



MERCHANTS' CHOICE
PAYMENT SOLUTIONS™

Your Electronic Payments Partner™

Glossary of Key Terms

Glossary

#

12B - Retrieval Request.

3-D Secure - A protocol for e-commerce which is designed to increase the security of online credit card transactions by adding an extra step requiring a PIN or password for authentication. Another name for the Verified by Visa cardholder authentication protocol.

A

ABA Routing Number - A unique bank identifying number that directs electronic ACH deposits to the proper bank. This number precedes the account number printed at the bottom of the check.

Account Number - A unique number assigned by a financial institution to a cardholder account which identifies that issuer and type of financial transaction card. This number is embossed and encoded on the plastic card.

ACH - See Automatic Check Handling (also known as Automated Clearing House).

Acquirer or Acquiring Bank - Financial institution which provides the facilities and services for a business to accept credit cards as a means of customer payment. The acquiring bank transfers credit card and other purchase information to a credit card association, and they in return forward it onto an issuing bank.

Additional cardholder - When you have a credit card it is possible to add an additional card to the account for use by someone else. The main cardholder has responsibility for ensuring payments on the additional card are made. Purchases are shown on the credit card statement sent monthly.

Address Verification System (AVS) - A method of reducing fraud in mail order, telephone order, and Internet transactions by using cardholder billing address information in the authorization request. (Checks to see that the billing address given by the customer matches the credit card.) If you opt not to use AVS, VISA and MasterCard will not support your transactions and will charge you an additional 1.25% on those sales. Most merchant accounts come with AVS at no extra charge.

Affinity Card - Affinity cards are credit cards that are linked to organizations like charities, political parties and sports clubs. They are a good way of raising money as the organization receives a donation from the card issuer for every card taken out, and a small percentage based on the amount of money you spend on the card each month.

American Express - Also known as AMEX is one of the main international credit card issuing schemes. It issues its own credit cards - unlike Visa and MasterCard and is responsible for its own relationships with retailers. All card numbers begin with "37".

Annual Fee - Some issuers charge for the management of your credit card account. They sometimes provide access to a number of additional benefits as part of the charge. Expressed as % P.A.

Application - Business owners must submit a form with all the necessary business information so that we can determine pricing and any potential risk to the bank.

Approval Code - A code issued by a card issuing bank allowing a sale to be charged against a cardholder's account.

Associations - The credit card companies, Visa and MasterCard, have created a hierarchy with which they accept financial institutions as members and create rules on how to operate when issuing and accepting their forms of payment.

ATM - See Automated Teller Machine.

Audit Trail - For recording purposes, messages created as a by-product of data processing runs or mechanized operations.

Authentication - The process of verifying that the user of a credit card in a particular transaction is entitled to conduct payment transactions. Ex. Signature, Verified by Visa or MasterCard SecureCode PIN or password.

Authorization - This is the process where permission is granted by the financial institution that issued the card to allow the payment transaction to proceed. It is during this process that the issuing bank checks that the available credit on the card is not exceeded. The cardholder's available credit limit is reduced by the authorized amount.

Authorization Code - A code that an issuer or its authorizing processor provides to indicate approval or denial for an authorization request.

Authorization Only - A transaction created to reserve a specific amount against a cardholder's available credit balance. After the authorization is made, the merchant is responsible for capturing the sale if payment is desired. Also termed Auth Only.

Automated Teller Machine - Allow you to access cash with a credit card or other card associated with your bank account. You need to enter your personal identification number (PIN) into the machine to access cash.

Automatic Check Handling (ACH) - (Also Automatic Clearinghouse) ACH is a form of payment or electronic payment. There are two ways payments can be transferred: (1) by wire transfer, or (2) through an automated clearinghouse. Wire transfer is an e-payment system that is designed to handle high-dollar, time-crucial payments, usually between large banks. ACH is designed to be an e-check or electronic check. Unlike the wire transfer, it is usually used to process higher volumes or small-dollar payments for settlement issues within 1 to 2 business days. All ACH transactions are settled pretty much the same way checks are. The clearinghouse takes all of the ACH files received daily from member banks, it then divides them by the originating bank (where the check was either cashed or deposited) and the paying bank (the bank where the check was drawn), then it totals the accounts, and credits or deducts the accounts accordingly. (Federal Reserve Automatic Clearing House System - merchant has to maintain an account at a bank that is a member - allows auto debit or credit of merchant account through Woodforest and FDR).

Average Ticket - The average dollar amount of merchant credit transactions for a given time period.

AVS - See Address Verification Service

B

Back-end Processor - The entity that receives authorized/captured transactions for processing through interchange to the cardholder's banks for the billing out of transactions on cardholder's statement.

Bad Credit - A term used to describe a poor credit rating. Common practices that can damage a credit rating include making late payments, skipping payments, exceeding card limits or declaring bankruptcy. "Bad Credit" can result in being denied future credit.

Balance Transfer - The process of moving an unpaid credit card debt from one issuer to another.

Bank Account - Bank account number for the merchant to which funds will be deposited.

Bank Identification Number - The 6 digits on the credit card assigned by the Federal Bureau of Standards that identify the card issuing institution.

Bank card - A payment card issued by a bank and accepted by merchants. The credit card is the most common form of a bank card.

Basis Point - Discount rates are expressed as basis points. For instance, 1 basis point is expressed as .0001 or .01%.

Batch - Is a collection of credit card transactions that are saved for submitting at the end of the business day.

Batch Close - The process of sending a batch to the financial institution for settlement.

BIN - See Bank Identification Number (VISA).

Biometrics - The measurement of a living trait used to control access. Refers to the interpretation of personal traits for access control purposes in place of password or ID verification systems.

Buckets - Qualified, mid-qualified, non-qualified.

Business Card (Business Credit Card) - Usually issued to corporate executives or business owners in order to keep business expenses separate from personal charges more easily.

C

Capture - A procedure performed on a previously authorized transaction after a merchant has shipped goods or services to the customer. This transaction triggers the movement of funds from the issuer to the acquirer and then to the merchant's account.

Cardholder - An individual or business that has established an account with a credit or debit card issuer. A cardholder is eligible to initiate a payment card transaction.

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

Card Not Present - Any credit card transaction, where the merchant cannot view the customer's credit card in order to assist validating the cardholder's identity.

Card Reader - A device capable of reading the encoding on plastic cards. See Magnetic Stripe Reader.

Card Verification Code (CVC2) - Numeric security code that is printed on the back of MasterCard credit cards. Requiring this number on order checkouts can reduce credit card fraud and chargeback instances significantly when used in addition to AVS protection.

Card Verification Value (CVV2) - Three-digit security number that is printed on the back of most Visa credit cards. Requiring this number on order checkouts can reduce credit card fraud and chargeback instances significantly when used in addition to AVS protection.

Cardholder - An individual to whom a card is issued, or who is authorized to use an issued card, to initiate a payment card transaction.

Cash Back - Cash back returns to you a percentage of the total amount spent on your credit card over a specific period of time, usually monthly or quarterly. This is particularly useful if you normally pay your credit card bills in full each month, as it means you get an effective discount on the products bought with your credit card.

CB - See Chargeback.

CBR - Credit Bureau Report.

Certificate Authority (CA) - This is the service a bank provides that digitally signs public keys sent to it by a web browser or by the merchant's server software. It issues and validates digital certificates associated with SET transactions.

CH - Cardholder.

Chargeback - The act of taking back funds that have been paid to a merchant for a disputed or improper credit card transaction. Chargebacks are initiated by the card issuer on behalf of the cardholder. Typical cardholder disputes involve product delivery failure or product/service dissatisfaction. Cardholders are urged to try to obtain satisfaction from the merchant before disputing the bill with the credit card issuer.

Chargeback Period - The number of days from the transaction processing date during which the issuer may initiate a chargeback, typically a six month period.

Check Authorization/Verification - The confirmation that the check presenter has not been linked to excessive returns of previously written checks.

Check Guarantee - A service that guarantees payment on each check presented. The guarantee service collects any returned items and the merchant typically follows a stringent set of procedures.

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

Commercial Cards - A general name for cards typically issued for business use and may include Corporate Cards, Purchase Cards, Business Cards, Travel and Entertainment Cards.

Compliance - A process where Visa or MasterCard resolves disputes between members arising from violations of the operating regulations and verification by the member that a financial loss has occurred.

CPS - See Custom Payment Service.

Credit - Transaction done on a sale processed in a prior batch and is used to issue credit to the cardholder on the return of purchased goods or services. This transaction will go through interchange to the cardholder's bank. Discounting is not charged when a credit is issued, but is charged on the sale that was previously processed.

Credit card - This is a type of bank card that can be widely used all around the world as a form of payment. The credit card holder must then reimburse the credit card company for the amount of the total sales the holder had charged on that particular credit card.

Credit Card Number - Unique number assigned to credit card.

Credit Card Processor - A company that performs authorization and settlement of credit card payments, usually handling several types of credit and payment cards (such as Visa, MasterCard, and American Express). If merchants wish to sell their products to cardholders, they retain the services of one or more processors who handle the credit cards that the merchant wishes to accept. When a merchant retains the services of a credit card processor, it is issued a merchant ID.

Credit History - A partial profile of your financial life given within a particular time frame (usually measured in years). It shows the extent to which you pay your bills on time and how much you may owe particular parties. Credit card issuers use this information to decide whether to provide customers with credit cards.

Credit Limit - The maximum amount of credit a cardholder has available to spend on their credit card.

Custom Payment Service (CPS) - Visa's regulations for the information that must be submitted with each transaction. Transactions must meet CPS criteria in order to qualify for lowest transaction processing fees available. Similar to MasterCard's Merit system.

Customer Code - A 17 character alphanumeric field that is used with Purchase Card transactions. The code is typically defined by the customer (cardholder) and used for accounting or project tracking purposes.

CVC - Card Verification Code.

CVV - Card Validation Value.

D

D & B Duns Number - Dun & Bradstreet Data Universal Numbering System. A unique 9 digit code that identifies and links more than 57 million companies worldwide.

DDA - See Demand Deposit Account.

DDOV ISDN - A reference to when a merchant uses a Digital Data Over Voice or Integrated Service Digital Network telephone system to obtain a voice authorization. This term will be seen on the Merchant Statement under Summary of Card Fees.

Debit - A charge to a customer's bankcard account. A transaction, such as a check, automated teller machine (ATM) withdrawal, or point-of-sale (POS) debit purchase that debits a demand deposit account.

Debit Access Fee - The amount the merchant pays per month to have access to all debit networks that the bank belongs to.

Debit Card - An ATM Bankcard requiring a PIN Code which is used to purchase goods and services and to obtain cash. The transaction will debit the cardholders personal deposit account.

Decline - Response to a transaction request meaning that the issuing bank will not authorize the transaction.

Demand Deposit Account - A standard checking account held by the merchant into which funds are deposited as a result of processed credit transactions.

Deposit - Process of transmitting a batch of transactions from the merchant to the acquiring institution in preparation for settlement. Also known as release.

Digital Certificate - Online identification that authenticates a consumer, merchant and a financial institution. Digital certificates are used to encrypt information exchanged in secure electronic transactions. A certificate is a public key that has been digitally signed by a trusted authority (the financial institution) to identify the user of the public key.

Digital Cash - Two main mechanisms in that "digital coins" can be downloaded to the user's PC from a participating bank, or the set up of a digital money account with a bank. Both (encrypted) forms of cash can be sent to merchants for payment.

Digital Money - The same as digital cash but can also involve the use of software-based secure credit card transactions.

Digital Receipt Infrastructure (DRI) - Utilizing this infrastructure enables consumers and organizations to prove that electronic transactions and events actually took place. In legal terms, these serve as a digital trail, as opposed to a paper trail.

Digital Signatures - An electronic signature, which cannot be forged. Instead it is generated from a computed digest of the text that is encrypted and sent with the text message. The recipient decrypts the signature and retrieves the digest from the received text. If the digests match, the message is authenticated and proved to be from the sender.

Digital Wallet - Software that provides the equivalent of a wallet for electronic commerce. A digital wallet, or e-wallet, holds digital money that you purchase similar to travelers' checks. A wallet may also hold your credit card information along with a digital certificate that identifies you as the authorized cardholder.

Discount Fee - Fee paid by the merchant to the merchant bank or other contracted party for processing the merchant's credit card sales (transactions). These fees are set by the Acquirer and are based on the interchange the Acquirer pays as well as merchant profitability.

Discount rate - A percentage calculated on the amount charged to the merchant by the acquiring bank for processing a transaction.

Discover - All card numbers begin with "6".

E

EBT - See Electronic Benefits Transfer.

E-commerce - The processing of buying and selling via the Internet.

EDC - See Electronic Data Capture.

EDI - See Electronic Data Interchange.

EFT - See Electronic Funds Transfer.

Electronic Authorization - Obtaining authorization for use of a credit card by electronic means, as via computer equipment and telephone line.

Electronic Benefits Transfer - Cards holding balance of government benefit funds.

Electronic Data Capture (EDC) - To use a Point of Sale (POS) terminal for submitting credit card transaction information to a merchant account provider. The point-of-sale terminal reads the information encoded in the magnetic stripe of bankcards then electronically authorizes and capture transaction data, eliminating the need for a paper deposit.

Electronic Data Interchange (EDI) - The electronic communication of business transactions, such as orders, confirmations and invoices.

Electronic Funds Transfer (EFT) - The transfer of money initiated through an electronic terminal, automated teller machine, computer, telephone, or magnetic tape. EFT also applies to credit card and automated bill payments.

Electronic Ticket Capture (ETC) - Once a consumer swipes their payment card, this system takes the information from the magnetic strip and merges it with sales information for transmission to the bank electronically.

Electronic Wallet (E-Wallet) - Software, residing as a plug-in in the Web browser, that enables a cardholder to conduct online transactions, manage payment receipts and store digital certificates. Like your real wallet, your digital wallet stores your credit card number and shipping details. This wallet initiates the data encryption in a SET transaction.

eMerchantSupport - Service offered by MCPS whereby merchants can track their account online including batch details, deposit details, chargeback/retrieval info, and view statement information.

Encryption - Encryption is the process of disguising a message (using mathematical formulas called algorithms) in such a way as to hide its substance, a process of creating secret writing. Used as a data security technique for credit cards where their machine-readable data is scrambled and must be decoded before it can be processed.

eProcessingNetwork - Internet credit card and check processor (www.eprocessingnetwork.com).

ESO - EZ Check Sales Office.

Expired Card - A card on which the embossed, encoded, or printed expiration date has passed.

F

Factoring - When used in e-commerce, the term is applied to companies that offer to process credit card transactions through their own merchant account rather than having the merchant purchase their own, in exchange for a percentage of the transaction. This is an illegal practice and will result in heavy fines. Also known as credit card laundering.

FDR - See First Data Resources.

Federal Reserve System - A system of 12 regional banks that regulate bank-holding companies and subsidiary commercial banks, provide payment services that through open market operations, control the nation's money supply.

First Data Resources - This is the company that settles or clears the transactions between the merchant and the cardholder.

Fleet Card - A corporate credit card used only for the purchase of fuel and vehicle maintenance services.

Floor Limit - An amount that Visa and MasterCard have established for single transactions at specific types of merchant outlets and branches, above which authorization is required.

Force Transaction - A sale transaction for which a merchant received a voice authorization or authorization only. A force is done so that the previously authorized transaction can be settled and the merchant can receive funds. (Also known as post auth or prior sale).

Fraudulent Transaction - A transaction unauthorized by the cardholder of a bankcard. Such transactions are categorized as lost, stolen, not received, issued on a fraudulent application, counterfeit, fraudulent processing of transactions, account takeover, or other fraudulent conditions as defined by the card company or the member company.

Fraudulent User - An individual who is not the cardholder or designee and who uses a card (or card number in a mail/phone order or recurring transaction) to obtain goods or services without the cardholder's consent.

Front-end Processor - A company/vendor that provides communication and data processing services for authorization of card payments and the transfer of data between merchants' point of sale equipment to the back-end clearing and settlement processor.

G

Gateway - See payment gateway.

H

Holdback - Also referred to as a reserve. This is a fee held back from a merchant's credit card transactions to cover any possible charge backs, and other disputed charges that a merchant may encounter. Usually, after a time, the hold backs are returned to the merchant.

I

ICA - See Interbank Card Association.

ICS - Issuers' Clearing House.

Imprint - Can be electronic (by swiping the card through a card reader) or manual (by obtaining a physical imprint using an imprinter) one of the two is always required to prove the card was present at the time of the transaction.

Independent Sales Agent - The primary sales team of MCPS is composed of about 300 contractors who sell our products and services to business owners. These sales agents earn a portion of the fees charged to the merchant.

Independent Sales Organization (ISO) - This is an organization licensed by VISA that processes merchant's credit card transactions in exchange for a percentage of the sales or transaction fees. A term for a company that is sponsored by an acquiring bank to solicit and sometimes support merchants.

Interbank Card Association - Unique four digit identification number assigned by MasterCard to identify its members.

Interchange - The exchange of information, transaction data and money among banks. Interchange systems are managed by Visa and MasterCard associations according to their requirements and are very standardized so banks and merchants worldwide can use them.

Interchange Fee - A fee paid by the acquiring bank/merchant bank to the issuing bank. The fee compensates the issuer for the time after settlement with the acquiring bank/merchant bank and before it recoups the settlement value from the cardholder.

Internet commerce - A term that covers all commercial transaction activity on the Internet.

Introductory Rate - Various credit cards offer a low introductory rate that switches to a higher variable or fixed rate in order to attract customers. It could be described as a special offer, or discount. Make sure that you know how long the introductory rate is applicable and what APR the card will carry after the introductory period elapses. Be aware that the introductory rate for some cards may be very different to the actual standard rate.

ISO - See Independent Sales Organization.

Issuer or Issuing Bank - This is the bank that maintains a consumer's credit card account and will pay out to a merchant's account when the consumer makes a credit card purchase. At the end of the month the issuing bank will bill the customer for the debt.

J

JCB - Japanese Credit Bureau - a credit card mostly used by Japanese consumers in the U.S.

K

L

Laundering - The practice of using another company's credit card merchant account to process your credit card transactions. This is an illegal practice that will lead to heavy fines and perhaps more.

Local Review - The ability for a merchant to review, from their terminal the contents of a batch either before or after settlement (also referred to as a batch report).

M

Magnetic Stripe - A stripe of magnetic information affixed to the back of a plastic credit or debit card. It contains customer and account information required to complete electronic financial transactions.

Mail Order / Telephone Order (MOTO)- A transaction where a cardholder orders goods or services from a merchant by telephone, mail or other means of telecommunication, and neither the card nor the cardholder is present at the merchant outlet. Defined as a merchant that keys in more than 50% of their transactions without getting manual imprints.

Manual Entry - Credit card information that is entered via terminal keypad or keyboard instead of swiping the card through a card reader.

Marketing Unit Director - An independent member of the MCPS sales team.

MasterCard - MasterCard International Inc., and all of its subsidiaries and affiliates. All MasterCard numbers begin with "5".

MATCH - Member Alert to Control High Risk - See TMF.

MCC - Merchant Category Code - See SIC Code.

M-Commerce - A term used to represent wireless e-commerce or the ordering of goods via wireless solutions like cell phones, pocket PC's, PDA's, etc.

Member Service Providers - This is an organization licensed by MasterCard that processes merchant's online credit card transactions in exchange for a percentage of the sales or transaction fees.

Merchant - An entity that contracts with merchant banks or ISO's to originate transactions.

Merchant Account - An account that is established by a merchant to receive payment via credit cards.

Merchant Account Provider (MAP) - Either a bank or other institution that will host a merchant account and process credit card transactions.

Merchant Agreement - A written agreement between a merchant and a bank containing their respective rights, duties, and warranties with respect to acceptance of the bankcard and matters related to the bankcard activity.

Merchant Bank - Bank that has an agreement with a merchant to accept (acquire) deposits generated by bankcard transactions. When someone buys a product and/or service from a merchant, the merchant bank will place the needed funds into a merchant account in exchange for the right to collect the debt that is owned by the purchasing consumer.

Merchant Category Code - A code assigned by an acquirer to a merchant to identify the merchants principle trade, profession or line of business. This four digit code is also known as the Sic Code.

Merchant Club - An MCPS service - an owned or leased equipment maintenance program costing \$6.95/mo that automatically replaces faulty equipment within 24 hours (terminal, printer, pinpad or any combination thereof) if it cannot be repaired - does not include wireless and some specific terminals (Linkpoint 2000, Nurit 2060, Zon Jr. XL, Tranz 420).

Merchant Identification Number (MID) - A group of digits provided by a merchant bank to uniquely identify the merchant in an e-commerce transaction. Also called the Merchant ID or Merchant Number.

Merchant Service Provider (MSP) - This is a bank or other firm that provides processing for credit card transactions. Most MSP's provide merchant accounts.

Merit - MasterCard's requirements for obtaining favorable interchange rates. Similar to CPS requirements by Visa.

MICR - Magnetic Ink Character Recognition (checks swiped for verification of funds).

Micropayments - The payment acceptance method used by merchants who offer products, services, or information for a few cents to a few dollars. Processing these small payments with a merchant account would significantly reduce the amount of profit you would gain from the sale.

MID - See Merchant Identification Number.

Mid-Qualified Rate - This reflects the amount of activity that was hand keyed into the terminal or voice authorized or not processed by closing the terminal within 24 hours. This activity is assessed a higher discount rate (an additional 1%).

Monthly minimum - This is the amount of fees you must meet each and every month, usually \$25. If the month's sales do not make the monthly minimum the merchant account holder must make up the difference.

MOTO - See Mail Order/Telephone Order.

MSP - See Member Service Providers.

MUD - See Marketing Unit Director.

Multiple Transaction Processing (Multi-Trans) - Electronic communications process where multiple authorization requests and responses are exchanged during a single phone connection with the third-party transaction processor.

N

NACHA - National Automated Clearing House Association - A national organization that establishes the standards, rules, and procedures for electronic payments.

NAICS Code - North American Industry Classification System. Common industry definitions for Canada, Mexico and the United States. This system is replacing the SIC Code system.

Non-Qualified Rate - Charged on anything not qualified or mid-qualified as well as on business cards and manually keyed foreign cards. This activity is assessed the maximum discount rate.

Northern Leasing Systems, Inc - Terminal equipment leaser for MCPS.

O

Offline Debit - Also known as "signature debit", this service uses the scanned consumer's card in conjunction with the consumer's signature and then much like a credit card, takes 2-3 days to process so the money is not immediately removed from the consumer's account.

One Stopp - An MCPS service available to merchants for \$50 that verifies lease paperwork, ships required equipment, provides telephone support to install equipment, and provides customer support after the sale.

Online Debit – Also known as "pin debit", this service utilizes the pin number of the consumer and accesses their bank account for payment right away.

Oracle - Database used for in-house system at MCPS.

Order Number - A 17 character alphanumeric field that may be used between the Cardholder and the Merchant for accounting or tracking purposes.

Original Draft - The original copy of the forms and signature used in the transaction - also referred to as the "Hard Copy".

Overlimit - This refers to a cardholder's account that has surpassed its credit limit with a transaction. (Their outstanding balance is beyond their credit limit).

P

Partial Download - This process is when the credit card terminal dials into our bank to be partially reprogrammed, normally for updated information generally this term is used whenever VeriFone equipment is programmed.

Payment gateway - This is the code that will transmit a customer's order to and from a merchant's bank transaction authorizing agent.

Payment Service Provider - A company that specializes in the provision of payment services for merchant on the Internet. The PSP will handle the capture, authorization and settlement of Credit and debit card payments and all the electronic and physical security required. They will often provide additional services such as fraud detection and prevention.

PCI - - An acronym for "Payment Card Industry", this is a recently formed set of guidelines for merchant software, Internet usage, and processing to assist with consumer data security.

Per Transaction Fees - Fees paid by the merchant to the merchant bank or other contracted party on a per transaction basis.

Personal Identification Number (PIN) - A sequence of digits used to verify the identity of the holder of a bank card. It is a kind of password.

PIN - See Personal Identification Number.

Pin Pad - This devise is used in conjunction with a terminal when processing debit sales to insure authorized usage. The pin pad will ask for the customers secret 4 digit # during the sale (Pin #).

PIP - Refers to Plural Interface Processing. Capability that allows the processing of American Express directly through the AMEX Network, thereby eliminating AMEX authorization fees.

Plastic (Card) - This is a generic term used to identify any of the various cards issued to cardholders.

Point Of Sale - Location in a merchant establishment at which the sale is conducted by payment for goods or services received.

Point of Sale terminal (POS) - Electronic device used by retail businesses to process credit card transactions. If the customer is present, they swipe or slide their credit card through the machine.

POS - See Point of Sale.

Posting - The process of updating individual cardholder account balances to reflect merchandise sales, instant cash, cash advances, adjustments, payments, and any other charges or credits.

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

Primary Account Number (PAN) - The number that is embossed, encoded, or both, on a plastic card that identifies the issuer and the particular cardholder account.

Prin - Principle Bank Identifier - a set of numbers identifying the issuing bank within the Merchant ID.

Prior Authorization - An authorization usually done before a transaction takes place. The approved authorization request may be held for an extended length of time before a card is present or not.

Prior Authorized Sale - A transaction for which authorization was obtained at an earlier time (I.E. A merchant had to call for voice authorization; merchant authorized card before services rendered, Hotel reservation, auto rental, etc.).

Processing bank - The bank that processes the transaction once a credit card number is entered.

Processor - This is the company that processes the merchants batch and submits them to FDR for settlement.

Proprietary Equipment - This type of equipment was specifically manufactured for a particular processor - it operates off of different software and can't be loaded until a conversion has been done.

PSP - See Payment Service Provider.

Q

Qualification - A level at which a transaction interchanges level of qualification is dependent on how the credit card number is entered, how quickly a transaction is settled, and type of industry, etc.

Qualified Retail Discount Rate - Charged on all swiped bankcard transactions that are electronically authorized and closed in a daily batch.

Quick Stopp - an MCPS service available to merchants for \$25 that provides telephone support to install equipment and provides customer support after the sale since the merchant already has an existing terminal.

R

Real-Time processing - The processing of a credit card transaction immediately after the purchase has been made. Real-Time is the preferred choice for Internet-based merchants.

Receipt - A hard copy document recording a transaction that took place at the point of sale, with a description that usually includes: date, merchant name/location, truncated primary account number, amount, and reference number.

Recurring Billing - Transactions for which a cardholder grants permission to the Merchant to periodically charge his account number for recurring goods or services.

Recurring Fees - Usually means fees that are billed each and every month.

Recurring Transaction - A transaction for which permission has been granted by a cardholder to a merchant that is periodically charged to a cardholders account.

Refund - Create a credit to a cardholder account, usually as a result of a product return or to correct an error.

Request Auth - Submits a transaction for Authorization Only. (See Authorization).

Residual Income - Whereby the sales agent receives a portion of the fees charged to a merchant.

Retail Merchant - A merchant that provides goods and/or services in the retail industry, but is not a mail/phone merchant, a recurring services merchant, or a T&E merchant.

Retrieval Request - A request to a merchant for documentation concerning a transaction, usually a cardholder dispute or a suspicious sales/return. A retrieval request can lead to a chargeback.

Revenue Sharing - Sales agents receive a portion of the overall profit generated by each merchant in their portfolio.

Reversal - An online financial transaction used to negate or cancel a transaction that has been sent through interchange in error.

RIS - Risk Identification Service - VISA.

Rollover/Reprogramming Incentive - MCPS program whereby a sales agent that signs a merchant previously with another processor receives a cash bonus - rollover merchant account must remain open for at least 90 days to retain the first half of the bonus paid in month after application approval, second half paid after 90 days and may be retained if account remains open another 90 days.

RTF - Real Time Fraud.

S

SAFE - System to Avoid Fraud Effectively - MasterCard.

Sale - A transaction done against a credit card for the purchase of goods or services. This transaction will go through interchange to the cardholder's bank. Merchant will pay discounting accordingly.

Sales Draft - A paper record evidencing the purchase of goods or services by a cardholder. Same as a receipt.

SCRIP - Cash coupon program offered by MCPS. Instead of rendering cash this ATM-like machine issues a coupon to its user to redeem with merchant for purchases and cash back.

Secure Electronic Transactions (SET) - A secure payment protocol developed by MasterCard and Visa designed to ensure security for bank card transactions over the Internet. In denying merchants access to credit card information, details are secured between the shopper and the bank.

Secure Socket Layer (SSL) - Used to encrypt and protect data usually on an order from an online merchants web site. Once the order has reached its destination the encrypted data is decoded.

Service Charge - A component of some credit card's finance charges, such as the fee for triggering an overdraft checking account into use.

Settlement - The step in the clearing process when the acquirer credits the merchant account with the amount of a credit card purchase, and the bankcard association (such as Visa and MasterCard) credits the acquirer and debits the card issuer for the transaction.

Setup fees - A fee that is charged by a merchant services provider for establishing a merchant account.

Shopping cart program - Software used to aid customers when ordering a number of products/services from a merchants web site.

Shopping Basket - As you shop online, you add items to your 'virtual' shopping basket. The basket is simply a list of the items you have selected to buy, together with the necessary details (number selected, price of each item etc). You can review what's in your basket at any time as you shop.

SIC Code - See Standard Industry Code.

Smart cards - Similar to a credit card, but has a small microprocessor built-in to the card that holds and/or processes information for financial and other applications.

Standard Industry Code - A 4-digit numbering system used to categorize businesses by industry group. This system is being replaced by the NAICS Coding system.

Statement - A written record prepared by a financial institution, usually once a month, listing all transactions for an account, including deposits, withdrawals, checks, electronic transfers, fees and other charges, and interest credited or earned. The statement is usually mailed to the customer.

Stored-Value Card - A credit-card-sized device, implanted with a computer chip, with stored money value. A re-loadable stored-value card can be reused by transferring value to it from an automated teller machine or other device. A disposable card cannot be reloaded.

Surcharges - Any additional charges to a merchant standard processing fees, they are a result of mid and non-qualified transactions.

T

T & E - An abbreviation for Travel and Entertainment. American Express is considered a T&E Card.

T & E Merchant - An airline, car rental company, or hotel whose primary function is to provide travel-related services. A travel agency (excluding one that is primarily engaged in the sale of transportation or travel-related arrangement services by mail/phone order) is a T&E merchant to the extent that it acts as the agent of an airline, car rental company, or hotel.

Terminal Capture - The term means that a sale will be registered within the terminal only until the sale is processed for deposit. If for any reason the sale deleted from the terminal before the deposit is processed the merchant will not get paid on the transaction. The merchant is required to do a deposit on the terminal for terminal capture applications.

Terminal Id - In the payment card industry, a number provided to a merchant by a credit card processor when that merchant retains the services of that credit card processor to uniquely identify a terminal. Also sometimes called the terminal number. A credit card processor may assign several terminal IDs to a given merchant's terminals although that merchant has a single merchant ID with that processor.

Terminated Merchant File (TMF) - Merchants with excessive chargebacks are stripped of their merchant account and the ability to accept credit card orders. The merchant is then placed on the TMF match list that all Merchant Service Providers have access to. Being placed on this file can keep you from obtaining another merchant account for several years. The file lists the business owner's name, social security number, business name, and business address. Once listed on the TMF, the listing is never removed.

TID - See Terminal ID.

TMF - See Terminated Merchant File.

Transaction - Action between a cardholder and a merchant or a cardholder and a member that results in activity on the cardholder account. Merchants and financial institutions also conduct follow-on transactions that affect the cardholders' account, such as a capture and credit.

Transaction fee - A fee charged by a merchant account provider for each credit card transaction completed.

Transaction Identifier - A unique 15 character value that VISA assigns to each transaction and returns to the Acquirer in the authorization response. VISA uses this value to maintain an audit trail throughout the life cycle of the transaction and all related transactions, such as reversals, adjustments, confirmations, and chargeback's.

Transaction Processor - An entity that validates and authorizes credit card purchases. They may also service the actual accounts on behalf of the issuers, emboss cards, and mail cards to cardholders.

Transaction Type - A specific type of financial detail transaction activity that can be submitted to the clearing system.

Triad process - An MCPS program that uses customized, customer-specific data for highly-efficient merchant approvals - gives MCPS ability to handle small, medium, and large big-ticket accounts. The MCPS 3-tiered approval process allows us to accept the most merchant applications possible.

Turn-key - A solution a firm offers in which they provide an individual with a fully e-commerce enabled web site. Usually complete with shopping cart, web design, hosting and merchant account.

Type 4 - An MCPS program allowing touch-tone telephone authorizations for those who cannot afford or don't use processing equipment. The merchant must imprints and maintain copies for 3 years.

U

U-Commerce - Stands for "Universal Commerce". The ability to conduct secure commerce anywhere, anytime, with any type of device.

Underwriting - The department within MCPS which assesses merchant applications, deciding whether to accept or decline them, based on business validity, business dollar volume, and type of payments to be processed. Overall, this department determines if the risk to the bank is low enough to accept them as a merchant.

User Authentication - Process of validating that a user is who the user represents himself/herself as.

V

Validation Code - A unique 4 character value that VISA includes as part of the CPS/ATM program in each authorization response to ensure that key authorization fields are preserved in the clearing or settlement record.

Valutec - Gift/loyalty card provider (See www.valutec.net).

Variable Interest Rate - With variable-rate cards, the APR changes when interest rates or other economic indicators change. Also known as a floating rate.

VARs - Value-Added Resellers.

VBV - See Verified by Visa.

Verified By Visa - The Visa scheme designed to authenticate cardholders so that they cannot subsequently repudiate their use of a card to purchase goods. It will also reduce other fraud as fraudulent users will not generally know the pass phrase or PIN associated with the card.

Visa - Visa International Service Association and all of its subsidiaries and affiliates. All Visa card numbers begin with "4".

Visa PAS (Payment Authentication Service) - Under Visa's PAS, cardholders must authenticate themselves by verifying their identity with a password when buying from a Web storefront.

Voice Authorization - An approval response obtained through interactive communication between an issuer and an acquirer, their authorizing processors, or stand-in processing, through telephone, facsimile, or telex communications.

Void - The reversal of a current transaction, one that has been authorized, but not settled. Settled transactions require processing of a credit or return in order to be reversed.

Void Transaction - Transaction that is done on a sale that is contained in an open batch. This voids the sale and does not go through interchange to the cardholder's bank. This does not remove the authorization that was obtained when the sale was initially run. This removes the transaction from the batch of transactions to be settled. Merchant will not pay discounting when a void is issued.

W

X

Y

Z
