



Training Manual

SECTION 12: FAQ'S GLOSSARY OF TERMS



Merchant Service Group, Inc.
With every transaction, every service,
every product, we put your needs first!

Merchant Service Group, Inc. | 6901 Jericho Turnpike, Suite 240, Syosset, NY 11791
Toll Free: (866) 403-0294 | Fax: (800) 861-1442 | Email: agents@gomsgagents.com

Glossary of Terms

ACQUIRING BANK (ACQUIRER)

A principal member of Visa® and MasterCard® that acquires data relating to transactions from a merchant or card acceptor for processing. All merchant accounts must be sponsored by a bank that is a member of the card associations (Visa® and MasterCard®). They are responsible for depositing the funds into your checking account.

ADDRESS VERIFICATION SERVICE (AVS)

AVS is a tool for merchants to reduce the risk associated with card not present transactions, such as mail order, telephone order or Internet transactions. It is a system built into the authorization process that enables a merchant to verify a United States billing address of a customer to the same billing address the Issuing bank has on file.

ADJUSTMENT

An adjustment is initiated by the acquirer 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.

American Express®

A company that specializes in the issuance of Travel and Entertainment (T&E) credit cards. American Express® services the cards that they issue. They are their own transaction processor with their own processing network.

APPROVAL CODE

The 6-digit code returned to the merchant upon approving a transaction.

ARBITRATION

The procedure used to determine responsibility for a chargeback-related dispute between two members. Visa® or MasterCard® resolves the dispute between members and decides responsibility for the fines which may be assessed to the participating members.

AUTHORIZATION

The process whereby a transaction is approved by an issuing bank, authorized agent, or Visa®/MasterCard® on behalf of that issuer, before the transaction is completed by the merchant via telephone or terminal. An approved authorization places a hold against the cardholder's credit limit for the dollar amount approved. Most authorizations have a life cycle of three to five days, then the hold against the cardholder's credit limit is released. A transaction, which settles, will usually match an approved authorization amount and clear it from the authorization status, thus removing the hold against a cardholder's credit limit.

The Authorization process is different for each Merchant type. Different information must be sent depending on whether you are a restaurant, retail establishment, hotel, or mail order/telephone order (MOTO) Merchant. In the case of MOTO, since the transaction does not take place face-to-face, address verification(AVS) is used to guard against fraud.

AUTHORIZATION CODE

A code that indicates approval or denial for an authorization request. The code is returned in the authorization response message and is usually recorded on the transaction receipt as proof of authorization.

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AVERAGE TICKET

The average dollar amount of sales drafts processed within a given time period. Calculate the average ticket by taking the total dollar amount of sales drafts processed and dividing it by the total number of sales drafts processed.

AUTOMATED CLEARING HOUSE (ACH)

A group of processing institutions linked by a computer network to exchange (clear and settle) electronic payment transactions. They electronically process payment of funds and government securities among financial institutions and businesses.

BANKCARD

A financial transaction card issued by a bank or other financial institution; examples are Visa® and MasterCard® credit or debit cards.

BANK CARD ASSOCIATION

A group of banks formed either for the purpose of sponsoring a program, (Visa® or MasterCard®) or to use common processing and administrative facilities.

BANK IDENTIFICATION NUMBER (BIN)

The digit identification number assigned to both cardholder and merchant banks.

BASIS POINT

Basis points are the increments by which discount rates are calculated. 1 basis point is equivalent to .01% or .0001.

BATCH

A collection of credit card transactions saved for submission at one time.

BATCH ID

Once a batch is settled, it receives a batch ID. Each transaction in the batch shares this ID.

BIN

See Bank Identification Number

CAPTURE

Converting the authorization amount into a billable transaction record within a Batch. Transactions cannot be captured unless previously authorized, and authorizations cannot be captured until the goods or services have been shipped or transmitted to the consumer.

CARDHOLDER

Any person who holds a payment card account (bankcard or otherwise). Person that uses a credit card to purchase goods and services.

CARD PRESENT

A transaction where the customer's card is physically present and evidenced by the action of swiping a card through a terminal or by an imprinted and signed credit card draft.

CLEARING

The process of exchanging financial transaction details between an acquirer and an issuer to

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facilitate posting of a cardholder's account and reconciliation of a customer's settlement position.

CARD ASSOCIATIONS

These are organizations such as Visa® and MasterCard® that, along with the government, make the rules in regard to acceptance of credit cards. These rules include fees that are charged for interchange. American Express® and Discover are different cases. They are both the issuer and acceptors, and Merchants must have a separate agreement with them. This may change as current litigation is resolved.

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

A transaction where the card is not present at the time of the transaction such as a mail order, telephone order, or Internet order. Credit card data is manually entered into the terminal, as opposed to swiping a credit card's magnetic stripe through the terminal.

CARD READER

Any device that is capable of reading encoding on plastic cards. See Magnetic Stripe Reader

CARD VERIFICATION CODE (CVC)

A unique check value encoded on the magnetic stripe of a card to validate card information during the authorization process. The card verification value is calculated from the data encoded on the magnetic stripe using a secure cryptographic process. This method is used by MasterCard®.

CARD VERIFICATION VALUE (CVV)

A unique check value encoded on the magnetic stripe of a card to validate card information during the authorization process. The card verification value is calculated from the data encoded on the magnetic stripe using a secure cryptographic process. This method is used by Visa®.

CASH ADVANCE

A cash loan obtained by a cardholder through presentation of his/her credit card at a bank office or automated teller machine.

CASH DISBURSEMENT

A transaction that is posted to a cardholder's monetary accounts when they receive cash from a teller, an ATM, or by mail.

CASH RESERVE ACCOUNT DAYS

The number of days as indicated in the Merchant Bankcard Services Agreement that funds will be set aside in the Merchant Reserve Account.

CASH RESERVE AMOUNT PERCENTAGE

The percentage of settled transactions set aside in the Merchant Reserve Account.

CHARGEBACK

The return of a transaction from the cardholder's bank generated from a cardholder's dispute or resulting from the authorization process.

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CHARGEBACK PERIOD

The number of calendar days from the endorsement date of a transaction receipt (or processing date, as applicable), during which time the issuer may exercise a chargeback right.

CHARGEBACK RATIO

The amount of sale transactions divided by the amount of chargebacks received in any given month. This is calculated using either the item count of both or the dollar amount of both.

CHECK DIGIT VERIFICATION

An algorithm that is performed on the primary account number (PAN) to ensure that numbers were not transposed or miskeyed. The result is the last position of the account number, or check digit. It is performed to validate a credit card number. Many card issuers use the MOD-10 Check Digit routine.

CHECK VERIFICATION

A system providing merchants with varying degrees of insurance against bad check losses by verifying the authenticity of the check and/or its presenter by using a check processing organization.

CLOSE BATCH

The process of sending the batch for settlement.

CODE 10

A call which allows the merchant to inform the authorization center of a possible fraudulent transaction without alerting the cardholder (or other person presenting the credit card).

COMMERCIAL CARDS

This is the formal name for the following three types of plastic cards: Corporate Card, Purchase Card, and Business Card.

A Corporate card is usually issued to the employees of a corporation, where the corporation assumes all liability for the card's usage. This is usually issued to larger corporations.

The Purchase card is 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.

The Business card is similar to the Corporate card, but issued to a business with a few employees and where each employee is responsible for their purchases.

COMPLIANCE

A process where Visa® or MasterCard® resolves disputes between members arising from violations of the International Operating Regulations.

CREDIT/RETURN

Return of goods or services initiated by the cardholder. Merchant refunds ("credits") the cardholder's DDA account via the terminal.

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CREDIT LIMIT

This is a dollar amount assigned to a cardholder as the limit of credit that they are approved to borrow. Credit card purchases are actually loans to the cardholder by the issuer.

DATA CAPTURE

Also known as electronic draft capture (EDC) or draft capture. A data processing term for collecting, formatting, and storing data in computer memory according to predefined fields, for example, customer name, account number, and dollar amount of purchase.

DBA

Doing Business As - the trading name of a merchant which appears on business signs, customer literature, etc.

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 CARD

A financial instrument used by consumers in place of cash. Unlike a credit card, debit card purchases are automatically deducted from the cardholder's account.

DEDICATED LINE

A communications circuit between two endpoints that is permanently connected and always available. Also called a leased line or private line.

DEMAND DEPOSIT ACCOUNT (DDA)

A checking account, which must be linked to a merchant processing account to deposit funds to and debit funds from as needed.

DEPOSIT

Process of transmitting a batch of transactions from the merchant to the acquiring institution in preparation for settlement.

DIGITAL CERTIFICATE

An authentication that confirms a website is registered to the correct individual(s) through a thorough validation process.

DISCOUNT RATE

The percentage of sales amounts that the bankcard acquirer or T&E card issuer charges the merchant for the settlement of the transactions.

ELECTRONIC BENEFITS TRANSFER

Through EBT, USDA Food Stamps and certain government benefits will be converted from paper checks and coupons to secure debit cards.

ELECTRONIC COMMERCE

Sale of goods or services over the Internet.

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ELECTRONIC COMMERCE TRANSACTION

A transaction conducted over the Internet or other network where a cardholder enters card data and transmits the data. This includes email, electronic order forms, and interactive websites.

ELECTRONIC CREDIT APPLICATION

A credit application that is transmitted electronically to a credit evaluation company (such as Equifax) for approval recommendations.

ELECTRONIC DRAFT CAPTURE (EDC)

A method of processing bankcard transactions electronically via a Point of Sale (POS) terminal or other compatible equipment. The transaction information (cardholder account number, transaction amount, transaction date, authorization number) is captured electronically and housed in the POS terminal until the terminal is settled.

ELECTRONIC FUNDS TRANSFER (EFT)

Process of electronically transferring funds to or from an account. This evolved to eliminate the costly and time consuming paper method.

ENCRYPTION

The technique of modifying a known bit stream on a transmission line so that it appears to be a random sequence of bits to an unauthorized observer. It often is done automatically in the terminal or computer before data is transmitted.

EXPIRED CARD

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

FOOTER

Text printed at the bottom of a sales draft. A merchant can customize the footer, with phrases such as, Have a Nice Day, No Refunds, Thank You for Shopping With Us, etc.

FRAUDULENT USER

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

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.

FULFILLMENT

The satisfaction of a retrieval request. The acquirer supplies the issuer with the original slip, a legible reproduction thereof, or a substitute draft if applicable. The fulfillment record confirms the completion of that action and effects reimbursement to the acquirer. See Retrieval Request.

HOLOGRAM

A laser-created photograph that produces a three dimensional image used to make counterfeiting plastic cards more difficult.

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HOST CAPTURE

Method where transaction data is stored in batches on the host computer at the third-party transaction processor.

IMPRINTER

A device used to imprint the embossed lines of a plastic card on a paper transaction sales draft.

INDEPENDENT SALES ORGANIZATION (ISO)

A non-member company contracted by members of Visa® or MasterCard® to provide merchant or cardholder servicing.

INQUIRY FEE

A fee imposed for all card types (MasterCard®, Visa®, American Express®, Diners Club, JCB, etc.) each time an authorization is requested and / or a batch is closed.

INTERCHANGE

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

INTERCHANGE FEE

The amount paid by the merchant bank (acquirer) to the cardholder institution (issuer) on each sales transaction. Interchange rates vary according to the type of merchant (retail, travel and entertainment, mail order) and the method of processing (paper, EDC).

INTERNET SERVICE PROVIDER (ISP)

Internet Service Providers (ISPs) are the Web Site Hosting companies that provide a home for merchant's web sites. They typically resell and/or support the services of a Secure Gateway Provider and/or ISO or Agent or Bank.

ISSUING BANK

The financial institution that issues a card to a consumer.

JCB CARD

Card issued by JCB (Japan Credit Bureau) International Credit Card Company, Ltd.

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.

MAGNETIC-STRIPE READER

A device that reads information from the magnetic stripe and transmits that information to a transaction processor or computer terminal. Also referred to as card reader.

MAGNETIC SWIPES

There are two types of terminal readers for magnetic swipe transactions: Track 1 or Track 2 readers. Terminals with a Track 1 reader will scan the magnetic bar code and obtain the cardholder's name and address. Track 2 terminal readers scan the magnetic bar code for the cardholder's account number and card expiration date.

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MAIL/PHONE ORDER MERCHANT (MOTO)

A merchant that transacts business by mail or phone.

MANUAL CLOSE

A batch close that must be initiated by the merchant on a daily basis, as opposed to an auto close at a pre-set time.

MasterCard®

MasterCard® International Inc., and all of its subsidiaries and affiliates.

MasterCard® ACQUIRER

A member that signs a MasterCard® merchant or disburses currency to a MasterCard® cardholder in a cash disbursement, and directly or indirectly enters the resulting transaction receipt into interchange.

MasterCard® ISSUER

A member that issues MasterCard® cards.

MEMBER

An entity that is a member of Visa® or MasterCard® and refers to acquirer, associate, ATM acquirer, charter member, disbursing member, electron acquirer, electron issuer, group member, issuer, merchant bank, participant, principal, Visa® or MasterCard® acquirer, and Visa® or MasterCard® issuer.

MERCHANT

Any business that accepts as payment Visa® and/or MasterCard® bankcards.

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 CATEGORY CODE

Four-digit classification code assigned to the merchant to identify the merchant's principal profession and type of processing, authorization, and settlement.

MERCHANT NUMBER

A series or group of digits that uniquely identifies the merchant for account and billing purposes.

MERCHANT SERVICES PROVIDER (MSP)

An organization that quotes a discount rate to the merchant and handles the setup with the processors. An MSP can be a merchant bank or an independent sales organization for a merchant bank, called an ISO.

MERCHANT STATEMENT

A summary of merchant transactions which is produced and sent to a merchant on a monthly basis.

MERIT I, II, III

MasterCard®'s latest series of regulations that are similar to CPS requirements by Visa®.

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Requires 100% issuer-controlled authorizations and minimal transaction clearance periods.

MID-QUALIFIED TRANSACTION FEES

Bankcard sales transactions that do not meet set Visa®/MasterCard® criteria for that particular merchant and are processed at a higher interchange rate. An example of this is a retail merchant “card present” that processes a “card-not-present” transaction (or manually enters the card data rather than swiping the magnetic stripe through the terminal, and includes the AVS information.) The merchant will pay the difference between what they should have paid for if it was a “card present” “swiped” transaction and what they actually qualified for as a “card not present” transaction with AVS. This difference is called mid-qualified interchange fees

MONTHLY BANKCARD VOLUME

The total dollar amount of MasterCard® and Visa® transactions approved to be processed through a merchant account in any given month.

MONTHLY MINIMUM FEE

A minimum amount the merchant must pay the Merchant Service Provider every month. It does not apply if the combination of Transaction Fees and Discount Fees exceeds the minimum amount.

NON-QUALIFIED TRANSACTION FEES

Bankcard sales transactions that do not meet set Visa®/MasterCard® criteria for that particular merchant and are processed at a higher interchange rate. An example of this is a retail merchant “card present” that processes a “card-not-present” transaction (or manually enters the card data rather than swiping the magnetic stripe through the terminal, and does not include the AVS information.) The merchant will pay the difference between what they should have paid for if it was a “card present” “swiped” transaction and what they actually qualified for as a “card not present” transaction. This difference is called non-qualified interchange fees. The use of corporate cards and foreign cards also incur non-qualified interchange fees.

OFFLINE

This refers to requesting an authorization non-electronically.

OFFLINE DEBIT

This refers to a debit transaction that gets treated the same as a credit card transaction. It will not debit the cardholder's account immediately, but will be processed through a normal credit card venue settlement.

ONLINE

A method of requesting an authorization through a communications network other than voice, to an issuer, an authorizing processor, or stand-in processor.

ONLINE DEBIT

This refers to a debit transaction that is authorized with the use of a PIN and a PIN pad. No signature is needed for this type of transaction. Online debit transactions are charged a flat fee instead of a combined discount rate and transaction fee.

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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.)

PAYMENT GATEWAY also see Secure Payment Gateway

The transaction processing vehicle that receives encrypted transactions from the merchant server, authenticates the merchant, decrypts the payment information, and transmits the data to the authorization and settlement networks.

PIN (Personal Identification Number)

A PIN is a personal identification number used by a cardholder to authenticate card ownership for ATM or debit card transactions. The cardholder enters their PIN into a PIN pad. The PIN is required to complete an ATM/Debit card transaction.

PIN PAD

A numeric key pad, which is connected to a terminal or POS, used by the cardholder to enter the PIN and/or other information.

POINT OF SALE (POS)

Location in a merchant establishment at which sale is consummated by payment for goods or services received. Can also refer to the direct debit of a purchase amount to a customer's checking account.

POS SYSTEM

Point-of-sale system that processes sale and other transactions, such as an electronic cash register with specialized software.

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.

PROCESSING DATE

The date on which the transaction is processed by the acquiring bank.

PROCESSOR

A company (often a third party) that handles credit card transactions for Merchant Banks.

PURCHASING CARD

A bankcard designed for smaller business purchases made by corporations.

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, primary account number, amount, and reference number.

RECURRING TRANSACTIONS

A transaction where a cardholder has given a merchant permission to periodically charge the

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cardholder's account.

REFERRAL

A message displayed on the POS terminal when the electronic attempt for authorization is denied and must be authorized by calling the Voice Authorization Center .

REPRESENTMENT

The second stage in the chargeback process. This step includes the acquirer's response to an issuer chargeback by returning the disputed transaction to the issuer.

RESERVE ACCOUNT

Merchant funds maintained at FBBH to be utilized for any potential losses generated from a merchant account , such as unpaid chargebacks or other unpaid fees.

RETRIEVAL REQUEST

A request from the cardholder's bank to supply a copy of the sales draft usually for research of a dispute. .

REVERSAL

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

SALES DRAFT

The paper form used by the merchant and signed by the cardholder to document the transaction.

SETTLEMENT

The process by which acquirers and issuers exchange financial information and value relative to credit card sales. As the sales transaction value moves from the merchant to the acquiring bank, and then to the issuer, each party buys and sells the sales ticket. Settlement is what occurs when the acquiring bank and the issuer exchange data or funds during that function.

Settlement also means the process by which a merchant closes/balances out their terminal in order to transmit their credit card transactions.

SHOPPING CART

A piece of software installed on an online vendor's web space used to produce a shopping system. This generally means product pages, some sort of an online "basket" and a way for the customer to add, remove and modify product selections and to check out when they are done shopping.

SMART CARD

A credit or debit card containing a computer chip with memory and interactive capabilities used for identification and to store additional data about the cardholder, cardholder account, or both.

SSL

SSL stands for Secure Socket Layer. It's a protocol for transferring data between a web site user and a web site. When a web site uses SSL, data sent to and from the web space is encrypted to prevent it from being read in transit over the Internet.

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SECURE SERVER

A Secure Server uses an SSL certificate. It is generally a piece of web space that can only be dealt with by using SSL ensuring that data transferred between the web space and the browser is encrypted.

SECURE ELECTRONIC TRANSACTION (SET)

A future industry standard that will authenticate customers and merchants to ensure the safety and confidentiality of data processed over the Internet.

SECURE PAYMENT GATEWAY

Secure Payment Gateway companies help other Processors conduct secure business on the internet using Secure Socket Layer (SSL) technology. They provide a system that passes credit card data, authorization requests, and authorization responses over the Internet using encryption technology. The transaction information is sent by the Payment Gateway secure server via leased line to the credit card network where the validity of the card is checked and the availability of funds on that account is verified. An authorization code is returned via leased line to the Payment Gateway; the authorization is encrypted by the Payment Gateway and transmitted in encrypted form to the web server of the merchant, which triggers fulfillment of the order.

SETUP FEE

An initial fee charged by some Merchant Service Providers/Independent Sales Organizations for the establishment of an account and for processing and reporting tools.

STATEMENT FEE

This is a fee charged to the merchant by the bank or Merchant Service Providers/Independent Sales Organizations for preparing and sending out monthly statements and reports.

TERMINAL

A hardware device equipped with a magnetic strip reading device, that is placed at the merchant location to electronically process credit card transactions, typically used in a retail (face-face) environment. Attached to a telephone line at the merchant location, the terminal is capable of authorizing, capturing and settling credit card and ATM/Debit card transactions.

TERMINAL ID (TID)

The TID is the number assigned to a credit card transaction device, that identifies the merchant's equipment to the processor and bankcard data transport networks. A TID is also used for payment gateways and other software applications.

TERMINAL CAPTURE

Method where transaction data is stored in the POS terminal until the batch is settled.

THIRD PARTY PROCESSOR

An organization that is not an association member contracted by issuers and acquirers to provide authorizations, processing, merchant services, and cardholder services.

TRACK 1

Bank discretionary data encoded on a magnetic stripe. Includes credit card account number, card

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holder name, and expiration date.

TRACK 2

Bank discretionary data encoded on a magnetic stripe. Track 2 includes credit card account number and expiration date.

TRANSACTION

Action between a cardholder and a merchant or a cardholder and a member that results in activity on the cardholder account, for example, a purchase, cash advance, debit or credit adjustment.

TRANSACTION FEE

A small charge paid to the processing network (e.g., Visa®/MasterCard®) for use of their system, for each transaction processed.

TRANSACTION DATE

The date on which a transaction between a cardholder and a merchant, an acquirer, or a carrier, occurs.

Visa®

Visa® International Service Association and all of its subsidiaries and affiliates.

VisaNET

The systems and services, including the V.I.P. system and BASE II, through which Visa® delivers online financial processing, authorization, clearing, and settlement services to members.

VOID

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

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.

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Account number

The 16-digit account number that appears in print on the front of all valid Visa cards. The number is one of the card security features that should be checked by merchants to ensure that a card-present transaction is valid.

Acquirer

A financial institution that provides services for merchants who accept Visa cards

Address Verification Service (AVS)

AVS allows merchants that accept card-not-present transactions to compare the billing address (the address to which the card issuer sends its monthly statement for that account) given by a customer with the billing address on the card issuer's master file before shipping an order. AVS helps merchants minimize the risk of accepting fraudulent transactions in a card-not-present environment by indicating the result of the address comparison.

Authorization

The process by which a card issuer approves or declines a Visa card purchase. Authorization occurs automatically when you swipe the magnetic stripe of a payment card through a card reader. See also: Voice Authorization Center.

"Call" or "Call Center" response

A response to a merchant's authorization request indicating that the card issuer needs more information about the card or cardholder before a transaction can be approved; also called a referral response.

Card acceptance procedures

The procedures a merchant or merchant employee must follow at the point of sale to ensure a card and cardholder are valid.

Card expiration date

See Good Thru date.

Cardholder

The person to whom a Visa card is issued.

Card issuer

A financial institution that issues Visa cards.

Card-not-present

A merchant, market, or sales environment in which transactions are completed without a valid Visa card or cardholder being present. Card-not-present is used to refer to mail order, telephone order, and Internet merchants and sales environments.

Card-present

A merchant, market or sales environment in which transactions can be completed only if both a valid Visa card and cardholder are present. Card-present transactions include traditional retail-department and grocery stores, electronics stores, boutiques, etc.-cash disbursements, and self-service situations, such as gas stations and grocery stores, where cardholders use unattended payment devices.

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Card security features

The alphanumeric, pictorial, and other design elements that appear on the front and back of all valid Visa credit and debit cards. Card-present merchants must check these features when processing a transaction at the point of sale to ensure that a card is valid.

Card Verification Value 2 (CVV2)

A Visa fraud prevention system used in card-not-present transactions to ensure that the card is valid. The CVV2 is the three-digit value that is printed on the back of all Visa cards. Card-not-present merchants ask the customer for the CVV2 and submit it as part of their authorization request. For information security purposes, merchants are prohibited from storing CVV2 data.

Cardholder Information Security Program (CISP)

A Visa program that establishes data security standards, procedures, and tools for all entities-merchants, service providers, issuers, and merchant banks-that store Visa cardholder account information. CISP compliance is mandatory.

Cash disbursement

A bankcard transaction involving the payment of cash or travelers cheques to a cardholder. In general, only financial institution branches are allowed to make cash disbursements.

Chargeback

A transaction that is returned as a financial liability to a merchant bank by a card issuer, usually because of a disputed transaction. The merchant bank may then return or "charge back" the transaction to the merchant.

Code 10 call

A call made by a sales associate to the merchant's voice authorization center when the appearance of a card or the actions of a cardholder suggest the possibility of fraud. The term "Code 10" is used so calls can be made without arousing suspicion while the cardholder is present. Specially trained operators then provide assistance to point-of-sale staff on how to handle the transaction.

Copy request

A request by a card issuer to a merchant bank for a copy or facsimile of a sales receipt for a disputed transaction. Depending on where sales receipts are stored, the merchant bank either fulfills the copy request itself or forwards it to the merchant for fulfillment. A copy request is also known as a retrieval request.

Credit receipt

A receipt that documents a refund or price adjustment a merchant has made or is making to a cardholder's account; also called credit voucher

CyberSource Advanced Fraud Screen Enhanced by Visa

A real-time fraud-detection service that examines transactions generated from online stores. It estimates the level of risk associated with each transaction and provides merchants with risk scores, enabling them to more accurately identify potentially fraudulent orders.

Disclosure

Merchants are required to inform cardholders about their policies for merchandise returns, service cancellations, and refunds. How this information is conveyed, or disclosed, varies for card-present

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and card-not present merchants, but in general, disclosure must occur before a cardholder signs a receipt to complete the transaction.

"Doing Business As" (DBA)

A merchant's legal business name as differentiated from the names of a company's principals or other entity that owns or manages the business. A DBA that is significantly different from the principals' or other entity's name can result in an unrecognizable merchant name, or descriptor, on a cardholder's monthly Visa statement, which can in turn lead to potential copy requests and chargebacks.

Dove hologram (For original Visa card-Good through 2010)

A three-dimensional hologram of a dove in flight that appears on all valid Visa cards. When the card is tilted back and forth, the dove should appear to "fly." The dove hologram is one of the card security features that merchants should check to ensure a card-present transaction is valid.

Dove hologram (For updated Visa card)

A multiple-color animated dove that appears in the holographic magnetic stripe on the back of all valid updated Visa cards.

Dynamic Currency Conversion (DCC) Service

An optional service, which is facilitated by a merchant at the point of sale with either a third party agent or through its merchant bank. The DCC allows a cardholder to see the transaction amount in his or her billing currency and the merchant's pricing currency. This way, the cardholder knows exactly how much the goods or services cost, and is able to make value judgments quickly and easily.

Exception file

A list of lost, stolen, counterfeit, fraudulent, or otherwise invalid account numbers kept by individual merchants or their third-party processors. The exception file should be checked as part of the authorization process, particularly for transactions that are below a merchant's floor limit.

Firewall

A security tool that blocks access from the Internet to files on a merchant's or third-party processor's server and is used to ensure the safety of sensitive cardholder data stored on a server.

"Flying V" (For original Visa Card-Good through 2010)

The stylized, embossed "V" located to the right of the Good Thru date on all valid Visa cards. The "flying V" is one of the card security features that should be checked by merchants to ensure that a card-present transaction is valid.

Good Thru date

The date after which a bankcard is no longer valid, embossed on the front of all valid Visa cards. The Good Thru date is one of the card security features that should be checked by merchants to ensure that a card-present transaction is valid. See also: Card expiration date.

High-Risk Chargeback Monitoring Program (HRCMP)

A Visa program that notifies merchant banks when a high-risk merchant has a chargeback-to-transaction rate of over one percent.

Visa Glossary of Terms

High-risk merchant

A merchant that is at a high risk for chargebacks due to the nature of its business. As defined by Visa, high-risk merchants include direct marketers, travel services, outbound telemarketers, inbound teleservices, and betting establishments. See also: High-Risk Chargeback Monitoring Program

Internet Protocol address

A unique number that is used to represent individual computers in a network. All computers on the Internet have a unique IP address that is used to route messages to the correct destination.

Key-entered transaction

A transaction that is manually keyed into a point-of-sale device.

Magnetic stripe

The magnetic stripe on the back of all Visa cards is encoded with account information as specified in the Visa U.S.A. Inc. Operating Regulations. The stripe is "read" when a card is swiped through a POS terminal. On a valid card, the account number on the magnetic stripe matches the account number on the front of the card.

Magnetic-stripe reader

The component of a point-of-sale device that electronically reads the information on a payment card's magnetic stripe.

Mail order/telephone order (MO/TO)

A merchant, market, or sales environment in which mail or telephone sales are the primary or a major source of income. Such transactions are frequently charged to customers' bankcard accounts. See also: Card-not-present.

Member

An organization that is a member of Visa and which issues cards or signs merchants, or does both.

Merchant

A business entity that accepts Visa for payment.

Merchant agreement

The contract between a merchant and a merchant bank under which the merchant participates in the Visa payment system, accepts Visa cards for payment of goods and services, and agrees to abide by certain rules governing the acceptance and processing of Visa transactions. Merchant agreements may stipulate merchant liability with regard to chargebacks and may specify time frames within which merchants are to deposit transactions and respond to requests for information.

Merchant bank

A financial institution that enters into agreements with merchants to accept Visa cards as payment for goods and services; also called acquirers or acquiring banks.

Merchant Chargeback Monitoring Program (MCMP)

A Visa program that alerts merchant banks when one of their merchants has a chargeback-to-transaction rate of over one percent. Merchants then work with the bank to reduce their

Visa Glossary of Terms

chargeback rates to acceptable levels. Failure to reduce chargebacks can result in fines for a merchant.

Payment gateway

A system that provides services to Internet merchants for the authorization and clearing of online Visa transactions.

Pick-up response

An authorization response instructing a card-present merchant to refuse a transaction and recover the card. In all circumstances, card recovery should only be attempted if it can be done by reasonable and peaceful means.

Point-of-sale terminal (POS terminal)

The electronic device used for authorizing and processing bankcard transactions at the point of sale.

Printed number

A four-digit number that is printed below the first four digits of the printed or embossed account number on all valid Visa cards. The four-digit printed number should begin with a "4", and be the same as the first four digits of the account number above it. The printed four-digit number is one of the card security features that merchants should check to ensure that a card-present transaction is valid.

Processor

A Member, or Visa-approved non-member acting as the agent of a Member, that provides authorization, clearing, or settlement services for merchants and processors: authorizing processors, clearing processors, and V.I.P. system users. See also: VisaNet processor.

Representment

A chargeback that is rejected and returned to a card issuer by a merchant bank on the merchant's behalf. A chargeback may be re-presented, or redeposited, if the merchant or merchant bank can remedy the problem that led to the chargeback.

Sales receipt

The paper or electronic record of a bankcard transaction that a merchant submits to a merchant bank for processing and payment. In most cases, paper drafts are now generated by a merchant's POS terminal. When a merchant fills out a draft manually, it must include an imprint of the front of the card.

Signature panel (For original Visa Card-Good through 2010)

The panel for cardholders' signatures on the back of all valid Visa cards. Valid panels are white with the repeated word "VISA" printed at an angle in blue and gold. It may also contain the full or truncated account number and the threedigit CVV2, printed in reverse italics. The words "Not Valid Without Signature" or "Authorized signature" should also appear below or to the side of the panel on most Visa cards. The signature panel is one of the card security features merchants should check to ensure that a card-present transaction is valid.

Signature panel (For updated Visa card)

The panel for cardholders' signatures on the back of all valid Visa cards. A valid panel may have a horizontal stripe pattern or a custom design. The signature panel is one of the card security

Visa Glossary of Terms

features merchants should check to ensure that a card-present transaction is valid.

Skimming

The replication of account information encoded on the magnetic stripe of a valid card and its subsequent use for fraudulent transactions in which a valid authorization occurs. The account information is captured from a valid card and then re-encoded on a counterfeit card. The term "skimming" is also used to refer to any situation in which electronically transmitted or stored account data is replicated and then re-encoded on counterfeit cards or used in some other way for fraudulent transactions.

Split sales

The preparation of two or more sales receipts for the purchase of a single item, using a single cardholder account, in order to avoid authorization limits. Split sales are a violation of the Visa U.S.A. Inc. Operating Regulations.

Split tender

The use of two forms of payment, or legal tender, for a single purchase. For example, when buying a big-ticket item, a cardholder might pay half by cash or check and then put the other half on his or her Visa credit card. Individual merchants may set their own policies about whether or not to accept split-tender transactions.

Third-party processor

A non-member organization that performs transaction authorization and processing, account record keeping, and other day-to-day business and administrative functions for issuers and merchant banks.

Transaction

The act between a cardholder and merchant that results in the sale of goods or services.

Unsigned card

A seemingly valid Visa card that has not been duly signed by the legitimate cardholder. Merchants cannot accept an unsigned card until the cardholder has signed it, and the signature has been checked against valid government identification, such as a driver's license or passport.

Verified by Visa

A Visa Internet payment authentication system that validates a cardholder's ownership of an account in real-time during an online payment transaction. When the cardholder clicks "Buy" at the checkout page of a participating merchant web site, a Verified by Visa screen automatically appears on the cardholder's desktop. The cardholder enters a password that allows the card issuer to verify his or her identity.

Visa ReaderCleaner™

A specially treated card that effectively removes dirt, magnetic oxides, and other contaminants from concealed magnetic heads in POS devices. The heads should be kept clean so that Visa cards can be swiped and their magnetic stripes read quickly and easily, thus avoiding key-entered transactions.

VisaNet processor

A processor directly connected to VisaNet. See also: Processor.

Visa Glossary of Terms

Voice authorization

An authorization obtained by telephoning a voice authorization center.

Voice authorization center

An operator-staffed center that handles telephone authorization requests from merchants who do not have electronic POS terminals or whose electronic terminals are temporarily not working, or for transactions where special assistance is required. Voice authorization centers also handle manual authorization requests and Code 10 calls.

Statistics and Facts

The power of accepting Visa, Mastercard, and American Express, and Discover Cards at your place of business

Accepting Visa Credit Cards

Accept Visa to help drive revenue and improve customer satisfaction. Visa works with you to build your business, providing key information on getting started and accepting Visa at your business, online, and for bill payment. Becoming a Visa Merchant provides outstanding benefits—for you, and for your customers.

Customers recognize and trust the Visa brand, and enjoy the convenience of shopping with their Visa cards. That means that as a Visa Merchant, you'll realize increased revenue. And when you partner with Visa, you can participate in Visa Promotions that further drive sales and increase customer satisfaction.

Turning card acceptance into merchant sales

For more than 30 years, Visa has partnered with merchants to deliver reliable, secure, and convenient payment options. Your customers recognize and trust the Visa brand, and enjoy the convenience of shopping with their Visa cards. And with more cards than all other major payment brands combined*, Visa is a powerful tool for attracting new customers and opening doors to stronger sales.

Useful facts

- Nearly 1 in every 3 consumer purchases in the United States is made with a payment card—including credit, debit, and prepaid products.
 - Of every \$100 spent by consumers, nearly \$40 is in a form other than cash or check.
 - Consumers carry more than 1 billion Visa cards worldwide—more than 450 million of those cards are in the United States.
 - U.S. Visa cardholders conduct more than \$1 trillion in annual volume.
 - The average ticket for Visa purchases is consistently more than cash.
- ## Accepting Mastercard Credit Card

MasterCard Worldwide is Shaping the Future of Money by developing sophisticated new technologies to help you improve the way you do business with your customers. Whether you're a new business or an established enterprise, accepting MasterCard will likely have a big impact on your bottom line.

Enjoy the many benefits of accepting MasterCard, including:

Increased Sales - Consumers spend more when they're not constrained by cash on hand. You may see increased purchases of higher-margin products as well as specialty items. And customers may visit your store more often.

Customer Satisfaction - Your customers will appreciate the fact that you allow them the flexibility to pay the way they want to pay - including by credit or debit card. Happier customers are more loyal customers.

Speed of Checkout - You'll speed your customers through checkout with rapid electronic payment. No more counting change or waiting while customers write checks.

Improved Efficiency - Card transactions today are conducted electronically. These paperless payments can save you time and money by minimizing cash handling and payment reconciliation,

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Improved Efficiency - Card transactions today are conducted electronically. These paperless payments can save you time and money by minimizing cash handling and payment reconciliation, giving you more time to do more important things - like managing and growing your business.

Safety - With lower volumes of cash, you're less vulnerable to theft and pilfering.

Currency Conversion - Electronic payments on MasterCard and Maestro-branded cards are settled in the currency in which you sell your goods and services, regardless of where the cardholder is from. If you sell in US or Canadian dollars, that's how you'll be paid.

Displaying the MasterCard Brand Mark

The bold MasterCard Brand Mark, with its bright look and visual impact, helps merchants around the world take advantage of the profitable benefits of exterior signage.

Increased traffic, increased sales.

While interior signage is valuable, research reveals that about 80% of customers rely on exterior signage to determine whether or not a merchant accepts MasterCard cards. You simply can't assume cardholders know MasterCard is accepted unless they see visible proof. So, a window or door logo is an important tool, leading to increased traffic and higher sales.

The MasterCard Logo can lead to Increased Profits!

Customers tend to spend, on average, 16% more when they pay by MasterCard instead of paying by check. Another benefit that can come from displaying the MasterCard logo is the increased profitability that comes from reducing processing fees associated with paying by check. You can experience improved cash flow with MasterCard payment versus checks because card transactions are typically settled in 24 to 72 hours.

Accepting Discover Credit Cards

When you accept Discover Network, you are opening your doors to over 50 million loyal Cardholders. In addition, you position your business to take advantage of the exceptional growth in credit card usage and the increased volume of credit card purchases. In fact, people who shop with credit cards make more frequent and larger purchases than customers who use cash.

Accepting Discover Network Cards, rated #1 in customer loyalty for six consecutive years, is good for your business and good for your customers.

Discover Network is a business unit of Discover Financial Services LLC. We support transaction processing for Discover Network Merchants, and offer related tools and services that help merchants run their business more efficiently.

Discover Network, the largest proprietary credit card network in the U.S., supports a proprietary card base of 50 million Cardholders, as well as other third party issuers of credit, signature debit,

Statistics and Facts

prepaid cards and commercial cards connecting with over 4 million merchant and cash access locations throughout North America and the Caribbean. The Discover Network supports transaction processing for Discover Merchants and offers related tools and services that help merchants run their business more effectively and with streamlined efficiencies.

The Discover Network markets, supports and processes a full range of credit cards and unique payment vehicles. The Discover Network is open to financial institutions that want to issue credit, debit, stored value and other payment types on our network. Both merchants and issuers can benefit from significantly growing volume on the low-cost Discover Network.

Accepting American Express Cards

American Express has millions of active Cardmembers nationwide. Some may already be your customers. They'll be happy to see you're accepting the Card, especially if they participate in one of our rewards programs.

24% of American Express Cardmembers used only American Express in the past month and no other major credit or charge cards.

32% of American Express Cardmembers use American Express for both business and personal purchases.

If you do business with other businesses, accepting the Card can cut down on administrative work and bring in payments faster.

Lower risk. Reduce the chance of payment default; improve billing and collection.

Faster payment. Receive revenues in as few as 3 days (not the standard 45) with invoice and check.

Profitable customers. 49% of American Express Small Business or Corporate Cardmembers have spent \$10,000 or more on a single occasion using an American Express Business or Corporate Card.

Cardmembers tend to be the kind of customer retailers appreciate.

Higher retail spending. American Express Cardmembers spent, on average, \$159 on their last purchase occasion using American Express.

Loyal customers. 28% of American Express Cardmembers used only American Express in the past month and no other major credit or charge cards.

Purchasing power. American Express Cardmembers' average household income is \$97,000. Accepting the Card can help your quick service restaurant attract new customers, market more successfully, and save money on everyday services.

Loyal customers: 62% of American Express Cardmembers agree that a merchant's acceptance of different types of payment methods indicates whether or not the merchant is customer service oriented.

Statistics and Facts

Growing Demand: Fewer than half of American Express Cardmembers are unlikely to use their Card for purchases under \$25

Cardmembers have a long history of travel and entertainment spending.

Loyal customers. 17% of Cardmembers who dine in restaurants carry American Express but do not carry any other major credit or charge cards.

Frequent diners. During the past three months, Cardmembers who dine in restaurants made 1.5 times as many fine dining purchases as non-American Express Cardmembers.

Many Cardmembers prefer to use their Card for online purchases.

Profitable customers. American Express Cardmembers spent, on average, \$1,102 on mail order purchases using an American Express Card in the past 6 months.

Profitable customers. American Express Cardmembers spent, on average, \$2,349 on retail Internet purchases using an American Express Card in the past 6 months.

Higher spend. American Express Cardmembers spent 2.6 times as much on retail Internet purchases in the past 6 months using an American Express Card as Non-Cardmembers spent on retail Internet purchases in the past 6 months using Visa or MasterCard.

Avid Internet shoppers. 17% of American Express Cardmembers' time on-line is spent shopping.

Check Glossary of Terms

ABA Number:* See Routing/Transit Number.

ACH Network: Funds transfer system governed by the Rules of the National Automated Clearing House Association, which provides for the interbank clearing of electronic entries for participating financial institutions.

Affidavit:* A sworn statement by a consumer declaring that a particular ACH transaction was unauthorized or that the authorization for that transaction has been revoked.

Authorizing Customer: The checkwriter who has the legal authority to sign checks on the account shown on the check and to sign an authorization for electronic payment.

Authentication:* A data security technique used to ensure that the professed sender of information or a payment order is actually who he claims to be.

Authorization:* A agreement by a Receiver to allow for the posting of debit or credit items to their account. Authorizations for credit transactions may be orally given, but debit transactions must be authorized in writing or similarly authenticated by other means (for example, by digital signature or PIN if by computer).

Business Practices: Essential features of processes needed to effect standard operating procedures in a consistent manner.

CCD:** A credit or debit ACH entry initiated by an organization to consolidate funds of that organization from its branches, franchises or agents, or from other organizations, or to fund the accounts of its branches, franchises or agents, or of another organization. CCD is a standard Entry Class Code.

Check: (1) A negotiable demand draft drawn on or payable through or at an office of a bank; (2) A negotiable demand draft drawn on a Federal Reserve Bank or a Federal Home Loan Bank; (3) A negotiable demand draft drawn on the Treasury of the United States; (4) A demand draft drawn on state government or unit of general local government that is not payable through or at a bank; (5) A United States Postal Service money order; or (6) A traveler's check drawn on or payable through or at a bank. The term "check" does not include a noncash item or an item payable in a medium other than United States money. A draft may be a check even though it is described on its face by another term, such as "money order." For some purposes, the term "check" also includes a demand draft of the type described above that is nonnegotiable. (Definition is from Regulation CC: Availability of Funds and Collection of Checks.)

Check Authorization: A service that validates routing numbers and account information to determine if the checking account is valid.

Check Debit: An EFT Network service through which a paper check, presented to a merchant or other check acceptor, is converted into a real-time electronic transaction that debits funds for the amount of the check from the accountholder's account and credits those funds to the merchant's or check acceptor's account, provided that the account is valid and has sufficient funds to cover the transaction. Such funds are guaranteed for transactions accepted by the payor bank.

Check Digit: A digit, often the final digit of a number and usually calculated by applying an

Check Glossary of Terms

algorithm to all or some of the digits in the number, which may be used to test validity of the non-check-digit number. For example, routing/transit numbers have nine digits, eight of which provided FI identification information and the ninth is the check digit.

Check Guarantee: A service that guarantees the checkwriter's payment and assumes the collections risk of check payments for a merchant.

Check Safekeeping: The customer's financial institution keeps the customer's checks, not returning it in the customer's statement. The customer may receive an image of the check in the statement.

Check Truncation: The conversion of a check to an electronic debit or image of the check by someone in the payment system other than the paying bank. The transaction may be governed by check law (UCC, Reg CC and Clearing house rules) or by electronic banking law (Electronic Fund Transfer Act).

Check Verification: A service accessing customer and/or account databases through a point of sale system and/or by phone to verify or authorize that the check writer and/or checking account information is valid and/or in good standing.

Clearing House: The organization that collects, sorts and classifies, and distributes information, usually among a large number of organizations or entities.

Composite Receivers File:* A directory of all RDFIs served by an ACH Operator.

Consumer:* Usually refers to a natural person not engaged in commercial transactions.

Consumer Account:* A deposit account held by a participating DFI and established by a natural person primarily for personal, family, or household use, and not for commercial use.

Controlled Disbursement: A bank service provided typically to corporate customers wherein the company is notified early in the day of the dollar amount of items waiting to clear the account later that day; the company funds the account with the exact amount to clear the items.

Conversion: Transforming a payment initiated by paper check that has not been negotiated to an electronic payment.

Customer: Both consumer and corporate. Individual or company that purchases or uses the goods or services of another individual or company.

Depository Financial Institution:* A financial institution able to receive deposits from its customers or credits from the Federal Reserve Bank.

E-check: A generic term for an ACH debit to a consumer account that is originated on the Internet, at the point of sale, over the telephone, or by a bill payment sent through the mail or dropped in an unattended dropbox.

Electronic Check: The term "electronic check" is used to refer to several types of electronic transactions.

ACH-based electronic check. A payment that begins as a paper check is converted into, or

Check Glossary of Terms

truncated to, an ACH debit entry. The paper check is not processed.

Electronic network electronic check. A payment that begins as a paper check is converted into, or truncated to, an electronic network entry, using networks such as an ATM network or a credit card network. The paper check is not processed.

Internet- or telephone-initiated payments. A transaction that is initiated over the Internet or via phone, with the debit carried out by an electronic debit, usually an ACH debit. Some users categorize payments initiated via Internet or telephone but that are effected by paper drafts as electronic checks, even though the debit is paper-based.

A catch-all term used loosely to refer to any attempt to initiate payment through PCs, the Internet, and computer systems.

Electronic Check Council: A membership organization of financial institutions, companies and other interested entities dedicated to improving check clearing and collection. Operated under the auspices of NACHA The Electronic Payments Association.

Electronic Check Presentment: The electronic transmission of the contents of a cash letter (as captured from the MICR line on each check) to the drawee bank ahead of the physical arrival of the checks actually in the cash letter.

Electronic Fund Transfer Act:* The law passed by the US Congress in 1978 which set out the rights and obligations of consumers and their financial institutions regarding the use of electronic systems to transfer funds. This act is implemented in the Federal Reserve Bank's Regulation E.

Financial Institution:* Any bank, savings and loan, credit union or other institution organized under either national or state banking laws capable of both accepting deposits and making loans.

Forward Collection: The process of collecting and settling funds for checks (demand instruments) from the Bank of First to Deposit to the Paying Bank.

Lockbox: A financial institution or third party processor service that facilitates rapid collection and posting of corporate receivables. Typically, customer payments are mailed to a lockbox or mailbox for collection, sorting, totaling and recording by the bank or provider rather than by the billing organization.

Magnetic Ink Character Recognition (MICR) Line: The characters on the bottom line on the face of a paper check that contains the routing/transit number of the financial institution the check is drawn on, the account number of the drawee (Receiver) and the check number, all printed in machine readable magnetic ink in a font devised for check reading

Merchant: The seller of goods and services.

Merchant Processor: A company that handles or provides transaction and sometimes data processing services to merchants (and, possibly, others).

MOTO (or MO/TO): Mail Order/Telephone Order.

NACHA: The national trade association for electronic payment associations, which establishes the

Check Glossary of Terms

rules, industry standards and procedures governing the exchange of commercial ACH payments by depository financial institutions. Network: A system of channels and interconnections such as among financial institutions, processors and merchants.

Originating Depository Financial Institution (ODFI):* The financial institution which delivers ACH entries directly or indirectly through a third party to its ACH operator.

Participant: A person or entity that has a share or plays a part in the activities at hand.

Point of Purchase: Location where payment for goods or services takes place where the purchaser and seller are both present.

POP entry:** An ACH debit entry initiated by an Originator pursuant to (1) a single entry authorization, and (2) a source document as set forth in subsection 3.7.1 (Source Documents), provided to the Originator by the Receiver at the point-of-purchase to effect a transfer of funds from a Consumer Account of the Receiver. This type of entry may only be used for non-recurring, in-person (i.e., at the point-of-purchase) entries for which there is no standing authorization with the Originator for the origination of ACH entries to the Receiver's account. POP is a Standard Entry Class Code.

PPD entry:** (1) An ACH credit or debit entry (other than an MTE or POS entry) initiated by an organization pursuant to a standing or a single entry authorization from a Receiver to effect a transfer of funds to or from a consumer account of the Receiver; or (2) an ACH debit entry constituting a presentment notice of an item eligible under section 2.9 (PPD Accounts Receivable Truncated Check Debit Entries). ... This debit entry is initiated pursuant to a check or share-draft provided to the Originator by the Receiver and delivered via the U.S. mail for payment of an obligation. "PPD+" is a PPD entry with one addenda record. PPD and PPD+ are Standard Entry Class Codes.

RCK entry:** An ACH debit entry constituting a presentment notice of an item eligible under section 2.8 (Re-presented Check Entries). An RCK entry is an item as defined by Revised Article 4 of the Uniform Commercial Code (1900 Official Text) only for the limited purpose of presentment as set forth in Article 4-110(c) and notice of dishonor as set forth in Article 4-301(a)(2). RCK is a Standard Entry Class Code.

Receiver: An individual, corporation or other entity who has authorized a company or an Originator to initiate a credit or debit entry to a transaction account held at an RDFI.

Receiving Depository Financial Institution (RDFI):* A financial institution which receives ACH entries directly or indirectly from its ACH operator.

Regulation CC:* The regulation published by the Federal Reserve Board to implement the law which mandates the time limits for funds availability on deposited items.

Regulation E:* The regulation published by the Federal Reserve Board to implement the Electronic Fund Transfer Act mandating consumer rights and obligations with regard to electronic fund transfers.

Retail Customer: A consumer (not a business) paying for a purchase at a retail point of purchase (point of sale).

Check Glossary of Terms

Return Processing: The process of returning and settling funds for checks (demand instruments) that were dishonored by the RDFI (Paying Bank) and returned to the ODFI (Bank of First Deposit).

Routing/Transit Number:* Also known as Routing Number, Transit/Routing Number and ABA number. A nine digit number (eight digits plus a check digit) which identifies a specific financial institution. Routing numbers are administered by the Routing Number Administrative Board under the sponsorship of the American Bankers Association and officially maintained and published by Thomson Financial Publishing.

Routing Number Administrative Board:* The cross-industry board sponsored by the American Bankers Association which defines and administers all policies regarding routing/transit numbers.

Standard Entry Class Code: A three-letter code that uniquely identifies the class of ACH transaction. For example, "POP" stands for "Point of Purchase".

TEL:** A single-entry ACH debit initiated by an Originator pursuant to an oral authorization obtained over the telephone to effect a transfer of funds from a consumer account of the Receiver. This type of entry may only be used for a single-entry for which there is no standing authorization for the origination of the ACH entries to the Receiver's account. A TEL entry may only be used when there is an existing relationship between the Originator and the Receiver, or, when there is not an existing relationship between the Originator and the Receiver, when the Receiver initiates the telephone call. TEL is a Standard Entry Class Code.

Third Party Processor:* A party which processes ACH files and/or items on behalf of one of the participants in the ACH system. Examples of third party processors are payroll processing companies which create ACH files for transmission to the ACH Operators on behalf of an originator or ODFI, a data processing company which receives incoming ACH files and processes them for an RDFI, or a correspondent bank which processes ACH files for its correspondents.

TRC (Truncated (Check) Entry):* An ACH entry which originally represented a check, in which the actual check is safekept by one of the financial institutions in the chain of deposit and the MICR information is converted to an electronic entry and processed through the ACH network back to the issuing institution. TRC is a Standard Entry Class Code.

Truncation: See Check Truncation.

TRX (Truncated (Extended) (Check) Entry):* A series of TRC entries put together as addenda records with the payment item representing the total settlement of the TRC entries for that batch.

TRC is a Standard Entry Class Code

Uniform Commercial Code: A body of law whose underlying purpose and policies are (a) to simplify, clarify and modernize the law governing commercial transactions; (b) to permit the continued expansion of commercial practices through custom, usage and agreement of the parties; (c) to make uniform the law among the various jurisdictions. The effect of provisions of this Act may be varied by agreement, except as otherwise provided in this Act and except that the obligations of good faith, diligence, reasonableness and care prescribe by this Act may not be disclaimed by agreement but the parties may by agreement determine the standards by which the performance of such obligations is to be measured if such standards are not manifestly unreasonable. (Taken from Article 1, General Provisions, Uniform Commercial Code, The Portable UCC, second edition.)

Check Glossary of Terms

WEB:** An ACH debit entry initiated by an Originator pursuant to an authorization that is obtained from the Receiver via the Internet to effect a transfer of funds from a consumer account of the Receiver. WEB is a Standard Entry Class Code.

* From ACH Terms: A to Z Glossary

** Adapted from 2001 ACH Rules Book

Acronyms

ABA: American Bankers Association
ACB: America's Community Bankers
ACCU: Association of Corporate Credit Unions
ACH: Automated Clearing House
CBC: Computer Based Controls
CTA: Check Truncation Act
CUNA: Credit Union National Association
DFI: Depository Financial Institution
ECC: Electronic Check Council
ECCHO: Electronic Check Clearing House Organization
ECHO: Electronic Clearing House, Inc.
ECP: Electronic Check Presentment
EFT: Electronic Funds Transfer
FI: Financial Institution
FMS: Financial Management Service
FRB: Federal Reserve Bank
ICBA: Independent Community Bankers of America
MICR: Magnetic Ink Character Recognition
NACS: National Association for Check Safekeeping
NAFCU: National Association of Federal Credit Unions
NCN: National Check Network
ODFI: Originating Depository Financial Institution
POP: Point of Purchase
POS: Point of Sale
RCK: Re-presented Check
RDFI: Receiving Depository Financial Institution
RMRS: Rocky Mountain Retail Systems

Glossary terms and definitions provided by NACHA