



Payment Definitions

Account number - A unique sequence of 16 numbers assigned to a cardholder account that identifies the issuer BIN and type of financial transaction card.

Acquirer - A licensed member of MasterCard and/or Visa that maintains the merchant relationship and acquires the data relating to a transaction from the merchant or card acceptor and submits that data into interchange, either directly or indirectly.

AVS (Address Verification System) - Address Verification Service - a service supported by Visa, MasterCard, Discover and American Express that verifies the cardholder's billing address against the one on file with the issuer. AVS is designed to help combat fraud in non-face-to-face transactions. On a key entered transaction the Credit Card machine should ask for the card holder's street number and the zip code. Key entered transactions will downgrade (V / MC) to a higher rate (Non-Qual) if they are not submitted with street number and zip code. Note: In 1996, Visa/MasterCard headquarters introduced a new regulation requiring all businesses who manually key in the majority of their credit card transactions to have a special fraud prevention feature on their credit card processing equipment.

Adjustment - An adjustment is initiated to correct a processing error. The error could be a duplication of a transaction or the result of a cardholder dispute. The acquirer debits or credits the merchant DDA account for the dollar amount of the adjustment.

Association - Any entity formed to administer and promote Cards, including without limitation MasterCard International, VISA U.S.A., and VISA International. Visa & MasterCard are both associations of Banks that Issue Credit Cards of their prospective association.

Automated Response Unit (ARU) - This is an electronic authorization and capture product where the merchant uses a touch-tone telephone to process transactions. It is similar to a voice authorization, except the transaction is authorized and settled over the phone. The authorization number is given to the merchant via a non-human automated response.

Authorization – The Credit Card Machine will dial out for an Authorized or Declined response. The process of verifying the credit card has sufficient funds (credit) available to cover the amount of the transaction. An authorization is obtained for every sale. An approval response in the form of a code is sent to a merchant's POS equipment (usually a terminal) from a card-issuing financial institution that verifies availability of credit or funds in the cardholder account to make the purchase. Once the transaction is authorized the merchant is guaranteed (unless there is a dispute) to receive a deposit for that transaction.

Authorization Code - A code that a card-issuing bank returns in an electronic message to the merchant's POS equipment that indicates approval of the transaction. The code serves as proof of authorization.



Authorization Response - An issuing financial institution's electronic message reply to an authorization request, which may include:

Approval -- transaction was approved

Decline -- transaction was not approved

Call Center (Pick up) -- response pending more information; merchant must call toll-free authorization phone number.

Auto Close (Timed Upload) - A terminal feature that allows an end-of-day batch closing to occur automatically at a specified time, without having to be initiated by the merchant.

Automated Clearing House (ACH) File - A file with instructions for the exchange and settlement of electronic payments passed between financial institutions. It represents debits and credits to be deducted from or added to an account automatically as they occur.

Automated Teller Machine (ATM) - An unattended, magnetic stripe-reading terminal that dispenses cash; accepts deposits and loan payments; enables a bank customer to order transfers among accounts and make account inquiries.

Average Ticket (Average Sale) - The average dollar amount of a merchant's typical sale. The average ticket amount is calculated by dividing the total sales volume by the total number of sales for the specified time period.

Bankcard - A credit card issued by a Visa- or MasterCard-sponsored financial institution. (American Express, Discover, Diners Club, JCB, etc., are issued directly from their respective operations, rather than through banks.)

Bank Rate - Also known as "Discount Rate." This is a percentage of each sale that the bank charges as per Visa and MasterCard Rate requirements.

Batch (Settlement / Transmit / Settle / Close) - The accumulation of authorized / captured credit card transactions in the merchant's terminal or POS awaiting settlement. Settlement is the actual transfer of funds to the appropriate parties. Generally, at the end of the day, the merchant will review all their sales, credits, voids, and totals in their terminal. Once all transactions are verified, they will settle, or close, their batch and transmit the information to the acquirer for deposit to their bank account. The merchant usually has their money within 48 hours. The Card Issuing bank then reimburses the Acquiring Bank minus Interchange.

Baud Rate - The speed at which a PC or terminal modem transmits data through the telephone line.

BIN (Bank Identification Number) – The identification number that is assigned to a Member Bank by MasterCard or Visa.

Business Card - A payment card typically issued to and used by owners of small businesses.



Cancellation Code - The code that a lodging or car rental merchant gives to a cardholder. The cancellation code confirms that the cardholder did, indeed, cancel a reservation.

Capture - The submission of an electronic credit card transaction for financial settlement. Authorized credit card sales must be captured and settled in order for a merchant to receive funds for those sales. Also see Settlement.

Cardholder - Any person who holds a payment card account and whose name is embossed on such card. It is the person that uses a credit card to purchase goods and services.

Card-Issuing Bank – An Association Member-Bank that has a credit card or debit card program for their account holders. An example is Citibank and the Citibank Visa Card that they issue.

Card Not Present - A transaction where the card is not present at the time of the transaction (such as mail order or telephone order, or eCommerce transactions). Credit card data is manually entered into the terminal, as opposed to swiping a card's magnetic stripe through the terminal.

Cash disbursement - A transaction that is posted to a cardholder's MasterCard card account in which the cardholder receives cash at an ATM, or cash / travelers checks at a branch of a member financial institution or at a qualified and approved agent of a member financial institution.

Chargeback - A credit card transaction that is billed back to the merchant after the sale has been settled. 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 defense - A customer who does not receive his goods or services, or says he did not place an order, can ask his issuing bank to charge back the merchant. The Issuing Bank sends the chargeback request to the acquiring bank, which forwards it to the merchant asking to validate the charge. Information such as the amount, an invoice or folio, customer signature, or shipping documents, and the shipping address (used in AVS during the authorization) are needed to defend against a chargeback.

Check Card (Offline Debit, Signature Debit) - A Debit card that has a MasterCard or Visa logo on it. It can be used as an ATM card or as a PIN Debit Card; however, when it is used as a regular credit card it is called a Check Card.

Check Guarantee Service - A service provided through a merchant's POS equipment which guarantees payment up to a defined limit, provided the merchant follows proper steps in accepting the check.



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

Clearing - The process of exchanging financial transaction details between an acquirer and an issuer to facilitate posting of a cardholder's account and reconciliation of a customer's settlement position.

Close Batch - The process of sending the batch to the processor for settlement.

Co-branded card - A credit card issued jointly by a member bank and a merchant, bearing the "brand" of both.

Code 10 Authorization - If a merchant suspects a card is fraudulent at the time of the transaction, the merchant can call their voice authorization phone number and ask for a code 10. The voice operator will instruct the merchant how to proceed.

Commercial Cards - Formal name for the following three types of cards:

- Corporate Card; usually issued to the employees of a large corporation where the corporation assumes all liability for the card's usage.

- Purchasing Card; issued to corporations. It allows the corporation numerous parameters to control daily and monthly spending limits, total credit limits and where the card may be used. Many employees may be issued the same card number.

- Business Card; similar to the Corporate Card, but issued to a business with fewer employees. Each employee is responsible for his or her purchases.

Commercial Cards/Corporate Cards - Credit or charge cards issued to businesses to cover expenses such as travel and entertainment and procurement, includes the multiple payment card brands of purchasing cards, business cards, corporate cards, and multi-utility fleet cards. Visa and Master Card now have special procedures for passing billing information back to the card-issuing bank so that it can be displayed on cardholder statements; this is a program for promoting the use of credit cards for business purchases by providing purchase tracking to business users. New regulations require that this billing information be passed back with the transactions; otherwise, a higher pass-through fee will be incurred.

Credit - A refund or price adjustment given for a previous purchase.

Credit card - A plastic card bearing an account number assigned to a cardholder with a credit limit that can be used to purchase goods and services and to obtain cash disbursements on credit, for which a cardholder is subsequently billed by an issuer for repayment of the credit extended at once or on an installment basis.



Credit card processors (or third-party processors) - Merchant services providers that handle the details of processing credit card transactions between merchants, issuing banks, and merchant account providers.

Credit Reversal - Nullification of an authorized transaction (sale) that has not been settled. If supported by the card issuer, a reversal will immediately "undo" an authorization and return it to the open-to-buy balance on a cardholder's account. Some card issuers do not support reversals

Currency conversion - The process by which the transaction currency is converted into the currency of settlement or the currency of the issuer for the purpose of facilitating transaction authorization, clearing and settlement reporting. The currency of transaction is determined by the acquirer; the currency of the issuer is the preferred currency used by the issuer, and most often, the currency in which the cardholder will be billed.

CVC2 (CVC) - Card Validation Code - MasterCard term for the three-digit code printed next to the card number in the signature panel and used as part of the authorization process. The merchant's terminal may be programmed to ask for this on a key entered transaction.

CVV2 (CVV) - Card Verification Value - Visa term for the three-digit code printed next to the card number in the signature panel and used as part of the authorization process. The merchant's terminal may be programmed to ask for this on a key entered transaction.

Daily Discount - Processing fees are deducted from the merchant's daily deposit. Surcharges, Downgrades, and Monthly Fees may be billed at the end of the month. Selling Point: On daily discount the merchant's deposits never match their daily credit card totals. This makes it 30 times more difficult for the bookkeeper. We put our merchants on Monthly discount. If they process \$1000, their deposit is \$1000. Their fees are deducted once at the end of the month.

DBA (Doing Business As) - the name a business uses to operate, which may be different than their Corporate or Legal business name.

DDA Account - This is the merchant's Demand Deposit Account, otherwise known as the merchant's bank account.

DDS - Digital Data Storage

Debit card - A plastic card used to initiate a debit transaction. In general, these transactions are used primarily to purchase goods and services and to obtain cash, for which the cardholder's asset account is debited by the issuer.

Debit Card (Online Debit – ATM card) - Payment card whose funds are withdrawn directly from the cardholder's checking account at the time of sale. Unlike a credit card, debit card purchases are deducted automatically from the cardholder's account.



Decline - A response from the card issuer denying the use of the card for the attempted transaction. If a request for approval is declined, the merchant must ask the cardholder for another form of payment.

Digital wallet - A consumer account set up to allow e-commerce transactions through a particular credit card processing system. Before the consumer can make a purchase, he or she must first establish an account with the credit card processor, who provides an ID and password. These can then be used to make purchases at any Web site that supports that transaction system. Google is an example of a digital wallet.

Discount Rate - This is a percentage of each sale that the processor charges the merchant for the processing and settlement the transactions (as per Visa and MasterCard Rate requirements).

Downgrade - When a transaction qualifies for any rate other than Rate 1 based on the transaction data that is passed during the authorization and settlement of a sale. Rate 2(mid qualified) and Rate 3(non qualified) are considered downgrades.

Sales draft - A record (usually paper) used to document that a good or service was purchased.

EBT (Electronic Benefits Transfer) – An electronic system that allows a government benefit recipient to authorize the transfer of their benefits from a Federal, State, or local government account to a merchant account to pay for products and services received. It is the automation of government benefits through electronic authorization, data capture and settlement processes. Plastic cards with magnetic stripes are used, eliminating paper benefits and coupon distribution. These cards are used for the Food Stamp and WIC (Woman, Infant & Children) programs.

Edit Rejects - The rejection of a sales draft by Visa or MasterCard before a transaction processes through interchange, but after it has been paid by the acquirer.

Effective Rate - The calculated bundled rate to the Merchant of a transaction after combining the Discount Rate, assessments, monthly fees, and other per item transaction fees. It is calculated by dividing the total monthly fees on the merchant statement by the total processing volume.

Electronic Commerce Indicator (ECI) - A system in which the transaction data from an Internet transaction is tagged with this indicator and sent on to Visa or MasterCard. It is a requirement (October 1st, 2000) for all merchants with a majority of sales via the Internet to use an approved and ECI compliant payment gateway.

Electronic Draft Capture (EDC) – The process of electronically authorizing, capturing, and settling a credit card transaction.

Electronic funds transfer (EFT) - A paperless, electronic transfer of funds initiated from a terminal, computer, or telephone instrument.

Emboss - The process of printing identifying data on a bankcard in the form of raised characters.



Encryption - Method of scrambling data to protect a cardholder's personal information. The current standard of encryption accepted for PIN Pads is DUKPT. The current standard for websites is 128 Bit SSL2 Encryption. (Secure Sockets Layer)

Equipment – Also referred to as a credit card machine or a credit card terminal. Most credit card transactions are conducted electronically by using Electronic Draft Capture (see EDC). Typically this is performed by computer, terminal, or terminal / printer combination.

Factoring - The purchase of "accounts receivable," in exchange for immediate payment at a discounted price. It is commonly referred to cash advance; however it is illegal to refer to this as a loan. In e-commerce, the term is often applied to ISO's that offer to process credit card transactions through their own merchant account rather than through an account established by the merchant, in exchange for a percentage of the transaction or other fee.

Fleet Card - Payment card designed mainly for fueling, maintenance and repairs of corporate motor vehicles. Fleet cards are normally used to provide specialized reporting. Examples of fleet cards are Wright Express, Voyager, Fuel Man.

Floor limit - A specific dollar limit used to determine which card transactions you must authorize. If your business has a floor limit \$1,000, you must get authorization for any transaction over that amount. Note: All airline, telephone, and mail order transactions must be authorized, even if the amount is under your floor limit.

Folio - A number assigned by a lodging merchant for tracking a guest's charges.

Footer - Text printed at the bottom of a sales draft. A merchant can customize the footer (i.e., Have a Nice Day, No Refunds, Thank You for Shopping with Us, etc.).

Force (Off Line) - The process by which a voice-authorized transaction is key-entered to be settled electronically with a batch of transactions; also known as a post-auth or post authorization.

Front-End Network – A telecom network that provides the transaction format and routing system used to process credit card transactions.

Gateway – A Gateway links a shopping cart to the credit card processor. It is responsible for the security of the transaction and additional reporting to the merchant. Sometimes multiple location stores will connect to a gateway that offers more reporting and can initiate settlement of all the store's transactions at the same time. Often IP terminals, wireless terminals, and computer payment systems will connect to a gateway.

Holdback - A portion of the revenue from a merchant's credit card transactions, held in reserve by the merchant account provider to cover possible disputed charges, chargeback fees, and other



expenses. After a predetermined time, holdbacks are turned over to the merchant. Note: Merchant account providers almost never pay interest on holdbacks.

Host Capture – A processing system that stores the transactions on the processing server. At the end of the day, the server automatically settles the transactions. When the terminal is “settled”, it will simply print a report and clear its memory. Note: The T7Plus and T7P are Terminal Capture only.

Imprinter - A device used to imprint embossed card information onto a sales draft for payment card transactions. An imprinter is used if the card is present and the POS device cannot read the contents of the magnetic stripe. It can be a manual or electric machine used to physically imprint the merchant’s name and ID number, as well as the Cardholder’s name and Card number on sales draft. This proves that the card was present when the sale was made.

Interchange - The standardized electronic exchange of financial and non-financial data associated with sale and refund data between merchant acquirers and card issuers on various types of MasterCard and Visa transactions. Interchange is the fees that all processors pay. There are over 200 levels of interchange, and most processors group them into 3 to 5 categories or buckets before marking it up and passing it on to merchants. Interchange Fees are set by the Card Associations, who share in the generated revenue. There are multiple categories of interchange, and Visa and MasterCard each have their own criteria for their own categories. A transaction must meet the specified criteria for a category in order for that category's rate to be applied. Each transaction is evaluated individually, so various interchange rates may apply within one batch of merchant transactions. These fees are also based on the timeliness of the settlement of transactions.

ISO (Independent Sales Organization) – Only a bank can be a MasterCard or Visa Member. All banks contract out their credit card processing (including sales, customer service, and tech support) to third parties, which are called ISO’s or MSP’s (Merchant Services Provider). The ISO/MSP is a processor that handles the setup with the Front-End and Back-End Networks to ensure the Merchant’s funds are correctly routed to his bank.

Issuing Financial Institution - The financial institution that extends credit to a cardholder through bankcard accounts. The financial institution issues a credit card and bills the cardholder for purchases against the bankcard account; also referred to as the cardholder's financial institution.

Issuer - The financial institution that is a member of MasterCard and/or Visa, and issues a credit card to an individual with a contractual agreement for repayment; may also be called the Issuing Bank.

Level I Data - Level I purchasing card data includes the same information captured during a traditional credit card purchase transaction. This includes: total purchase amount, date, merchant category code and supplier/retailer name.

Level II Data - Level II purchasing card data includes the same information captured at Level I,



plus the following: sales tax amount, customer's accounting code, merchant's tax ID number, applicable minority- and women-owned business status, and sales outlet zip code.

Level III Data - Level III purchasing card data includes the same information captured at Levels I and II, plus the following: quantities, product codes, product descriptions, ship to zip, freight amount, duty amount, order/ticket number, unit of measure, extended item amount, discount indicator, discount amount, net/gross indicator, tax rate applied, tax type applied, debit or credit indicator, and alternate tax identifier.

Lockbox - A service that processes check payments for a business. Checks are typically mailed to a P.O. Box and are then processed manually or electronically for deposit into the merchant's Bank account.

Magnetic stripe - The magnetically encoded stripe on the bank of a plastic credit card that contains information pertinent to the cardholder account (such as card number, expiration date, cardholder name, CVV2 code...). The physical and magnetic characteristics of the magnetic stripe are specified in ISO Standards 7810, 7811, and 7813. There are HiCo magnetic stripes and LoCo magnetic stripes. "Co" stands for coercivity, and represents the magnetic stripes ability to resist being damaged by magnetism. HiCo mag stripes are more durable than LoCo mag stripes.

Magnetic stripe reader - A device that reads information recorded on the magnetic stripe of a card; also known as a card swipe reader.

Mail Order/Telephone Order (MOTO) - Credit card transactions initiated via mail, email, or telephone; also known as card-not-present transactions.

Manual Close - A batch that must be settled (closed) manually by the merchant on a daily basis, as opposed to an auto close that settles (closes) at a pre-set time.

MCC (Merchant Category Code) - a universal four-digit merchant classification code that identifies the merchant by industry. Similar to a Standard Industrial Classification (SIC), but more defined.

Member – Only banks can be Members of the MasterCard or Visa associations. A member bank may be either an Issuing bank, an Acquiring bank, or both.

Merchant – A merchant is a Customer of a processor/acquirer. A merchant can be a retailer, or any other person, firm, or corporation that (pursuant to a merchant agreement) agrees to accept credit cards, debit cards, or both.

Merchant Account - A specialized bank approved and issued account to process credit card transactions. One of three parts needed to accept credit cards. Other parts required - a local bank checking account (to deposit funds) and a Processing Solution (to access your merchant account).



Merchant bank - A bank that has entered into an agreement with a merchant to make deposits into the merchant's bank account for credit card processing. Also called the acquirer or acquiring bank.

Merchant Identification Number (MID) - This number is generated by a processor/acquirer and is specific to each individual merchant location. This number is used to identify the merchant during processing of daily transactions, rejects, adjustments, chargebacks, end-of-month processing fees, etc.

Merchant Services Provider (MSP) – Only a bank can be a MasterCard or Visa Member. All banks contract out their credit card processing (including sales, customer service, and tech support) to third parties, which are called ISO's or MSP's. The ISO/MSP is a processor that handles the setup with the Front-End and Back-End Networks to ensure the Merchant's funds are correctly routed to his bank.

MID - Merchant Identification Number - The identification number assigned to a merchant by the acquirer.

Mid Qualified – Typically refers to a Key entered sale or rewards card.

Monthly Minimum - This is a fee that is imposed if a merchant's credit card charges (Discount Rate) do not add up to their monthly minimum amount. For example, your monthly minimum is \$25 a month. If your discount rate was 2.25% and you processed \$1000.00 in credit card volume, \$22.50 is charged to the account plus an additional \$2.50 (the difference of the \$25.00 minimum and actual discount fees). Also: The minimum amount in fees and percentages charged by a merchant services provider in a given month. If account activity does not generate the monthly minimum, the account holder must make up the difference.

MOTO (mail order/ telephone order) discount rate - The discount rate charged by the merchant account provider for credit card transaction in which the actual credit card was not available to the merchant. MOTO discount rates are generally higher than swipe discount rates to account for the increased chance of fraud or nonpayment.

Network – A transaction format and routing system used to process credit card transactions.

Non-Qualified (Non-Qual) – This is typically the highest rate a domestic credit card is billed at. Business / Corporate / Purchasing cards are all Non-Qualified transactions. Any Key entered transactions that are submitted without AVS are also Non-Qualified. If transactions are not batched within 24 hours, they will be downgraded to Non-Qualified.

Payment gateway provider - A company that provides code and/or software for an e-commerce site to enable it to transfer information from its shopping cart to the acquiring bank, and on through the rest of the transaction process. A Gateway links a shopping cart to the credit card processor. It is responsible for the security of the transaction, and additional reporting to the merchant. Sometimes multiple location stores will connect to a gateway that offers more



reporting and can initiate settlement of all the store's transactions at the same time. Often IP terminals, wireless terminals, and computer payment systems will connect to a gateway.

PBX Access Code - An access number that is dialed to reach an outside line. The most common PABX access codes are 8 and 9.

PC Software - A software program that is designed to perform a specific function on a computer system. Examples would be accounting systems, manufacturing systems, order entry and fulfillment, ticketing, reservations, etc. The application is either purchased or built by the merchant, and must be interfaced with a credit card authorization system in order to provide transaction processing.

Personal Identification Number (PIN) - A four-to-twelve character secret code that allows an issuer to positively authenticate the cardholder for the purpose of approving a ATM / Debit transaction occurring at an ATM or credit card machine.

POS - Point Of Sale - the location at which a payment card transaction occurs, usually by way of a device such as a credit card terminal or cash register.

Point of Sale (POS) terminal - A small device that allows you to slide the credit card through to make a charge. This is what most retail stores have. It is fast, easy, affordable and accurate to make a charge on a customer's credit card within seconds. It is also known as a credit card terminal or credit card machine.

Private Label Cards - Credit, debit, or stored-value cards that can be used only within a specific merchant's store; also referred to as proprietary cards.

Processing Solution - A device, software or virtual product that allows you to connect to a Merchant Account. Without a processing solution, like a credit card terminal, there would be no way to verify, approve and deposit credit card transactions.

Processor - The entity (other than the bank), which provides bankcard processing services (authorization, settlement, reporting, etc.) to a merchant under a written agreement.

Purchasing Cards - Charge cards used by businesses to cover purchasing expenses, such as raw materials or office supplies. They are designed to help companies maintain control of purchases while reducing the administrative cost associated with authorizing, tracking, paying, and reconciling those purchases.

Qualified (Rate 1 or Discount Rate): This is the base rate that the merchant pays on their credit card sales. It typically covers all swiped credit card sales that are not Rewards, Check, or Business Cards.

Real-Time Processing - Real-time processing means that when a website's customer conducts an online purchase, the check or credit card information is conveyed to the Processor at that exact time so that an authorization can be requested and received at that moment. Real-time



processing always implies that a Secure Payment Gateway is being utilized, whether proprietary or third party.

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

Refund (Credit) - A refund occurs when the merchant rebates all, or a portion, of an original transaction amount to the cardholder. Refunds are required to be made to the same card that was used for the original transaction.

Reserve Account - One method that ACH Processors use to mitigate risk is to require that merchants maintain a reserve account at the Processor's Sponsoring Bank. This allows the Processor to issue a hold on funds in this account when fraud has been detected or an excessively large number of returns are received. High risk merchants with or a merchant with bad credit history may be required to keep a reserve account. In cases where a reserve is required, the minimum reserve balance in the account is set at about 20% of the anticipated processing volume. New merchants are usually allowed to build up their reserve by sending in transactions which are not withdrawn until the minimum reserve balance is achieved. After that, the merchant receives their normal deposits.

Retrieval request - A retrieval request is what happens when a cardholder cannot remember a credit card transaction, or the bank wants order information for some reason. The card issuer initiates a retrieval request, in which the merchant has 10 days to respond with the order information or the retrieval request will turn into a chargeback. There is usually a retrieval request fee issued against the merchant in these cases. It will range from \$10 - \$25 dollars

Reversal - When an acquirer successfully represents a chargeback to the issuer, the chargeback is reversed and the funds are returned to the merchant.

RS232 - The standard port on POS device used to support a wireless transmission via VSAT, Frame, VPN or Motient. May also be used with various peripheral devices, i.e. Check Reader or Personal Computer.

Sales Draft (Ticket) - A form showing an obligation on the cardholder's part to pay money (i.e., the sales amount) to the card issuer. This is the piece of paper that is signed when making the purchase. Sales draft data can be captured electronically and sent to be processed over the phone lines. Also see Electronic Data Capture.

Settlement (Close) - The process of sending a merchant's batch to the processor for processing and payment. Settlement is the actual transfer of funds to the appropriate parties. Generally, at the end of the day, the merchant will review all their sales, credits, voids, and totals in their terminal. Once all transactions are verified, they will settle, or close, their batch and transmit the information to the acquirer for deposit to their bank account. The merchant usually has their money within 48 hours. The Card Issuing bank then reimburses the Acquiring Bank minus interchange



Setup fees - Fees charged for establishing a merchant account, including application fees, software licensing fees, reprogramming, and equipment purchases.

SIC (Standard Industrial Code) - a universal four-digit code that designates a merchant's industry type; similar to an MCC code.

Shopping Cart Software – The Shopping Cart is the part of an eCommerce website that totals up all the purchases, tax, and shipping. It will also collect payment information and connect to the Payment Gateway through an encrypted (128 bit SSL2) connection.

Smart Card - A payment card with a built-in microprocessor (chip) that stores account information. Smart cards can be used for stored-value cards, credit cards, loyalty programs and security access. Smartcards are common in Europe and Mexico, however have not caught on in the United States.

Split Dial - The capability of a card terminal to dial different telephone numbers to obtain an authorization or settlement for different card types. Merchants can often save money by using split dial for American Express and Discover.

SSL (secure socket layer) - A system for encrypting data sent over the Internet, including ecommerce transactions and passwords. With SSL, client and server computers exchange public keys, allowing them to encode and decode their communication.

Stored Value Card – The best example of a stored value card is a gift card. The merchant's customers are given a magnetic stripe card in exchange for money, or returned merchandise. The card represents a dollar value that the customer can either use or give to another individual. There is no security associated with the card itself. The actual record of the balance on the card is maintained on a stored value card database.

Swipe discount rate (Qualified / Rate 1) - This is the base rate that the merchant pays on their credit card sales. It typically covers all swiped credit card sales that are not Rewards, Check, or Business Cards.

Swipe discount rates are generally lower than MOTO discount rates because the merchant can match signatures and perform other checks for fraud or misuse, therefore lowering the risk of fraud.

T&E Cards - Cards that are developed for and used primarily in travel-related services. American Express, Discover, Diners, and JCB are all considered T&E.

T&E Merchant - An airline, car rental company or lodging establishment with a primary function of providing travel-related services.

TCS (Terminal Capture System) – Credit Card Transactions are stored in the terminal until the batch is settled or uploaded to the processor at the end of the day. This is a requirement for restaurants where tip adjustments need to be made.



Terminal - Equipment used to capture, transmit, and store credit card transactions.

Terminal Capture - Credit Card Transactions are stored in the terminal until the batch is settled or uploaded to the processor at the end of the day. This is a requirement for restaurants where tip adjustments need to be made.

Terminal Identification Number (TID) - A unique number assigned to each POS terminal.

Terminal Software - Programming that determines the characteristics and features of the credit card machine.

TID (Terminal Identification Number) - number identifying a merchant to the front-end network.

Track One - Track One information, stored on the magnetic stripe on the back of a card, has the cardholder's name in addition to the account number and expiration date stored in it.

Track Two - Track Two information, stored on the magnetic stripe on the back of a card, has the account number and expiration date.

Transaction fee - A charge for each credit card transaction, collected by the ISO. Transaction fees usually fall between \$0.05 and \$0.30. Any time a computer or terminal communicates with the processor, a transaction fee is charged.

VAR (Value Added Reseller) - a third-party that certifies their software to be used on a processor's system.

Voice Authorization - When a credit card authorization is obtained by telephoning an operator, similar to ARU. Voice-approved transactions must be "forced" into a terminal batch for settlement. Most voice Authorization systems are now automated.