

## Glossary of Electronic Payments Industry Terms

**ACH:** Automated Clearing House. A regional organization used by member banks to electronically transfer funds between members.

**AMEX:** Abbreviation for American Express, an organization that issues travel and entertainment cards and acquires transactions.

**Account Number or Primary Account Number (PAN):** A unique sequence of numbers assigned to a cardholder account that identifies the issuer and type of financial transaction card.

**Address Verification Service (AVS):** Process whereby a merchant enters additional cardholder data such as the street address or zip code associated with the credit card. This acts as a security measure and to help “qualify” the transaction for lower interchange categories.

**Acquirer:** A licensed member of MasterCard and/or VISA (or its agent) which maintains merchant relationships, receives all bankcard transactions from the merchant, and initiates that data into an interchange system.

**Acquiring Bank/Merchant Bank:** The bank that does business with merchants enabling them to accept credit cards. A merchant has an account with this bank and each day deposits the value of the day’s credit card sales. Acquirers buy (acquire) the merchant’s sales slips and credit the tickets’ value to the merchant’s account.

**Adjustments:** Used to process disputes or discrepancies with other financial institutions.

**Affinity Card:** A credit card issued in conjunction with an organization or collective group; for example, profession, alumni, retired persons association. The card issuer often pays the organization a royalty.

**ATM Interchange Fee:** The fee paid to the Acquirer Member by the Issuer Member for a STAR ATM Transaction as established from time to time by the STAR Network.

**Authorization:** The act of ensuring the cardholder has adequate funds available against his or her line of credit. A positive authorization results in an authorization code being generated, and those funds being set aside. The cardholder’s available credit limit is reduced by the authorized amount.

**Average Ticket:** The average size of a merchant bankcard transaction. Generally used in pricing decisions and calculations.

**Bank Routing Number:** The first nine digits that appear across the bottom of a personal check; they identify the financial institution.

**Bankcard:** A financial transaction card (credit, debit, etc.) issued by a financial institution.

**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 for processing, usually by the same computer and under the same application.

**Business Day:** A day on which a Federal Reserve Bank to which a Member may send applicable items for presentment is open for business, other than a state bank holiday.

**Capture Date:** The date on which a transaction is processed by an acquirer.

**Card Issuer:** 1) The financial institution or retailer that authorizes the issuance of a card to a consumer (or another organization), and is liable for the use of the card. The issuer retains full authority over the use of the card by the person to whom the card is issued. 2) Any bank or organization that issues, or causes to be issued, bankcards to those who apply for them. 3) Any organization that uses or issues a personal identification number (PIN).

**Card Verification Code (CVC):** A unique value calculated from the data encoded on the magnetic stripe of a MasterCard card, validating card information during the authorization process.

**Card Verification Value (CVV):** A unique value calculated from the data encoded on the magnetic stripe of a VISA card, validating card information during the authorization process.

**Cardholder:** The person to whom a financial transaction card is issued or an additional person authorized to use the card.

**Cardholder Data:** At a minimum, cardholder data consists of the full PAN. Cardholder data may also appear in the form of the full PAN plus any of the following: cardholder name, expiration date and/or service code

**Cardholder Data Environment (CDE):** The people, processes and technology that store, process, or transmit cardholder data or sensitive authentication data.

**Chargeback:** A transaction that is challenged by a cardholder or card issuing bank and is sent back through interchange to the merchant bank for resolution.

**Chargeback Period:** The number of calendar days (counted from the transaction processing date) during which the issuer has the right to charge the transaction back to the acquirer. The number of days varies according to the type of transaction from 45 to 180 days.

**Check Verification:** A service provided in which a merchant accesses a national negative file database through their terminal/register to verify or authorize the person has no outstanding bad check complaints at any of the member merchants. This is not a guarantee of payment to the merchant.

**Chip:** A small square of thin semiconductor material, such as silicon, that has been chemically processed to have a specific set of electrical characteristics such as circuits storage, and/or logic elements.

**Clearing Account:** An account at the clearing bank that will receive a member's credit or debit for net settlement.

**Clearing Bank:** A bank designated by the member to receive the member's daily net settlement advisement. The clearing bank will also conduct funds transfer activities with the net settlement bank and maintain the member's clearing account. This bank may be the member itself.

**Compliance:** The procedure a VISA or MasterCard member may use to resolve a dispute between members when no chargeback reason code applies. The challenging member must prove financial loss due to a violation of MasterCard and/or VISA rules by the other member.

**Counterfeit Card:** A plastic card which has been fraudulently printed, embossed or encoded to appear to be a genuine bankcard, but which has not been authorized by MasterCard or VISA or issued by a member. A card originally issued by a member but subsequently altered without the issuer's knowledge or consent.

**Credit Account:** An Access Account which 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 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 for repayment of the credit extended.

**Credit Limit:** The maximum amount the cardholder may owe to the issuer on the card account at any time.

**Daily Discount:** Process where transaction fees and discount rates are deducted from the daily batch totals and the merchant receives a net deposit into their bank account.

**Database:** A collection of data organized and designed for easy access, e.g., a collection of customer names and addresses.

**Data Encryption:** The process of transforming processing information to make it unusable to anyone except those possessing special knowledge, usually referred to as a key.

**Debit:** A charge to a customer's bankcard account.

**Debit Card:** Any card that primarily accesses a Deposit Account.

**Debit Transaction:** A bankcard used to purchase goods and services and to obtain cash, which debits the cardholder's personal deposit account.

**Decline OR Declined:** The denial of an Authorization Request by, or on behalf of, an Issuer Member.

**Deposit Account:** An Access Account, other than a Credit Account, maintained by a Member for processing transactions. 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:** An amount charged a merchant for processing its daily credit card transactions.

**Doing Business As (DBA):** Refers to the specific name and location of the merchant establishment where credit card purchases are made.

**Downgrade:** When a transaction does not meet the requirements for qualified or lower interchange rates and is subjected to higher interchange rates. For example, if the data entered at the POS, such as billing zip code or cvv2 code don't match the card issuers information on file, then the transaction may downgrade to a non-qualified rate.

**E-Check:** The electronic equivalent of a paper check.

**Electronic Banking:** A form of banking in which funds are transferred through an exchange of electronic signals between financial institutions, rather than an exchange of cash, checks or other negotiable instruments.

**Electronic Bill Payment:** An alternative to paper checks for paying bills. Consumers can use PCs, telephones, screen phones or ATMs to send electronic instructions to their bank or bill payment provider to withdraw funds from their accounts and pay merchants. Payments may be made either electronically or by a paper check issued by the bill payment provider.

**Electronic Funds Transfer (EFT):** A transfer of funds between accounts by electronic means rather than conventional paper-based payment methods. EFT is any financial transaction originating from a telephone or electronic terminal, or from a computer or magnetic tape.

**EMV:** EMV, or EuroPay, MasterCard and Visa, is a microchip-based technology designed to reduce fraud at the point-of-sale. Banks are beginning to issue payment cards with these embedded chips, which also support contactless payments.

**Encryption:** The technique of scrambling data automatically in the terminal or computer before data is transmitted for security/anti-fraud purposes.

**Financial Institution:** Any organization in the business of moving, investing or lending money, dealing in financial instruments, or providing financial services. Includes commercial banks, thrifts, federal and state savings banks, saving and loan associations, and credit unions.

**Funding:** Refers to the payment to a merchant for his submitted deposits.

**Interchange:** The domestic and international systems operated by VISA and MasterCard for authorization, settlement and the passing through of interchange and other fees, as well as other monetary and non-monetary information related to bankcard activities.

**Interchange Fee:** Fees paid by the acquirer to the issuer to compensate for transaction-related costs. VISA and MasterCard establish interchange fee rates.

**Internet Protocol Address (IP):** Network-layer protocol containing address information and some control information that enables packets to be routed and delivered from the source host to the destination host. The numeric code uniquely identifies a particular computer (host) on the Internet.

**Issuer/Issuing Bank:** The financial institution (a licensed member of MasterCard or VISA) which holds contractual agreements with and issues cards to cardholders.

**Magnetic Stripe:** A stripe (on the bankcard) of magnetically encoded cardholder account information affixed to a plastic card.

**Member:** A financial institution which 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, agrees to accept credit cards, debit cards, or both, when properly presented.

**Merchant Acquirer:** A member that has entered into an agreement with a merchant to accept deposits generated by bankcard transactions; also called the acquirer or acquiring bank.

**Merchant Agreement:** The written contract between merchant and acquirer who detail their respective rights, responsibilities and warranties.

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

**Monthly Discount:** Process where transaction fees and discount rates are calculated for an entire month and debited(charged) to the merchants bank account on a monthly (vs. daily) basis.

**Monthly Minimum:** The monthly minimum amount that a processor dictates a merchant must incur on a monthly basis in discount fees and Inquiry fees. In other words, a minimum usage fee for having an open account.

**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:** 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-Qualified:** Highest rate of a standard 3 tier rate program. Includes some transactions that are key entered and this category is mostly reserved for business corporate cards or because other qualifying requirements were not met.

**Originator:** A financial institution that initiates a wire transfer or automated clearing house (ACH) payment.

**PIN (Personal Identification Number):** The confidential individual number or code used by a cardholder to authenticate card ownership for ATM or POS terminal transactions.

**PIN Pad:** A Tamper Resistant Security Module that enables a Cardholder to enter his or her PIN at a Terminal.

**PIN Verification:** A procedure utilized by or on behalf of the Issuer Participant to verify the identification of the Cardholder as a result of the use of the PIN upon receipt of a Transaction request.

**Paper:** Sales slips, credit slips, cash disbursement slips and other obligations indicating use of a card or a card account. Also referred to as “media.”

**Payment Gateway:** An e-commerce application service provider service that authorizes payments for e-businesses, online retailers, or traditional brick and mortar businesses. It is equivalent to a physical point of sale terminal located in most retail outlets.

**PCI:** Acronym for “Payment Card Industry” that is typically used to refer to the Payment Card Industry Data Security Standard (PCI DSS).

**Payment Card Data Security Standard (PCI DSS):** standard developed and maintained by the Payment Card Industry Security Standards Council. PCI DSS provides a baseline of technical and operational requirements designed to protect account data. PCI DSS applies to all entities involved in payment card processing—including merchants, processors, acquirers, issuers, and service providers. PCI DSS also applies to all other entities that store, process or transmit cardholder data (CHD) and/or sensitive authentication data (SAD). PCI DSS requires that all entities subject to the standard attest to their compliance at least annually or upon any significant change in their processing environment.

**Point of Sale (POS):** The location of a merchant where the customer makes a purchase.

**Point-of-Sale System:** An electronic system that accepts financial data at or near a retail selling location and transmits that data to a computer or authorization network for reporting activity, authorization and transaction logging.

**POS Terminal:** A device placed in a merchant location that is connected to the bank’s system or authorization service provider via telephone lines and is designed to authorize, record and forward data by electronic means for each sale.

**Prepaid Cards:** A reloadable or non-reloadable debit card that allows the holder to only spend up to the amount that has been pre-deposited into the account.

**Processor:** An organization that is connected to VISA Net and or Banknet and provides authorization and/or clearing and settlement services on behalf of a member.

**Reason Code:** 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 hard copy description of the transaction that took place at the point-of-sale, containing at minimum: date, merchant name/location, primary account number, type of account accessed, amount, reference number, and an action code.

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

**Reference Number:** A twenty-three (23) position number assigned by the acquiring member and used to identify a transaction.

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

**Retrieval:** An Issuer's request for an Acquirer to provide a copy of a sales draft that has been cleared and settled by the Acquirer.

**Self-Assessment Questionnaire (SAQ):** Reporting tool used to document self-assessment results from an entity's PCI DSS assessment.

**Service Provider:** Business entity that is not a payment brand, directly involved in the processing, storage, or transmission of cardholder data on behalf of another entity. This also includes companies that provide services that control or could impact the security of cardholder data. Examples include managed service providers that provide managed firewalls, IDS and other services as well as hosting providers and other entities.

**Sales Draft:** Paper documentation of a transaction. Also called a sales slip, charge slip or hard copy.

**Scope:** A term that refers to all system components, people, and processes to be included in a PCI DSS assessment.

**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.

**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 the cardholder to select items from an online store and place them in a virtual shopping basket or shopping cart. 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.

**Smart Card:** A plastic card resembling traditional credit or debit cards that contains a computer chip; the chip is capable of storing significantly more information than a magnetic stripe.

**Standard Industry Code (SIC):** Specific numbers assigned by the Card Associations to merchant types for identification and tracking purposes.

**Third-Party Processing:** Processing of transactions by service providers acting under contract to card issuers or acquirers.

**Transaction Date:** The actual date on which a transaction occurs. Used in recording and tracking transactions.

**Transaction Fees:** Service costs charged to a merchant on a per-transaction basis.

**Virtual Payment Terminal or Virtual Terminal (VT):** A virtual payment terminal is web-browser-based access to an acquirer, processor or third party service provider website to authorize payment card transactions, where the merchant manually enters payment card data via a securely connected web browser. Unlike physical terminals, virtual payment terminals do not read data directly from a payment card.