



Payments 101

terminology

Table of Contents

A.....3

B.....4

C.....6

D.....9

E.....10

F.....11

G.....13

H.....13

I.....14

J.....15

L.....15

M.....16

N.....17

O.....18

P.....19

Q.....22

R.....22

S.....23

T.....24

U.....25

V.....25

W.....26



A

Account Number

A unique sequence of numbers assigned to a cardholder account that identifies the bank or credit union issuing the card and the type of financial-transaction card.

Accounts Receivable Conversion (ARC)

This is a process, offered by a transaction processor such as NCR, that electronically scans paper checks submitted in payment for an account receivable and transforms that check information into electronic data for payment through an Automated Clearing House (Also see ACH).

Acquirer/Acquiring Bank

A financial institution that processes a payment transaction, such as credit or debit card payments, on behalf of a merchant. In the payments value chain, the Acquirer enables businesses to accept credit card payments for the purchase of goods and services. The Acquirer underwrites the merchant account and may provide the hardware and software to enable the merchant to process transactions. (Also see Payments Value Chain.)

Acquiring

The process whereby a bank or financial institution (also known as acquiring bank or acquirer) processes credit or debit card transactions on behalf of a merchant, enabling that merchant to accept card payment for the purchase of goods or services.

Address Verification System (AVS)

A security system requiring merchants to supply address information for a cardholder to the institution that issues the credit card in card-not-present transactions, including online purchases.

Adjustments

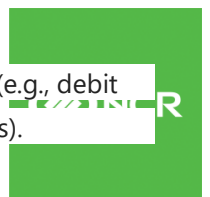
Adjustments are used by the Acquirer, or the entity processing payment transactions on behalf of a merchant, to address process disputes, duplicate charges, and other discrepancies.

Affinity Card

A credit card issued in conjunction with an organization or collective group; for example, a card associated with a profession organization, alumni group, or retired-persons association. The card issuer (the institution that issues and underwrites the card) often pays the organization a royalty to market that card to their membership base.

Alternative Payments/Local Payments

Payment types that eliminate card associations and that are used as an alternative to credit-card transactions (e.g., debit cards, prepaid or stored-value cards, direct debit, bank transfers, mobile payments, checks, cash, money orders).



Arbitration

The process utilized by the credit card issuing companies to ascertain whether an Acquirer (or the entity processing payment transactions on behalf of a merchant) has definitive responsibility for a chargeback.

ATM Interchange Fee

The fee paid to the Acquirer Member (processes the debit transaction on behalf of merchant) by the Issuer Member (issues the debit card to the cardholder) for a STAR ATM Transaction as established from time to time by the STAR® Network. (See also STAR Network.)

Automated Clearing House (ACH)

This refers to the U.S. electronic network used by financial institutions to electronically transfer funds between banks, including processing volumes of transactions in batches.

Authentication

This is the process to verify the identity of a credit-card user, such as when a cardholder is required to provide secret information, such as a Personal Identification Number (PIN), to complete a transaction or request information.

Authorization

This refers to the initial electronic request made by a merchant for a customer's card issuer to release funds. This verification process confirms that a credit card has adequate funds to cover a transaction.

The European languages are members of the same family. Their separate existence is a myth. For science, music, sport, etc., Europe uses the same vocabulary. The languages only differ in their grammar, their pronunciation and their most common words. Everyone realizes why a new common language would be desirable: one could refuse to pay expensive translators. To achieve this, it would be necessary to have uniform grammar, pronunciation and more common words.

B

B2B Payments (Business-to-Business)

A form of a transaction between two or more businesses, such as a payment made by a manufacturer to a wholesaler for raw materials, or a retail business to its rental company.

Back-End Processor

A data company (often a third party) contracted by an acquirer (or the entity that processes payment transactions on behalf of a merchant) to provide processing and communication services. As opposed to a front-end processor that has connections to the card associations and supplies the acquirer with authorization and settlement services, the back-end



processor accepts the settlement information from the front-end processor and routes the payment from the bank that issued the card to the merchant to complete the transaction.

Bank Identification Number (BIN)

This refers to the initial four to six digits that appear on a payment card, identifying the bank or entity that issued the card, that issuer's location, and the card type (e.g., credit, debit, gift).

Bank Routing Number

The bank routing number is the first nine digits that appear across the bottom of a personal check that identifies the financial institution that issued the check.

Bank Card

Typically, a [plastic card issued by a card-issuing entity](#), often a bank or credit union, providing access to funds, either drawing on a bank or a credit account. ATM cards, debit cards, and credit cards are all examples of bank cards.

Basis Point

A basis point-measured in one hundredth of one percent-that is used in expressing differentiation in interest rates or interchange rates where differences of less than one percent are common.

Batch

The accumulation of captured (sale) transactions waiting to be settled. Multiple batches may be settled throughout the day.

Batch Processing

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

Big Data

This refers to the extremely large volumes of data. This term is often applied in the context of the challenges associated with attempting to derive value by collecting and analyzing massive pools of diverse data to identify patterns of behavior and then develop business strategies to act upon that analysis.

Bitcoin

Bitcoin is the most recognizable of an increasing number of decentralized digital currencies, also known as cryptocurrencies, that are not backed by any country's central bank or government. A cryptocurrency can be traded for goods or services, though only with vendors accepting that cryptocurrency as payment.

Blockchain

This is a term used in the field of cryptocurrency transactions (or the use of digital currencies exchanged for payments). A blockchain is a digital ledger where all transactions, in the form of blocks, made in a specific cryptocurrency are recorded in chronological order. That digital ledger is then made publicly available to anyone using that cryptocurrency. Blockchains are decentralized, in fact copies are stored across multiple computers, and then synchronized as needed, allowing markets to track and verify transactions without the need for central bookkeeping.

Breach



A breach is a common term to refer to an incident of exploitation of security safeguards to access and compromise a merchant's sensitive cardholder data.

Business Day

This refers to a standard day for conducting business, excluding government holidays and weekends, when the securities markets and most retail locations are open for business. This term is often used in defining the timeline of a payment transaction, such as the number of days that will expire before funds will be deposited in an account after a transaction is initiated.

C

Capture Date

This refers to the date on which a payment transaction is processed by an acquirer, the entity that processes transactions on behalf of the merchant.

Card Account Updater

A product that updates card information such as expiry date, card number, and status so that a merchant's recurring payments continue uninterrupted, without the merchant having to reach out to the cardholder to provide any updated information.

Card Association

An organization owned by a financial institution that licenses bank credit card programs and performs operational functions for its members, such as transaction processing, authorizations, and interchange settlement (e.g., Visa®, MasterCard®).

Card Issuer

A financial institution, such as a bank or a credit union, that offers a payment card (credit or debit cards) directly to consumers (or organizations) and is liable for the use of the card. The issuer is also responsible for the billing and collecting of funds for purchases that were made using that card. In the payments value chain, the card issuer pays the acquiring bank for purchases of goods and services that the cardholder makes. The cardholder then repays the issuing bank based on terms of the agreement.

Card Verification Value Code

The Card Verification Code is an authentication code added to a payment card for use during the authorization process. The purpose of the CVC is to verify that the cardholder making the transaction during a card-not-present transaction possesses the credit or debit card being used for the purchase. Credit card companies have their own name for the CVV code. Visa denotes to the code as CVV2, MasterCard refers to it as CVC2, and American Express® calls it CID. For Visa and MasterCard, the code appears as three digits on the back of the card. For American Express, the verification code appears as a four-digit code on the front of the card.

Cardholder

The person to whom a payment transaction card (credit and debit cards) is issued or an additional person authorized to use that card.

Card-Not-Present Transactions

This refers to credit or debit card transactions where the physical card is not present at the point of transaction, such as for online purchases.

Cash Advance

An amount advanced by a bank teller (or Automated Teller Machine) to a bank cardholder that is drawn against the cardholder's line of credit.

Cash Back

This term refers to an amount of money added to the total purchase price of a retail transaction paid by debit card where the customer receives that amount in cash along with the purchased item or service. This also refers to cash amounts returned to a cardholder by a retailer or card issuer as part of a loyalty and rewards program.

Chargeback

This refers to a demand on behalf of the credit-card issuer, on behalf of its cardholder, made to a retailer to reverse a payment based on a disputed transaction or instance of fraud.

Chargeback Period

The number of calendar days (counted from the transaction processing date) during which the card issuing institution has the right to charge the transaction back to the acquirer. The number of days varies from 45 to 180 days, according to the type of transaction.

Check Verification

This refers to a database service provided to merchants, businesses, and individuals to verify the check writer has a valid checking account and does not have a history of writing bad checks. This is not a guarantee of payment to the merchant.

Chip Cards

A type of credit/debit card with an embedded smart chip designed to make transactions more secure. Now the global standard for credit and debit cards, also known as EMV® for the founding developers of the technology: Europay, MasterCard and Visa.

Closed Loop

This term refers to single-purpose payment cards, such as a store credit card or gift card (or even wristband), that may only be used for a transaction at a single store or group of stores owned by a company. The customer may have the option to reload funds for continued use. Conversely, Open Loop refers to the use of a credit card, debit card, or gift card to purchase goods or services anywhere that payment cards are accepted, subject to terms and conditions of the card issuer.

Commercial Card

A generic term referring to payment cards issued to businesses for use by employees to cover expenses (e.g., corporate cards, purchasing cards, travel, and entertainment cards).

Connected Home/Connected Car

The concept that the home/vehicle is equipped with Internet access, enabling interconnectivity with devices, networks and services located outside the home/vehicle, extending capabilities such as payments, safety, navigation, media/infotainment, diagnostics/efficiency, and more.

Consumer Alerts

An opt-in communication service offered by card issuers where cardholders receive alerts based on unusual or unauthorized transaction activity. For instance, enable customers to decide what information they want about their accounts and how they want to receive that information. This can include fraud alerts, but also notifications when a card is nearing its limit or is being used by another family member.

Consumer Authentication

This refers to tools used to verify that the cardholder making a transaction is the individual authorized make that transaction, for both in-person and card-not-present transactions.

Contactless Payments

Contactless payments refer to a secure method of transaction that leverages mobile devices and payment terminals equipped with radio frequency identification (RFID) or near-field communication (NFC) technologies. For instance, Clover provides the latest in contactless payment terminals that enable payments with the tap of a mobile device, including Apple Pay™.

Control Number

A unique numerical identifier used for a chargeback or retrieval request. (Also see Chargeback.)

Counterfeit Card

A plastic card that has been fraudulently printed, embossed, or encoded to appear to be a genuine bank card, but that has not been authorized by MasterCard or Visa or issued by a member. This also refers to a card that was originally issued legitimately but that was subsequently altered without the issuer's knowledge or consent.

Credit Account

This is an access account that provides for the advance of cash, merchandise, or other commodity, in the present, in exchange for a promise to pay a definite sum at a future date, usually with interest.

Credit Bureau

A company that collects, researches, and maintains credit information, and that sells that data to lenders, creditors, and consumers as credit reports. Though there are many credit bureaus, the most recognizable are Equifax, Experian, and TransUnion.

Credit Card

A plastic card with a credit limit used to purchase goods and services and to obtain cash advances on credit for which a cardholder is subsequently billed by the issuer (the institution, such as a bank or credit union, which offers the card to the individual) for repayment of the credit extended.

Credit Limit

This refers to the maximum amount that a cardholder may owe to the issuer on the card account at any given time.

Credited

This is the status indicating a refunded transaction has been processed successfully.

D

Data Breach

This refers to an incident when sensitive, confidential data, such as credit card or personal health information, is viewed, stolen, or used by an unauthorized, untrusted individual.

Data Encryption

Data encryption is the process of securing sensitive data, such as credit card information, by transforming that data using an algorithm to make it unusable to anyone except those possessing special knowledge, referred to as a key.

Data Security Standard (DSS)

Also referred to as the Payment Card Industry Data Security Standard (PCI DSS), this is a common set of information security policies and procedures for use by entities that handle credit card data (basically, any organization that accepts, processes, stores, or transmits credit card information) to protect that data and prevent misuse of cardholders' personal information.

Debit

This refers to a charge to a customer's deposit account.

Debit Card

Any card that primarily accesses a deposit account.

Debit Network

An electronic system used for debit-card transactions to withdraw cash from automated teller machines (ATMs), reconcile bills online, and make purchases. The network's logo, such as STAR®, appears on the card.

Debit Transaction

A bank card may be used to purchase goods and services and to obtain cash, which debits the cardholder's personal deposit account

Decline/Declined

This refers to the refusal of a credit-card issuer to authorize and proceed with a payment transaction. A decline can occur for several reasons, include the suspicion of fraudulent activity, account-balance deficiency, a new card that has yet to be activated, etc.

Deposit Account



This refers to a bank account where money can be deposited and withdrawn by the account holder. Deposit accounts include checking, NOW, savings, share draft, and such other depository accounts as are legal under applicable law.

Deposit Credit

See Credit Deposit.

Discount Rate

A merchant discount rate is the amount charged a merchant for payment processing services its daily debit and credit card transactions.

Digital-Only Bank

A financial institution that provides banking services exclusively via digital platforms.

Digital Wallet

Also known as an eWallet, this is a software application usually used in conjunction with a mobile payment system to facilitate electronic payments using a computer or smartphone for online transactions, as well as purchases at physical stores. Digital wallets need to be linked to user's bank account. For example, Apple Pay and Samsung Pay are device-based digital wallets.

Doing Business As (DBA)

This term refers to a secondary name (also known as an assumed name, fictitious business name, or trade name) that is legally associated with a company and can be used to open bank accounts, write checks, enter into contracts, and for other business purposes. That company must lawfully file this secondary name or faces fines and penalties. A sole proprietor is usually required to file for a DBA, while for large organizations with multiple businesses and brands, a DBA helps identify the true ownership, for legal purposes.

E

EBT/Electronic Benefits Transfer Cards

Electronic Benefits Transfer (EBT) refers to the electronic system enabling state government assistance programs to issue benefits to recipients in the form of payment cards, or EBT cards. Previously, state welfare agencies distributed benefits in the form of paper coupons.

eCheck

This refers to the electronic equivalent of a paper check.

eCommerce

The buying and selling of goods and services via an electronic network, usually the Internet.

Electronic Banking

A form of banking in which funds are transferred through an exchange of electronic signals between financial institutions, rather than traditional banking exchanges of physical cash, paper checks, or other negotiable instruments.

Electronic Bill Payment (ePay)

An alternative to paper checks for paying bills, where consumers or businesses can use computers, telephones, smartphones, or ATMs to send electronic instructions to their bank or bill-payment provider to withdraw funds from their accounts and pay merchants.

Electronic Check Acceptance (ECA)

This refers to a system that captures banking information from a paper check and converts it into data that can be processed through the Automated Clearing House (ACH) network. With ECA, checks are processed similarly to credit cards, and the paper check is returned to the consumer at the Point-of-Sale.

Electronic Funds Transfer (EFT)

This refers to the transfer of funds between bank accounts (either within the same institution or among multiple institutions) by electronic means rather than conventional paper-based payment methods or requiring the intervention of bank personnel. For instance, direct deposit, where payroll is automatically deposited into an employee's account at on a previously schedule payment date, is an example of an EFT transaction.

EMV®

EMV is a fraud-reducing technology that can help protect issuers, merchants and consumers against losses from the use of counterfeit and lost or stolen payment cards at the Point-of-Sale. EMV cards are embedded with a microprocessor or smart chip that interacts with the merchant's Point-of-Sale device to make sure that the payment card is valid and with the use of a PIN that it belongs to the person using the card. This kind of chip technology adds layers of security against fraud and is virtually impossible to duplicate. At the moment of transaction- when the cardholder is most susceptible to fraud- an EMV cryptogram is what keeps sensitive data away from cyber-thieves. *The global standard for credit and debit cards, EMV is an acronym that represents the founding developers of the technology: Europay, MasterCard® and Visa®.*

Encryption

The technique of scrambling sensitive data automatically in the terminal or computer before data is transmitted for security/antifraud purposes.

eWIC/Electronic Women Infants and Children

The government assistance program Electronic Women Infants and Children (eWIC) is now being added in some states to process in a way like Electronic Benefits Transfer (EBT) cards. eWIC replaces the existing paper-based EBT program used by state welfare programs. By converting to these magnetic-stripe programs, new transaction revenue can be obtained.

Expiration Date

This refers to the date appearing on the face of a credit card, which identifies when that card is no longer valid for transactions.

F

Financial Institution

A financial institution is any organization in the business of moving, investing, or lending money, dealing in financial instruments, or providing financial services. This includes commercial banks, thrifts, federal and state savings banks, saving and loan associations, and credit unions.

FinTech

This term refers to the array of emerging technologies applied to enable banking and financial services functions. In the payments industry, this term often refers to technology companies competing with traditional financial institutions in delivery of services.

Fraud

In payments, this refers to dishonest means to perpetrate false or illegal transactions, including account takeovers, identity theft, card counterfeiting, and other illicit schemes.

Fraud Score/Fraud Scoring

A predictive analytics system for payment processors to assign a score, based on various models and transaction data, to assess the risk level of a pending transaction during the authorization process and determine the probability that the transaction is unauthorized or fraudulent. The fraud score assigned will determine if additional verification is required for the transaction to proceed.

Freeze

This term refers to the act of blocking a consumer's access to credit. A credit freeze, or security freeze, is most often applied in incidents of identity theft when a cardholder wants to prevent an identity thief of opening accounts or making purchases. A freeze may also be applied by a consumer seeking to limit their own spending or to limit potential threats to a family member, such as an elderly parent.

Friendly Fraud

This refers to a scheme where a cardholder, or someone who gains access to the card, makes a purchase and then enters a chargeback based on a false claim, such as they did not receive the purchased goods or did not initiate the original transaction.

Front-end Processor

Payment processors are third parties designated by merchants to handle credit card and debit card transactions and include both front-end processors and back-end processors. Front-end processors provide the connections to the card associations, as well as authorization and settlement services. **Back-end processors** accept the settlement information from the front-end processor and route the payment from the bank that issued the card to the merchant to complete the transaction.

Funding

This refers to the payment to a merchant for the merchant's submitted deposits.

Funds Transfer System

A wire transfer network, Automated Clearing House (ACH), or other communication system or clearinghouse or association of banks through which a payment order by a bank may be transmitted. This includes: SWIFT, CHIPS, Fedwire, the NACHA® (*National Automated Clearing House Association*), MasterCard®, and Visa®.



G

Gateway

In the payment industry, this refers to an eCommerce payment service to process credit card transactions and direct payments for both online and traditional brick-and-mortar businesses.

Gift Cards

A gift card is basically a prepaid stored-value card, issued by a bank or retail business, for use as an alternative to cash for the purchase of goods or services. The monetary value is stored on the card itself and not in an external account maintained by the merchant or a financial institution.

Gig Economy

This refers to a labor scenario dominated by independent contractors and freelancers, as opposed to traditional full-time employees. The contractor or freelancer is paid for each "gig" or short-term job performed. The Gig economy is a term increasingly used in reference to the rise of on-demand services (e.g., DoorDash, GrubHub, Uber).

Grace Period

This refers to the period of time where a cardholder is allowed to pay the balance of a credit card bill without incurring interest charges. The length of the grace period is established in the credit card agreement.

H

Hard Credit Pull

Also known as a "Hard Inquiry," this is the verification process performed by a credit-card issuer or lender when a consumer applies for some form of credit (e.g., credit-card application, loan, or mortgage). Initiating this process requires consent by the individual seeking credit. Conversely, a "Soft Credit Pull" is a credit check performed by a lender without knowledge of the consumer, such as to assess if that individual prequalifies for an offer, or if a credit check is requested by the consumer.

Hold



When a final transaction total is uncertain, as in a hotel stay, an authorization hold is placed on a portion of the cardholder's credit limit or debit balance as a pledge of collateral. Once the full amount of the transaction is determined, usually at checkout, the card is charged, and the hold is removed.

Hosted Checkout

This refers to a third-party service that enables a business to accept debit and credit payments online, that helps ensure faster, uninterrupted online payments thanks to top processing speeds and an intelligent infrastructure.

|

In-App Payments

The purchase of goods or services from within a mobile application.

Independent Sales Organization (ISO)

In merchant services, this refers to an independent credit-card processing company, often an approved entity reselling services from a larger company.

Intelligent Payment Routing

The process of routing a payment transaction to the acquiring bank most likely to approve a transaction, based on specific criteria, designed to minimize the convenience of declines.

Interactive Voice Response/IVR

IVR refers to the field of telephony technology enables a computer to interact with a consumer using voice commands and keypad buttons. In the payments industry IVR is the basis for menu systems enabling identification, segmentation, and routing of inbound callers to specific agents on a customer response or call center team, or for self-service resolution.

Interchange

The domestic and international systems operated by MasterCard® and Visa® for authorization, settlement, and the passing through of interchange and other fees, as well as other monetary and non-monetary information related to bank card activities.

Interchange Fee

In credit-card processing, this refers to the fees paid by the acquiring bank to the issuing bank to compensate for transaction-related costs. MasterCard and Visa establish interchange-fee rates.

Interchange Network

Electronic networks managed by American Express®, Discover®, MasterCard, and Visa for the exchange of data pertaining to card transactions among issuers and acquirers. Access is required to facilitate verification for approvals and settlement. Interchange fees vary by card.



Internet of Things (IoT)

This term refers to the interconnection of everyday devices (also called “smart devices”), embedded with computer chips and sensors, via the Internet. The integration of evolving payments technology into the IoT paradigm holds promise to help revolutionize the payments industry. For example, an automobile equipped with internet access facilitating frictionless payment at the pump and other functions, otherwise known as a Connected Car, is an example of IoT technology at work.

Invoice-to-Pay

This refers to technology that enables financial institutions to provide their commercial customers with end-to-end payment automation, including integration with their back-office systems for a seamless business-management experience. Invoice-to-Pay technology seeks to supplant manual bill payment still performed with paper checks.

Issuer/Issuing Bank

An issuer is a financial institution, such as a bank or a credit union, which offers a payment card (credit or debit cards) directly to consumers (or organizations) and is liable for the use of the card. The issuer is also responsible for the billing and collecting of funds for purchases that were made using that card. In the payments value chain, the card issuer pays the acquiring bank for purchases of goods and services made by the cardholder. The cardholder then repays the issuing bank based on terms of an existing agreement.

J

JCB (Formerly Japanese Credit Bureau)

Since being established in 1961, JCB has maintained the position as a leader in the Japanese card industry. JCB is Japan's premier and only international payment brand, with wide acceptance in Japan and Asia.

Joint Credit

The issuing of credit to two or more people, based on combined income, credit histories, and assets. Joint credit may be issued to organizations as well as groups of individuals. The parties involved share the responsibility for repaying the debt accumulated.

L

Late Payment Fee

A fee charged to a borrower or cardholder for not submitting a minimum required payment by a previously agreed-upon deadline for payment.



Local Payments/Alternative Payments

Refers to payment types that eliminate card associations, used as an alternative to credit card transactions (e.g., debit cards, prepaid or stored-value cards, direct debit, bank transfers, mobile payments, checks, cash, money orders).

Loyalty Program

This refers to programs for card issuers to offer incentives to cardholders for using a specific card. A platform where card issuers a configurable platform for designing new loyalty programs, featuring core reward program capabilities, customizable promotions and offers, a redemption center, analytics, marketing and communication services, and more.

M

MCC or SIC Codes

A four-digit code that is assigned by credit card companies to merchants for tracking purposes.

MICR Number Method

A check-authorization procedure that uses the bank routing/transit numbers, checking account numbers and check number encoded along the bottom of the check.

Machine Learning

Machine learning refers to the developing field of high-performance computing in the payments industry that applies a set of data analytics tools to enhance various aspects of transactions processing, such as more accurately predicting delinquencies and improving virtual customer service.

Magnetic Information Character Recognition (MICR)

Imprinted banking numbers (routing/transit number, checking account number, check number) that appear at the bottom of a check.

Magnetic Stripe

A stripe (on the bank card) of magnetically encoded cardholder account information affixed to a plastic card.

Member

A financial institution that is a member of Visa® USA and/or MasterCard® International. A member is licensed to issue cards to cardholders and/or accept merchant drafts.

Merchant

A retailer, or any other person, firm, or corporation that, according to a Merchant Agreement signed with an Acquirer or Independent Sales Organization (ISO), agrees to accept credit cards, debit cards, or both, when properly presented.

Merchant Acquirer



A financial institution that processes a payment transaction, such as credit or debit card payments, on behalf of a merchant. In the payments value chain, the Acquirer enables businesses to accept credit card payments for the purchase of goods and services. The Acquirer underwrites the merchant account and may provide the hardware and software to enable the merchant to process transactions.

Merchant Agreement

The written contract between merchant and acquirer that details their respective rights, responsibilities, and warranties related to the processing of payment transactions.

Merchant Bank

This refers to a bank that primarily provides business loans, underwriting, and other financial services to businesses. A merchant bank does not provide banking services to consumers.

Merchant Identification Number

A number that numerically identifies each merchant to the merchant processor for accounting and billing purposes.

Merchant Service Provider (MSP)

Third-party entity that provides intermediary services to help a merchant manage the processing of payments. An MSP may also assist in managing a merchant account with a card association or a card network.

Merchant-Funded Loyalty

This refers to loyalty-rewards programs sponsored by credit card issuers, such as financial institutions, that utilize merchant partners to provide rewards and incentives for promotional campaigns for cardholders, at no cost to the issuer. This process enables the merchants to introduce their products and services, as rewards, to new groups of customers, in the hopes they would become recurring customers.

Mobile Commerce

The purchase of goods and services conducted over the Internet with mobile devices.

Mobile Payments

The use of a mobile device to pay for goods or services.

Mobile Wallets

Also known as an eWallet or Digital Wallet, this is a software application usually used in conjunction with a mobile payment system to facilitate electronic payments using a smartphone for online transactions as well as purchases at physical stores. Digital wallets need to be linked to a user's bank or credit card account.

N

NFC (Near Field Communications)

More commonly known by its acronym, NFC, Near Field Communications refers to close-range contactless wireless technologies enabling connectivity between devices, such as for processing mobile payments, when the devices are either touching or within proximity to one another.

Net Payment

Payment to the merchant for sales drafts less credits minus the appropriate discount fee.

Net Revenue

Discount income less interchange expense.

Net Settlement

This refers to the settlement, through an actual transfer of funds, of the net effect of a series of financial transactions involving customers of two or more banks.

Non-Bank

In a payment system, this is a financial institution or company that provides some banking services but does not offer a full array of retail banking services and does not have the legal status of a bank. For example, a company that offers a credit card but does not accept deposits is an example of a non-bank.



Office of Foreign Assets Control (OFAC)

OFAC is the unit of the U.S. Department of the Treasury that administers and enforces economic and trade sanctions, including asset seizures, based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

Offline Debit Transaction

Also known as a signature-debit transaction, this is a payment method utilizing a debit card to transfer funds from the cardholder's bank account to the merchant via a credit card network, processing in much the same way as a credit card transaction. An interchange fee is charged to the merchant and not the card-issuing bank.

Omnichannel

Omnichannel is the concept of integrating multiple channels for retail sales (online purchases, in-store purchase, mobile shopping, etc.) focused on presenting a seamless, high-quality shopping experience for the buyer. For example, with the Clover Online Store, business owners can give their customers the omnichannel shopping experience that shoppers are increasingly coming to expect today.

Online Debit

Also known as PIN debit, during an online debit card transaction, once the card is inserted/swiped at the Point-of-Sale, the cardholder is required to enter a Personal Identification Number (PIN), and the funds for the transaction are deducted from the cardholder's bank account. The transaction is processed on the ATM network of the cardholder's bank, such as STAR®.

Online Payments

This refers to the electronic purchase of goods or services utilizing the internet, computer networks, and digital stored value systems.

Open Loop

The use of a credit card, debit card, or gift card to purchase goods or services anywhere that payments cards are accepted, subject to terms and conditions of the card issuer. This is the opposite of a Closed Loop card, also called a single-purpose card, referring to a store credit card or gift card that can only be used for a transaction at a single store or group of stores owned by a company.

Origination

This is the up-front multi-step process by which a consumer or borrower applies for a new loan or credit card, and the lender or card issuer processes that application, covering all steps from application submission through approval/denial.

Outlet

This refers to one physical location of a retail chain in the network of a merchant's business.

Over-Limit/Overlimit

When a cardholder exceeds the predetermined credit limit on a payment card, that cardholder's account is deemed over-limit. At that point, the card issuer may decline the transaction or process the transaction and then assess a penalty fee for surpassing the agreed-upon limit.

P

Partial Authorization

During a transaction, when the purchase amount exceeds the cardholder's credit limit, the issuer can return a partial authorization for funds only up to the amount of the limit. At the Point-of-Sale, the merchant then requests an additional method of payment to cover the outstanding balance of the transaction.

Payment Amount

This refers to the total amount of a cardholder's transaction submitted for authorization for payment.



Payment Gateway

An Internet-based system used in an eCommerce transaction for the transfer of credit-card information from a computer or website to a credit-card processor for verification, completing the authorization process between the merchant and the consumer.

Purchasing Card / P Card

Type of commercial card issued to a business for use by an employee for transactions made outside the standard corporate-purchasing process.

Payment Method

The form of payment a consumer uses to purchase goods or services from a seller (e.g., cash, credit card, debit card, money order, bank transfer).

Payments Value Chain

The Payment Value Chain refers to the complex ecosystem supporting a payment transaction that includes the consumer, merchant, acquirer, network (e.g., MasterCard®, Visa®), issuer, and processor, as well as myriad third-party servicing entities supporting many aspects of this process.

PCI DSS (Payment Card Industry Data Security Standards)

Common information security standards for merchants, financial institutions, payment-device makers, software designers, processors, and other third parties, that handle credit cards from major card organizations, intended to help ensure the safeguarding of payment card account data. Basically, all entities that store, process, and / or transmit cardholder data are required to adhere to these standards.

PIN (Personal Identification Number)

A Personal Identification Number, or PIN, is the confidential individual number or code used by a cardholder to authenticate card ownership for ATM or POS-terminal transactions.

PIN Authorization Request

This refers to the procedure enabling the card issuer to validate the cardholder's identity by comparing the Personal Identification Number to the account numbers.

PIN Pad

This refers to an electronic device where cardholders can enter their Personal Identification Numbers, usually at a Point-of-Sale terminal, to complete a transaction using a payment card. The PIN Pad should encrypt the PIN during the transaction to ensure security.

PIN Verification

A procedure utilized by or on behalf of the card issuer to verify the identification of the cardholder because of the use of the PIN upon receipt of a transaction request.

PINless Debit Transaction

This refers to a debit-card transaction where a customer is not required to enter a Personal Identification Number at the point of purchase.



Plastics

This dated term refers to the physicality of payment card, usually in reference to the manufacture, enhancement, and addition of security features of these hard-plastic cards.

Point-of-Sale (POS)

This refers to the specific time and place where a retail transaction is completed.

Point-of-Sale System

This is an electronic system, including software and hardware, which is used to complete retail transactions. More advanced POS systems, such as Clover, now offer a wide range of functions, (e.g., sales transactions, returns, exchanges, gift cards, customer loyalty and rewards programs, promotions, discounts, inventory management, and much more).

Point-to-Point Encryption (P2PE)

Security standard that immediately encrypts cardholder info at the initial swipe device, then securely transfers that information to the payment processor who in turn decrypts the data. This technology is designed to ensure unencrypted cardholder data is never stored or processed in a merchant's Point-of-Sale system, thereby intended to minimize the potential of a data breach.

POS Terminal

A device placed in a merchant location that is connected to the merchant's bank or authorization service provider via telephone lines and is designed to authorize, record, and transfer data by electronic means for each sale.

Prepaid Cards

A prepaid card is payment card that is not linked to a bank account, where the cardholder can only spend up to the amount that has been pre-deposited onto the card. Prepaid cards are often reloadable.

Primary Account Number (PAN)

Numerical code, up to 16 digits, uniquely identifying a credit cardholder's account, created when the account is opened. The first six numbers identify the card network, the next set of digits signifies the cardholder, and the remaining digits are used for security purposes.

Private Label Credit Cards

A private label credit card is a store-branded credit card intended for use at a specific retailer's store locations or website, based on a revolving credit program managed by a financial institution or finance company.

Processor

A third party that is designated by a merchant to handle credit card and debit card transactions between that merchant and its customers. They are often broken down into two types: front-end processors and back-end processors. (See Front-end processors and Back-end processors.)

PSP (Payment Service Provider)

A Payment Service Provider is a third party that provides merchants with the ability to accept electronic payments, enabling connectivity to financial institutions and credit card acquirers.

P2P Payments

Digital technology that enables consumers to transfer funds from their credit card or bank account directly to another individual's account through a mobile device or the internet.

Q

Qualifying Ratio

The qualifying ratio is the percentage of a credit applicant's income that is consumed by paying existing debt obligations. The qualifying ratio is used by lenders to determine creditworthiness and approve/reject credit requests.

QR (Quick Response) Code Mobile Payments

This technology allows customers to display a QR code (trademarked name for a two-dimensional bar code) on their mobile devices that can then be scanned by a merchant's optical scanner to read the code and facilitate a payment.

QSR/Quick Service Restaurants

Quick service restaurants, also known as fast food restaurants, serve food quickly and conveniently, with minimal table service. More and more QSRs now leverage processing and mobile payment technologies to provide their customers with the convenience of ordering in advance, pre-paying via their devices and picking up their food upon arrival at the restaurant location.

R

Reason Code

This refers to a code used to provide additional information to the receiving clearing member regarding the nature of a chargeback, subsequent presentment, fee collection, funds disbursement, or request for a source document.

Receipt

A documented acknowledgement that a transaction took place at the Point-of-Sale, containing at a minimum: date, merchant name/location, primary account number, type of account accessed, amount, reference number, and an action code.

Recurring Billing Transaction

A transaction charged to the cardholder (with prior permission) on a periodic basis for recurring goods and services, (e.g., health-club memberships, book-of-the-month clubs).

RegTech

A combination blending the words regulatory and technology, used to refer to the use of technology in the financial services industry to enhance the ability to meet regulatory compliance challenges more effectively than pre-existing measures. RegTech is considered a sub-set of technologies around FinTech. (See FinTech.)

Reloadable Card

A reloadable card is a prepaid payment card where the consumer can add additional funds. A reloadable is not linked to a bank account.

Remittance

This refers to the sum of money sent in outstanding payment for goods or services.

Remittance Information

Information required by the biller to post customer bill payments effectively.

Remittance Processing

Also known as receivable processing, remittance processing refers to the processing and clearing of payments associated with consumers paying their bills.

Retailer

A retailer is an individual or business that sells goods or services to the public. More retailers today are offering their customers the convenience of an increasing array of payment options to complete purchases (e.g., cash, credit or debit transactions, store credit or gift cards, Point-of-Sale loans, alternative payment methods, digital wallets) across various channels (e.g., in-store purchases, eCommerce, mobile shopping).

Retrieval Request

A retrieval request is when a credit-card issuer requests from a merchant additional information regarding a transaction involving one of that issuer's cardholders. For instance, the issuer may request a transaction ticket or receipt when a charge is being disputed. A retrieval request is also known as a soft chargeback. Merchants are usually charged fees by their Managed Service Provider for retrieval requests and may incur penalties for not responding in a timely manner.

Routing Number

Series of numbers assigned to checking accounts, savings accounts, or other accounts that identify the financial institution associated with the specific account.

S

Sales Draft

A sales draft is paper documentation of a transaction. A sales draft may also be called a sales slip, a charge slip, or a hard copy.



Secure Payment Page

This refers to a web page that is secured with Secure Sockets Layer (SSL) 128-bit encryption and designed to accommodate the safe transfer of sensitive data, including credit card information, for eCommerce transactions.

Settlement

As the sales transaction value moves from the merchant to the acquiring bank to the issuer, each party buys and sells the sales ticket. Settlement is what occurs when the acquiring bank and the issuer exchange data or funds during that function to complete the payment transaction.

Settlement Error

This refers to a transaction status denoting an error that occurred during processing that is now preventing settlement of the transaction.

Settlement Statement

A document issued to the merchant, indicating the sales and credit activity, billing information, discount fee, and chargebacks (if any) occurring during a particular time frame (one week, one month).

Shopping Cart Software

Shopping cart software allows an online shopper to select items from an eCommerce store and place them in a virtual shopping basket or shopping cart, where those items can then be processed for sale. The shopping cart remembers which items are selected while the cardholder views other items within the virtual storefront, keeps a running total, and may calculate taxes and shipping. The items in the shopping cart are eventually ordered if the cardholder chooses.

SIC (Standard Industrial Classification) Codes

A four-digit code assigned by the United States government for classifying industries used to identify the nature of a business.

Smart Card

A smart card is a plastic card resembling a traditional credit or debit card that contains a computer microprocessor chip capable of storing significantly more information than a magnetic stripe.

Submission

The process of sending batch deposits to Merchant Services for processing. This may be done electronically or by mail.

Support Documentation

This refers to the forms necessary to support a chargeback-processing cycle, and any additional material to uphold a dispute. (Also see Chargebacks.)

T



Terminal Identification Number (TID)

Unique numerical identifier that denotes the specific Point-of-Sale device or computer where a payment transaction initiated, used by merchants, card associations and others to source the origin of fraud transactions.

Third-Party Processing

Processing of transactions by service providers acting under contract to card issuers or acquirers.

Token/Security Token/Authorization Token

A unique identifier created by an algorithmic process that replaces a credit card number and other sensitive data during the processing of a payment transaction to prevent credit card fraud. Tokens can be passed electronically without exposing actual customer account data.

U

uCommerce

Short for Universal Commerce or Ubiquitous Commerce or Ultimate Commerce, uCommerce refers to commerce that is enabled between buyers and sellers anytime, anywhere, and on any type of device. With uCommerce, the mobile device is at the center of the user experience.

Under Review

The payment processor practice of reviewing a potentially fraudulent or high-risk transaction prior to submission for processing, usually resulting in a minor delay.

Unauthorized Transaction

During a purchase, the use of a credit or debit card, or via other method, to make a payment not authorized by that account holder, often the result of fraud or cybercrime. Note that this does not refer to an issuer declining authorization for payment on a transaction.

V

Voided

A credit or debit transaction cancelled by the seller, or merchant, after authorization but prior to completion and settlement.



W

Wallets

Also known as an eWallet, this refers to a software application usually used in conjunction with a mobile payment system to facilitate electronic payments using a computer or smart phone for online transactions as well as purchases at physical stores. Digital wallets need to be linked to user's bank account.