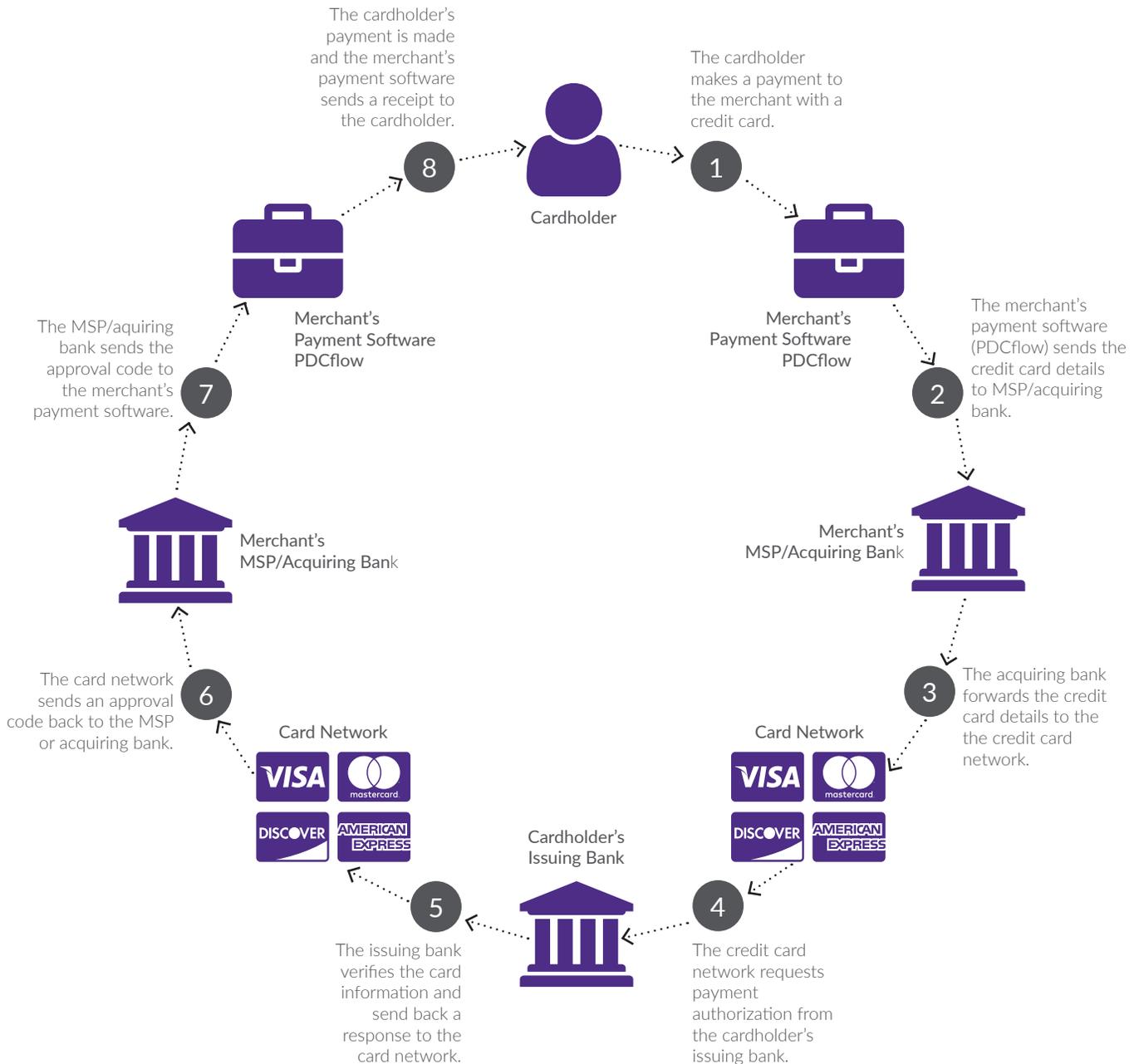
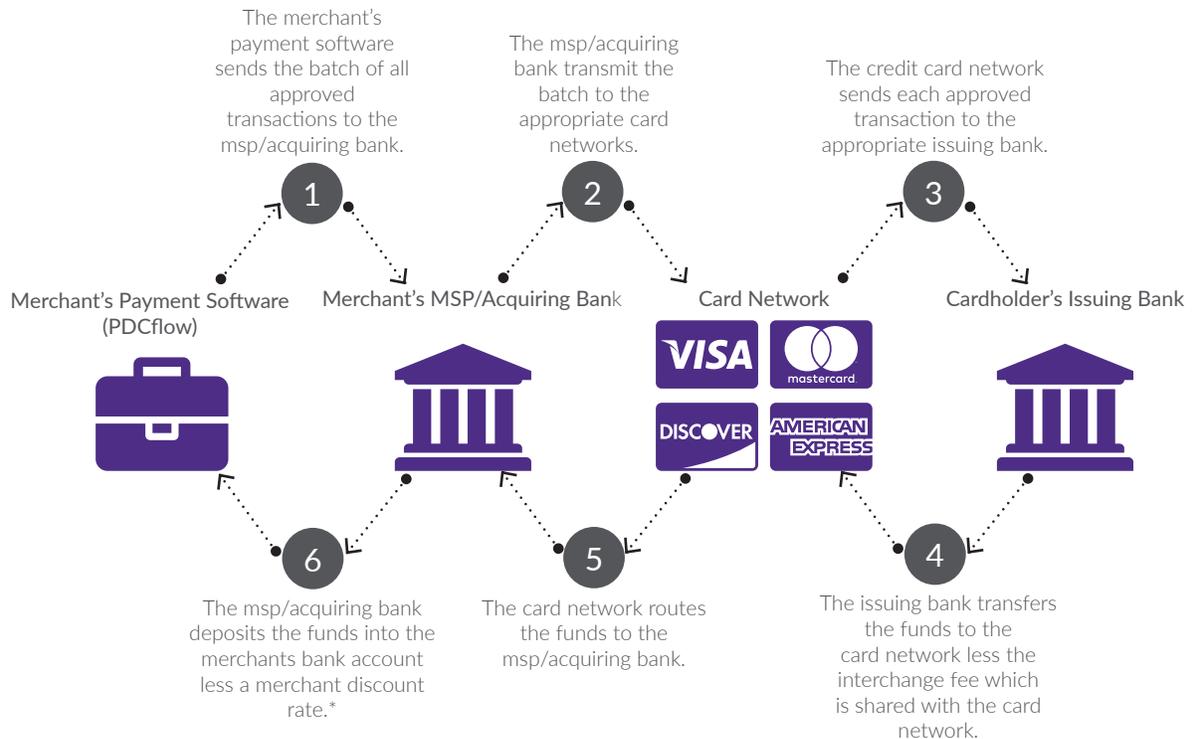


# HOW A CREDIT CARD IS PROCESSED

## AUTHORIZATION



# BATCHING & FUNDING



## KEY TERMS:

**Acquiring Bank** - A bank that processes and settles a merchant's credit card transactions.

**Authorization** - First step in processing a credit card transaction. After card data is entered by the merchant (either by swiping/inserting a card at a terminal or typing the card data into a payment form), the data is submitted from the payment software to the MSP/Acquiring Bank. They then route it through the card network to the issuing bank for either an approval or denial.

**Authorization Code** - This is usually a six or seven digit number returned by the issuing bank in response to a card being processed.

**Batching** - The second step in processing a credit card transaction. At a time of the merchant's choosing (usually at the end of their business day), all authorized transactions are transmitted together to the acquiring bank in order for the merchant to receive payment.

**Cardholder** - A person who obtains a bankcard, either credit or debit, from a card issuing bank.

**Card Network** - Visa, MasterCard, Discover and American Express make up the card networks. These act as a link between an acquiring bank and an issuing bank in order to authorize a credit card transaction.

**Card Not Present (CNP)** - A credit or debit card transaction where the card holder is not physically present, such as, an online payment or a payment taken over the phone.

**Chargeback** - When a cardholder disputes a transaction with their issuing bank. The disputed amount is withdrawn from the merchant's bank account until the matter is settled. The merchant is given 10 days to respond to the chargeback with proof of the authorization. The merchant's MSP and/or acquiring bank adds a chargeback fee to the merchant's monthly billing statement.

**Interchange Fee** - A charge paid by merchants to a credit card issuer and a card network as a fee for accepting credit cards.

**Issuing Bank** - The financial institution who approved the cardholder, and the bank on the receiving end of the payment authorization request.

**Merchant** - A business that accepts credit card payments.

**Merchant Discount Rate** - The rate charged to a merchant for payment processing services on debit and credit card transactions. This can be set up to be deducted daily from the processed transactions or can be deducted monthly in one transaction.

**Merchant Service Provider/MSP** - This can be a department of an acquiring bank, or can be an independent sales organization that works as a partner with an acquiring bank. The MSP does the bulk of the underwriting and assumes part of the risk involved with taking on a merchant.

**Payment Software/Payment Gateway** - Software that a merchant uses to accept credit card payments and send sensitive card data to the card network.



## A COMPLETE PAYMENT MANAGEMENT SOLUTION

 Virtual Terminal	 Online Payments	 IVR Payments	 Mobile Payments	 Call Center Payments
 Recurring Payments	 Credit Card Payments	 ACH/eCheck Payments	 eSignature+ Payments	 eBill+ Payments