

# Payments Industry Glossary

## A

**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:** A unique sequence of numbers assigned to a cardholder account that identifies the issuer and type of financial transaction card.

**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.

**ATM System:** The telecommunications and processing system operated by or on behalf of an Acquirer Member to process STAR Transactions initiated through the Acquirer Member's STAR ATMs or STAR POB Terminals. The ATM System includes all elements of the processing system from the ATM or POB Terminal to the interface with the STAR Switch.

**Authentication:** The process by which Authentication Tokens are verified to establish the identity of a STAR Account Holder.

**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.

## B

**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.

## C

**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.

**Cash Advance:** An amount advanced by a bank teller (or ATM) to a bankcard holder against the cardholder's line of credit.

**Cash Back:** An optional feature of a Purchase whereby all or part of the Purchase is returned as cash to the Cardholder.

**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.

## D

**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.

## E

**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 (E-pay):** 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 Check Acceptance or ECA:** A system that captures banking information off a paper check and converts it into an electronic item processed through the Automated Clearing House 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 Commerce (E-commerce):** The transacting of business electronically rather than via paper.

**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.

## F

**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.

**Funds Transfer System:** A wire transfer network, ACH, or other communication system or clearing house or association of banks in which First Data's Clearing/Funding Bank is a member and through which a payment order by a bank may be transmitted. Includes: SWIFT, CHIPS, Fedwire, the National Association of Clearing House Associations, MasterCard and VISA.

## I

**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.

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

## J

**Japanese Credit Bureau (JCB):** Issuers of the JCB card.



## M

**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.

**Magnetic Information Character Recognition (MICR):** Imprinted banking numbers (routing/transit number, checking account number, check number) at the bottom of the check.

**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.

## N

**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-Bank:** In a payment system, a financial institution not offering retail banking services

## O

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

**Outlet:** One location of a chain.

## P

**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 Authorization Request:** A procedure enabling the issuer to validate cardholder identity by comparing the PIN to the account numbers.

**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.

**Payment System:** A set of instructions and procedures used for the transfer of ownership and settlement of obligations arising from the exchange of goods and services.

**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<sup>®</sup>Net and or Banknet and provides authorization and/or clearing and settlement services on behalf of a member.

## R

**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.

## S

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

**Security Compliance Review:** A review that is based on an approved checklist and that is performed by a Member's or Processor's Approved Auditor to verify the Member's or the Processor's compliance with these Rules.

**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.

**Start Up Kit:** Supplies shipped to new merchants including sales slips, credit slips, batch header tickets, return envelopes, VISA/MasterCard decals, merchant plastics, imprinter slugs and instructional materials.

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

**Support Documentation:** The forms necessary to effect a chargeback processing cycle, and any additional material to uphold a dispute.

## T

**Telephone Bill Payment:** A service that permits a customer to pay bills electronically. The customer gives a corporation the authority to debit his or her account for a specific amount or within a specified range of amounts.

**Third-Party Processing:** Processing of transactions by service providers acting under contract to card issuers or acquirers. First Data is a third-party processor.

**Transaction:** Any event that causes a change in an organization's financial position or net worth, resulting from normal activity. Advance of funds, purchase of goods at a retailer or when a borrower activates a revolving line of credit. Activities affecting a deposit account carried out at the request of the account owner. One example of a transaction is the process that takes place when a cardholder makes a purchase with a credit card.

**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.

## U

**UCommerce:** Short for Universal Commerce, UCommerce is the intersection of online, kiosk, and in-store payment enablement, incorporating social media and near-field communications. With UCommerce, the mobile device is at the center of the user experience.



# The Global Leader in Electronic Commerce

Around the world every day, First Data makes payment transactions secure, fast and easy for merchants, financial institutions and their customers. We leverage our unparalleled product portfolio and expertise to deliver processing solutions that drive customer revenue and profitability. Whether the payment is by debit or credit, gift card, check or mobile phone, online or at the point of sale, First Data helps you maximize value for your business.