

Glossary of Bankcard Processing Terms

Glossary of Terms For The Electronic Payment Processing Industry

ABA Routing Number

The American Banking Association (ABA) routing number is a unique, bank-identifying number that directs electronic ACH deposits to the proper bank. This number precedes the account number printed at the bottom of a check and is usually printed with magnetic ink.

Account Number

A unique sequence of numbers assigned to a cardholder account which identifies the issuer and type of financial transaction card.

ACH

See **Automated Clearing House**.

Acquirer

A bank or financial institution that issues merchant accounts for the acceptance of credit card transactions.

Acquiring Bank

The bank that maintains the merchant relationship and receives all transactions from the merchant.

Address Verification Service

A service that verifies the cardholder's billing address in order to help combat fraud in card-not-present transactions (e.g. mail order, telephone order, internet, etc.). Used only in the United States.

Agent Bank

A bank that participates in another bank's acquiring program, usually by turning over its applicants for bank cards to the bank administering the bank acquiring program.

American Express

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

AmEx

See **American Express**.

API

The Application Programming Interface (API) is the interface by which an application program accesses the operating system and other services. An API is defined at source code level and provides a level of abstraction between the application and the kernel to ensure the portability of the code.

Approval

Any transaction that is approved by the cardholder or check writer's bank. Approvals are requested via an authorization. An approval is the opposite of a declined transaction.

Arbitration

The procedure used to determine the responsibility for a chargeback-related dispute between two members.

Asynchronous

A method of transmitting data in which the data elements are identified with special start and stop characters. An asynchronous modem cannot communicate with a synchronous modem. Compare with

Synchronous

(e.g. standard Hayes compatible modem).

Auth Only

A transaction in which the merchant does not intend to capture funds until a later time, if at all. See **Prior Authorized Sale**.

Authorization

An authorization is a request to charge a cardholder. It reduces the cardholder's open-to-buy but does not actually capture the funds. An authorization is the first transaction in the delayed settlement process. It does not bill the card until a delayed capture transaction is issued. The authorization must be settled in order to charge the account. If it is not used within a certain

time period, it will drop off. The issuing bank determines the time period for drop off. Authorizations can only be used for credit card transactions.

Authorization Code

Approved sale and authorization transactions always receive a numeric or alphanumeric authorization code that references the transaction for processing purposes.

Automated Clearing House

The Automated Clearing House (ACH) network is a nationwide, wholesale electronic payment and collection system. It is a method of transferring funds between banks via the Federal Reserve System. It is used by most, but not all, financial institutions.

Average Ticket

The average dollar amount of merchant credit transactions.

AVS

See **Address Verification Service**.

Bank Identification Number

The digits of a credit card that identify the issuing bank. It is sometimes the first six digits and is often referred to as a BIN.

Basis Point

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

Batch

A collection of transactions submitted for settlement. Usually a merchant has one batch per day or per shift.

Batch ID

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

Batch Processing

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

Batch Settlement

A sort of electronic bookkeeping procedure that causes all funds from captured transactions to be routed to the merchant's acquiring bank for deposit. Signio automatically submits all captured transactions for settlement on a daily basis. The time that it takes for these funds to reach the merchant account after settlement is 1-5 days, but varies by acquiring bank.

BIN

See **Bank Identification Number**.

Binary Executable A universal character-coding system.

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

Capture The process of capturing funds from an authorization.

Card Issuer

See **Issuer, Issuing Bank**.

Card-not-present

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

Card-present

A situation where the cardholder (and the card) is physically present at the time of purchase. Card-present transactions account for the majority of credit card transactions in the world and are accounted for by traditional retailers (e.g. gas station or restaurant) and all other situations where the cardholder is present at the time of purchase.

CGI

See **Common Gateway Interface**.

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Chargeback

The act of taking back funds that have been paid to a merchant for a disputed or improper credit card transaction. The issuer can initiate this procedure 30 days after the settlement.

Chargeback Period

The number of calendar days in which a member may charge sales back to the merchant, beginning with the day after the date the record is first received by the member or agent and continuing until the end of the day on which it is dispatched as a chargeback item.

Chargeback Reason Code

A two digit code identifying the specific reason for the chargeback.

Check Guarantee

A service which guarantees check payment (up to the limit defined for the account), provided that the merchant follows correct procedures in accepting the check. The service determines whether the check writer has previously written delinquent checks. Companies like TeleCheck provide this type of service.

Clearing

The process of exchanging financial details between an acquirer and an issuer to facilitate posting of a cardholder's account and reconciliation of a merchant's settlement position.

Confirmation Letter

A letter sent by a processor to a merchant on a daily or weekly basis to verify batch deposits.

Copy Request

See **Retrieval Request**

Credit

A credit is a Signio transaction type that transfers funds from the merchant's account back to a customer's credit card. It is the only way to handle a refund after a transaction has been settled. This type of transaction is usually performed when a product is returned to the merchant. A credit can be performed in the Transaction Terminal area of Signio's Manager or through a merchant's storefront application. Check refunds can only be done via credit card or through a non-electronic, paper check. A credit can only be issued to an account that has not had a previous authorization.

DDA

See **Demand Deposit Account**.

Debit Card

An ATM bankcard used to purchase goods and services and to obtain cash. A debit card debits the cardholder's personal deposit account and requires a Personal Identification Number (PIN) for use. Debit cards branded with a bankcard logo (e.g. Visa) can be accepted in Internet transactions without a PIN.

Decline

A transaction in which the issuing bank will not authorize the transaction.

Delayed Capture

A delayed capture is a transaction type that uses the information from an authorization transaction to capture funds. This is the second step in the delayed settlement process and should be used by merchants who do not provide immediate shipment of goods.

Delayed Settlement

This is a two-phase process that utilizes an authorization transaction and a delayed capture transaction to process customer orders. This procedure is recommended when the merchant delivers goods or services more than 48 hours after they are ordered.

Demand Deposit Account

A standard checking or savings account into which electronic funds can be transferred.

Discount Rate

Amount charged to a merchant by the acquiring bank for processing a transaction. It is usually a percentage of the transaction amount. The rate is typically based on monthly transaction volume (total dollars) and average ticket.

Draft Capture

Refers to **Settlement**.

ECR

See **Electronic Cash Register**.

EFT

See **Electronic Funds Transfer**.

Electronic Cash Register

The combination of a cash register and a POS terminal, often PC-based.

Electronic Funds Transfer

The paperless act of transmitting money through a computer network.

ESA

See **External Sales Agent**.

External Sales Agent

AmEx term for ISO or MSP.

Floor Limit

This was a preset limit established by an issuer that allowed merchants to accept credit card sales without authorization provided the merchant checks to see that the card number was not listed on a warning bulletin for lost or stolen cards. Floor limits are now rarely used.

Host Address

This is the Signio server address that is used to process transaction requests. For production transactions the host address is "connect.signio.com", for test transactions it is "test.signio.com".

Host Port

This is the port address that is used in conjunction with the host address when using the Signio client in conjunction with a custom integration or storefront software application for transaction processing. Always use port 443.

HTTP Protocol

Hardware and/or software that connects computer networks and allows them to communicate

Independent Sales Organization

Visa term for a company that is sponsored by an acquiring bank to solicit and sometimes support merchants.

Interchange

The flow of information between issuers and acquirers, e.g. transactions, retrieval requests, chargebacks.

Interchange Fee

The fee charged by Visa and MasterCard for each credit card transaction. This fee is part of the discount rate.

Internet Merchant Bank Account

This special type of account is required for merchants who wish to sell goods and services over the Internet and accept credit cards as payment. This type of account is different than a typical merchant account and is considered card-not-present.

Internet Service Provider

A company that supplies a method for individuals or companies to connect to the Internet.

ISO

See **Independent Sales Organization**.

ISP

See **Internet Service Provider**.

Issuer

A bank that provides credit cards to consumers.

Issuing Bank

See **Issuer**.

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Manual Entry

Credit card information that is entered via the Transaction Terminal of Signio Manager.

MasterCard

An association of banks that governs the issuing and acquiring of MasterCard credit card transactions and Maestro debit transactions.

Member

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

MSP

See **Member Service Provider**.

Member Service Provider

MasterCard term for a company that is sponsored by an acquiring bank to solicit and sometimes support merchants.

Merchant

A retailer, or any other entity (pursuant to a Merchant Agreement), that agrees to accept credit cards, debit cards, or both, when properly presented.

Merchant Agreement

A written agreement between a merchant and a bank (or possibly a merchant, a bank, and ISO) containing their respective rights, duties, and warranties with respect to acceptance of the bank card and matters related to bank card activity.

Merchant Bank

A bank that has entered into an agreement with a merchant to process bank card transactions, also called the acquirer or acquiring bank.

Merchant Category Code

A code assigned by an acquirer to a merchant to identify the merchant's principal trade, profession, or line of business. This four digit code is also known as the SIC code.

Merchant Identification Number

A unique number that is assigned by the acquiring bank to identify a merchant.

Merit

Refers to the qualification levels for a MasterCard transaction. Merit III is the highest discount, followed by Merit II, Merit I, and then Standard.

MICR Number

The Magnetic Ink Check Reader (MICR) number is the string of numbers on the bottom of a check.

MO/TO

Mail Order/Telephone Order credit card transactions.

Network

See **Processor**.

Also used to refer to communication networks like AT&T or CompuServe.

Non-Qualified

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

ODFI

See **Originating Depository Financial Institution**.

Open-to-buy

The amount of credit available at a given time on a credit card holder's account.

Operator

A central clearing facility which provides distribution and settlement of ACH transactions. ACH operators clear debits and credits electronically, rather than through the physical movement of checks. Currently there are four ACH Operators: the Federal Reserve System, which clears approximately 80% of all ACH transactions, Visanet ACH, New York ACH, and American ACH.

Original Draft

The original copy of the forms and signature used in the transaction. Also

referred to as the hard copy.

Original Transaction ID

This is the unique Signio transaction ID that is used to process a secondary transaction, like a delayed capture, credit, or void.

Originating Depository Financial Institution

A financial institution that initiates and warrants electronic payments through the ACH network on behalf of its customers.

Originator

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

PIN

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

PNREF

The Payment Network Reference ID (PNREF) field is a unique transaction identification number issued by Signio. The PNREF is used to identify the transaction for billing and reporting purposes.

Point Of Sale

The place and time at which a transaction occurs. Point of Sale (POS) also refers to the devices or software used to capture transactions.

POS

See **Point Of Sale**.

Post Authorization

A transaction for which a voice authorization was received.

See **Prior Authorized Sale**.

Post-Auth

See **Post Authorization**.

Posting

The process of recording debits and credits to individual cardholder account balances.

Pre-Auth

Same as **Auth Only**.

Prenote

See **Pre-Notification**.

Pre-Notification

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

Prior

See **Prior Authorized Sale**.

Prior Authorized Sale

A transaction for which authorization was obtained at an earlier time, e.g. when a merchant has to call for authorization before services are rendered (hotel reservation, auto rental, etc.).

Prior-Auth

See **Prior Authorized Sale**.

Private Label Card

A bank card that can be used only in a specific merchant's store. Typically not a bankcard.

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Processor

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

Qualification

A level at which a transaction interchanges. Level of qualification is dependent on how credit card number is entered, how quickly a transaction is settled, the type of industry, specific information, etc.

RDFI

See **Receiving Depository Financial Institution**.

Receipt

A hard copy description of the transaction that occurred at the point of sale. Minimum information contained on a receipt is date, merchant name and location, account number, type of account used (e.g. Visa, MasterCard, AmEx, etc.), amount, reference number and/or authorization number, and action code.

Receiver

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

Recurring Transaction

A transaction in which a cardholder has given a merchant permission to periodically charge the cardholder's account.

Response Code

A one-letter code that indicates whether a transaction was approved or declined. Response codes are used in versions of Signio's SDK before 2.10.

Result Code

A one to three-digit number issued by Signio that indicates the result of a transaction. Approved transactions receive a "0", while there are a variety of codes for declined transactions, which may have failed for a variety of reasons.

Retrieval Request

A request to a merchant for documentation concerning a transaction, usually initiated by a cardholder dispute or suspicious sale/return. A retrieval request can lead to a chargeback.

Return Code

Any of the codes returned by Signio when a transaction is processed.

Sale

A transaction type supported by Signio that approves a transaction and settles it at the next settlement period.

Secure Sockets Layer

An encryption system that allows merchants to securely process electronic transactions to processors.

Settlement

The process by which transactions with authorization codes are sent to the processor for payment to the merchant. Settlement is a sort of electronic bookkeeping procedure that causes all funds from captured transactions to be routed to the merchant's acquiring bank for deposit. Signio automatically submits all captured transactions for settlement on a daily basis. The time that it takes for these funds to reach the merchant account after settlement is 1-5 days, but varies by the merchant's agreement with their card processing company.

SIC Code

Refers to Standard Industry Classification. These codes are four digit numbers used to identify business type.

SSL

See **Secure Sockets Layer**.

Surcharges

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

Suspended Batch

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

Swiped Card

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

Synchronous

A method of transmitting data in which the data elements are sent at a specific rate so that start and stop characters are not needed. Used by older modems, AmEx PIP terminals, etc.

Compare to **Asynchronous**.

T & E Card

See **Travel and Entertainment Card**.

Tender Type

The type of "money" to be used when processing a transaction: credit card, check, ACH, Purchase Card, etc.

Third Party Processor

A non-member agent, employed by an acquiring bank, which provides authorization, settlement and merchant services to the bank's merchant.

Transaction

The action between a cardholder and a merchant that results in financial activity between the merchant and cardholder's account.

Transaction Fee

A per transaction charge incurred by merchants who are on scale pricing. This is in addition to the percentage discount fees.

Transaction ID

A reference number that Signio assigns to every transaction that is processed. It is a 12-character alphanumeric string.

Travel and Entertainment Card

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

Unsettled Transactions

All transactions must be settled before any money changes hands. Signio automatically settles captured transactions on a daily basis. Please note that authorization transactions are not captured until they are completed by a delayed capture transaction. Signio transaction types which are automatically flagged for capture include sale, delayed capture, voice authorization, and credit.

Visa

An association of banks that governs the issuing and acquiring of Visa credit card transactions.

Voice Authorization

A transaction type supported by the Signio Manager Transaction Terminal that enables capture of a voice authorization transaction. Sometimes processing networks decline transactions with a referral message indicating that the merchant must call the cardholder's issuing bank to complete the transaction. The payment information is then submitted over the phone. If the transaction is approved, the merchant is provided with an authorization code (AUTHCODE) for the transaction.

Void

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