

A

### **Acquirer (acquiring bank)**

An acquirer is an organisation that is licensed as a member of Visa/MasterCard® as an affiliated bank and processes credit card transactions for (online) businesses. Acquirers facilitate and manage credit card processing on behalf of an online merchant.

### **Acquirer settlement report**

A report showing the merchant's settlement. The acquirer settlement report is generated by the acquiring bank at the end of every billing cycle.

### **Address Verification Service (AVS)**

A system established by the credit card processing associations to verify customer billing addresses submitted with e-commerce payment transactions. Though AVS does not verify the legitimacy of a transaction, Card Not Present merchants can use AVS to accept or decline transactions based on the validity of the billing address information provided by the customer.

### **Agent**

A Merchant Service Provider (MSP) or an Independent Sales Organisation (ISO) that acquires merchant customers for payment processing services.

### **Alternative Payment Methods (APMs)**

Alternative Payment Methods refer to payment methods that are used as an alternative to credit card payments. Most APMs address a domestic economy or have been specifically developed for electronic commerce and the payment systems are generally supported and operated by local banks. Each APM has its own unique application and settlement process, language and currency support, and is subject to domestic rules and regulations.

### **Application Program Interface (API)**

A computer communication protocol that facilitates the transfer of or access to information between two separate software or computer applications.

### **Authorisation**

The process of verifying if the credit card has sufficient funds (credit) available to cover the amount of the transaction. An authorisation is obtained for every sale.

### **Authorisation response**

An issuing financial institution's electronic message reply to an authorisation request, which may include:

- Approval – transaction approved
- Decline – transaction not approved

Error – response for an error in processing the transaction

**Authorisation amount**

The transaction amount that is submitted to the card issuing bank for funds approval. This amount is reserved against the available balance of a customer’s credit card until the transaction is captured. Subsequently, a void transaction is submitted, or the 30-day window for the authorisation expires.

**Authorisation capture**

A credit card transaction request to authorise, capture or settle funds for a purchase. The payment gateway submits the request to the card issuing bank for authorisation and upon approval automatically submits the transaction for settlement.

**Authorisation code**

A code assigned to a credit card transaction by the card issuing bank once the transaction has been approved.

**Authorisation only**

A credit card transaction request to only authorise or reserve funds for a purchase. The payment gateway submits the request to the card issuing bank for authorisation, but no further action is taken. Also called “Auth-Only”.

**Average ticket (average sale)**

The average amount of a merchant’s typical sale. The average ticket amount is calculated by dividing the total sales volume by the total number of transactions for the specified time period.

B

**Bank Identification Number (BIN)**

An identification number assigned by Visa/MasterCard® to each of its affiliated financial institutions, banks and processors.

**Billing cycle**

A seven-day processing period between two billing statements.

**Billing statement**

A statement listing the trading activity on a particular account. It includes gross sales, refunds, chargebacks, chargeback fees, transaction fees and commissions, and the final result is shown as a net settlement. This statement is generated on a weekly basis at the end of every billing cycle.

C

**Capture**

The process of converting an authorised transaction amount into a transaction that can be deposited to the merchant's account. In effect, a capture is a request for settlement. The merchant may only capture authorised transactions. And, just like a mail-order merchant, the merchant may only capture Internet transactions once he has shipped the product to the consumer. Funds are not immediately available after capture; funds are available after settlement.

### **Card code (CVV / CVC2)**

A three or four-digit number that appears on the back of a credit card (on the front for American Express). This code may be used to validate customer information on file with the credit card association. Also known as CVV (Card Verification Value) or CVC2 (Card Verification Code 2).

### **Cardholder**

Owner of a credit card who uses it to purchase goods and services, both online and offline.

### **Card issuer**

A financial institution that issues credit cards to consumers on behalf of the card associations. Also known as a "card issuing bank" or "issuer".

### **Card Not Present (CNP)**

Literally means that a cardholder's credit card is not physically presented to a merchant at the time of the transaction. This term is used in the payments industry to distinguish e-commerce merchants, such as those operating via web sites or from mail order/telephone order (MOTO) locations.

### **Card Present (CP)**

Card Present transactions are those in which both the card and cardholder are present at the POS.

### **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.

### **Chargeback reason code**

A code provided to the merchant by the card issuing bank that indicates the reason for the chargeback.

### **Checkout integration type**

An integration type that allows payment processing for physical goods and purchases. Checkout integration permits processing through sale transactions and authorisation/settlement transactions, and CVV is always requested in order to complete the transaction.

### **Credit reversal**

Nullification of an authorised transaction (sale) that has not been settled. If supported by the card issuer, a reversal will immediately “undo” an authorisation.

### **Credit card number**

The account number assigned by a credit card association or card issuing bank to a cardholder which is displayed on the front of a credit card.

D

### **Declined**

Transactions that are not approved by the card issuing bank are marked as declined. No further action may be taken for declined transactions.

### **Descriptor**

The way the merchant’s company name appears on a customer’s credit card statement is called a billing descriptor. Also known as “Doing Business As” (DBA).

### **Digital certificate**

An electronic file containing unique information that is used to verify the trustworthiness of an organisation or individual. Digital certificates are issued by a certificate authority, and are used with the “Secure Sockets Layer (SSL)”.

### **Discount fee**

The percentage of each credit card and batch settlement that is billed to the merchant through the payment gateway. The transaction types for which a discount fee is charged are: charges, refunds, voids and declines.

### **Duplicate transaction**

Transaction with the same details, or partially the same details as the previous transaction, made within a specific time frame.

E

### **Electronic cheque**

Describes a cheque or a bank account payment that is submitted and/or processed electronically.

### **E-commerce**

Electronic commerce, commonly known as e-commerce or eCommerce, is trading in products or services using computer networks, such as the Internet.

## F

### **FCA license**

The FCA license allows a company to conduct business. The Financial Conduct Authority (FCA, previously named FSA) is a financial regulatory body in the United Kingdom, but operates independently of the United Kingdom government and is financed by charging fees to members of the financial services industry.

### **Fraud**

The malicious practice of using stolen personal information, credit card information, and/or compromised bank account information for personal gain. This includes, but is not limited to the purchase of merchandise, the submission of fraudulent transactions, the abuse of a merchant's purchase policies or e-commerce web site.

### **Fraud protection**

The process of checking a credit card's validity, which may include inspection for cancelled or blocked card numbers, detection of stolen cards, or fraudulent shopper behaviour patterns.

## G

### **Gross sale**

Total value of sales before deductions.

## H

### **High-risk account**

A special type of account for e-commerce merchants owning businesses more susceptible to fraud, insolvency or other liabilities, or connected to an elevated risk of financial loss when underwriting those particular businesses. High-risk accounts include, but are not limited to online gambling, online dating and software/hardware sales.

### **Hosted payment page**

A hosted payment page offers merchants a way to securely accept credit and debit cards and/or Alternative Payment Methods without capturing or storing card information on their web site. Merchants can customise the look and feel of the payment page and secure server offers advanced protection from DoS/DDoS attacks and web bots. Also called "outsourced payment page".

## I

### **Independent Sales Organisation (ISO)**

An organisation that sells business products or services to merchants and/or acquires merchants on behalf of various types of Merchant Service Providers.

### **Interchange**

The process by which all parties involved in a credit card transaction (i.e. processors, acquirers, issuers, etc.) manage the processing, clearing and settlement of credit card transactions, including the assessment, collection and/or distribution of fees between parties. Also known as “credit card interchange”.

### **Interchange fee**

A fee paid by an acquirer to an issuer for transactions entered into interchange. The interchange fee is a percentage applied, according to Visa/MasterCard® regulations, to the value of each transaction. A transaction must meet the specified criteria for a certain category in order to have the category’s rate applied. Each transaction is evaluated individually, which means various interchange rates may apply within one batch of merchant transactions.

### **Internet Protocol (IP) address**

A numerical label assigned to each device (e.g., computer, printer) participating in a computer network that uses the Internet Protocol for communication.

### **Internet Service Provider (ISP)**

An organisation that provides services for accessing, using, or participating in the Internet. They typically resell and/or support the services of a secure gateway provider and/or an ISO, an agent or a bank.

### **Internet Payment Service Provider (IPSP)**

Internet Payment Service Providers are entities that contract with acquirers to provide payment services to e-commerce merchants. They are typically involved in merchant recruitment and approval on behalf of the acquirer, underwriting the merchant’s transactions. They also provide payment gateway services enabling e-commerce merchants to authorise, settle and manage card transactions.

### **Issuing bank**

See Card Issuer.

M

### **Merchant Application Form (MAF)**

The form used by the applicant merchant to make the formal request for a payment solution. It includes the following fields: information about the company, directors and owners; details about the applicant site itself – descriptor, city field, login details, content, product explanation; bank account details, processing information, desired integration type and currency.

### **Mail Order/Telephone Order (MOTO)**

A business, or merchant, that sells merchandise or services to consumers via mail or telephone initiated orders. MOTO merchants operate from call centres or fulfilment centres.

## **Manager account**

The manager account is the admin panel through which the merchants access their gateway account. Every IPSP has a manager account. It allows the IPSP to manage and monitor their different merchants. Every newly acquired merchant receives its own manager account. Each manager account controls at least one MID.

## **Manual authorisation**

An authorisation that requires a manual input of the card data into the transaction processing system. After receiving a credit card order (via the Internet, mail, or fax), a manual system requires the merchant to enter the card type, card number, cardholder name, expiration date, and AVS data into a point-of-sale terminal or virtual POS terminal. Manual processing introduces a risk of data entry errors, which can result in failed authorisations, chargebacks, or faulty AVS results.

## **MasterCard® Secure Code™**

A security program created by MasterCard® to provide identity authentication for cardholders and transaction protection for merchants. By registering for MasterCard® Secure Code™, merchants can minimise transaction risks while providing additional security for their MasterCard® customers.

## **Merchant Category Code (MCC)**

A Merchant Category Code is a four-digit number assigned to a business by MasterCard® or Visa when the business first starts accepting one of these cards as a form of payment. The MCC is used to classify the business by the type of goods or services it provides.

## **Merchant**

The person or business entity that sells goods and/or services to consumers. The merchant is the processor's or acquirer's customer.

## **Merchant account**

A bank account that is used by a merchant specifically for the purpose of collecting proceeds from a consumer bank account or credit card payment transactions.

## **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 when processing daily transactions, rejects, adjustments, chargebacks, end-of-month processing fees, etc. An identification number is assigned to each member merchant of an acquiring organisation, such as a financial institution, an Independent Sales Organisation (ISO), a Merchant Service Provider (MSP) or a processor.

## **Merchant account provider**

A financial institution or bank that provides a financial account to a merchant for the purpose of collecting proceeds from a consumer bank account or credit card payment transactions.

### **Merchant Service Provider (MSP)**

A company or sales organisation that provides transaction processing solutions to its merchant clients.

P

### **Payment gateway**

A system of technologies and processes that allows merchants to electronically submit payment transactions to the payment processing networks (i.e. the credit card interchange and the ACH Network). Payment gateways also provide merchants with transaction management, reporting, and billing services and are the digital equivalent of a physical Point of Sale terminal located in most retail outlets.

### **Payment instruction**

A written order to transfer funds to the account of a beneficiary.

### **Payment Card Industry Data Security Standard (PCI DSS)**

The Payment Card Industry Data Security Standard (PCI DSS) is a widely accepted set of policies and procedures created by the Payment Card Industry Security Standards Council (PCI SSC), intended to optimise the security of cash, credit and debit card transactions and protect cardholders against misuse of their personal information. The standard applies to all organisations that hold, process, or pass on cardholder information.

### **Payment Card Industry Security Standards Council (PCI SSC)**

The PCI Security Standards Council is an organisation created by the major credit card companies in an effort to better protect credit card holder data.

### **Payment Card Industry Data Security Standard Self-Assessment Questionnaire (PCI DSS SAQ)**

The PCI Data Security Standard Self-Assessment Questionnaire is a validation tool intended to assist merchants and service providers in self-evaluating their compliance with the Payment Card Industry Data Security Standard (PCI DSS). There are multiple versions of the PCI DSS SAQ to meet various scenarios.

### **Payment platform**

Platforms allow businesses to use their own payment pages through direct Application Programming Interface (API) integration.

### **Payment processing**

Payment processing occurs when an online payment is made. It is the online process of the exchange of data and funds between the consumer, the merchant, the Payment Service Provider and the acquiring bank.

### **Payment Service Provider (PSP)**

A Payment Service Provider (PSP) offers shops online services for accepting electronic payments by a variety of payment methods including credit card, bank-based payments such as direct debit, bank transfer, and real-time bank transfer based on online banking. Typically, they use a transaction model and form a single payment gateway for their clients (merchants) to multiple payment methods.

### **Per-transaction fee**

The flat fee charged to a merchant by the payment gateway for each transaction and batch settlement processed. The transaction types for which a per-transaction fee is charged are: charges, refunds, voids, and declines.

### **Personal Identification Number (PIN)**

A unique number that is issued to an individual or organisation by a financial organisation, a related service or other type of service provider for the purpose of authenticating user identity and granting secure access to accounts or information.

### **Point of Sale (POS)**

An electronic device that includes a reader to detect the magnetic strip on a credit card, a keypad and a telephone connection to a payment processing network.

### **Pre-arbitration**

Pre-arbitration, also known as second chargeback, occurs when the merchant disputes the initial chargeback of the cardholder, and the cardholder does not agree with the merchant, which results in the chargeback being disputed again.

### **Processor**

An entity in the credit card processing network that handles the posting of transactions for authorisation, clearing and settlement to consumer credit card accounts at the card associations, and the settlement of funds to merchant bank accounts. Processors may also provide merchants with billing and reporting services.

R

### **Real-time processing**

Real-time processing means that when a web site customer conducts an online purchase, their cheque or credit card information is conveyed to the processor at the exact same time so that an authorisation can be requested and received at that particular moment. Real-time processing always implies that a secure payment gateway is being utilised, whether proprietary or third-party.

### **Recurring billing transaction**

The submission of a transaction on a recurring or periodic basis, typically for ongoing billing or subscription-based payment activities.

### **Refund**

A credit card transaction request to transfer funds from the merchant's bank account back to the customer's credit card account as a refund for a previous transaction. For this type of transaction the merchant must submit the transaction ID of the original charge transaction against which the refund is being applied.

### **Reseller**

See Agent

### **Response code**

A code provided to the merchant by the card issuing bank that indicates the results of a transaction request. And, if declined, the reason why the transaction was rejected.

### **Reversal**

A reversed chargeback or refund transaction. This occurs when the merchant produces sufficient proof that disputes a chargeback or the customer cancels the chargeback.

### **Rolling reserve (deposit)**

An account that holds a certain portion of a merchant's processing amount to cover potential costs incurred from high-risk or chargeback transactions. A rolling reserve deposit may be required in order to use a PSP, depending on a merchant's risk profile. The reserve balance is established by withholding a portion of funds from each batch settlement and is retained for a set period of time before being released to the merchant.

S

### **Secure Sockets Layer (SSL)**

An Internet Protocol that safeguards electronic communications between two or more computers. When transmissions are sent over an SSL connection, data is encrypted and cannot be modified in transit by other parties on the Internet. Web sites that use SSL technology are indicated by "https" in their web address, and a lock icon at the bottom right corner of the browser window.

### **Secure payment gateway**

Secure payment gateway companies help other processors conduct secure business on Internet using Secure Socket Layer (SSL) technology. Rather than try and create their own secure web system, many banks and bank/processor alliances will use a secure payment gateway provider to perform this task for them.

## **Settlement**

For credit card transactions settlement occurs at the completion of the transaction processing between the involved financial institutions and the processing entities, and the funds for the credit card transaction have been successfully deposited into the merchant's bank account.

## **Settlement, net**

The final result from the trading activity on the account. It could either be a positive or a negative amount. It is calculated by deducting the commissions, the rolling reserve amount, the chargeback and chargeback fees, the refunds, and the transaction fees from the gross sales.

## **Shopping carts**

An e-commerce tool (software or service) that is the user-interface for the customer to shop at online stores. It allows users to place items in a "shopping basket" and the cart remembers these items for a predetermined length of time.

## **Signup integration**

An integration type commonly used by some online business verticals and IPSPs. The signup integration type allows processing of recurring billing transactions for digital goods and services only.

T

## **Terminal**

Terminals are the communication channels between PSPs and the acquiring banks. After merchant accounts are complete, terminals are assigned to them. After terminal setup is complete the merchant is ready to start the integration with the gateway.

## **Terminal ID**

Indicates the unique identification number of a terminal. Terminals can be searched and indexed by the terminal IDs. The gateway terminal IDs should not be confused with the acquiring bank's terminal IDs.

## **Third-party provider**

An organisation or business that provides merchants with business enhancing services, but is not directly associated or involved with transaction processing or necessary for the exchange of a transaction between two parties.

## **Transaction**

The exchange of information, goods or services from which all parties involved benefit.

## **Transaction ID (trans ID)**

A unique identification value assigned to each transaction processed through the payment gateway. This ID may be used to search for or to sort transactions.

### **Transaction type**

The type of credit card transaction. For charge transactions, a consumer is allowing a merchant to collect payment for merchandise or services rendered. However, in the case of a refund transaction, a merchant is returning funds to the consumer for a previous charge transaction.

U

### **Underwriting**

The process of evaluating an applicant's financial history and credit trustworthiness to determine whether to grant or deny a service account. In some cases, underwriting may also determine an applicant's financial obligations, such as services pricing.

V

### **Verified by Visa Inc. (VbV)**

A security program created by Visa to provide identity authentication for cardholders and transaction protection for merchants. By registering for Verified by Visa, merchants can minimise the risk of chargebacks and returns while providing additional security for their Visa customers.

### **Virtual terminal**

A merchant interface tool for manually typing and submitting transactions.

### **Void transactions**

Transactions of this type are used to cancel original charge transactions that have not yet been submitted for batch settlement. For this type of transaction, the merchant must submit the transaction ID of the original charge transaction against which the void is being submitted. No further action may be taken for void transactions. To cancel a transaction that has already been settled a refund must be submitted.