express, and other card brands under various names.

## Address Verification Service (AVS)

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The process of validating a cardholder's given address against the issuer's records to determine authenticity and deter unauthorized use; a code is returned with the authorization result that indicates the accuracy of the address match.

## American Express SafeKey

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AMEX's version of 3-D Secure, an online authentication process used to decrease online fraud and increase consumer confidence.

## Authentication

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The process of assuring that data has come from its claimed source, or a process of corroborating the claimed identity of a communicating party.

## Card Control

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Mobile application powered by Ondot Systems that allows cardholders to decide when and where their cards can or cannot be used based on a series of preference settings.

## Card Security Code (CSC)

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A three- or four-digit code printed on charge, credit, and debit cards for the purpose of establishing the owner's identity and minimizing the risk of fraud. On MasterCard, Visa, and Discover cards, the three-digit CSC is printed in the signature panel on the back following the account number. On American Express cards, the four-digit CSC appears on the front of the card above the account number. The CSC is also known as the card identification number (CID), card verification code (CVC), and card verification value (CVV).

## Check Verification

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Process that screens checks and check writers against a "negative database" at the point-of-sale (POS) when the customer presents a check as payment.

## Data Breach

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Unintentional release of secure information to an entrusted environment which often times refers to payment card details or sensitive account information.

## Discover ProtectBuy

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Discover's version of 3-D Secure, an online authentication process used to decrease online fraud and increase consumer confidence.

## Duplicate Checking

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The policy and procedures that prevent identical sales records from being processed.

## EMV

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Stands for Europay, MasterCard, and Visa; global standard for inter-operation of integrated circuit cards (chip cards) and integrated circuit card capable point-of-sale terminals and ATMs, for authenticating credit and debit card transactions.

## Encryption

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The process of encoding sensitive information for secure transmission across the Internet.

## End-To-End Encryption (E2EE)

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Uninterrupted protection of the confidentiality and integrity of transmitted data by encoding it at its starting point and decoding it at its destination.

## Friendly Fraud

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When a consumer makes a purchase with their own credit card and then issues a fraud coded chargeback through the card provider (after receiving the goods or services) to cancel the transaction and refund the money.

## Malware

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Software that is intended to damage or disable computers and computer systems.

## MasterCard SecureCode

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MasterCard's version of 3-D Secure, an online authentication process used to decrease online fraud and increase consumer confidence.

## PA-DSS (Payment Application Data Security Standard)

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Global security standard created by the Payment Card Industry Security Standards Council, formerly referred to as the Payment Application Best Practices.

## PCI DSS (Payment Card Industry Data Security Standard)

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Set of requirements designed to ensure all companies that process, store, and/or transmit card information maintain a secure environment.

## PIN (Personal Identification Number)

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A numeric password entered by a user to authenticate their identity to a system.

## Quality Security Assessor (QSA)

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Designation conferred by the PCI Security Standards Council to those that meet specific security education requirements, have taken the appropriate training from the PCI Security Standards Council, are employees of a PCI-approved security and auditing firm, and will be performing PCI compliance assessments as they relate to the protection of payment card data.

## Tokenization

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Replacement of sensitive data with a unique identifier (token) that cannot be reversed mathematically; commonly used in payments to replace card data.



## Truncation

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When only some digits of a customer's card number appear on a sales draft or receipt to provide better security while still enabling identification (for the cardholder) of the card used; it's required by federal law (since 2006) that no more than the last five digits of a card may be shown on a receipt.

## Two-Factor Authentication

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Process involving two subsequent but dependent stages to check the identity of an entity; both of the factors are required and must be correct.

## Velocity Checks

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The number of times an account number is processed over a predetermined amount of time; rejects multiple transactions against the same credit card during a specified time to help prevent double clicking by cardholder, fraud, and internal merchant processing issues.

## Verified by Visa

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Visa's version of 3-D Secure, an online authentication process used to decrease online fraud and increase consumer confidence.

## Virtual Account Number

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An alias for a card number, generated through either a web application or a specialized client program, that interacts with the card issuer's computer and is linked to the actual card number; typically has a limit and an expiration date between two and 12 months from the use date chosen by the account owner; the user's real card number is never revealed to the merchant.

# Integrated Payment Technology Terms

## Application Programming Interface (API)

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A set of routines, protocols, and tools that are used for building software applications. A company releases its API to the public so that software developers can design products that are powered by its service.

## Integrated Payments

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When payment processing solutions are integrated with other business functions such as accounting, customer relationship management, and inventory management systems.

## Integrated Software Vendor (ISV)

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A company specializing in developing or selling software that runs on one or more operating system; ISVs often embed payment technology into point-of-sale systems for merchants.

## Middleware

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Software that acts as a bridge between an operating system or database and applications.

## Point-of-Sale Developer

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A person concerned with researching, designing, implementing, and testing software; point-of-sale developers embed payment technology into point-of-sale systems.

## Software as a Service (SaaS)

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Software delivery model in which software is licensed on a subscription basis and is centrally hosted.

## Software Development Kit (SDK)

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A set of software development tools that allow the creation of applications for a certain software package.

## Value-Added Reseller (VAR)

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A company that adds features or services to an existing product and then resells it as an integrated product.

# Mobile Payment Terms

## Android Pay

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Android Pay is a digital wallet platform developed by Google to power in-app and tap-to-pay purchases on mobile devices.

## Apple Pay

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A mobile payment and digital wallet service offered by Apple that allows users to make payments through NFC technology.

## Cloud-Based Mobile Payments

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Stores payments information “in the cloud” or on a remote server and not on the mobile device.

## Contactless Payments

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Devices that use radio-frequency identification for making secure payments; embedded chip and antenna enable consumers to wave a device over a reader at the point-of-sale.

## CurrentC

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Free mobile wallet deployed by the Merchant Customer Exchange (MCX) that allows customers to securely save, earn loyalty rewards, and pay across MCX’s growing network of merchants.

## Digital Wallet

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A digital wallet refers to an electronic device (e.g., mobile phone) that allows an individual to make eCommerce transactions. Examples of a digital wallet include Android Pay, Apple Pay, and Samsung Pay.

## Dongle

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Provides electronic copy protection and content protection which, when attached to a computer or other electronic appliance (such as a mobile phone), unlocks software functionality or decodes content; commonly used with mobile phones to accept payments.

## In-App Payments

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The ability to sell digital content in mobile applications.

## Merchant Customer Exchange (MCX)

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Company created by a collaboration of leading U.S. retail companies looking to offer a new platform for smartphone-based transactions.

## Mobile Commerce

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Business that is conducted on the Internet with cell phones or other wireless, handheld electronic devices.

## Mobile Payment

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Payment services operated under financial regulation and performed from or via a mobile device in a face-to-face transaction environment.

## Mobile Payments Acceptance

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Ability for merchants to accept payments via a mobile device in a face-to-face transaction environment.

## Mobile Point-of-Sale (mPOS)

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Smartphone, tablet, or dedicated wireless device that performs the functions of a cash register or electronic point-of-sale terminal.

## Near Field Communication (NFC)

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Set of standards for smartphones and similar devices to establish radio communication with each other by touching them together or bringing them into proximity (usually no more than a few inches).

## Quick Response Code (QR Code)

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Matrix barcode readable by QR scanners, mobile phones with a camera, and smartphones; can be used to make mobile payments.

## Samsung Pay

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Samsung Pay is Samsung's digital wallet and mobile payment service that lets users make payments using higher-end compatible Samsung phones and other Samsung-produced devices.

## Touch ID

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Fingerprint recognition feature, designed and released by Apple; Touch ID allows users to unlock their device as well as make purchases through Apple Pay.

# Payment Types

## Affinity Card

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A card offered by two organizations, one a card issuer and the other a non-financial group such as a university, sports franchise, or nonprofit organization; cardholders typically receive special discounts or deals for using their cards issued in partnership with a major bank.

## Alternative Payments

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Payment methods that are used as a substitute to traditional card payment; these third-party payment brands use the traditional payment systems of Visa, MasterCard, ACH, etc. for settlement of transactions and are typically used in an eCommerce environment. Some examples of alternative payments include eCheck and PayPal, among others.

## Biometric Payment

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The identification of humans by their characteristics or traits; in payments, a point-of-sale technology that uses biometric authentication to identify the user and authorize the payment.

## Bitcoin

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A decentralized digital currency.

## Charge Card

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A type of payment card; charges to these cards must be paid in full each month that a statement is issued.

## Check Guarantee

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Program in which the merchant is guaranteed payment on a check; fee is charged to the merchant in exchange for the service of paying the merchant on any checks that are returned.

## Chip Card

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A card with an embedded EMV-compliant chip containing memory and interactive capabilities used to identify and store additional data about a cardholder, the cardholder's account, or both.

## Closed Loop Gift Card

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Prepaid gift card only accepted by the merchant who issued the card.

## Co-Branded Card

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A co-branded card is sponsored by both the issuing bank and a retail organization, such as a department store or an airline; cardholders may get benefits from the sponsoring merchant, such as discounts or free merchandise, based on account usage and terms.

## Commercial Card

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General name for cards typically issued for business use; may include corporate, purchase, business, travel, and entertainment cards.

## Corporate Card

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Credit card typically issued to corporate executives or business owners to keep business expenses separate from personal charges.

## Credit Card

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A credit card is a payment card issued to users (cardholders) as a method of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card (usually a bank) creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance.

## Debit Card

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Plastic payment card that provides the cardholder electronic access to his or her bank account at a financial institution; payments using a debit card are immediately transferred from the cardholder's designated bank account.

## Digital Wallet

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A digital wallet refers to an electronic device (e.g., mobile phone) that allows an individual to make eCommerce transactions. Examples of a digital wallet include Android Pay, Apple Pay, and Samsung Pay.

## eCheck

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Electronic version of a paper check, used to conduct transactions over the Internet.

## Gift Card

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Type of stored-value payment card commonly issued by retailers and banks.

## Offline Debit

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MasterCard or Visa card that is linked to a consumer checking or savings account; transaction is processed in the same manner as any other MasterCard or Visa card.

## Online Debit

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Card account tied to a consumer's checking or savings account; transaction is processed in a single online message and a PIN is required for authentication; clearing and settlement happens simultaneously.

## Open Loop Gift Card

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Prepaid gift card issued by banks or credit card companies; can be redeemed at different establishments.

## Payment Card

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Financial tools that allow customers to make purchases without having cash-on-hand; includes credit, charge, debit, and prepaid cards.

## Payment Type

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Method of payment that a merchant, either now or in the future, honors from account holders as payment for their purchases; payment types may include, but are not limited to, credit, debit, or prepaid cards.

## PayPal

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Payment processing service that allows payments and money transfers to be made through the Internet, via a mobile device, and in-store.

## PayPal Credit

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A proprietary payment method (formerly named Bill Me Later) that offers consumers a line of revolving credit; allows purchases to be made online without using a credit card.

## Peer-to-Peer Payment

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Online technology that allows customers to transfer funds from their bank account or credit card to another individual's account via the Internet or a mobile phone.



## Prepaid Credit Card

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A type of secured credit card that is tied to a previously deposited cash balance, where purchases are checked for approval against existing funds; essentially a stored-value card that usually carries major card-brand logos.

## Purchasing Card

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A form of company charge card that allows goods and services to be procured without using a traditional purchasing process.

## Reward Card

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A credit card carrying an incentive or “reward” for use, typically involving cash back, merchandise points, or frequent flier points.

## Secured Credit Card

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Credit cards that require collateral (such as a house, car, or deposit of money) for approval; generally designed for people with no credit or poor credit who are trying to build or rebuild their credit history.

## Smart Card

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Plastic card containing a computer chip with memory capabilities; may be used for identification or to store information, financial amounts, or other forms of data; also called an integrated circuit card or a chip card.

## Stored-Value Card

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Credit card-sized device implanted with a computer chip that contains stored money value; a reloadable stored-value card can be reused by transferring a dollar value to it from an automated teller machine or other device; however, a disposable card cannot be reloaded.

## Wire Transfer

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Method of electronic funds transfers from one person or institution to another; funds typically transfer on the same bank day the wire transfer is initiated.

# Payment Processing Terms

## Account Updater

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Card-brand product, available through a payment processor, that provides updated account numbers, expiration dates, account status, and cardholder contact information to merchants.

## Acquirer

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Bank or financial institution that processes credit and/or debit card payments for a merchant.

## Assessments

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Fees paid directly to the card-brand networks to offset the brands' costs to operate and regulate the networks; these fees are passed along in some form to the merchant.

## Authorization

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Verification of the validity of a credit card and the balance allowable on the purchaser's credit line.

## Authorization Codes

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Codes that an issuer or its authorizing processor provides to indicate approval or denial for an authorization request.

## Authorization Recycling

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The process of retrying previously failed authorization attempts to receive an authorization approval.

## Authorization Request

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A merchant's request for an authorization to accept a cardholder's sales transaction; can occur electronically via a credit card processing terminal or via telephone as a voice authorization.

## Authorization Response

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The issuer's reply to an authorization request.

## Automated Account Updater

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Card-brand product, available through a payment processor, that automatically provides updated account numbers, expiration dates, account status, and cardholder contact information to merchants.

## Automated Clearing House (ACH)

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A system of the U.S. Federal Reserve Bank that provides electronic funds transfer (EFT) between banks; used for transfer of funds transactions, including direct deposit of paychecks and monthly debits for routine payments to vendors.

## Batch Processing

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A type of data processing and data communications transmission in which related transactions are grouped together and transmitted for processing, usually by the same computer and under the same application.

## Billing Descriptor

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Description of the sale or refund transaction that appears on the account holder's account statement.

## Clearing

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Process through which a card-issuing bank exchanges transaction information with the merchant acquiring bank.

## Deposit

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The submission of a transaction receipt by a merchant or a Payment Facilitator to an acquirer, resulting in a credit or debit to the merchant's or Payment Facilitator's account.

## Depository Account

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Account owned by a merchant into which funds due to the merchant are deposited.

## Discount Rate

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Fee paid by merchants to credit card processors associated with accepting general-use credit cards (like Visa, MasterCard, etc.); all applicable fees are bundled into a single percentage rate which typically includes interchange, assessments, and processor fees.

## Downgrade Fees

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Surcharges added to the discount rate of the total processing fee for each transaction; can be assessed on a merchant for reasons including type of card used, the bank that issued it, and how the transaction was entered.

## Enhanced Data

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Transaction-level data required for select interchange programs, card products, or merchant categories; examples include airline itinerary data, fuel transaction data, and itemized purchase data.

## Fines

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Fees levied by the card brands on merchants for violations of network regulations.

## Hard Decline

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A decline response on a credit card due to reasons including account closed or card stolen.

## Independent Sales Organization (ISO)

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Third-party company that is contracted by a card member bank to procure new merchant relationships; also process online card transactions for small businesses, usually in exchange for a fee or percentage of sales.

## Interchange

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Fee paid between banks for the acceptance of card-based transactions; typically a fee that the merchant's bank (acquiring bank) pays to a customer's bank (issuing bank); fees are set by the card networks and are usually the largest component of the various fees most merchants pay for card acceptance.

## Interchange Rate

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Amount paid by acquirers to issuers to compensate for the processing and maintenance of the transaction and cardholder.

## Interchange System

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The computer hardware and software operated by and on behalf of the card brands for the routing, processing, and settlement of transactions.

## Issuer

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Any association member financial institution, bank, credit union, or company that issues (or causes to be issued) plastic cards to cardholders.

## Level 1 Data

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Information provided by the card brands for all purchases; includes account number, transaction date, purchase amount, supplier, category code, supplier name, city, state, and ZIP code.

## Level 2 Data

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Data provided by the card brands along with Level 1 data on some purchases; includes merchant name, transaction amount, sales tax amount, transaction date, customer code, and merchant zip code.

## Level 3 Data

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Information provided by the card brands for all purchases; includes ship-from zip code, destination zip code, invoice number, order number, item product code, item commodity code, item description, item quantity, item unit of measure, item extended amount, freight amount, and duty amount.

## Match File

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Database that identifies specific merchants who have been terminated for cause by other acquirers.

## Member Information Processor (MIP)

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MasterCard's electronic interface for members and processors to facilitate authorizations, clearing, and messaging between members.

## NACHA

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Manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and data.

## Originating Depository Financial Institution (ODFI)

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Acts as the interface between the Federal Reserve or ACH network and the originator of the transaction.

## Partial Authorization

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An authorization response sent by an issuer approving an amount less than the merchant's requested amount; the merchant must participate in the partial authorization service to be eligible.

## Pass-Through Pricing

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Form of card processing pricing that allows the actual cost of processing (interchange, assessment, and processor fees) to be passed directly to the merchant; benefits of this pricing model include transparency and potentially lower costs when compared to discount rates.

## Payment Indicators

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Codes returned in authorization responses that specify certain attributes associated with the card used; may include affluence, prepaid, corporate, and/or international.

## Processing Fees

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Fees charged to a merchant for services agreed upon between the merchant and the payment processor.

## Purchased

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Settlement service where an acquirer i) provides authorizations; ii) facilitates acquirer settlement transaction purchases; iii) provides chargeback adjudication services on behalf of the merchant; and iv) initiates funds transfers.

## Receiving Depository Financial Institution

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Financial institution qualified to receive ACH entries.

## Reconciliation

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Process by which two entities become in balance: i) merchants reconcile their accounts with their processor via financial reporting; ii) merchants balance the number and dollar value of the transactions they sent to their processor with the amount that their processor settled into their local checking account; iii) payment processor reconciles with the acquiring bank; iv) processor confirms the number and amount of transactions sent to the networks with the amount that was settled into their account and then distributed to the merchant accounts.

## Reference Number

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Assigned number to each monetary transaction in a descriptive billing system; each reference number is printed on the monthly statement to aid in retrieval of the document, should it be questioned by the cardholder.

## Retrieval Request Services

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Where a processor: i) receives retrieval requests; ii) displays them to the merchant via its online user interface; iii) counsels the merchant, when needed, about the information requirements and appropriate responses; iv) collects the relevant information from the merchant, the processor, and other sources; v) forwards properly formatted response data to the requestor; and vi) acts as a liaison between the merchant and the requestor during the time that such retrieval request is outstanding.

## Reversal

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Authorization message that reverses a previous authorization by a merchant; can be the full or partial amount but cannot exceed the original authorization amount.

## Settlement

---

Buying and selling of transactions among merchants, processors, acquirers, and card-issuing entities; begins when the merchant submits a transaction to their processor and ends with the transfer of related funds to a depository or liability account.

## Settlement Bank

---

Bank that holds liability accounts and executes funds transfers among these and the depository accounts.

## Soft Billing Descriptors

---

Billing descriptors that change within a reporting entity; these changes can help clarify the sale or refund transaction description.

## Soft Decline

---

A decline response on a valid card due to reasons including the credit card already exceeds the credit line, the issuer is unavailable, etc.

## Universal Cardholder Authentication Field (UCAF)

---

A standard, global method of collecting cardholder authentication data at the point of interaction across all channels, including the Internet and mobile devices; used to communicate authentication information among cardholders, issuers, merchants, and acquirers.

## Valid Authorization

---

Authorization for the correct amount of a sale and obtained within a specified number of days before the sale transaction is submitted.

## Virtual Terminal

---

An application service that allows users to access information from another host processor for transaction processing.

## Voice Authorization

---

An approval response obtained through interactive communication between an issuer and an acquirer or the International Automated Referral Service via telephone, facsimile, or telex communications.

# Regulatory & Financial Terms

## Bank Identification Number (BIN)

---

The first four-to-six digits of a card that identifies the institution issuing the card.

## Credit Limit

---

The amount established by the issuer that a cardholder may carry as a balance.

## Durbin Amendment

---

Part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (introduced in 2010) that limits transaction fees imposed upon merchants by debit card issuers.

## Federal Trade Commission (FTC)

---

Independent agency of the U.S. federal government that maintains fair and free competition and enforces federal antitrust laws; also educates the public about identity theft.

## Fiscal Period

---

Accounting period designation by a person or corporation that may be a variation from the calendar equivalent.

## FTC Regulations

---

Rules or guidelines of the FTC (including the Mail or Telephone Order Merchandise Trade Regulation Rule) that govern the shipment of products and charges/refunds related to consumer orders.

## Funds Delivery Date

---

The date that funds are deposited via ACH or wire in a merchant's designated depository account.

## Funds Transfer

---

ACH transfer of funds between accounts, unless a merchant has specifically requested to have all of its funds transfers delivered by wire.

## Interchange Fee Regulation in the EU

---

A regulation adopted by the European Parliament in 2015 (and effective December 2015) that caps interchange fees on Visa and MasterCard consumer credit and debit cards issued in the EU.

## Know Your Customer (KYC)

---

Due diligence activities that financial institutions and other regulated companies must perform to ascertain relevant information from their clients for the purpose of doing business with them.

## Marketplace Fairness Act

---

Proposed legislation pending in the U.S. Congress that would enable state governments to collect sales and use taxes from remote retailers (i.e., online and catalog retailers) with no physical presence in their state.

## Non-Regulated (Exempt)

---

A card-issuing bank with assets less than \$10 billion that is exempt from the limits set forth by the Durbin Amendment.

## Regulated (Nonexempt)

---

A card-issuing bank with assets greater than \$10 billion; maximum interchange fee an issuer may receive for an electronic debit transaction is \$0.21 per transaction, plus 5 basis points.



## Regulated with Fraud

---

An additional \$0.01 adjustment toward an issuer's debit card fee if the issuer develops and implements policies and procedures designed to achieve fraud-prevention standards; debit with fraud adjustment is \$0.22 per transaction, plus 5 basis points for regulated transactions under the Durbin Amendment.

## Regulation E

---

Federal regulation governing all electronic funds transfers.

## Regulation Z

---

Under Regulation Z, credit card issuers are required to disclose the terms and conditions to potential and existing cardholders at the point of account opening and at regular intervals; upon soliciting and opening new credit card accounts, credit card issuers must generally disclose key information relevant to the costs of using the card, including the applicable interest rate that will be assessed on any outstanding balances and several key fees or other charges that may apply, such as the fee for making a late payment; in addition, issuers must provide consumers with an initial disclosure statement, which is usually a component of the issuer's cardholder agreement, before the first transaction is made with a card.

## Regulations

---

Rules, applicable law, operating procedures, etc., that govern the operations of merchants, processors, acquirers, account issuers, and account holders with respect to a payment type; determined by the related acquirer, FTC, or other relevant administrative or governmental body.

## Reserve

---

Amount in a liability account owned by the acquirer at the settlement bank; it is funded by the merchant and used by the processor, through directions to the settlement bank, to satisfy liabilities and any potential losses attributed to the merchant.

## Rolling Reserve

---

Reserve funding method that transfers a specific percentage of a fiscal day's gross purchased sales into a reserve liability account; after a specified period of time, the remaining fiscal day's original transfer amount after appropriate adjustments is automatically reversed by a transfer from a liability account to the then-current fiscal day's daily proceeds as a reserve surplus.

## Truth in Lending Act (TILA)

---

U.S. federal law designed to ensure more accurate disclosure of credit terms so that consumers can: i) compare the various credit terms available in the credit marketplace; ii) avoid the uninformed use of credit; iii) protect themselves against inaccurate and unfair credit billing and credit card practices; regulation that implements TILA's requirements is Regulation Z, which is administered by the Federal Reserve.

# Transaction Terms

## Automatic Bill Payment

---

An arrangement between a merchant or service provider and a customer that allows recurring automatic charges for a service to an agreed-upon card account.

## Card Reader

---

A device that is capable of reading the encoding on plastic cards.

## Cross-Border Transaction

---

A transaction for which the country/region of the payment card's issuing bank and that of the merchant's acquiring bank are different.

## Deferred Billing

---

A transaction completed in a card-not-present environment for which the cardholder is billed once no more than 90 days after the first shipment of merchandise.

## eCommerce Transaction

---

Transaction between a merchant and a cardholder over the Internet and other networks using a cardholder access device.

## Electronic Funds Transfer

---

Any transfer of funds that is initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit a consumer's account.

## Imprint

---

An impression of a customer's card made on the draft; proves that the card was present when the sale was made; imprint can be created electronically by using a magnetic stripe-reading terminal that includes the correct point-of-sale entry code.

## Imprint Machine

---

A manual credit card impression machine that creates multiple receipts by sliding a handle to record the raised numbers on the front of a card onto carbon paper copies.

## Installment Transaction

---

The single purchase of goods or services billed to an account in multiple segments over a period of time agreed to between a cardholder and a merchant.

## Magnetic Stripe

---

A stripe of magnetic information affixed to the back of a plastic card; contains customer and account information that is required to complete electronic financial transactions.

## Mail Order/Telephone Order (MO/TO) Transaction

---

Transaction where a cardholder orders goods or services from a merchant by mail, telephone, or other means of telecommunications; neither the card nor the cardholder is present at the merchant.

## Online Bill Presentment and Payment

---

Process that allows consumers to receive, view, and pay certain bills online by transferring money from their checking accounts or charging bills to their credit card.

## Point-of-Interaction (POI)

---

A hardware and/or software component in point-of-sale equipment (e.g., a magnetic stripe reader) that enables a card purchase at a retailer (can be attended or unattended); the new generation of POI systems allows devices other than credit cards to make payments (i.e., mobile phones).

## Point-of-Sale (POS)

---

Location in a merchant establishment at which the sale is consummated by payment for goods or services received.

## Receipt

---

A hardcopy document that records when a transaction took place at the point-of-sale; the receipt contains a description of the transaction, which usually includes the date, the merchant name/ location, a portion of the primary account number, the amount, and the reference number.

## Recurring Transaction

---

Charge to the cardholder (with prior permission) on a periodic basis for goods and services (health club memberships, book-of-the-month clubs, etc.).

## Refund

---

The creation of a credit to a cardholder account, usually due to a product return or to correct an error.

## Remote Transaction

---

A non-face-to-face transaction performed partially or wholly by means of electronic communication (phone, Internet, text messaging, facsimile, etc.).

## Sale

---

Transaction of products or services made by a merchant to a customer that is facilitated by the use of a supported payment type; a sale relating to the shipment of goods does not occur until the product is shipped to the account holder; the merchant is solely responsible for the accuracy of the information presented for processing.

## Sale Date

---

The date that: i) goods are shipped for a sale that requires the shipment of goods, or ii) the card account holder expects to be charged based on the terms of a service sale; an installment or recurring payment occurs on a sale date (after an interval of time from a prior sale date) where the interval is understood and agreed to by the account holder.

## Sales Draft

---

A paper record that evidences the purchase of goods or services by a cardholder.

## Shopping Cart Software

---

A piece of eCommerce software on a web server that allows visitors to select items for eventual purchase; these applications typically provide a means of capturing a client's payment information in conjunction with a payment gateway in order to conduct secure transactions online.

## Transaction

---

Submission to a processor seeking payment under a supported payment type.

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