Industry Glossary

ABA Routing Number

The American Banking Association (ABA) routing number is 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 a check and is usually printed with magnetic ink.

ACH

Automated Clearing House is an electronic payment Network that exchanges funds via Electronic Funds Transfer (EFT) throughout the U.S. Over 98% of the nation's banks including the Federal Reserve belong to the ACH. ACH is the paperless funds transfer system maintained by the Federal Reserve or other entities that have networks to exchange electronic funds transfer items.

ACH Associations

Provide rules and guideline for the efficient operation of the ACH Network. There are 36 regional ACH associations whose memberships include financial institutions and affiliates. NACHA, the National Automated Clearing House Association forms the governing foundation for the regional associations.

ACH Network

The ACH network was established in the 1970s to facilitate direct deposit of military payroll and other federal payments. The network is made up of four central clearing facilities. In addition to three private sector facilities, the Federal Reserve became a central clearing house under the Monetary Control Act of 1980. The Monetary Control Act required the Federal Reserve to make its center clearing services available to all financial institutions and required it to price those services. The Federal Reserve now processes 1/3 of all paper checks, and around 80% of all ACH transactions.

Acquirer

Any bank, financial institution, and public or private company that maintains a seller's credit card processing relationship and receives all transactions from the seller to be distributed to the credit card issuing banks.

Acquirer Payment Gateway

System operated by an acquirer for the purpose of providing electronic commerce services to merchants who interface with the acquirer for authorizing and capturing transactions.

Address Verification (AVS)

A service provided in which the seller verifies the cardholder's address with the Issuing Bank. Address Verification does not guarantee that a transaction is valid. The codes are as follows:

Y	**Exact Match**	**Street and zip code match**
A	**Partial Match**	**Street matches, zip does not**
Z	**Partial Match**	**Zip code match, address does not match**
N	**No Match**	**Nothing matches**
U	**Unavailable**	**Information is unavailable**
R	**Retry**	**Issuer auth system is unavailable, retry later.**

Agent Bank

A bank that participates in another bank's card issuing program. This bank turns over the merchant applications to the processing bank and acts as a depository for merchants.

American Express

An organization that issues cards and acquires transactions, unlike Visa and MasterCard, which are bank associations.

Approval Code

A code issued by the card-issuing bank allowing a sale to be charged against the cardholder's account. Approvals are requested via an authorization.

Associations

Visa and MasterCard are members of the associations. They establish and administer rule and regulations for the credit card industry.

Authorization

The request to charge a cardholder for goods or services. Authorization must be settled in order to post the authorization to the cardholder's account. If not processed within a certain time frame authorizations will be cancelled. The time period is usually from 3-7 days.

Auth Only (Pre Auth)

A transaction in which the merchant does not intend to charge the cardholder until a later date. For instance if the merchant is running a bar tab he may want to see if a $100.00 charge is good, so he would obtain a pre auth to verify an open to buy.

Average Ticket

The average amount of each sale made by a merchant.

B2B

Business-to-business commerce.

Basis Point

One one-hundredth of a percent (.0001). Discount rates are expressed as basis points.

Batch

A collection of credit card transactions saved for submitting at one time, usually each day. Merchants who do not have real-time verification systems must submit their transactions manually through a POS terminal. Batch fees are charged to encourage a merchant to submit his or her transactions at one time, rather than throughout the day.

Batch ID

Once a batch is settled, it receives a batch ID. Every transaction in the batch shares this ID. If a transaction does not have a batch ID associated with it, the transaction has not been settled.

Batch Processing

A type of data processing where related transactions are transmitted as a group for processing.

Batch Settlement

An electronic bookkeeping procedure that causes all funds from captured transactions to be routed to the merchant's acquiring bank for deposit. Batches are settled from the terminal either manually or on auto-close.

BIN (Bank Identification Number)

The 6-digit range of numbers assigned by the Federal Bureau of Standards and used by card companies to identify their financial transactions. The Discover® range begins with '6' (6xxxxx), the MasterCard® range begins with '5' (5xxxxx), and the Visa® range begins with '4' (4xxxxx).

Bundled Rate

A discount rate that includes communications costs as well as transaction fees. Also referred to as a flat rate.

CDPD (Cellular Digital Package Data)

Wireless network owned by At&t and Verizon.

Card Validation Code (CVC)

This is a tool is used by MasterCard to prevent fraud. It requires that a number usually located on the back of the card above the magstripe be entered in to verify the card is present and authentic.

Card Verification Value (CVV or CVV2)

Card Verification Value Service is used by Visa and is a three digit security number indent printed on the back of Visa cards to help validate two things: that the customer has a genuine visa card in their possession and that the card account is legitimate.

CVV – Procedure

Each transaction needs to include one of the following from the merchant:

1. CVV is intentionally not provided.
2. CVV is present.
3. CVV is present but illegible.
4. Cardholder states that no CVV value is on the card.

The CVV Response from the bank will be:

1. CVV match.
2. CVV no match.
3. Not Processed.
4. Merchant has indicated the CVV is not on the card.
5. Card Issuer is not certified and/or on the system.

Capture

The act of creating an electronic transaction. Captured transactions are ready for settlement.

Card Issuing Bank

The financial institution that issues a credit card to a consumer. They are responsible for billing and collections to the cardholder.

Card-not-present

A merchant environment where the cardholder (and the card) is not physically present at the time of purchase. Typical card-not-present transactions take place in businesses focused on mail order/telephone order, business-to-business, and Internet-based transactions.

Card-present

A situation where the cardholder (and the card) is physically present at the time of purchase.

Chargeback

The act of reversing a sale made by the merchant. This can happen for many reasons including procedural and fraud. The process usually begins with a dispute from the cardholder.

Chargeback Period

The number of days a merchant can be chargeback.

Check Conversion or Truncation

The process of scanning and electronically transmitting the MICR line of a check from the POS terminal to the paying bank for settlement. The check is processed similar to a credit card transaction and is ACH debited from the customer’s checking account.

Check Guarantee

Service that guarantees the amount of a check written to the merchant. Check guarantee companies will set the merchant's check limit and provide approval codes. If the check is returned the check guarantee company will refund back to the merchant the amount of the bad check. This service can usually be programmed on the merchant credit card terminal.

Check Reader

A hardware device that the check is passed thru in order to read the routing and account number and transmitted to the terminal for processing. Check readers are used to decreased user error and speed up processing time.

Check Verification

A service that verifies that the check writer has no outstanding bad checks in their database. If the check is returned the merchant is responsible for collecting the insufficient check.

Clearing

The exchange of data between the Acquirer and Issuer. This data is then posted to the cardholder account and reconciliation takes place.

Close Batch

The process by which transactions from the merchant are sent to the processor for payment.

Code Division Multiple Access (CDMA)

This is a popular wireless network to run transactions. This is maintained by Sprint and Verizon.

Code "10" Authorization:

This is a voice authorization code for Visa that the merchant may initiate when they suspect a card is stolen or fake, or when a customer is acting suspiciously.

Credit or Return

A return of funds posted by the merchant back to the cardholder. These funds will be taken from the merchant's bank account and posted by to the cardholder's account.

Credit Grade

The measure of a customer or businesses credit worthiness. This will determine your lease funding factor. Normal grades are usually A,B,C,D and E. Check with your leasing company for grading criteria and grades.

DUKPT

Derived Unique Key Per Transaction. Pin pad key management method.

Debit (On-line)

An ATM card used to purchase goods, services or obtain cash. The amount is debited from the cardholder's deposit account at their bank. Requires a PIN (personal identification number) for use.

Debit (Off-line)

An ATM card used to purchase goods or services. The amount is debited from the cardholder's deposit account at their bank. DOES NOT require a PIN (personal identification number) for use. These are called a check cards.

Decline

A response from the issuing bank that they will not approve the transaction.

Digital Certificate

A data file that contains information specific and unique to the certificate's owner. The certificates are issued by third-party certification authorities. When you receive the digital certificate from a customer, you contact the certification authority to unscramble the file, and verify the identity of the sender.

Discount rate

This is the percentage of the total transaction amount that is charged to the merchant to accept the credit card sale. Discount rates vary depending on the type of business and how the card is accepted. Discount rate includes dues and assessments and interchange.

Draft/Sales Draft:

A record (usually paper) used to document that goods or services were purchased.

Electronic Benefits Transfer (EBT)

The electronic transfer of insurance, food program or state benefits.

Electronic Check Conversion (ECC)

This is the process of accepting a paper check and converting it to an electronic transaction similar to a credit card transaction.

Electronic Check Council (Also ECC)

A program of NACHA, the ECC designs, proposes and monitors pilot programs for electronic payment services that enable the conversion of paper checks to electronic entries conveniently, reliably, securely and at an affordable cost. ECC also provides information on check conversion, as well as legal and regulatory matters.

Electronic Check Imaging

The process where the retailer can scan, capture and store an exact image of the consumer's check, enabling it to be downloaded should the need arise due to a returned ACH.

Electronic Draft Capture (EDC)

Entering and processing the sales drafts by electronic means. In online payment schemes, capture is used to denote the electronic deposit of the sales draft with the acquiring bank. System in which the transaction data is captured at the merchant location for processing and storage. The storage of information in a terminal's memory to be forwarded to a host computer at a later time. Process of electronically authorizing, capturing and settling a credit card transaction.

Electronic Funds Transfer (EFT)

Electronic Funds Transfer is the transfer of funds from one bank account to another bank account utilizing the ACH Network.

Europay, MasterCard, Visa (EMV)

Standard developed to allow cross payments and interoperability between Europe and MasterCard and Visa.

Fair Market Value (FMV)

The worth of a product at any given time in the marketplace. Refers to the fair market value at the end of a lease term. Fair market value is usually determined by a set formula provided by the lease company. This is the amount the merchant will pay to own the equipment at the end of the lease term.

Force
A transaction from which the merchant received a voice authorization. This allows the merchant to post the sale and settle the transaction. Also known as a post authorization.

Gateway or Payment Gateway

A payment gateway is a combination of hardware and software that provides merchants with the ability to perform real-time credit card authorizations from a website over the Internet. It's the link between a merchant website and the processor.

General Packet Radio Division (GPRS)

GPRS is used by a GSM phone. This service is sold by AT&T (cingular network) and Verizon. The most commonly used technology for wireless devices.

Gift Card

A prepaid card that is loaded with a specific amount that the cardholder can spend at the sponsoring retailer.

Global System for Mobile Communication (GSM)

Digital or PCS standard used primarily in Europe and Asia.

High Risk

A merchant that is considered a high risk based upon the credit, product, method, ticket size or volume. Examples of high-risk merchants are telemarketing, adult and travel related industries.

Host Capture

Type of transaction capture where the transaction information is stored at the processor's host computer system. Settle occurs at the processor level.

Host Computer

The computer system located at the processor that is dialed for authorization and settlement.

Independent Sales Organization (ISO)

ISOs act as a third party between the merchant and the acquiring bank. ISOs must register with Visa/MasterCard.

Industry Service Provider (ISP)

Independent companies who offer credit card processing services to merchant banks (i.e., FDR, NDC, and VISANET).

Imprint

A physical impression of the customer's credit card. This proves that the card was present when the sale was made. The imprint is made with a device called an imprinter.

Note: An imprint can be created electronically by using a magnetic-stripe-reading terminal at the point-of-sale.

Interchange

The exchange of debit and credit transaction data between merchant banks and cardholder banks based on an agreement (governed by BASE II [VISA] or INET [MasterCard]) between the participants. The fees charged by the Issuer to the Acquirer.

Issuer

A bank that issues credit cards to consumers.

Lease

A contract between a lessor (lease company) and lessee (merchant) allowing the lessee to use the equipment for a specified time period.

Lease Factor

A number that is used to compute the gross funding amount of a lease. Factors are based upon lease term and credit rating of the merchant.

Lessee

The renter of the property described in the lease (the merchant).

Lessor

The owner or controller of the equipment being leased (lease company).

Loss Destruction Waiver (L&D Waiver)

A stipulation in the lease indicating that the lease company will cover the equipment if it is lost or damaged. There is an additional monthly fee associated with the L&D waiver.

Loyalty Card

A retailer or brand specific card that has cardholder benefits used to build brand or store loyalty. Cardholders are usually given an award or discount based upon number of visits or dollars spent.

Magnetic Ink Character Recognition (MICR)

The row of numbers printed at the bottom of a check that identifies the financial institution, account number, and check number. A check's MICR line can be scanned into a MICR reader, which translates it into a format that can be sent electronically.

Magnetic Stripe

A stripe on the back of a credit card that contains magnetically encoded cardholder information. The name of the cardholder is stored on Track I. The account number and expiration data are stored on Track II.

Manual Entry

Cardholder credit card information that is entered manually rather than swiped through the credit card terminal.

Mail Order/ Telephone Order (MOTO)

A type of payment card transaction where the order and payment information is transmitted to the merchant either by mail or by telephone. This a card not-present transaction.

Member Alert to Control High-Risk (MATCH)

System used to track merchants in order to manage risk.

Member Bank

A financial institution that is a member of Visa and/or MasterCard International. They are licensed to issue cards and/or accept merchant drafts.

Merchant

A business that accepts credit cards for goods or services.

Merchant Agreement

The written contractual agreement between a merchant and processor/acquirer containing their respective rights, duties, and warranties with respect to the acceptance of credit cards.

Merchant Identification Number (MID)

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

Merchant Statement

A summary produced and mailed at specified intervals, usually monthly, which details debits and credits to the merchant depository account.

MERIT

Qualification levels for MasterCard transactions. Standard, Merit I, Merit III, Merit III – being the highest rate.

National Automated Clearing House Association (NACHA)

The National Automated Clearing House Association is the chief rule making and interpretation body of the ACH. NACHA is the cooperative governing body for 36 regional ACH associations. www.nacha.org

Non-Qualified

A broad term that describes a transaction that did not interchange at the best rate because it was entered manually, not settled in a timely manner, or the data set required for the best interchange was not provided.

Offline

Mode when the merchant is not connected to the processor.

Open to Buy

The amount the cardholder has available on their credit card.

Originator

A company or other business entity that creates entries for introduction into the ACH network. For example, a billing company produces debit entries from customers' financial institution accounts that have authorized direct payment for products and services.

Payment Card Industry Data Security Standard (PCI DSS)

A set of twelve high level requirements and more than 230 sub-requirements that detail the way in which each objective should be met. This is the guide to avoid security breaches and cardholder compromise.

Personal Communication System (PCS)

Digital wireless communication system that operates on a different frequency range. Used by sprint.

Personal Digital Assistant (PDA)

Hand held digital assistant.

Personal Identification Number (PIN)

Personal Identification Number used by a cardholder to authenticate card ownership for ATM or debit card transactions. The cardholder enters his/her PIN into a PIN pad. The PIN is required to complete an ATM/debit card transaction.

Pin Entry Devices (PED)

A device used to enter a customer pin number.

Point of Sale (POS)

The time and place a sale takes place. Also refers to the devices used to transmit the credit card transaction.

Pre-Auth

The process of authorizing a card and reserving funds against the open to buy before a service is rendered by the merchant.

Pre-Notification

Prior to the initiation of the first ACH entry to an ACH receiver or the ACH receiver's account with an RDFI, an ACH originator may, at its option, deliver or send a pre-notification through an ODFI to its ACH operator for transmittal to the appropriate RDFI. The pre-notification provides notice to the RDFI that the originator intends to initiate one or more entries to that receiver's account in accordance to the receiver's authorization.

Private Label Card

A card that can be used only in a specific merchant's store.

Processor

A large data center that processes credit card transactions and settles funds to merchants. A processor connects to the merchant on behalf of an acquirer via a gateway or POS system to process payments electronically. Processors edit and format messages and switch to bankcard networks. They provide files for clearing and settlement and other value-added services.

Quick Service Restaurant (QSR)

This is a special qualification by Visa/MasterCard. Usually for establishments where the average ticket is below $25.00. In this case the merchant has no chargeback liability or signature requirements.

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, the type of industry, specific information, etc.

Radio Frequency Identification (RFID)

Customer card data is transferred via a chip/antenna on the credit card to the payment terminal, i.e. ExxonMobil SpeedPass, paypass.

Receipt

A hard copy of the description of the transaction that took place.

Receiver

A consumer, customer, employee, or business that has authorized ACH payments by Direct Deposit or Direct Payment to be applied against a depository account.

Receiving Depository Financial Institution (RDFI)
A financial institution that provides depository account services to consumers, employees, and businesses and accepts electronic debits and credits.

Recurring Payment (RP)

A transaction authorized by the cardholder to occur for a specific amount at a specific time. For example, a monthly health club membership.

Return

A sale that is being credited back to the cardholder.

Retrieval Request

A request from a cardholder's bank for information about a charge, which is being disputed. Retrieval requests usually precede a chargeback.

SET

Secure Electronic Transaction, a standard that will enable secure credit card transactions on the Internet. SET will enable merchants to verify that buyers are who they claim to be.

SSL

Secure Socket Layer. A method of encryptions to secure information traveling over the Internet. SSL is now the predominant security protocol for online transactions. Messages between the merchant's server and the consumer's browser are automatically encrypted (scrambled) when sent and then decrypted (unscrambled) when received.

Settlement
The process of transferring funds for sales and credits between Acquirers and Issuers, including the final debiting of a cardholder's account and crediting a seller's account.

Shopping Cart

A software program used for Internet websites. The shopping cart totals up orders, tax, add shipping costs and transmit information to the merchant's payment gateway in order to process the sale.

Smart Card

A plastic card with an embedded microchip that can be loaded with data and used for telephone calling, electronic cash payments, or other applications.

Split Funding

A funding arrangement in which the lease company pays the equipment vendor for the leased equipment when the lease is funded.

Standard Industry Codes (SIC)

Special numbers assigned by the Card Associations to Seller types for identification and tracking purposes. MasterCard® uses MCC (Seller Category Code), while Visa® uses SIC (Standard Industry Codes).

Standard Industrial Classification

A federally designed standard system of numerical encoding by type of industry. These codes are four digit numbers used to identify business type.

Surcharges

Any additional charges to a merchant's standard processing fees. They are a result of non-qualified transactions of different communications methods.

Suspended Batch

A state in which a batch of transactions is not released to interchange because of problems noticed by the host risk system. Requires human intervention to fix the problem and settle the batch.

Swiped Card

Credit card information that is transferred by swiping or sliding the credit card through a card reader. Swiped cards are used in retail and other card-present situations. The information magnetically encoded in the magnetic stripe includes secret data that helps validate the card.

Terminated Merchant File (TMF)

Terminated Merchant File. This is a file that Visa and MasterCard contribute to in order to keep track of merchants that have funds due, excessive chargebacks, or have committed fraud.

Terminal ID (TID)

An identification number assigned to a terminal which, when sent to the download computer, identifies a group of terminal specific parameters to be sent along with the application program.

Ticket Only

A sale transaction for which a voice authorization is obtained.

Terminal

The device by which a transaction is transmitted to the acquiring bank.

Transaction Fee

A fee charged for each transaction processed by the merchant. This is in addition to the percentage discount fees.

Transaction

An act between a seller and a cardholder that results in either a paper or an electronic representation of the cardholder's promise to pay for goods or services received from the act. The action between a cardholder and a merchant that results in financial activity between the merchant and cardholder's account.

Travel and Entertainment Card (T&E)

Credit cards that typically require payment in full each month, e.g. American Express, Diner's Club, and Carte Blanche.

Triple DES (3DES)

New data encryption standard for pin pads, POS devices and ATMs adopted by the card associations.

Truncation

In ACH it normally refers to stopping or truncating a paper check as in POS or lockbox check truncation and turning that paper check into an electronic item.

Value Added Reseller (VAR)

Third party, which enhances or modifies existing hardware or software, adding value to the services provided by the processor or acquirer

Virtual Terminal

A web based credit card terminal that merchants can process sales through from any location that they have Internet access from.

Verification

The point in which the lease company verbally verifies (confirms) with the merchant that the equipment has been delivered and that they understand the lease terms in full.

VisaNet

The visa authorization and settlement systems.

Voice Authorization

A card authorization acquired via the telephone. If the transaction is approved, the merchant is provided with an authorization code (AUTHCODE) for the transaction.

Void

The reversal of an approved transaction, which has been authorized but not settled. Settled transactions require processing of a credit in order to be reversed. A void does not remove any hold on the customer’s open-to-buy.

Commonly Used Acronyms

3DES	**Triple DES**
ACH	**Automated Clearing House**
AVS	**Address Verification System**
B2B	**Business to Business**
BIN	**Bank Identification Number**
CDMA	**Cellular Division Mutliple**
CDPD	**Code Division Multiple Access**
CVC	**Card Validation Code - MasterCard**
CVV2	**Card Verification Value 2 - Visa**
DUKPT	**Derived Unique Key Per Transaction.**
EBT	**Electronic Benefits Transfer**
ECC	**Electronic Check Conversion**
EDC	**Electronic Draft Capture.**
EMV	**Europay, MasterCard, Visa**
EFT	**Electronic Funds Transfer**
ETA	**Electronic Transactions Association**
FMV	**Fair Market Value**
GPRS	**General Packet Radio Service**
GSM	**Global System for Mobile Comm.**
ISO	**Independent Sales Organization**
ISP	**Industry Service Provider and Internet Service Provider**
L&D Waiver	**Loss and Destruction Waiver**
MICR	**Magnetic Ink Character Recognition**
MID	**Merchant Identification Number**
MOTO	**Mail Order Telephone Order**
MSP	**Merchant Service Provider**
NACHA	**National Automated Clearing House Association**
PAN	**Primary Account Numbers**
PCI	**Payment Card Industry**
PCI DSS	**Payment Card Industry Data Security Standard**
PCI SSC	**Payment Card Industry Security Standards Council**
PCS	**Personal Communication System**
PED	**Pin Entry Devices**
PIN	**Personal Identification Number**
POS	**Point of Sale**
QSR	**Quick Service Restaurant**
RFID	**Radio Frequency Identification**
RDFI	**Receiving Depository Financial Institution**
RP	**Recurring Payment**
SET	**Secure Electronic Transaction**
SSL	**Secure Socket Layer**

SIC	**Standard Industry Codes**
TMF	**Terminated Merchant File**
TID	**Terminal Identification Number**
T&E	**Travel and Entertainment**
VAR	**Value Added Reseller**