



Payment Processing Terms You Need to Know

Every industry has its own language - words and phrases that its participants need to know and understand to function easily within its mainstream. Payment processing is no exception.

Global Payments Integrated wants ISVs to be well-versed in industry language so they'll be able to make the right decisions regarding their businesses' unique needs.

We have compiled a list of some of the most-used terms and acronyms that we think you should know.



A

ACH

The abbreviation for Automated Clearing House. This electronic network is part of the Federal Reserve Bank and connects banks, credit unions, other financial institutions and third-party processors to process electronic fund transfers (EFT), including credit and debit card, prepaid card and electronic benefits transfer (EBT) transactions.

Acquirer

Also “acquiring bank.” Solicits, underwrites, and owns the accounts merchants need to accept credit cards. They can provide the technology permitting businesses to process transactions, take on chargeback risk, and deposit funds into a merchant’s bank account.

Alternative Financing

Payment method involving short-term loans at the point-of-sale (POS). It offers customers the opportunity to purchase a product now and pay later, in installments. Sometimes referred to as “buy now, pay later” or BNPL.

Application Programming Interface (API)

A written instruction that enables two devices, databases or applications to connect and share information.

Authorization

The process through which the credit card processor requests approval of a payment card transaction from the issuing bank. Authorization begins when the merchant accesses (also known as capturing) the card number and the data is transmitted to the processor, who directs it to the issuing bank. If the bank determines that adequate funds or credit are available, it authorizes the purchase and notifies the processor, who passes the authorization along to the merchant. The merchant issues a receipt to the customer and obtains their signature (if necessary) to complete the sale.

Authorization Code

The code supplied by the card-issuing bank to identify an approved credit card transaction. It is stored within a merchant's credit card terminal, gateway or processing software until it is sent back to the issuing bank during the settlement process at the end of the day.



Average Ticket Size

The average dollar amount of a credit card transaction a merchant processes. It is calculated by dividing the total dollar amount of all credit card transactions by the number of transactions.

AVS

The acronym for Address Verification System. This is an anti-fraud feature that's used in card-not-present transactions to confirm that the shipping address given by a customer matches the billing address on file with the issuing bank.

B

B2B Payments

Also known as business-to-business payments. Payments made between two businesses for goods or services.

Batch/Batch Processing/Batch Settlement

Refers to a collection of transactions (usually all from the same day) that are closed (settled) in one batch. The merchant submits the batch to the processor, who acts on their behalf to settle all transactions with the issuing

banks and deposits the proceeds into the merchant's bank account.

Biometric Authentication

Confirming a person's identity by using their unique physical traits. Examples include fingerprint scanning, facial recognition, voice recognition, and iris recognition.

C

Capture

The process of acquiring account information from a payment card required for processing. This occurs at the point of sale, be it in-person with a card, card-not-present such as online and mobile pay, or keying in card number.

Card Brands

Visa[®], Mastercard[®], American Express[®] and Discover[®], whose familiar logos appear on the majority of credit and debit cards in the U.S.

Cardholder

This is the customer that presents their card for payment of goods or services.



Cardholder Data (CHD)

Credit card data including the 16-digit primary account number (PAN), as well as cardholder name, service code, and expiration date.

Card Present (CP)

A payment card transaction where the cardholder and payment card are both present. Sometimes referred to as a face-to-face transaction.

Card Not Present (CNP)

A payment card transaction where cardholder and/or card are not physically present. Examples are mobile pay, online purchases and MOTO (mail order/telephone order).

Chargeback

Occurs when a cardholder disputes a transaction with the card issuer. The issuer initiates a retrieval request against the merchant account and the disputed amount is withdrawn from the account until the matter is settled. The merchant has 10 days to dispute the chargeback with proof of purchase or delivery. The merchant account provider imposes a chargeback fee on the merchant to handle the process.

Chip Card

A payment card containing one or more computer chips or integrated circuits for identification, data storage or special purpose processing used to validate personal identification numbers (PINs), authorize purchases, verify account balances and store personal records. Chip cards facilitate EMV[®] payment processing throughout Europe and the US.

Commerce Enablement

Equipping payment solutions with benefits beyond just payments - enables businesses to engage customers at every touchpoint of the customer journey, providing payment options all along the way.

Contactless Payments

Payment transactions that require no physical contact between the consumer's payment device and the physical terminal. Examples include contactless payment cards and the use of digital wallets.

Credit Card

A payment card that is issued to an individual by a bank and can be used to purchase merchandise or services on credit.



Credit Card Processing

The complex electronic process of transacting and verifying a credit card transaction. Once authorized, the process initiates an ACH transfer of funds from the issuing bank to the credit card processor, who then deposits the transaction proceeds into the merchant's account.

Credit Card Processor

An entity that handles the electronic verification and initiation of Electronic Funds Transfers (EFT) into the ACH system on behalf of clients. The term is used interchangeably with merchant services provider, merchant account provider or merchant acquirer.

CVV

Card verification value. Also referred to as CVC, or card verification code. Refers to the three or four digit code that is typically printed on the back (can be on the front) of a payment card. This is a security feature typically used in card not present transactions.

D

Debit Card

A payment card that is linked electronically to the cardholder's bank account. A debit card requires that sufficient funds to cover a purchase are in the affiliated account for the transaction to be authorized, unlike a credit card which is a line of credit with the issuing bank.

Digital Wallet/E-wallet/Mobile Wallet

Secure digital storage of the owner's payment information such as credit, debit and loyalty cards. It is a necessity to make purchases using mobile pay. Examples of digital wallets include Apple Pay[®], Google Pay[™], and Samsung Pay[®].

Dip

When a chip-enabled card, also known as EMV[®] or smartcard, is inserted into a terminal.

Discount Fee

Fees charged by a merchant account provider to clients for processing services. It includes interchange and assessments paid directly to the credit card associations and issuing banks.



E

EBT

Electronic Benefits Transfer, an electronic system in the U.S. used by state governments to provide financial and material benefits (including unemployment and food benefits) via a plastic debit card.

eCommerce

Internet-originated transactions. Also, the use of the internet for commercial purposes such as banking, shopping, or purchases of financial services and products.

Electronic Funds Transfer (EFT)

An automated transfer of funds using an electronic medium.

Embedded Commerce

Strategy to enhance a software platform with commerce - takes software vendors from simply processing transactions to enabling commerce through customer engagement and tools tailored to customers' needs.

EMV[®]

The global standard used to authenticate

credit and debit card transactions with improved data security. Embedded-chip technology launched by EuroPay, Mastercard and Visa and adopted by all major card brands. Every EMV[®] card (smartcard) has a secure microprocessor that creates a unique value for each transaction which helps prevent fraud.

Encryption

The process of translating data into a numeric binary code to shield sensitive data such as the cardholder's name, account number, expiration date, and service code. An effective way to help ensure data security. Two common types of encryption are end-to-end encryption (E2EE) and point-to-point encryption (P2PE).

F

Financial Institution

Any organization in the business of moving, investing, or lending money, dealing in financial instruments, or providing financial services. Includes commercial banks, thrifts, federal and state savings banks, saving and loan associations, and credit unions.



Fraud

The crime of using dishonest methods to take something of value from another person or entity. Fraudsters dupe and deceive consumers to commit fraud (steal their identity or credentials).

I

Independent Sales Organization (ISO)

An organization whose primary mission is a merchant sales function and may provide some limited additional functions such as back-office customer services.

Independent Software Vendor (ISV)

A company that develops and produces software, often business management or practice management software.

Integrated Payments

Payment processing systems embedded within a specific software application. This feature allows end users to make purchases within the software solution itself, rather than exiting the platform to complete their sale through a third-party processing company.

Interchange

A fee that is set by the credit card associations and paid to their member banks. Interchange is charged to credit card processors, who pass it along to merchants as part of the discount fee. It makes up the largest portion of credit card processing fees.

Issuing Bank

Also "issuer." A bank or financial institution that is a licensed member of a credit card network. It provides cardholders with a line of credit for purchases or cash advances. Is responsible for reimbursing an acquirer for purchases made by the cardholder. The issuing bank then bills the cardholder.

M

Magnetic Stripe (Magstripe)

A stripe (on the bankcard) of magnetically encoded cardholder account information affixed to a plastic card.

MCC Codes

Special numbers assigned by the Card Networks to merchant types for identification and tracking purposes.



Merchant

A retailer, or any other person, firm, or corporation that, according to a merchant agreement, agrees to accept credit cards, debit cards, or both, when properly presented.

Merchant Account

The business arrangement between a merchant and a credit card processor that allows the merchant to accept payment cards from customers.

Merchant Account Provider/Merchant Services Provider/Merchant Acquirer

The entity that provides merchants with the products and services needed to process payment cards. The provider also acts as an intermediary between the merchants, issuing banks and credit card networks throughout the process. Responsible for depositing the transaction proceeds into the merchant's designated bank account.

Merchant Identification Number (MID)

The MID is a unique number issued by the acquiring bank to identify a specific merchant.

Merchant Processing Agreement (MPA)

A contract between a merchant and their merchant account provider that outlines the responsibilities and warranties of all parties involved in credit card processing.

Mobile Credit Card Processing

Processing payment card transactions from a mobile device. With a provided app, a smartphone or tablet turns into an on-the-go terminal.

Mobile Payments

Using a mobile phone to pay for a wide range of services, digital and hard goods. Mobile payments can be made using Wireless Application Protocol (or WAP billing), which allows the charges to be added to the user's mobile bill. Mobile payments can also be made using a credit card or mobile wallet.

Monthly Minimum

The amount that a processor charges a merchant if their discount rate, transaction fees and other account fees do not collectively equal a pre-determined amount that's stated in the MPA.



Monthly Processing Limit

The amount of money that a merchant service provider will allow a merchant to process each month, as outlined in their MPA.

Monthly Processing Volume

Gross monthly payment card sales (in dollars) that a merchant processes. This figure is specified in the merchant application for card processing along with the average ticket size. Both are used to help determine processing fees.

MOTO

Abbreviation for mail order/telephone order.

mPOS

Mobile point-of-sale devices enable merchants to accept payment cards anytime and anywhere using an internet connection. A smartphone or tablet can become an mPOS with specific software.

N

Near-Field Communication (NFC)

Technology that allows devices in close proximity to each other to easily

communicate and share data; used for contactless payments.

O

OmniChannel

When a retailer provides multiple channels for a customer to make a purchase - such as in-store, online at a website, or through a mobile app.

Optical Character Recognition (OCR)

Technology that recognizes text (such as characters, such as numbers, letters, or symbols) within a digital image.

Over-Limit Fee

A fee charged by the processor when a merchant exceeds their pre-determined processing volume.

P

Payment Cards

A collective term for credit, debit, prepaid and EBT cards.

Payment Facilitator

A merchant service provider that operates on a sub-merchant platform where



merchants no longer require their own merchant identification number (MID), but are boarded directly under the payment facilitator's master MID account.

Payment Gateway

Software on a third-party provider's server that handles the transmissions between a merchant and their processor. It is required to complete an electronic transaction.

Payment Method

The form of payment provided against a transaction. In the case of credit card charges or refunds, the payment method reflects the type of credit card. In the case of eCheck transactions, the payment method would be eCheck indicating that a consumer's bank account has been charged or refunded. All transactions entered through the system must contain a valid payment method.

Payment Processor

Organization that partners with acquirers to open merchant accounts, handle support, manage payment processing, and build technology on behalf of acquirers.

Payment Service Provider (PSP)

Company that provides merchants the ability to accept electronic payments. PSPs can connect to financial institutions, card and payment networks and manage relationships with them as a service to merchants.

PCI DSS

Stands for Payment Card Industry Data Security Standards. A set of requirements established by the credit card networks to protect cardholder information and reduce data theft. The standards apply to any entity that processes or stores credit card data. Meeting these requirements is known as being PCI compliant.

PCI DSS Scope

A term used when determining system components, people, and processes to be included in a PCI DSS assessment. Systems directly connected to, impacting, or involved with cardholder data and its security are considered "in-scope," while systems with no access to the cardholder data environment are termed "out-of-scope."



PIN

The Personal Identification Number is the digital code that a cardholder enters at the terminal when making a purchase.

PIN Pad/Keypad

Hardware a cardholder uses to enter their PIN at the POS.

POS

Abbreviation for point of sale. This is the place where a customer makes payment. POS once referred specifically to credit card terminals at the cash register. Now its application includes mobile, wireless and virtual terminals.

POS Terminal

The electronic equipment used to capture, transmit and receive the information necessary for electronic payment card transactions.

R

Real-Time Processing

The ability to approve or decline a payment card transaction in seconds while the customer waits.

Recurring Billing

A transaction charged to a cardholder by a merchant or service provider on a designated periodic basis (weekly, monthly, annually) in payment for products or services. Some examples of recurring billing are association dues, club memberships, charitable donations and subscriptions.

Referral Bank

A bank that does not have any form of its own merchant acquiring program, but sends merchant leads for payment processing from its client base to a partner acquirer. The referral bank is compensated with a share of the revenue the merchant provides the acquirer.

Reseller

An organization that offers the services or products of a third-party that are in addition or complementary to other services offered by the reseller.

Retrieval

The first step in the chargeback process. In a disputed transaction, the issuing bank requests a copy of the transaction's physical sales ticket from the merchant.



S

Sensitive Authentication Data (SAD)

Credit card data that cannot be stored after authentication of a transaction. This data includes the full magnetic stripe data found on the back of the card, as well as any equivalent data on the EMV chip or elsewhere. SAD also includes the CVV (or equivalent data) as well as the PIN and PIN block.

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.

SSL

A Secure Socket Layer is a system for encrypting payment card data sent over the internet.

T

Terminated Merchant File/MATCH

This database is maintained by all third-party processors, banks and other financial institutions. It lists the names of

merchants whose privileges to process credit cards and other electronic transactions have been terminated by an acquirer for violation of a merchant processing agreement.

Text to Pay

Using text messages as a payment method. One option is for the customer to text a shortcode to the business number to start making a payment. Another is for the business to send a text with a quick payment link to the customer's phone number to request payment.

Tokenization

A security best practice that replaces Cardholder Data (CHD) like credit card information with one or more unrelated symbols it generates randomly or by algorithm.

U

Unified Commerce

Commerce strategy where all systems are connected. This enables the business to have accurate and consistent data across all its channels and systems.



V

Value Added Reseller (VAR)

Sells third-party products/services and adds its own value such as service, installation, etc.

Virtual Shopping Cart

A program that is integrated into a website and makes it possible for shoppers to keep a running tally of products and services they plan to purchase. At checkout, the shopping cart connects to a secure payment page where they can complete their purchase with a payment card.

Voice Authorization

A low-tech processing solution typically used by low-volume merchants that requires them to phone an authorization center to process a transaction and receive authorization.

Whatever your payment processing technology needs may be, we can help.
Contact us today.

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