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A2A (Account-to-Account): The automatic transfer of funds from one account to another. An example is the Fedwire or wire transfer transaction.

AAV: See **Accountholder Authentication Value**.

ABA: See **American Bankers Association**.

ABA Transit Routing Number: The unique number devised by the American Bankers Association (ABA) in 1910 that identifies the bank issuer of depository accounts. It is a 10-digit number (nine digits and a verification digit) issued by the Federal Reserve Bank to identify each bank by a bank identification number. This number (also called the *ABA number* and the *routing transit number*) has changed over the years to accommodate such things as the Federal Reserve System, the advent of MICR, and the implementation of the Expedited Funds Availability Act (EFAA). It is used both in check processing and in the ACH (Automated Clearing House) routing of electronic checking account debits. The number is usually the first sequence of numbers preceding an account number at the bottom of a check.

Acceptance Criteria: The parameters, procedures, and requirements set up by a risk management and underwriting department that must be met before entering into a contract or arrangement. These criteria apply to the merchant as well as the ISO/MSPs. Typical criteria include financial statements, background checks, site visits, credit checks, product review, and web site review.

Acceptance Mark: A word, name, symbol, logo, or other device or any combination of devices that identifies the goods or services of one entity from the goods and services of another. A mark that identifies goods is commonly called a trademark. A mark that identifies services is commonly called a service mark. An example of an acceptance mark is the Visa sign in a merchant location.

Access Card: A plastic card used in an automated teller machine (ATM) to complete deposits, cash withdrawals, account transfers, and other related account functions.

Access Control System Format: In the smart card industry, a term referring to the bit pattern that the reader transmits to the control panel. The

format specifies how many bits make up the data stream and what these bits represent. For example, the first few bits might transmit the facility code, the next few the unique ID number, the next few parity, and so on. (Source: Smart Card Alliance)

Access Device: A card, code, or other means of access to a consumer's account that may be used to initiate an electronic funds transfer. This term does not include the terminal, telephone, or personal computer.

Access Provider: A company that provides its customers access to the Internet. The user normally connects to the access provider's server by a modem using a dial-up connection or a broadband connection.

Access Point: A telecommunication term referring to a device or point where connections may be made for testing or using particular communications circuits.

Access Time: The amount of time needed to obtain information from, or place information into, computer storage.

Account Aggregation: See **Aggregators**.

Account-Based Stored Value Card: A consumer prepaid payment card, with monetary value stored in an account that is accessed and its value updated when the consumer uses the payment card. (Source: Smart Card Alliance)

Account Data Compromises (ADC): The term used by MasterCard to describe security violations to card and account data.

Account Funding Transaction: A term used by Visa to indicate an electronic commerce purchase transaction for the purpose of adding funds to a Visa prepaid account that is posted to a Visa card and includes the transmission of the Account Funding Transaction Indicator.

Account History: The payment history of an account over a specified period, including the number of times the account was past due or over the credit limit.

Accountholder Authentication Value (AAV): One type of security used in the smart card industry to describe a value on the chip that is used to authenticate the accountholder. (Source: Smart Card Alliance)

Account Maintenance: For both the card issuer and the card acquirer, the operation involving nondollar changes to the database, such as name, address, and checking account changes, product profiles, billing information, and rate changes.

Account Mask Information: Editing criteria used to verify the accuracy of a seller's account number in certain electronic payment transactions.

Account Number: **Issuing:** An issuer-assigned number that identifies a cardholder's account, the issuer, and the type of financial transaction card (e.g., commercial card or debit card). **Acquiring:** An acquirer-assigned number that identifies a particular merchant or group of merchants. Note: The first six digits of each number identify the issuing and acquiring institutions. See **BIN**.

Account-Number-Verifying Terminal: A point-of-transaction terminal that may be required by Visa at specified high-risk locations. This terminal reads the account number encoded on the magnetic stripe or embedded in the chip (smart card), compares the last four digits of the encoded account number to the key-entered last four digits of the embossed account number, and transmits the full, unaltered contents of the magnetic stripe or chip in the authorization message.

Accounts Payable (A/P): Debts a business owes its creditors.

Accounts Receivable (A/R): Debts owed to a business.

Account Receivable Entry (ARC): A single-entry debit initiated by an automated clearinghouse (ACH) originator to a consumer account of an ACH receiver pursuant to a source document provided by the receiver via postal mail, or at a drop box location or via electronic means. When a paper check payment is converted to an ACH electronic payment and with ARC, the check is destroyed after conversion; in POP, the check is returned to the check writer at the time of payment. These transactions flow through the ACH Network. (Source www.NACHA.org)

Account Takeover: See **Cash Theft**.

Account-to-Account: See **A2A**.

ACH: See **Automated Clearing House**.

ACH Fraud: Utilizing the automated clearinghouse network to access funds illegally. Some ACH fraud categories include: unauthorized transactions; returns/60-day right of recredit; consumer fraud against merchants; fraudulent use of stolen bank accounts; transaction-level fraud; and merchant-level fraud.

ACH Network: The Automated Clearing House (ACH) Network facilitates commerce, electronically, by serving as an efficient, reliable and secure payments system. NACHA, led by member depository financial institutions and payments associations, fulfills this purpose by managing the development, administration, and governance of the ACH Network, and by providing superior services and value to its members as the industry association responsible for ACH payments. The ACH Network connects the originating depository financial institutions with the receiving depository financial institutions.

ACH Operator: The central clearing facility, operated by a Federal Reserve Bank or a private-sector organization on behalf of depository financial institutions, in which participating financial institutions transmit or receive ACH entries.

ACH Regional Associations: The 36 regional governing bodies of the Automated Clearing House Network rules and regulations.

Acquirer: The financial institutions that directly or indirectly enter into contractual relationships with merchants for the acceptance of plastic cards as a form of payment and for maintaining and servicing such relationships.

Acquirer Fraud Activity Level: See **Acquirer Monitoring Program**.

Acquirer Monitoring Program: A program that monitors an acquirer's fraud activity level and provides reports to the acquirer when its level exceeds established thresholds. Advices and/or Alerts are sent at predefined volumes of fraudulent activity, when the fraud amount exceeds a set dollar amount per month, or when the acquirer's fraud activity to sales ratio exceeds a calculated average.

Acquirer Payment Gateway: See **Payment Gateway**.

Acquirer's Processing Date: The date upon which the transactions are submitted into interchange for clearing and settlement.

Acquirer's Reference Number (ARN): A 23-digit or 24-digit identification number specified by the Visa and MasterCard rules and submitted with the clearing records by the backend processor. It includes the bank identification number (BIN) and the acquirer's processing date.

Acquiring Bank: The bank that contracts with a merchant, as required by card association rules enabling the merchant to accept the association-branded bank cards. These cards may be consumer and/or corporate and credit and/or debit or prepaid. The merchant has an account with this bank and each day deposits the value of the day's credit card sales. Acquirers buy (acquire) the merchant's sales slips and credit the tickets' value to the merchant's account. See **Merchant Bank**.

Acquiring Member: The member of MasterCard or Visa that holds the liability for merchant relationships and in return receives all bank card transactions from the merchant. This term can also be used to describe the disburser of funds in a cash disbursement.

Acquiring Processor: A third party contracted by an acquirer to provide credit card acquiring services, such as clearing, billing, reporting, settlement, and operational services. Some acquirers outsource this processing activity to gain cost-effectiveness.

Acquisition: One organization's purchase of another or the merger of two or more organizations. Acquisition has different consequences under corporate and tax law depending on whether it involves the assets or the capital stock of the target company.

Activation: A card fraud prevention mechanism used by issuers. To activate a bank card received by mail, the cardholder must call a toll-free telephone number. Operators or automatic prompts verify certain cardholder information, after which the card is activated and may be used by the cardholder.

Activity: The transactions that appear on a cardholder's bill or a merchant's monthly statement.

Activity File: Used by Visa's VisaNet Integrated Payments system (VIP) or MasterCard's BankNet system to track an issuer's stand-in-processing approval responses within a four-day period.

Activity File Parameters: Issuer-established maximum limits on the number and value of transactions that the association may authorize on the issuer's behalf.

Activity Limits: The maximum dollar amount, maximum transaction count, or both that can be authorized against a card.

ADA: See **Americans with Disabilities Act**.

ADC: See **Account Data Compromises**.

ADV: See **Automated Accounting Device**.

Addenda Record: An electronic record attached to an ACH payment entry, used for the purpose of transmitting payment-related information.

Addendum: A supplemental part or section added to a book or contract. Also called an *appendix* or *schedule*.

Additional Commercial Card Data: Data required as part of a bank card transaction in addition to the normal data such as cardholder's name and billing address. Additional data—also called *enhanced data* or *level 2 data*—can include information relating to sales tax, accounting code, and fuel consumption for fleet cards as required by the card companies on business, corporate, purchasing, and fleet cards.

Address Verification Service (AVS): Visa and MasterCard service through which a merchant can verify a cardholder's billing address before completing a transaction. This service is typically used in "card-not-present" transactions such as mail order/telephone order (MOTO) and Internet transactions. AVS helps verify the legitimacy of the cardholder but does not guarantee that the transaction is valid. Responses to the AVS request are: Y (exact street and zip code match); A (partial match, street only); Z (partial match, zip code only); N (no match); or U (information is unavailable).

Adjudication: In the health care field, the administrative procedure used to process a claim for service according to the covered benefits. The POS industry has implemented some programs to work directly with insurance companies and HMOs to process claims electronically and manage the co-payment process.

Adjustment: A transaction used to correct an incorrect or out-of-balance situation. An adjustment can be made either at the time a terminal is balancing or during the reconciliation of the settlement data after a transaction has been cleared.

ADSL: See **Asymmetric Digital Subscriber Line**.

ADV: See **Automated Accounting Device**.

Advanced Encryption Standard (AES): A federal information processing standard (FIPS) outlined in FISPA Publication 197 that specifies a cryptographic algorithm for use by U.S. government agencies to protect sensitive, unclassified information. AES uses keys that are 128, 196, and 256 bits to encrypt and decrypt information in blocks of 128 bits. It can encrypt data much faster than 3DES (Triple DES), which it replaces.

Advance-Fee Loan: A loan or line of credit calculated so that all of the fees and finance charges are deducted before the consumer receives the principal.

Advice: A daily, weekly, or monthly report that alerts an acquirer that a merchant has experienced above-average levels of suspect or fraud activity.

AES: See **Advanced Encryption Standard**.

AF: See **Audio Frequency**.

AFC: See **Automatic Fare Collection System**.

AFDC: See **Aid for Dependent Children**.

Affiliate: A member or licensee of Visa International or Visa U.S.A. or an organization affiliated with a MasterCard member that participates under the member's rule or card plan on either the cardholder or merchant side.

Affinity Card: A Visa, MasterCard, Discover or American Express card bearing the trade name or mark of an affinity partner. These cards are issued through marketing alliances, an organization, or a collective group (such as a professional association or special interest group). The affinity partner's name and logo are shown on the card, and the partner then solicits its membership or group for special rewards and promotions. Popular with sporting teams and university

alumni groups, affinity cards work like regular credit/debit/prepaid cards and can be used anywhere that the brand is accepted. The card issuer often pays the affinity organization a royalty on charge transactions.

Affinity Partner: An entity that is not eligible for membership in either Visa or MasterCard and has a relationship with an issuer for the issuance of affinity cards.

Agent: Under the law of agency, a person authorized by another (known as the “principal”) to act for the principal. Agents can include processors, independent sales organizations, third-party servicers, independent contractors, and financial institutions engaged by a bank card member to provide services or act on its behalf in connection with payment services. For example, an independent sales organization may have a contractual relationship with a bank card member to sell and service retail merchants, thus becoming an agent of the member.

Agent Agreement: A contract with an agent under which the agent and the principal can be obligated. See **Agent**.

Agent Bank: Issuing: Agent banks contract with larger issuing (or sponsoring) banks to issue cards that are branded with the agent bank’s name. Cardholders are solicited through the agent. Shared revenue or fixed compensation may be negotiated, but the liability rests with the sponsoring bank, not the agent.

Acquiring: Similar relationships exist in which the agent sells and services the merchants on behalf of the principal bank.

Agent member: A member of Visa or MasterCard that by agreement, participates in another member’s card program, usually by turning over its cardholder and merchant applications to the member administering the card program and by acting as a depository for merchants.

Agent Reference File: A file maintained by Visa U.S.A. containing information about independent sales organizations, third-party processors, third-party servicers, and independent contractors.

Age Verification: A security authentication, which can be POS terminal-based, that is used by certain age-sensitive market segments such as liquor and tobacco outlets, bars, and casinos. The merchant can verify the consumer’s age and deny transactions to an underage consumer.

Aggregators: A service bureau that provides bill presentment and/or payment consolidation services. **Issuing:** Aggregators enable a bank to enroll and aggregate information from multiple bank and brokerage accounts so that it can be presented in one place to the consumer. **Merchants:** Merchants such as PayPal and Amazon—which act as electronic Internet malls—can process under one merchant number but with multiple sub-merchant numbers for their individual accounts.

Aging: The process by which account receivables are classified by the amount of time that has passed since the date of the invoice. It is used for the purpose of determining delinquency, ranging from current to charge-off status.

Aid for Dependent Children (AFDC): A federally funded and usually state- or county-administered public assistance program that provides supplemental financial aid to qualifying households that include one or more minor children. An AFDC family may receive benefits and services from other assistance programs, including food stamps, Medicaid, and subsidized child care. Families receive food stamps via an EBT (electronic benefits transfer) card, which works like a debit card. The EBT system reduces fraud, theft, and abuse.

Alert: 1. Weekly notification to an acquirer when the acquirer's suspect transaction or fraud activity level exceeds a specified risk identification service parameter. 2. A notification to an acquirer when the acquirer's fraud activity-to-sales ratio exceeds a specified Acquirer Monitoring Program alert threshold.

Alert Merchants: Those merchants that have more than 8 percent of their sales dollars labeled as fraud transactions in two consecutive months. Acquirers must terminate or assume chargeback liability on all fraud for one year.

Algorithm: A step-by-step procedure for solving a problem or accomplishing an end, especially by a computer.

Alphameric or Alphanumeric: A set of letters and numbers. When used in reference to computer input and output, the set usually is expanded to include the uppercase and lowercase alphabetic characters (A-Z, a-z), the numeric characters (0-9), and special characters (such as the symbols \$, #, and @, mathematical symbols, and punctuation marks).

Altered Card: A card on which the original embossed or encoded information has been altered for fraudulent purposes.

Alternate Payments: A non-traditional payment method such as instant transactional credit and ACH debit systems such as PayPal or Amazon Payments.

American Bankers Association (ABA): A nonprofit organization, founded in 1875, that serves the banking industry. Its members include community, regional, and money center banks and holding companies, as well as savings associations, trust companies, and savings banks.

American Express (AMEX): A diversified worldwide travel, financial, and network services company, founded in 1850. American Express issues credit, prepaid and charge Cards that support a broad base of clients and needs for both consumers and businesses. Along with its Card business, the company also provides business credit lines and merchant establishment services. In 1958, it introduced the American Express Card, a “charge card” with the entire bill paid in full each month. Because American Express was both the only issuer and the direct acquirer, it could gather more information on each transaction and was the first company to offer a detailed statement. Still viewed as a prestige business travel and entertainment supplier, American Express now offers an array of charge, prepaid and credit cards. It also has a reseller program, the External Sales Agent (ESA) Program, that provides incentives to ISOs and acquirers to market American Express cards to merchants. All American Express cards begin with “3.”

American National Standards Institute (ANSI): A private, nonprofit organization that administers and coordinates the U.S. voluntary standardization and conformity assessment system in many areas, including computers and communications. ANSI’s mission is to enhance both the global competitiveness of U.S. business and the nation’s quality of life by promoting and facilitating voluntary consensus standards and conformity assessment systems and safeguarding their integrity.

American Public Transportation Association (APTA): A nonprofit international association of more than 1,400 public and private member organizations, including transit systems and commuter rail operators; planning, design, construction, and finance firms; product and service providers; academic

institutions; transit associations; and state departments of transportation. APTA governs and oversees the public transportation industry, which is involved in setting standards for micropayments and smart card technology.

American Standard Code for Information Interchange (ASCII): The standard code used for information interchange among data processing systems, data communications systems, and associated equipment in the United States. ASCII code is an alphabet used in computer machine languages and represents the standard PC character set.

Americans with Disabilities Act (ADA): The American with Disabilities Act of 1990 (effective July 26, 1992) prohibits private employers, state and local governments, employment agencies, and labor unions from discriminating against qualified individuals with disabilities in job application procedures, hiring, firing, advancement, compensation, job training, and other terms, conditions, and privileges of employment. The ADA mandates the accessible design of buildings, machines, and public vehicles. The impact to automated teller machines was significant, as the law required accessibility for the physically impaired as well as the sight- and hearing-impaired.

AMEX: See **American Express**.

AML Policy: See **Anti-Money Laundering Policy**

Analog: Information presented in the form of a continuously varying signal.

Angel Investor: A wealthy individual who invests his/her private money in what he/she believes to be promising opportunities, such as startup companies. Sometimes two or more “angels” will jointly invest in opportunities to spread the risk. (Source: ventureline.com)

Anonymous Proxy Detection: A fraud prevention and risk management tool used in conjunction with Internet processing that rejects a transaction from known anonymous proxies. Anonymous proxies are frequently used by hackers.

ANSI: See **American National Standards Institute**.

ANSI X12: Standards that regulate electronic data interchange (EDI) as governed by the American National Standards Institute Accelerated Standards Committee.

ANSI X9.17: Standards for authentication and message encryption key management. These standards are maintained by the American National Standards Institute and can be found at the Computer Security Resource Center (www.csrc.nist.gov).

ANSI X9.52: Standards for data encryption and decryption. These standards are maintained by the American National Standards Institute and can be found at the Computer Security Resource Center (www.csrc.nist.gov).

Annual Fee: A fee paid by a cardholder to the issuer for the privilege of holding a financial transaction card and using it to buy goods and services. Not all cards have annual fees.

Annual Percentage Rate (APR): The annual cost of financial charges levied on consumer credit as required by the Truth in Lending Act (Regulation Z) of 1969. The lender's administrative costs, profit margin, and interest charges on the loan are typically added to a charge payable throughout the term of the contract and expressed as a percentage of the value of the transaction. The APR is often calculated as the monthly rate times 12.

Anti-Money Laundering Policy (AML Policy): All companies (including merchants) that deal with cash loads onto prepaid cards must have an AML policy and employees must be trained and knowledgeable on that policy. This includes filing of certain government reports pertaining to over-the-limit cash loads and suspicious transactions.

A/P: See **Accounts Payable**.

API: See **Application Program Interface**.

APP: See **Application**.

Applet: A compact program that can be downloaded quickly and used by a remote computing device. Applets are not allowed to access certain resources on the remote device.

Application (APP): Any form completed by an applicant. Typically, an application will request name, address, and other similar contact information that can be used for credit and risk assessment purposes. Examples are the

profile form filled out by the cardholder requesting a card or a merchant applying to accept bank cards as a payment medium.

Application Program Interface (API): A formalized set of software calls and routines that can be referenced by a software application program in order to access supporting network services.

Application Processing: Both issuers and acquirers process applications, typically by reviewing the application through an operational department and running risk management procedures, such as credit and background checks. The application is approved based on preset criteria. If approved, it is key-entered into the database that generates the cardholder or merchant production and set-up. If the application is given pending status, it is returned to the sales area or directly to the customer for more information. If it is denied, the applicant receives a letter explaining the reasons for the denial. Most acquirers have automated this and process the majority of applications electronically. Pending applications are also reviewed electronically.

Application Service Provider (ASP): A third-party provider that supplies ancillary computing services. For example, a vendor can hire an ASP to handle the presentment of his electronic invoices.

Approval Response/Code: The response code issued by a card-issuing bank that allows a sale to be charged to the cardholder's account. The approval is a positive response to an authorization request from the acquiring merchant.

APR: See **Annual Percentage Rate**.

APTA: See **American Public Transportation Association**.

A/R: See **Accounts Receivable**.

Arbitration: 1. The submission of a disputed matter to a private or official person ("arbitrator") for determination. The arbitrator is selected in a manner provided by law or agreement. Arbitration attempts to avoid resorting to the judicial system and its costs. Many contracts call for the resolution of disputes by arbitration rather than by litigation. 2. The process followed by the card companies to determine whether an issuer or an acquirer has ultimate

responsibility for a chargeback. The process is initiated by either member after the re-presentment process has been completed.

Arbitration Filing: A formal case submitted after unsuccessful dispute resolution through the chargeback-presentment cycle.

ARC: See **Accounts Receivable Entry**.

Archiving: The storing of files, records, and other data for reference and backup.

ARN: See **Acquirer's Reference Number**.

ARU: See **Audio Response Unit**.

ASCII: See **American Standard Code for Information Interchange**.

ASP: See **Application Service Provider**.

ASP Hosted Systems: A third-party application service provider that provides front-end, data center, or transaction processing capabilities for either a buyer or a seller.

Assent: In the Automated Clearing House (ACH) process, a consumer's consent that his bank account be debited for a specific amount on a specific date or period.

Assessments: See **Dues and Assessments**.

Assignment: The transfer of rights and obligations to another person or entity.

Association: An organization owned by bank members that services and obtains processing services for members and functions as a principal/proprietary member of Visa or MasterCard.

Asymmetric Digital Subscriber Line (ADSL): 1. An access technology that allows voice and high-speed data to be sent simultaneously over local phone lines. 2. A modem technology that provides enhanced and affordable access to the Internet, live video, and a variety of other services.

Asynchronous Transfer Mode (ATM): A technology for broadband transmission of high-capacity telecommunications signals.

ATM: See **Automated Teller Machine**.

ATM: See **Asynchronous Transfer Mode**.

ATM Acquirer: An acquirer that provides ATM processing.

ATM Card/Debit Card: A card issued by a bank that can be used at an automated teller machine (ATM) for withdrawals, deposits, balance inquiries, and account transfers. The card can also be used at point-of-sale devices to make purchases using funds from a customer's checking or savings account. There are two ways that an ATM/debit card can be processed at the point-of-sale. *Signature-based* or *offline debit* cards are processed like a credit card and require the cardholder's signature. *PIN-based* or *online debit* cards use acceptance procedures that require the cardholder to enter a personal identification number instead of signing a sales slip.

Audio Frequency (AF): The band of frequencies that, when transmitted as acoustic waves, can be heard by the normal human ear.

Audio Response Unit (ARU): A device that provides synthesized voice responses to dual-tone multifrequency signaling input by processing calls based on the call-originator input, information received from a host database, and information in the incoming call, such as the time of day. ARU systems are the bank card industry standard for voice backup authorization services and for help desk questions because they reduce staffing and operational expenses. This is also referred to as IVR (interactive voice response) or VRU (voice response unit).

Audit: Inspection and verification of financial accounts, records, and accounting procedures.

Auth: See **Authorization**.

Auth Only: See **Authorization Only**.

Authentication: 1. A security measure designed to establish the validity of a transmission, message, or originator, or a means of verifying an individual's authorization to receive specific categories of information or transaction approval

(in the case of plastic cards or payment orders). 2. A security measure designed to protect a communications system against acceptance of a fraudulent transmission or simulation by establishing the validity of a transmission, message, or originator. 3. Evidence by proper signature or seal that a document is genuine and official. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*) 4. A cryptographic process performed during a chip-initiated transaction used to validate the integrity of data provided to identify one or more of the following: issuer, card, chip-reading device, and message content.

Authentication Key: A data-encryption algorithm key used to authenticate data in accordance with specific encryption standards. This key can be used to generate and approve a personal identification number.

Authorization (AUTH): The first of seven stages in processing a bank card transaction. In this stage, the merchant issues a request to charge the amount to the cardholder's card. The card issuer or an authorized agent, such as an authorizing processor or a stand-in processor, references the cardholder's account status and credit limit and approves or denies the transaction.

Authorization Approval: The response by the issuer to an authorization request that approves the transaction.

Authorization Certificate: Any of several types of certificates containing information used in the authorization process. Note: Authorization information may also be contained in a public key certificate, which also serves as an authorization certification.

Authorization Code: Number assigned by the authorizing processor, card issuer, or stand-in processor to a cardholder's transaction which has received specific approval. The code is proof that the transaction has been properly authorized. The code is returned in the authorization response message and is always recorded on the transaction receipt and stored within the point-of-sale system.

Authorization Only (Auth Only): A point-of-sale process in which a merchant requests to check a cardholder's account validity via this message to the issuer. This type of transaction is rarely used. Also see Status Check Procedure.

Authorization Request: A merchant's or acquirer's request for authorization.

Authorization Request Cryptogram: A code or cipher used for a chip card process called online card authentication. The cryptogram is generated by the card for transactions requiring online authorization. It is sent to the issuer, who validates the authorization request cryptogram to ensure that the card is authentic and that card data was not copied from another card.

Authorization Response: A card issuer's, authorizing processor, or stand-in processor's response to an authorization request or account number verification. The response can be approved, denied, referred to the issuing bank, or coded to pick up the card.

Authorization Response Code: A code generated by the chip-reading device in chip transactions authorized offline. The code is based on the issuer's instructions programmed in the chip. The acquirer must provide the authorization response code in the clearing record.

Authorization Preferred: An embossed Visa Prepaid card that is issued with a Service Code in the magnetic stripe that requests authorization when the magnetic stripe is read by a POS terminal that recognizes and processes Service Codes, but in all other ways operates like a standard Visa card.

Authorization Processor: A processor that provides authorization services for merchants or issuing members. These services may include a voice backup or ARU capability.

Authorization System: The network and system used to effect an authorization of the payment instrument for a purchase. The system has parameters and criteria set up by the issuer of the instrument that, when met, will approve or deny the transaction.

Authorization Terminal: A point-of-sale terminal permitting electronic authorization. Authorization terminals do not necessarily capture transaction data into a payment system. See **EDC Terminal**.

Automated Accounting Device (ADV): A machine-readable, information-only ACH transaction that represents accounting information sent from an ACH

operator to a participating depository financial institution for use in automated accounting systems.

Auto-Close: A process associated with host-based terminals in which the system automatically initiates and operates an end-of-day process for capturing and submitting items for clearing and settlement. This process forces the daily submission of items. In some cases, the merchant must make an adjustment in order to balance the items before submission.

Automated Bill Payment: The process for crediting funds from a consumer's bank account to a creditor's account for the payment of a consumer's bill or obligation.

Automated Fuel Dispenser (AFD): Both Visa and MasterCard have an interchange rate category for petroleum merchants using pay-at-the-pump unattended terminals. The merchant category code must be oil and gas, petroleum (5542). Only one electronic authorization per transaction is allowed, and the magnetic stripe components must be transmitted. For Visa, the transaction must be sent for processing within 24 hours of the authorization and for MasterCard within 2 days. MasterCard and Visa allow a \$50 "pre-auth" as the transaction authorization. The merchant's name and location must be provided in the authorization record. This category includes all rate structures and card types. Visa calls their program CPS/AFD and MasterCard has three interchange rate programs for gas stations and convenience stores: Petroleum, Petroleum-Service Station and Petroleum-CAT/AFD.

Automated Clearing House (ACH): The paperless funds transfer system maintained by the Federal Reserve and other approved operators that utilizes electronic networks to exchange funds transfer items. Also called *automatic check handling*.

Automated Enrollment Entry (ENR): An ACH credit or debit enrollment entry initiated by a participating depository financial institution (DFI) to a federal government agency on behalf of an account holder.

Automated Notification of Change (COR): An ACH notification of change transaction automatically derived from the original erroneous item. The acronym COR is an abbreviation for correction.

Automated Teller Machine (ATM): An unattended computer terminal that performs basic teller functions: dispensing cash, accepting deposits, cashing checks, accepting loan payments, and enabling a bank customer to order transfers among accounts and make account inquiries. The first ATM was deployed as a cash dispenser by Barclay's Bank in the United Kingdom in June 1967. The first U.S. ATM was deployed in 1969 by Chemical Bank at its branch in Rockville Centre, N.Y. Some machines have more functions and also sell products such as postage stamps, while others are limited-function cash dispensers only. Recently ATMs have been used to image checks thereby automating the check deposit process as well as dispensing prepaid/gift cards.

Automatic Bill Payment: An arrangement between a merchant or service provider and a customer that allows the customer's credit or debit account or credit/debit/prepaid card to be charged automatically for goods or services.

Automatic Check Handling (ACH): Another term for the automated clearing house functions.

Automatic Fare Collection System (AFC): Fare collection systems installed by transit merchants, such as subways, buses, and taxis, for use with contactless, prepaid or smart cards.

Auto Re-presentment: Chargebacks (credit not issued, transaction not authorized, etc.) that are automatically resolved by the processor on the merchant's behalf without the merchant's knowledge or intervention.

Available Credit: The amount of credit available to a cardholder. It is the difference between a cardholder's credit limit and the present balance on the account, including outstanding authorizations not yet received through interchange.

Available Funds: Funds available to the account holder for immediate use.

Average Daily Balance: An amount calculated by dividing the balance outstanding at the close of each day during the billing cycle, by the number of days in that cycle. The average daily balance is used to calculate the interest due on the outstanding account balance.

Average Ticket: The average sale amount per merchant location.

AVS: See **Address Verification Service**.

B

B2B (Business to Business): The exchange of goods or services between one business and another business.

B2C (Business to Consumer): The exchange of goods and services between a business and a consumer.

Background Check: A risk management process in which the principals of a company are analyzed for historical behavior. This process typically is part of the acceptance criteria.

Bad Debt: Debt that has been written off and sent to a collection agency for payment.

Back-end Processor: A data processing company that contracts with acquirers to provide communication and processing systems that connect with the interchange systems for clearing and the ACH systems for settlement services. The back-end processor receives the data, captures items from the front-end processor, formats and submits the items to the card company for clearing and settlement. The back-end processor also handles all chargeback and retrieval processing, the production of merchant statements, and the formatting of the merchant deposit for submission to the depository bank or into the ACH.

Back Office Conversion: The method of converting checks in the back-office into electronic means for clearing. BOC will allow retailers and billers that accept checks at the point-of-sale or at manned bill payment locations to convert eligible checks to ACH debits in the back-office. BOC became available to the market on March 16, 2007. Rules regarding BOC maintain proper consumer notification, provide the consumer with proper customer service information and allow the consumer to opt-out. Checks with values over \$25,000 and checks with auxiliary on-us fields are ineligible.

BAI: See **Bank Administrative Institute**.

Balance Inquiry: A transaction in which the cardholder obtains his/her account balance at an ATM for traditional debit cards or at the point-of-sale for prepaid/gift cards.

Bandwidth (BW): 1. The difference between the limiting frequencies within which performance of a device, in respect to some characteristic, falls within specified limits. 2. The difference between the limiting frequencies of a continuous frequency.

Bank Administration Institute (BAI): A national banking educational company often consulted for its information reporting standards.

Bank Card: A financial payment card issued by a financial institution used for purchasing good or services.

Bank Card Association: A group of institutions formed for the purpose of sponsoring a bank card program, using a common processing and administrative center.

Bank Card Service Provider (BSP): Third parties, including independent sales organizations and member service providers, that provide merchant and cardholder services for issuers and acquirers.

Bank Identification Number (BIN): The six-digit number assigned by the card company to identify a member (issuer or acquirer processor) for issuing, authorization, clearing, or settlement processing. The issuer assigns the six digits as the first six digits of the card number. The acquirer assigns the six digits as the first six digits of the merchant number.

Bank Secrecy Act (BSA): The BSA includes OFAC (Office of Foreign Asset Control) Program and AML (anti-money laundering) for a company as well as other federal requirements. Companies also have to comply with the US Department of Treasury regulation 31 CFR 103, and the Office of Thrift Supervision regulation 12 CFR 563.177.

Banking Day: Any day on which a depository financial institution is open to the public.

BankNet: The online financial network service by which MasterCard delivers authorization, clearing, and settlement services to its members and their agents. BankNet separates communications processing from financial applications processing, allowing an unlimited variety of financial applications to transmit messages over a single network.

Bank Ledger Day: The point at which a bank closes out the current day's transactions and begins the next business day.

Bank Routing Number: The number uniquely identifying a bank for payment processing. This number consists of the first nine digits that appear across the bottom of a personal check. Also called the *transit routing number* and the *ABA transit routing number*.

Bankruptcy: The process of obtaining relief from debt by filing a claim with a U.S. court. Chapter 7 bankruptcy allows the individual to claim a total lack of assets; this type usually does not allow the collection of any debt from the creditor. Chapter 13 bankruptcy involves the reorganization of the filer's personal finances; some creditors will be paid. Chapter 11 bankruptcy involves the reorganization and alignment of a corporation's debt.

Bank Value: A positive or negative ACH balance adjustment resulting from a corrected transaction that restates the previous balance.

Bank Wire Transfer: Transfer of funds to any bank within the Federal Reserve System.

Bar Code: A code representing characters by sets of parallel bars of varying thickness and separation that are read optically by transverse scanning. Bar code uses include identifying merchandise, sorting mail, and inventorying supplies.

Barium Ferrite: The magnetic technology that uses this chemical in the composition of the ID credential to store data and make data available to the reading device. (Source: Smart Card Alliance)

BASE I (Bankcard System Experiment I): The VisaNet data processing system and operations used to provide authorization and authorization-related services between Visa issuers and acquirers.

BASE II (Bankcard System Experiment II): The VisaNet data processing system and operations used to provide clearing and settlement and other interchange-related services between Visa issuers and acquirers.

Basis Point (BP): One one-hundredth (0.01) of 1 percent, a measurement usually used in interest rates or discount rates. For example, a change from 1.43 percent to 1.50 percent is a change of seven basis points.

Batch: The accumulation of transactions from a point-of-sale terminal gathered, reconciled, and transmitted for clearing and settlement. Also, the transmission or processing of a group of payment orders as a set at discrete intervals of time (as opposed to real time).

Batch Authorization: A process, usually in a mail order or catalogue order, in which the authorization requests are accumulated and sent at one time for authorization. The resulting responses will also be returned in a grouping, or batch. Batch authorization is particularly effective when real-time authorization is not effective or when the order to ship an item is not requested in a real-time situation.

Batch Authorization Transaction System (BATS): A system designed to allow certain merchants—mail order merchants, for example—to batch-process authorizations on their own time schedules.

Batch Close: The process of sending transactions to the processor for clearing and settlement. Also, end-of-day closing or terminal balancing.

Batch Header Ticket: The identifying form used by the electronic submission merchant to indicate a batch of sales or credit slips (usually one day's transactions).

Batch ID Number: A sequential number assigned to each submitted batch. Each transaction within the batch shares the same reference number, which is used mainly for reconciliation and retrieval.

Batch Processing: A data processing procedure in which similar input items are grouped for processing, as opposed to real-time processing, which takes place as each transaction occurs. Accumulating the data in advance means that the user cannot influence the processing while it is in progress.

Batch Settlement: An electronic procedure in which the front-end processor consolidates the transactions within a group or batch and forwards the batch to the back-end processor for submission to the card company for clearing and later settlement or payment of funds to the acquirer. The acquirer then funds the merchant's account for payment.

BATS: See **Batch Transaction Authorization System**.

Baud (Bd): 1. A unit of modulation rate. One baud corresponds to a rate of one unit interval per second, where the modulation rate is expressed as the reciprocal of the duration in seconds of the shortest unit interval. 2. A unit of signaling speed equal to the number of discrete signal conditions, variations, or events per second. If the duration of the unit interval is 20 milliseconds, the signaling speed is 50 bauds. The term is sometimes used as a synonym for bit-per-second.

(Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

BBS: See **Bulletin Board System.**

BEA: See **Bureau of Economic Analysis.**

Benchmarking: A technique used to compare the performance of others within the same industry or product set.

Beneficiary: In electronic benefits transfer, the person who has the right to receive federal benefits payable by law through programs such as the Food Stamp Program, Aid to Families with Dependent Children (AFDC), and Women, Infants, and Children (WIC).

Benefit Security Account: The food stamp account or the cash account offered through the federal Benefit Security Program.

Better Business Bureau: A national member organization that uses codes of ethics, news alerts, databases and other programs to maintain a high level of trust between businesses and the public.

BID: See **Business Identification.**

Bill Consolidator: A bill service provider that consolidates bills from other bill service providers or billers and delivers them for presentment to the customer service provider.

Bill Detail: Information from a biller that provides line-level information to a customer, including specific billing event information such as credit card charges, telephone calls, or kilowatts used. Also called *invoice detail*.

Bill Notification: A process in which a customer is notified that an electronic bill is available for review and payment.

Bill Payment Provider (BPP): An agent of the biller (usually a financial institution) that originates and accepts payments on behalf of the biller.

Bill Payment Service Provider (BPSP): A financial institution or nonfinancial entity acting as an intermediary between the biller and the consumer for the exchange of electronic bill payment information.

Bill Service Provider (BSP): See **Consolidator**.

Bill Summary: Summary information from a biller that is essential to a consumer to understand what is owed. Typical information may include: amount owed, date due, biller, biller's account number, summary record, summary, and invoice summary.

Billback: A means of recovering or reducing interchange fees for transactions clearing differently than planned. The processing company passes through the charges to the merchant.

Biller: A company or organization that sends a bill or statement to a consumer, usually requesting payment for a product or service.

Biller Direct: A model of electronic bill presentment and payment (EBPP). A biller establishes an electronic billing capability on its own web site and provides its consumers with their billing information and the capability to make payments directly from the site. See also **Thick Consolidation**, **Thin Consolidation**.

Billing Cycle: The 28- to 31-day timeframe between production of the cardholder's current and next statements.

Billing Date: The month, day, and year when a monthly statement is produced. The current finance charges, minimum payment due, and new balance are calculated as of the billing date.

BIN: See **Bank Identification Number**.

BIN Licensee: A member or nonmember of a card company that has been designated by a member as a processor or issuer and is allocated responsibility for a specific BIN.

Biometrics: Any specific and uniquely identifiable physical human characteristic that may be used to validate the identity of an individual. Examples include characteristics of the retina, iris, acoustic spectrum of the voice (voiceprint), fingerprints, handwriting, and pattern of finger lengths. Biometric identification provides a highly secure means of identification, for purposes of security involving, for example, Internet communications and cryptosystems. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Black Card: A card program offering higher credit lines and expanded services. Qualifications for cardholder applicants require charging of more than \$500,000 annually.

Blocks: See **Debit Block**.

Bluetooth: A technology that allows an array of devices to communicate over short-distance wireless connections. This technology applies to PCs on a local area network as well as to cell phones, personal digital assistants, and wristwatches.

Boarding: The process of processing and adding new accounts to the system. Traditionally when adding new merchant relationships, paperwork includes individual information for each type of service being utilized, such as American Express, Discover and Check services. The data entry required adding each service to the data base individually, then mailing or faxing the application directly to the service, such as American Express, for them to add to their database. This process could take up to three weeks to set up thus holding up progress on setting up a merchant. New “Boarding” systems have been developed that allow a single point of data entry and then transmission of the relevant data to the appropriate party, e.g. American Express information to American Express. This service is also called “single point of entry.” Note that for the new Discover acquiring method, Discover merchants would be added with MasterCard and Visa and would not require this additional paperwork.

BOC: see **Back office Conversion**

Book Value: The value of an asset as it is written in the accounts of a company, as opposed to the real market value.

BPM: See **Business Process Management**.

Brand: The name, logo, symbol, slogan, jingle, or character that is intended to identify a product or service. Brands can provide a guarantee of product safety and quality and offer predictability and consistency over time and space. MasterCard calls their logo on the plastic payment card their “brand.”

Brand Identity: The vision or personality that companies want their products and services to convey.

Brand Loyalty: A customer’s loyalty to a product for reasons specific to the individual.

Breakage: Used in prepaid cards and travelers’ checks to represent the amount of prepaid funds that the purchaser did not use. These funds are assumed by the issuer, processor or program manager.

Break-Even: The amount of additional revenue needed to cover expenses.

Brick and Mortar: A traditional business serving customers in a physical storefront or office, contrasted to an online business.

Broadband: Evolving digital technologies that provide consumers a signal-switched facility offering integrated access to voice, high-speed data service, video-demand services, and interactive delivery services. (Source: Federal Communications Commission)

Browser: The Web browser, the tool (program) that allows users to surf the World Wide Web. The most popular browsers are Netscape Navigator and Microsoft Internet Explorer.

BSP: See **Bankcard Service Provider, Bill Service Provider**.

“Bug”: See **Marks**.

Bulk Data: The technical specifications for mainframe-to-mainframe computer transmission of files between a financial institution and the Federal Reserve Bank.

Bulletin Board System (BBS): A dial-up electronic message system for reading and posting messages or downloading files.

Bundled Fees: The pricing scenario that includes all transaction processing fees as well as interchange reimbursement fees. Typically referred to as the discount rate, it can be expressed as a percentage plus a per-item fee. Also called *bundled pricing* and *bundled fees*.

Bureau of Economic Analysis (BEA): The U.S. Department of Commerce bureau that analyzes and produces reports on the Gross Domestic Product and personal consumption expenditures.

Burn Rate: The rate at which a company—typically a start-up company—consumes its capital. Also called *run rate*.

Business Card: A bank card issued to companies for use by company employees. The liability for the abuse of the card typically rests with the company, not with the employee. Also called *corporate card*.

Business Card: Introduced in 1985 to meet the needs of the small business market in the United States, the MasterCard Business Card program offers the ability to extend payments and separate business expenses from personal expenses. All card companies offer business card programs.

Business Day: A calendar day other than a Saturday, Sunday, or federal holiday.

Business Identification (BID): A unique number used by Visa to identify an acquirer or processor.

Business-to-Business: See **B2B**.

Business-to-Consumer: See **B2C**.

Business Process Management (BPM): The process of automating payment disputes and investigations.

Bust-Out Card Fraud: Collusive merchants, ISOs or agents, and cardholders who perpetrate fraud against credit cards. The merchant is usually an existing business and works with an ISO or agent to procure terminals and a merchant

account. The merchant establishes a number of new businesses and obtains more terminals and merchant numbers from the ISO or agent. Cardholders charge various amounts, exhausting the credit limit, but with different merchant numbers. The cardholder pays the balance in full and then redoes the process of charging to the limit. The check bounces within two days, and the group has two cycles of credit line charges that the issuing bank cannot collect.

Bust-Out Merchants: Merchants who perpetrate bust-out card fraud.

Buyer: A business customer, or payer.

Buyer Direct: EIPP (electronic invoice presentment and payment) model connecting one buyer to many sellers. Sellers post their invoice data to the buyer's site.

Buyers' Guide Service: A service of MasterCard, included in some card programs, that offers the cardholder discounts on special catalogue merchandise.

Buy Rate: The price at which an ISO can buy services. A sponsor quotes a buy rate to an ISO, which then can mark up the price and sell the service or product at its own rate. The difference between the buy rate and the sales price quoted by the ISO is income to the ISO.

C

CA: See **Certification Authority**.

Call Center: A functional area within an organization or an outsourced, separate facility that exists solely to answer inbound or place outbound telephone calls. Usually refers to a sophisticated voice operations center that provides a full range of high-volume inbound or outbound call-handling services, including customer support, operator services, directory assistance, multilingual customer support, credit services, card services, inbound and outbound telemarketing, interactive voice response, and Web-based services.

Call-Me: A response to an acquirer's authorization request, generated by the issuer or through stand-in processing, that requires the merchant to contact the issuer directly.

Call Report: A report completed to document a sales call.

Campus Card: A multipurpose card issued by a university or school. Each student uses this instrument as an ID card, meal ticket, library card, dormitory entry card, classroom attendance card, and general payment card. The card can be a smart card, contactless, magnetic stripe card, or a combination. Also called multi-card or universal card.

Cancellation: An electronic message sent by the merchant, the acquirer, or the processor to nullify a previously transmitted transaction request or response.

Cancellation Code: Also called *cancellation number*. The code that a lodging or car rental merchant gives to a cardholder. The cancellation code proves that the cardholder did, in fact, cancel a reservation. It is used in the dispute process.

CAP: See **Central Affiliated Property**.

Capture: Stage three of the seven stages of processing, which involves converting the authorization amount into a billable transaction record within a batch. A transaction cannot be captured unless it has been authorized. Rules also state that the merchant should not send the transaction to be cleared until goods or services have been shipped or provided to the consumer. The front-end processor aggregates the merchant batches by BIN, matches authorization data to

settlement data, and sends the transaction to the back-end processor for clearing and settlement. The front-end processor may also send the independent card company transactions (AMEX, Discover, Diners, and JCB) directly to the card companies depending on the relationship with the acquirer.

Capture Date: The date on which an acquirer processor processes a transaction for settlement and clearing.

Capture Method: The method by which transactions are captured at the point-of-sale. The options are terminal or host capture.

Card: Any valid plastic card issued by a card company or other card-issuing organization that is presented as payment for goods and services or to obtain cash advances.

Card-Absent Environment: An environment in which a transaction is completed under both of the following conditions: the cardholder is not present and the card is not present. Transactions in this environment include deferred payments, electronic commerce, mail order and phone order, and recurring transactions. They do not include face-to-face transactions where the card is present.

Card Acceptance: A merchant's agreement to accept plastic cards as a form of payment.

Card Acceptance Agreements: The term used by American Express to mean the merchant contract.

Card Activation: To activate a credit card for usage, the cardholder typically calls a number indicated on a sticker on the mailed plastic card and verifies some account information or calls from the home phone number where the activation is automatic. To activate a debit card, the cardholder can also use the card in an ATM before utilizing the card in a POS. A prepaid or gift card typically is activated when the card is purchased at the point-of-sale. If the prepaid card is provided in the mail or via an employer, then the card will require a phone call to the issuer for activation.

Card Approved Vendor: An entity certified by card companies to produce payment plastic cards with logos/brands/flags imprinted on the card within the card companies' specified guidelines.

Card Association: Visa is a member-based organization formed to manage the rules, regulations, and process of interchanging plastic card transactions. Their membership consists of issuers, which are responsible for the management and issuance of plastic debit, prepaid and credit cards. MasterCard was an Association until 2006 when they changed the company structure and became a public company. Visa plans to combine Visa Canada, Visa International and Visa USA into a single private stock company, Visa Inc. late in 2007. Visa Europe will remain a membership association and will become a licensee of, and own a minority interest in, Visa Inc.

Card Authentication Value (CAV): A cryptographic value encoded on track 2 of an electronic benefits transfer card and used to validate its content.

Card Authorization System (CAS): The American Express Card Authorization System, a computer system that performs the credit analysis of Cardmember charges. Its primary purpose is to protect the service establishment from fraud loss and credit abuse. (Source: American Express)

Card Base: The population of cardholders, especially in the context of a single-card family.

Card-Based Stored Value Card: A consumer prepaid payment card with monetary value stored on the card. When the card is used, the terminal deducts the transaction amount from the value on the card at the point-of-sale, without connecting to an issuer system. (Source: Smart Card Alliance)

Card Capture: The capability of an ATM device to capture cards when they have been coded as lost or stolen or when the cardholder makes more than a prescribed number of PIN attempts.

Card Carrier: An 8 ½" x 11" piece of paper to which the card is affixed. The carrier is included inside a #10 envelop and mailed to the cardholder. The carrier is often customized for the card program and includes details of the program.

Card Company: Generic term used to describe the network brand: Visa, MasterCard, Discover, American Express.

Cardholder: The person or entity that has been issued a credit, prepaid or debit card and is responsible for compliance with the rules of engagement as contracted with the card-issuing body. This information is provided in the card's terms and conditions.

Cardholder Access Device: A terminal, personal computer, or other device that a cardholder uses to initiate an electronic commerce transaction.

Cardholder-Activated Terminal (CAT): A magnetic-stripe terminal or chip-reading device that is not an ATM but is activated or used by a cardholder and not a merchant.

Cardholder Authentication Verification Value (CAVV): A value transmitted by an issuer in response to a three-domain (3-D) secure authentication request.

Cardholder Bank: The bank that has issued a bank card to an individual. Frequently used to identify the card-issuing bank in an interchange arrangement.

Cardholder Dispute: A dispute initiated by the cardholder. In the bank card industry, the dispute can be in the form of a chargeback.

Cardholder Fraud: Types of fraud include fraudulent applications that use fake or misleading information to obtain a credit card illegally; lost and stolen cards that are used to obtain goods or services illegally; counterfeit cards; magnetic-stripe fraud, which involves the re-encoding of card information on the magnetic stripe, thus allowing the transaction to not match the embossed information; fraud perpetrated by a cardholder who claims that his/her card is lost when actually it is being used by the cardholder to make purchases.

Cardholder-Initiated Chargeback: A cardholder-initiated dispute. Reasons for the dispute include: the goods or services were never received; the transaction amount is incorrect; or the transaction is a duplicate. Also called *substantive chargeback*.

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. Compliance with CISP means compliance with the PCI Data Security Standard with the required program validation.

Cardholder Master File: The issuer's record of all cardholder accounts. The file contains information on each account, such as name, credit line, and account status.

Cardholder MSP: A registered entity of MasterCard under the member Service Provider (MSP) Program that supports a member's issuing program, usually by soliciting cardholders and providing customer service.

Cardholder Profile: The demographics of a cardholder's portfolio.

Card Identification Number (CID): A unique 4-digit check value generated using a secure cryptographic process that is thermal-printed on the front of an American Express card or provided to a virtual account holder.

Card-Issuing Bank: The member of Visa and/or MasterCard and/or Discover, licensed under the rules and guidelines of the respective card companies to solicit, contract with, issue, and manage cardholder programs for the express purpose of extending credit, or facilitating debit access instruments through a depository account. With regards to prepaid, the card issuing bank does not extend credit but provides an account whereby funds must be loaded prior to performing transactions. Also called *card issuer*.

Card Mailer: Special packaging used to mail new or reissued cards to the cardholder. The mailer may contain special information, disclosures, and/or instructions to the cardholder about the account.

Cardmember: For American Express, consumers who have American Express Cards.

Card Not Present (CNP): See **Card-Absent Environment**.

Card Number Generator: A computer application that generates a series of account numbers by using preset parameters such as bank identification numbers (BIN) with sequential numbering and a check digit verification number. Complete lists of valid numbers can be produced at one time for issuance over a

period of time. These programs are also used in fraudulent or counterfeit schemes to create a mass of cards with valid numbers.

Card-Present Environment: An environment that describes the conditions of either the face-to-face or cardholder-activated terminal environment.

Card Production: The process of encoding and embossing cards and rendering them to the customer. The generation of card mailers; merging and mailing of the cards, and insertion of terms and conditions are also handled in this process. To produce a Visa, MasterCard, Discover, American Express, or any regional debit card, the vendor must have an extensive security check and meet compliance regulations for the actual facility. See **Card Approved Vendor**

Card Registration Company: A company that provides an optional service to cardholders, usually for an annual fee. Cardholders register their credit card account numbers with the company. If a card is lost or stolen, the cardholder makes one call to the card registration company, which then notifies the issuers of all the lost or stolen cards.

Card Reissue: Preparing, packaging, and sending new cards to cardholders prior to the current card's expiration date.

Cards in Force (CIF): 1. Cards in Force: Number of American Express cards in force by type of card or geographic area. (Source: American Express) 2. Central Information File: In data processing, the centralized database containing a financial institution's client base. (Source: American Express)

Card Skimming: Reading the magnetic stripe on a card and copying the information for use in the creation of a duplicate card that can be used for fraudulent transactions.

Card Validation Code (CVC): A MasterCard tool used to prevent fraud. MasterCard requires that the number be embedded in the magnetic stripe. The data must be valid and verified at the card issuer. This prevents fraud because card skimmers cannot see the CVC on the outside of the card and may not know the algorithm to create the number and embed it in the fraudulent card. Visa's is called CVV.

Card Validation Code 2 (CVC2): A unique 3-digit check value generated using a secure cryptographic process that is indent-printed on the back of a MasterCard card or provided to a virtual account holder.

Card Verification Service: A Visa service in which Visa validates the card verification value on behalf of the issuer in an authorization request.

Card Verification Value (CVV): A unique check value encoded on the magnetic stripe and replicated in the chip of a card or the magnetic stripe of a Visa Card to validate card information during the authorization process. The card verification value is calculated from the data encoded on the magnetic stripe or chip using a secure cryptographic process. MasterCard's is called CVC.

Card Verification Value Procedure: For each transaction authorization the message will include one of the following with regards to the CVV2: CVV2 is intentionally not provided; CVV2 is present; CVV2 is present but illegible; cardholder states that there is no CVV2 on card. Responses are: CVV2 match; CVV2 no match; not processed; merchant indicates no CVV2 on card; card issuer cannot certify. CVV2 is recommended for all internet transactions. It is a risk the merchant would take to not require the CVV2 as a security measure.

Card Verification Value 2 (CVV2): A unique 3-digit check value generated using a secure cryptographic process that is indent-printed on the back of a Visa card or provided to a virtual account holder.

Card Verification Value 3 (CVV3): A unique value generated for each transaction using a secure cryptographic process that is used exclusively for Visa contactless cards.

CAS: See **Card Authorization System**.

Cash Account: An authorization file for the cash benefit account within a prescribed EBT program.

Cash Advance: The ability to obtain cash from a cash dispenser, or a bank teller. Interchange on these transactions is paid by the issuer to the acquirer for the float on funds disbursed. Cardholders pay high charges for these transactions.

Cash Back: A debit transaction that allows a cardholder to authorize more than the cost of goods or services actually purchased and receives the difference in cash from the merchant.

Cash Benefit: Annuity and public assistance benefits that are in the form of cash. These benefits are generally disbursed through direct deposit, warranty, state check, U.S. Treasury check, or EBT.

Cash Concentration/Disbursement (CCD): The ACH format for corporate payments, which can include one option addenda record.

Cash Flow: The difference between incoming cash and outgoing cash.

Cash Letter: The bundle of checks and/or items sent to or from one financial institution to another for deposit or collection on the items within.

Cash Management: In banking, the process of depositing cash and checks as well as the investment of the funds deposited.

Cash Management Improvement Act (CMIA): Requires the federal Financial Management Service (FMS) to issue regulations to ensure greater efficiency, effectiveness, and equity in federal/state funds transfer.

Cash Reserves: An account holding funds that are accessible in the case of fraudulent activity or excessive chargebacks. This account is a standard practice for doing business with a newly formed company as a risk mitigation practice.

Cash Theft: A category of Internet theft in which a criminal breaks into a business's payments account and manually generates a high volume of sales using stolen cards. The criminal then credits the funds to his or her own card, effectively using the merchant's authorization terminal to siphon cash from one set of cards to another. The average cost of the fraud is limited only by the number of cards that the hacker has and the aggregate credit limit on those cards. The average economic impact is more than \$10,000. Also called *account takeover*.

CAV: See **Card Authentication Value**.

CBT: See **Computer-Based Training**.

CCD: See **Cash Concentration/Disbursement**

CDMA (Code-Division Multiple Access): A higher-speed, more efficient packet-based data network replacing CDPD. CDMA is a cellular technology originally known as IS-95, and also competes with [GSM](#) technology for dominance in the cellular world.

CDPD (Cellular Digital Packet Data): The transfer of data via unused bandwidth normally used by mobile phones between 800 and 900 MHZ. Speeds of up to 19.2 kbits/sec are possible.

CD-ROM: Abbreviation for *compact disc read-only memory*. A high-capacity optical digital storage device that can be read from but not written to. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

CEBP: NACHA's Council for Electronic Billing and Payment.

Cellular Digital Packet Data: See **CDPD**.

Central Affiliated Property (CAP): For American Express, the term used to designate the hierarchy of an account in relationship to multiple locations. (Source: American Express)

Central Information File: See **CIF (2)**.

Central Processing Date: 1. For BASE II, the date (based on Greenwich Mean Time) on which a member inputs interchange data and the data is accepted by a Visa interchange center. 2. For single message system users, the date the transaction is settled.

Central Processing Site: The central computer processor used in transaction processing.

Central Processing Unit: See **Communication Processing Unit (CPU)**.

Certificate: In cryptography, the public key and the identity of an entity, with other information, rendered unforgeable by digitally signing the entire information with the private key of the issuing certification authority. Also called *digital certificate*. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Certification Authority (CA): Also called *certificate authority*. 1. In cryptography, a center trusted by one or more agencies or individuals to create and assign certificates and, optionally, to create users' keys. 2. In secure communications, a trusted person or entity that issues certificates (also called *public-key certificates*) for encryption purposes. 3. An independent party identifying and certifying payers and payees for real-time credit card transactions in electronic commerce. 4. The third level of the Public Key Infrastructure (PKI) Certification Management Authority responsible for issuing and revoking user certificates and exacting compliance to the PKI policy. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

CFR: See **Code of Federal Regulations**.

Chain: A series of merchant locations managed and owned by the same entity.

Chained Transaction: Multiple transactions that occur in a customer-operated device such as an ATM without the reentry of the card or PIN.

Chargeback: A procedure whereby a cardholder or the cardholder's bank disputes transactions to payment cards. A disputed payment card transaction is returned to the acquirer/ISO/MSP for reimbursement to the cardholder's account. Chargebacks can be procedural (see **Issuer-Initiated Chargebacks**) or substantive (see **Cardholder-Initiated Chargebacks**).

Chargeback Form (ICA-3): A standardized form that contains all pertinent information relating to the chargeback. Members may produce their own forms following MasterCard and Visa guidelines, use forms produced by MasterCard and Visa or perform this electronically. There are three pieces of information contained on this form: chargeback period, chargeback reason code and chargeback reference number.

Chargeback Period: The number of calendar days from the central processing date of a transaction receipt during which the issuer may exercise a chargeback right. The number of days varies from 45 to 180 days, according to the type of transaction.

Chargeback Reason Code: A numerical code that identifies the specific reason for the chargeback. MasterCard and Visa each have unique codes.

Chargeback Reference Number: An issuer-assigned number that identifies the source of an outgoing chargeback.

Chargeback Ratio: Measured by total sales chargebacks to total sales transactions. The maximum usually is .018 percent without incurring warnings and fines.

Charge Cards: Plastic cards in which payments are set against a special-purpose account. The entire bill must be paid at the end of the billing period, and typically, there is no interest.

Charge-Off: The situation in which the issuer is faced with a delinquent loan of such severity that it must absorb the amount of debt, at least temporarily, in order to clear the amount from its ledgers. The issuer may still attempt to collect some or the entire amount owed through the recovery process.

Charge per Transaction: A fee charged on any authorized transaction to cover costs usually associated with delivery of the authorization.

Charge Volume: The sum of dollars transacted on American Express Cards, usually either within a particular sales establishment or group of sales establishments. This information is available by month and by type of card. (Source: American Express)

Chat: Abbreviation for *conversational hypertext access technology*. A form of interactive online typewritten communication that allows participants ("members") to engage in text-message conferencing via real-time computer networking over designated communications facilities ("chat rooms"), without storing the messages. Participants' messages are instantaneously relayed to all other participants logged into the chat room. Their replies are instantaneously relayed to the originator and all other participants. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Check: A paper negotiable instrument payable upon demand to transfer funds from the payer to the payee.

Check 21: See **Check Truncation Act for the 21st Century**.

Check & List Payment: A paper-based processing method in which the biller is sent a single check representing multiple payments accompanied by a list of payments that it represents.

Check Authorization: The confirmation that the check presenter has not been linked to excessive returns of previously written checks.

Checks-by-Phone: A system that allows consumers to provide their checking account information to a merchant over the phone. A duplicate check (paper draft or electronic check) is created for payment.

Check Card: A bank card that enables the user to purchase goods and services and obtain cash disbursements against his or her asset account (generally a checking account). Also called an *offline debit card* or deposit access card.

Check Conversion: The process of converting a paper check to an electronic debit.

Check Digit: The last digit of an account number or transit routing number on a check that may be calculated using an algorithm, usually MOD 10, and may be used to test the validity of a card, check, or instrument.

Check-Electronification: See **Electronic Check Conversion**.

Check Fraud: The use of a paper check or checking account to obtain funds illegally.

Check Guarantee: A service that guarantees payment on each check presented, up to a limit defined by the account, provided that the merchant follows correct procedures in accepting the check. The guarantee service collects any returned items, and the merchant typically follows a stringent set of procedures. See also **Check Verification**.

Check Imaging: The conversion of the paper check to digitized images at various points along the collection stream, eliminating the need for paper –hand-offs.

Check Reader: A hardware device that can be integrated to the terminal or stand-alone device that reads the MICR line on a check for authentication, negative file comparison, or truncation.

Check Truncation: The actual paper instrument is held at the first point of presentation, whether at a point of purchase (POP) or at the deposited financial institution. Information from the checks is transmitted electronically from the truncation point to the depositor's financial institution.

Check Truncation Act for the 21st Century (Check 21): The Federal Reserve Bank law, effective in 2004, that allows banks to transmit electronic images of checks instead of actual paper checks, if desired.

Check Verification: An online authorization service that allows merchants to query a database to determine if customers have a history of returned checks. Merchants may also add checks that have been returned for nonsufficient funds (NSF). For large national retailers, the service provider may load a check list into the merchant's system. Check verification service can be combined with a check guarantee service. See also **Check Guarantee**.

Checking Account: An account set up by a consumer at a bank or licensed depository institution. The account is accessible by checks, a debit card, or the Automated Clearing House (ACH). The working account set up by merchants for depository activity for debiting and crediting bank card processing items. Also called *demand deposit account* (DDA).

Chip: A small square of thin semiconductor material, such as silicon, that has been chemically processed to have a specific set of electrical characteristics such as circuit storage or logic elements. When used on a plastic card, a chip performs logic, processing, or memory functions. See also **Integrated Circuit**.

Chip Card: See **Integrated Circuit Card**.

CHIPS (Clearing House Interbank Payments System): A large dollar funds transfer system, a member of the New York Clearing House family of payments.

CIE: See **Customer-Initiated Entry**.

CIF: See **Cards in Force**

CIP: See **Customer Identification Program**.

Cipher Text: Data or messages that have been encrypted. The utilization of various formats such as DES actually messages the data or the entire message so that the data integrity remains intact.

CIRRUS®: Cirrus is MasterCard's ATM-only brand, and offers cardholders secure access to cash and other banking services. Cirrus can stand alone or sit with MasterCard's point-of-sale brands, giving them ATM access. It can also be used by competing brands such as Diners Club, and private label credit cards, to provide ATM access for those cards. The Cirrus logo appears on over 920 million cards, with issuance particularly strong in North America. Cards bearing the Cirrus logo can be used at over 900,000 Cirrus ATMs worldwide.

CISP: See **Cardholder Information Security Program**.

Claim: The personal injury, property losses, damages (including indirect, consequential, special, or incidental damages) losses, suits, claims, expenses, costs (including attorney's fees), or any other liability, under any theory whatsoever, including without limitation, tort, or contract.

Classic Card: The original category for a standard Visa card.

Class A Certification: The type of certification by an acquirer processor by which an online help desk is used to support the download and support of the POS application. This certification includes the message authentication formats used in Class B certification.

Class B Certification: The act of message authentication to the processor and the most widely used certification by value-added resellers (VARs). In this type of certification, the processor does not certify how the terminal application performs but only that the application can communicate in the format needed for transaction processing.

Clayton Antitrust Act: Enacted in 1914 to protect from discrimination in prices, services, or facilities.

Clean Door/Clean Window Policy: American Express policy that dictates that an establishment cannot place any point-of-purchase (POP) on or around the establishment or on doors, windows, cash registers, etc. (Source: American Express)

Clearing: The process of submitting transactions to the respective card company (Visa, Discover, AMEX or MasterCard) for interchange processing, the fourth in the seven stages of processing. This presentment of the transactions is also a request for payment in the settlement process. The back-end processor has received the captured transactions from the front-end processor. The back-end processor performs edit checks and risk management procedures on the transactions to look for possible rejects. The back-end processor then formats the merchant deposit and sends the transactions to the card companies for actual interchange among the members.

Clearing Account: A checking account set up at a bank that will receive a member's credit or debit for net settlement.

Clearing Balance: The balance in an account maintained by a financial institution at a Federal Reserve or correspondent bank.

Clearing Bank: The bank designated by the member to receive the member's daily net settlement advisement. The clearing bank conducts funds transfer activities with the net settlement bank and maintains the member's clearing account. This bank may be the member itself.

Clearing House: See **The Clearing House**.

Clearing Processor/member: The card company member, or its designated processor, that provides clearing and settlement services for merchants or other members. This is a typical function of a back-end processor.

Clearing Record: A record of a presentment, chargeback, re-presentment, or reversal in the format necessary to clear the transaction.

Clearing Reversal: A VisaNet transaction that negates a transaction previously sent through BASE II or the single message system.

Clear Text: Messages and data that are not encrypted but appear in readable format. Data that can be compromised or used for fraudulent activity should never appear "in the clear."

Client Organization: A company or organization that sponsors a Commercial card program, such as Business, Corporate, Purchasing (including Fleet), and any other program combining the functionality of these cards, in which cards are

provided to users for business-related purchases. Such companies or organizations may be public- or private-sector companies, including sole proprietors and self-employed individuals.

Client Reference Number: An eight-digit number supplied by the establishment for electronic draft capture, electronic cash register, or direct solutions transactions.

Click Rate: On a Web page menu item, especially an advertisement, the ratio of the number of times it is selected ("clicked") to the number of times it is viewed.

Client-Server: Any hardware-software combination that generally adheres to client-server architecture, regardless of the type of application.

Client-Server Architecture: Any network -based software system that uses client software to request a specific service, and the corresponding server software to provide the service from another computer on the network

Close Batch: The end-of-day or end-of-shift process in which the merchant balances and submits transactions for clearing and settlement. This process occurs on a terminal-based capture system. On a host-based capture system the host automatically generates the process at a predetermined time of day.

Closed-Loop: A system using a prepaid card within a boundary or a select group of merchants or at one particular merchant, such as mall cards that can only be used in the issuing shopping mall, major retailers such as Best Buy and Home Depot and campus cards that can only be used on the issuing campus. This type of program uses a proprietary network.

Closed System: A payment card system in which one organization both issues cards and acquires merchants. American Express and closed loop gift cards are examples of closed systems.

CMIA: See **Cash Management Improvement Act.**

CNP: See **Card Not Present.**

Co-Branded Cards: A customized branded card product for a specific retailer or service provider, such as General Motors, that wishes to solicit its customers.

Code "10": 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.

Code-Division Multiple Access: See **CDMA**.

Code of Ethics: See **Ethics Statement**.

Code of Federal Regulations (CFR): The compiled administrative procedures by which federal agencies administer the laws passed by the U.S. Congress.

COGS: See **Cost of Goods Sold**.

Cohabitation: The ability of multiple technologies to reside on the same card and not interfere with each other. An example is a magnetic stripe card with a chip embedded.

Cold Call: A lead-generation technique in which a salesperson calls on new businesses either physically or by telephone.

Collateral: Savings, bonds, insurance policies, jewelry, property, or other items that are pledged to pay off a loan or other debt if payments are not made according to agreed upon terms. Synonym: Security.

Collateral Material: Printed, broadcast, or other communications regarding marketing, including solicitations, promotional materials, advertisements, statements, statement inserts, direct mail solicitations, brochures, and telemarketing operator scripts.

Collected Funds: Funds for which final payment has been received.

Collections: A status or process by which borrowers or clients/customers have defaulted on their debts. Many companies hire collection agencies that specialize in recovering all or a portion of these debts for a fee. The fee sometimes includes a portion of the recovered monies.

Combined Terminated Merchant File (CTMF): A database maintained by the card companies that lists all merchants terminated for cause.

Combined Warning Bulletin: The printed list of blocked numbers published jointly by Visa U.S.A. and MasterCard International. This list was discontinued in April 1994.

Commercial Card: A credit or debit card issued to businesses and corporations for travel and entertainment, fleet, business-related expenses, and procurement.

Commercial Card Enhanced Data Transport: A service that enables issuers to provide their Visa Commercial card customers with optional enhanced reporting of transaction information provided by merchants and acquirers.

Commercial Credit: Short-term credit that a seller gives to a buyer to pay for a service or product.

Commercial Relationship: An agreement between parties to do business together for the purpose of EBPP/EIPP. It may or may not include a contract.

Commercially Reasonable Time Frame: A period of time generally considered acceptable for a process in a given industry, taking into consideration the circumstances of the parties to the transaction. (Source: Billing.org)

Commission-Only Sales: Sales personnel who are not employed by a company but receive commissions instead of a salary when they effect a sale. These personnel are also considered “1099” personnel because they are issued IRS Form 1099 as proof of wages and for tax filing purposes.

Communications Processor Unit (CPU): A computer embedded in a communications system. CPU is also an abbreviation for the central processing unit of a computer.

Compliance: A process for resolving disputes between card companies arising from violations of the operating regulations and verification by the member that a financial loss has occurred.

Compliance Filing: A formal case filing (on a completed regulations/rules violation form) submitted following an unsuccessful good-faith attempt to resolve the dispute.

Computer-Based Training (CBT): Lessons or classes designed for self-study from computer programs.

Concentrator: 1. In data transmission, a functional unit that permits a common path to handle more data sources than there are channels currently available within the path. A concentrator usually provides communication capability between many low-speed, usually asynchronous channels and one or more high-speed, usually synchronous channels. Usually different speeds, codes, and protocols can be accommodated on the low-speed side. 2. A device that connects a number of circuits, which are not all used at once, to a smaller group of circuits for economy. (Source: Federal Communications Commission)

Concentrator: A financial institution or third-party service provider that a biller retains to handle payment and/or remittance data.

Confidentiality: The guarantee that a message will be legible to no one other than the intended recipient.

Confirmation: The acquirer's electronic acknowledgment of the retrieval request.

Confirmation Number: A number provided by a hotel, motel or auto rental to verify a cardholder's guaranteed reservation or advance resort deposit.

Confirmed Fraud Transaction: A transaction, reported by an issuer to the card companies, involving a card that was lost, stolen, never received, issued on a fraudulent application, counterfeit, or used fraudulently.

Congestion: Density of traffic when the load exceeds the capacity of a data communication path. (Source: Federal Communications Commission)

Connection Endpoint (CE): A terminating device at one end of a layer connection within a service access point. Within VisaNet (Visa's network), Visa Access Point (VAP) serves as the connection endpoints. Within BankNet (MasterCard's network), MasterCard Interface Processor (MIP) serves as the connection endpoints.

Consolidator: A bill service provider that consolidates bills from multiple billers or other bill service providers (BSPs) and delivers them for presentment to the customer service provider (CSP). (Source: Billing.org).

Consumer: A person not engaged in commercial transactions.

Consumer Cards: The term used to identify all personal credit and debit cards.

Consumer Credit Protection Act: See **Regulation Z**.

Consumer Fraud: The commission of fraudulent acts by a consumer against a merchant. Some examples include writing bad checks, closing an account or having no account for checks, or intentional chargebacks.

Consumer-Operated Terminal (COT): A self-service, usually a freestanding device such as an ATM or kiosk where the consumer initiates and consummates a transaction without the aid of a clerk. See also **Cardholder-Activated Terminal**.

Contact Smart Card: A smart card that connects to the reading device through direct physical contact between the smart card chip and the smart card reader. See **ISO/IEC 7816**. (Source: Smart Card Alliance)

Contactless Payments: See **Proximity Payments**.

Contactless Smart Card: A smart card whose chip communicates with the reader using RF (Radio Frequency) and does not require physical contact with the card reader. (Source: Smart Card Alliance)

Contactless Chip with dCVV/CVC3: The dCVV (Visa) and CVC3 (MasterCard) technology is a unique transaction identifier that is generated based upon public key/private key technology in combination with use of a contactless chip (discussed in the Contactless Chip Payments section). This transaction code is transmitted to the issuer for decryption and comparison to authenticate that the transaction being generated came from a valid card.

Controller: The device that captures and consolidates transactions from a group of terminals to be transmitted to another node or entity. For example, the

POS devices in all lanes of one store are first transmitted to one store controller and then transmitted to an acquirer.

Control Panel: The access control system component that connects to all door readers, door locks, and the access control server. The control panel validates the reader and accepts data. Depending on the overall system design, the control panel may next send the data to the access control server or may have enough local intelligence to determine the user's rights and make the final access authorization. Also called the *controller* or *panel*. (Source: Smart Card Alliance)

Control Totals: The amounts—usually representing the number of items, their total or other key information—used to help verify that received files are unchanged from the original transmitted files.

Controlled Disbursement: A disbursement arrangement in which a company is notified early in the day of the dollar amount of the items waiting to clear the account later that day, so they can fund the account with the exact amount to clear the items.

Convenience Card: A closed-loop prepaid card that is used by consumers to replace cash. The most successful of these card programs is the Starbucks card.

Convenience Check: Checks issued by credit or prepaid card companies to allow the cardholder an additional access to their line of credit or prepaid card balance, mostly for use in situations that do not take physical credit cards. In the case of a prepaid convenience check, the consumer would call the issuer for a confirmation number to be placed on the check. The check is now valid at retailers for cash.

Convenience User: A cardholder who pays an account balance in full on or before each payment due date. These cardholders incur no interest rate charges and are said to be taking advantage of the float of their funds, which could be the maximum of 30 days usage of money, without a charge.

Cookie: A small chunk of information stored on a computer by a Web site the user has visited that reminds that site about the user on the next visit. (Source: Federal Communications Commission)

Copy: See **Transaction Receipt**.

COR: See **Automated Notification of Change**.

Corporate Card: See **Business Card**.

Corporate Executive Card: A card serving senior executives and VIPs of mid-to large-size corporations. It has many enhancements to accommodate their meetings and trips, such as an automated expense report.

Corporate Fleet Card: Designed especially for shipping companies, the Fleet Card is a payment system for fuel and maintenance expenses. Every major trucking company issues a fleet card. Any driver can use it, but it can be limited for use only on particular vehicles.

Corporate Purchasing Card: A card that provides an efficient management system for companies' purchasing processes and includes enhancements such as vehicle rental insurance, medical insurance for travelers, and travel and legal referral services.

Corporate Travel Online: See **CTO**.

Corporate Trade Exchange: See **CTX**.

Correction: A transaction conducted to correct an error after the customer has left the point-of-sale. It results in a credit adjustment entered as an online reversal or, if the error is discovered after cutover, as an offline adjustment.

Correspondent Bank: A bank that accepts deposits and performs banking services for other banks. Correspondent banking arrangements exist between local banks and banks located throughout the world.

Co-Sign: To sign a credit agreement with someone and share the debt with that person. The co-signer has liability if the primary or other person defaults. This practice is common for first-time credit applicants, especially parents for their children.

Co-Signer: The individual who has shared in the responsibility for the credit debt.

Cost of Capital: A company's overall cost of funding their business may be made up of a combination of debt and equity costs. (Source: American Express)

Cost of Debt: A company's cost of borrowing funds. If a company uses 100 percent debt to finance receivables, then the cost of funds will be equal to the cost of debt. (Source: American Express)

Cost of Funds: The dollar cost of interest paid or accrued on funds from various sources within a bank or lending institution. (Source: American Express)

Cost of Goods Sold (COGS): The cost of direct materials, direct labor, and overhead attached to the units sold. The amount of money required to produce and distribute products or goods, including the cost of sales personnel to solicit and consummate a contract with a merchant.

COT: See **Consumer-Operated Terminal**.

Counterfeit Card: A plastic card that has been fraudulently printed, embossed, or encoded to appear to be a genuine bank card but has not been authorized by the card companies or issued by a member. A card originally issued by a member but subsequently altered without the issuer's knowledge or consent.

Counterfeit Paper: Paper originating from the use of counterfeit cards for transactions.

CPC: See **Corporate Purchasing Card**.

CPP: See **Customer Payment Provider**.

CPS: See **CPS Transaction**.

Credential: The general identification device (both the physical device and the data it holds), commonly referred to as the *ID token* in physical access control systems. (Source: Smart Card Alliance)

Credit or Return: The return of a purchased item that results in the adding of the amount back to the cardholder's line of credit. In a debit card environment, the credit or return transaction is a deposit to the debit cardholder's access account. The merchant is debited the amount of return or credit.

Credit Authorization: The process of accessing a network and a database to verify that the customer's credit card is valid and that the credit balance is sufficient to cover the purchase.

Credit Balance: On a revolving line of credit, the amount that the cardholder currently owes.

Credit Bureau: A company that keeps records of credit history for any card or loan. Anyone with authority to approve loans or lines of credit will examine a credit for the individual or company to determine their risk. The most common credit bureau agencies in the United States are Equifax, Experian (TRW), and TransUnion.

Credit Cap: The limit on the dollar amount of credit transactions that a company can originate from an account or entity.

Credit Card: Plastic cards that allow payments to be offset against a special-purpose account associated with a revolving line of credit and requiring some form of installment-based payment.

Credit Card Fraud: See **Cardholder Fraud and Merchant Fraud**.

Credit Card Processor: A financial institution or its agent or third party that processes credit card or debit card transactions.

Credit Card Protection Service: Card registration and protection services offered through an agent that records the names, numbers, and issuers of the cards that the cardholder wishes to register and protect. When a card is lost or stolen, the issuer calls the service, and the service in turn notifies the card issuers.

Credit Counseling: Companies with professional counselors that give advice about using credit responsibly and consolidating debt.

Credit Deposit: The value of a merchant's credit card purchases that are credited to its bank account after the acquiring bank buys the merchant's sales slips; also called *deposit credit*. The deposit is credited but not funded until the acquiring bank gets the monetary value from the issuer during settlement.

Credit Draft Transaction: An offline manual food stamp transaction used to credit the cardholder's account for the refund of a food stamp purchase.

Credit Life Insurance: Insurance that covers accounts with outstanding balances in the case of the death of the cardholder or a serious illness that makes the cardholder unable to pay the bill.

Credit Limit: The maximum amount the cardholder may owe to the issuer on the card account at any time.

Credit Loss: The amount lost (charged off) as a result of the cardholder's failure to repay the amount owed on the account.

Credit Policy: The risk management guidelines detailing criteria to be evaluated before the issuance of a card to a cardholder or the approval of a merchant for card acceptance. The policy defines the acceptable level of risk for the portfolio.

Credit Rating/Grade: The measurement of a consumer's or business's credit worthiness. Normal grades are A through E.

Credit Record: An individual's credit history.

Credit Report: A summary of an individual's credit history. This report also includes facts such as age, address, marital status, employment history, and other information used to help a potential creditor evaluate credit worthiness.

Credit Risk: A party to a transaction is unable to meet its financial obligations either when due or at any time in the future.

Credit Scoring: A method for predicting the credit worthiness of a credit card applicant through statistical analysis.

Credit Schemes: A type of fraud that occurs when merchants or collusive employees deposit what appear to be legitimate transactions and then issue one or more credits to their personal Visa or MasterCard accounts. The credits zero out the sales, making such scams more difficult to detect.

Credit Slip: A paper or electronic representation of credit, issued to a cardholder on a prior credit card sale. Also called a *credit voucher*.

Credit Transaction: A payment transaction that pushes funds from the CSP or CPP to the BPP. (Source: Billing.org)

Credit Union: A democratically owned and controlled nonprofit financial cooperative that offers a variety of savings and lending services to members. Typically associated with a corporation or employer, such as the federal credit union used by Postal Service workers.

Credit Voucher: See **Credit Slip**.

Creditworthy: Qualified to have credit.

CRM: See **Customer Relationship Management**.

Cross-Border Payments: ACH payments made between accounts in different countries, from the payment system of the country of origin through a gateway operator to the payment system of the country of receipt.

Cryptographic: See **Encryption**.

Cryptographic Algorithm: The formulas and key management processes used to encrypt and decrypt data and messages.

Cryptography: The science of ensuring that messages are secure.

CSP: See **Customer Service Provider**.

C-Store: A term referring to a convenience store, such as 7-Eleven.

CTO (Corporate Travel Online): An American Express travel reservation tool that allows users to book air, hotel, and car reservations online, 24 hours a day, 7 days a week. (Source: American Express)

CTMF: See **Combined Terminated Merchant File**.

CTX (Corporate Trade Exchange): ACH entry format for corporate payments that include ANSI X12 or UN/EDIFACT payment-related records.

Current Account: A cardholder account on which payment is up to date and no amount is overdue.

Currency Conversion: The act of converting the dollar amount of the currency of the cardholder's issuing country to the merchant's acquiring country's currency at the time of purchase. See **Dynamic Currency Conversion**.

Custom Payment Services (CPS): Visa interchange rate structure that began in 2000 as PaymentService, designed to meet the special card acceptance and operating procedures of different types of merchants and cards.

Customer: An individual or entity that receives goods or services subject to bills, invoices, or statements.

Customer Identification Program (CIP): A rule as a result of the USA Patriot Act of 2001 that requires financial institutions to implement procedures to collect identifying information on new accounts, verify customer identity, maintain identification records, and determine if the customer appears on any list of suspected terrorists or terrorist organizations.

Customer-Initiated Entry (CIE): An automated consumer transaction that allows consumers to originate an ACH bill payment through their financial institution or a third-party bill payment service.

Customer Payment Provider (CPP): An agent of the customer that originates payments on behalf of the customer.

Customer Relationship Management (CRM): A formal program for the management of relationships. Also called *client relationship management*.

Customer Service: The operational department that services the cardholder and the merchant. The customer can write, call, or go online with questions about billing, payments, processing, and disputes. This department services or supports the client on processing issues and typically is separated from the help desk, which is a technical support group.

Customer Service Provider (CSP): An agent of the customer that provides an interface directly to customers, businesses, or others for bill presentment. Among the CSP's functions are enrolling customers, enabling presentment, and providing customer care. (Source: Billing.org)

Customer Support: See **Customer Service**.

CV: See **Charge Volume**. (Source: American Express)

CVC—(Card Validation Code): A MasterCard tool used to prevent fraud. MasterCard requires that the number located on the back of the card and above

the magnetic stripe be entered with the transaction to verify that the card is present and authentic.

CVV—(Card Verification Value): A Visa card's unique check value encoded on a magnetic stripe and replicated in a chip to validate card information during the authorization process.

Cyberspace: A term coined by the science-fiction novelist William Gibson in his fantasy novel, *Neuromancer* that is used to describe the world of computers, especially the Internet. (Source: Federal Communications Commission)

Cycle: The grouping of cardholder accounts to provide for a distribution of workload and easier account identification.

Cycle Billing: The preparation of monthly cardholder statements by group (cycle) for the purpose of evenly distributing the workload and receipt of cardholder payments.

Cycle Period: A specific period during which both debit and credit transactions are accumulated from billing.

D

Daily Periodic Rate: The annual percentage rate (APR) expressed on a daily basis. It equals 1/365th of the APR and is typically used to calculate a loan payout.

Data: Representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation, or processing by humans or by automatic means. Any representations such as characters or analog quantities to which meaning is or might be assigned. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Data Authentication: A process used to verify data integrity e.g., verification that data received are identical to data sent, or verification that a program is not infected by a virus. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Database: A computer file used to store large quantities of information, such as customer names and addresses.

Data Capture: The collection, formatting, and storage of information in computer memory. Some point-of sale terminals perform data capture functions. See **EDC Terminal**.

Data Capture–Only Capability: Point-of-transaction capability in which the transaction receipt data are electronically captured for deposit purposes but does not have the capability to go online for authorizations.

Data Dictionary: A manual that outlines the content and definition of data elements used in building a particular transaction set.

Data Element: The basic unit of information in EDI transaction sets, containing a set of values that represent a piece of information.

Data Encryption: See **Encryption**.

Data Encryption Key (DEK): Used for the encryption of message text and for the computation of message integrity checks (signatures).

Data Encryption Standard (DES): A cryptographic algorithm for the protection of unclassified computer data and published by the National Institute of Standards and Technology in *Federal Information Processing Standard Publication 46-1*. In the Bank card industry the primary method for encrypting and decrypting a Personal Identification Number and securing that these PIN numbers never appear in the clear when transporting from a terminal. All messages are encrypted and decrypted using this format. In the bank card industry, the approved algorithm used by electronic hardware devices for the cryptographic protection of computer data.

Data Integrity: 1. The condition existing when data are unchanged from their source and have not been accidentally or maliciously modified, altered, or destroyed. 2. The condition in which data are identically maintained during any operation, such as transfer, storage, and retrieval. 3. The preservation of data for their intended use. 4. Relative to specified operations, the a priori expectation of data quality. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Data Management: The control of data-handling operations, such as acquisition, analysis, translation, coding, storage, retrieval, and distribution of data, but not necessarily the generation and use of data.

Data Mining: The process of analyzing data to determine data relationships undiscovered by previous analyses.

Data Storage Entities (DSE): The term used by MasterCard to describe all entities that store MasterCard account data on behalf of merchants, such as Web hosting providers and payment gateways.

Data Transmission: The electronic exchange of information between two data processing points.

Data Transport Network: In MasterCard, the part of the BankNet system through which information is exchanged between members and the central processing site in St. Louis, Missouri.

Daylight Overdraft: A negative funds position in an account that occurs after opening of business and is cleared before close of business on the same day.

Days Outstanding (DSO): The number of days between the time a transaction occurs and the time that funds are collected. (Source: American Express)

DBA (Doing Business As): A formal name under which an individual, company, or organization conducts business. (Source: American Express)

DCC: See **Dynamic Currency Conversion**.

DDA: See **Demand Deposit Account**.

Death Notification Entry: An automated notice of death sent by a federal agency to a financial institution to notify the financial institution that a recipient of payments from that agency has passed away.

Debit: An entry to the record of an account to represent the transfer or removal of funds from the account.

Debit Block: The process used to restrict debits to a demand deposit account, generally limited to business accounts.

Debit Cap: The limit on the dollar amount of debit transactions for an account or entity.

Debit Card: A plastic card linked to a checking or savings account. Offline or signature-based debit cards work in the merchant environment the same as a credit card transaction and are not required to be “online” to the account balance. Offline signature-based functionally work like credit cards; an initial transaction is used to hold funds and a second to settle or remove the funds from the card balance. Online debit cards or PIN-based debit cards ride over the ATM network; they require a PIN and the ability to authorize against the actual balance of the card in a single step transaction. Prepaid cards fall into the debit category.

Debit Filters: See **Debit Block**.

Debit Identifier: The word DEBIT displayed on the front of all consumer debit and prepaid cards.

Debit Memo: See **Chargeback**.

Decipher: To decrypt or unencode information.

Decision Maker: The business owner or manager who is authorized to make decisions for the business. (Source: American Express)

Decline: The denial of a transaction either online or during stand-in or a telephone authorization.

Declined Response: An authorization response indicating that the transaction is declined and the card is not to be honored.

Decryption: The mathematical process of unencoding encrypted information so the original message or information can be used.

Dedicated Circuit: A circuit designated for exclusive use by specified users. Usually operated between two users only. See **Leased Line**.

Dedicated Line: See **Leased Line**.

Default: Failure, inability or unwillingness to pay a debt, or bankruptcy.

Deferred Clearing Transaction: A transaction that is cleared and settled without authorization or a transaction that is authorized with one system and cleared through another.

Deferred Payment Transaction: A transaction completed in a card-absent environment for which the cardholder is billed once, no more than 90 days after the first shipment of merchandise.

DEK: See **Data Encryption Key**.

Delayed Delivery Transaction: A single transaction in which a cardholder completes two separate transaction receipts. The first transaction receipt functions as the deposit for goods or services (such as a down payment); the second is to pay the balance due the merchant.

Delimiter: A predetermined code that indicates the beginning and end of a data segment.

Delinquency: Late payment of a bill or debt.

Delinquent Account: The account status occurring when the cardholder does not meet the payment conditions of the cardholder agreement, i.e., one or more payments are past due.

Demand Deposit Account (DDA): The merchant bank account that the acquirer/processor credits or debits for deposits, fees, and adjustments. Also used by consumers for funds access. Funds can be accessed by check, debit card, or the Automated Clearing House (ACH). Also called a *checking account*.

Demand Draft: A single payment check without a scannable remittance document attached. This draft may be drawn on the customer's account or the consumer payment provider's (CPP) account. Generally, it is created by the payee with authorization from the payor and may not have a signature. (Source: Billing.org)

Demographics: The specific geographic attributes of a business, market segment, or product usage area.

Department of Justice (DOJ): The U.S. Cabinet department created in 1870 to enforce the law and defend the interests of the United States according to the law and to ensure fair and impartial administration of justice for all Americans. The DOJ is administered by the Attorney General. Some of its many divisions include Antitrust, U.S. Attorneys, and the Federal Bureau of Investigation. The DOJ investigates unfair practices by businesses as reported by other contracted businesses or by consumers.

Deposit: The submission of a transaction receipt by a merchant to an acquirer, resulting in a credit or debit to the merchant's Visa account.

Deposit Account: An account used by a customer to make deposits and withdrawals at a financial institution. Deposit accounts include checking, savings, and NOW (negotiable order of withdrawal) accounts.

Deposit Credit: See **Credit Deposit**.

Deposit Date: The date on which an acquirer receives the transmission receipt from the merchant. Also, the date when the merchant receives his funds.

Depository Financial Institution (DFI): A financial institution able to receive deposits from another financial institution by completing and depositing checks.

Derived Unique Key Per Transaction (DUKPT): In cryptography, a key-management technique that uses a unique key for each separate transaction to prevent the disclosure of any past key used by the transaction-originating tamper-resistant security mode (TRSM). The unique transaction keys are derived from a base derivation key using only nonsecret data transmitted as part of each transaction.

DES: See **Data Encryption Standard**.

DES Algorithm: The Data Encryption Standard algorithm that is a publicly available mathematical calculation used in conjunction with confidential encryption keys to scramble data securely.

Descriptive Statement: A financial institution account summary or a bank card account summary that contains descriptive information about one or more entries for which a separate item may or not be enclosed.

DFI: See **Depository Financial Institution**.

Dial-up Terminal: An authorization terminal that, like a telephone, dials the authorization center for validation of transactions.

Digital: Systems whose information is represented in binary form.

Digital Cash: Two main mechanisms that download “digital coins” to a personal computer from a participating bank that set up a digital money account with a bank. Both encrypted forms of cash can be sent to merchants for payments.

Digital Certificate: See **Certificate**.

“Digital Dozen”: The 12 requirements of the Visa Cardholder Information Security Program (CISP).

Digital Money: The same as digital cash, but can also involve the use of software-based secure credit card transactions.

Digital Signature: An electronic means of authentication that uniquely identifies the sender of a message or payment through special encryption techniques.

Digital Signature Algorithm (DSA): The algorithm used to generate a digital signature.

Digital Subscriber Line (DSL): In integrated services digital networks (ISDN), equipment that provides full-duplex service on a single twisted metallic pair at a rate sufficient to support ISDN basic access and additional framing, timing recovery, and operational functions. The physical termination of the DSL at the network end is the line termination; the physical termination at the customer end is the network termination.

Digital Wallet: The software that provides the equivalent of a wallet for electronic commerce. Also called an *e-wallet*, it holds digital money that is purchased similar to travelers' checks. A wallet may also hold credit card information or checking account information along with the associated digital certificate that authenticates the cardholder.

Diners Club Card/Carte Blanche: An independent card wholly owned by CitiGroup primarily known as a T&E card. In 1950, the Diners Club Card was the first charge card in the U.S. issued as a cardboard card to Frank McNamara (founder of the company) to be used in restaurants. The Diners Club program also issued the first corporate card in the U.S. in 1975. Diners Club International was acquired by Citicorp in 1981 but many franchises are still independently owned. It also boasts the issuance of the first rewards program in 1984. In the US, Diners Club/Carte Blanche cards are acquired through the same methods as MasterCard's. The messages and rules are very similar to MasterCard. All card numbers begin with a "36". However in the US, they have a MasterCard number starting with a "5."

Direct Billing Costs: These costs include the costs of invoicing (statement creation and issuance), collecting funds (e.g., through a lock box), reconciling balances and handling basic disputes and noncollections. (Source: American Express)

Direct-Connect Merchant: A merchant that directly enters authorization requests into Visa's V.I.P. system and MasterCard's BankNet network.

Direct Cost Billing: See **Unbundled Rates**.

Direct Deposit: A payment method used in the ACH system in which funds are automatically transferred from the account that owes the funds to the account of the payee.

Direct Federal Program: Any federal benefit program that is prefunded into the cardholder's cash account.

Direct Link: See **Leased Line**.

Direct Marketing: A transaction category for customized services and procedures for merchants that offer merchandise or services via catalogues, telephone, mailings, and/or advertisements.

Direct Mail: A lead generation technique used by issuers, acquirers, and direct sales agents in which preapproved mailers, postcards, or letters are sent to new businesses or consumers.

Direct Payment: A method of collection used in the ACH Network for certain claims, generally those that are repeated over a period of time, under which the debtor gives the originator a standing authorization to debit his or her account.

Disclosure: The information required by federal or state law (see **Regulation Z**) to be relayed to the cardholder concerning terms of the credit agreement or fees and conditions associated with any kind of payment card. Disclosure must be made by the issuer before the first use of the card by the cardholder and must be included on all monthly statements and other documentation mentioning finance charges and/or fees. The same principle applies to contracts with a merchant. All fees and charges must be fully disclosed before charges are made and agreed upon by both parties contractually. Some items to be disclosed include: interest rates (annual and periodic); amount, types, and timeline of fees; method of calculating finance charges; credit line; and any terms affecting billing.

Discount Rate: See **Merchant Discount**.

Discount Rate Revenue: The amount of revenue that American Express generates from the discount rate charged a merchant. (Source: American Express)

Discover: Morgan Stanley spun off Discover Financial Services in 2007. Discover Financial Services (NYSE: DFS) is comprised of Discover Network (network, credit and signature debit card issuing, acquiring, merchant services and prepaid issuing), Pulse, Goldfish (UK subsidiary), Discover Bank and Discover Card.

Discover Card: The Discover Card began as a reward-based card issued by Sears in the mid-1980s. Discover/Sears issued all of the cards and had a reseller program for the sales to merchants. Since then Discover has grown to over 5 million merchants accepting the card. In 2007, Discover went to an indirect acquiring model by allowing acquiring processors to acquire and sell Discover as part of the MasterCard/Visa package. All Discover Cards begin with a "6."

Discover Network: Network, credit and signature debit card issuing, acquiring, prepaid card issuing and merchant services arm of Discover Financial Services.

Disparity: The term used for a form of suppression when a merchant allows placement of competitor POP (point-of-purchase) but not American Express POP. (Source: American Express)

Dispute: The cardholder or merchant disagreement about a particular charge or bill.

Dispute Management: EIPP (electronic invoice presentment and payment) functions that allow buyers to notify the seller of problems or adjustments to an invoice.

Diversity: All human and organizational differences.

DLL: See **Downline Load**.

DNS: See **Domain Name System**.

Document Express: The American Express system that stores all card acceptance agreements (SE contracts). (Source: American Express)

DOJ: See **Department of Justice**.

Domain: 1. The independent variable used to express a function. Examples of domains are time, frequency, and space. 2. In distributed networks, all the hardware and software under the control of a specified set of one or more host processors. A unique context (e.g., access control parameters) in which a program is operating; in effect, the set of objects a subject has the privilege to access. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Domain Name: The conventional Internet name for a network or computer system, which consists of a sequence of two or more groups of characters separated by periods; e.g., the "govinst.com" groups of characters in the host name "www.govinst.com," where the ".com" is the first-level domain name (or top-level domain name), and the "govinst" characters represent the second level. In the United States, nonprofit organizations are identified (with exceptions) by the suffix ".org," government entities by ".gov," educational institutions by ".edu," commercial organizations by ".com," and military bodies by ".mil." Outside of the United States, domain names contain an ISO-standard country code suffix to indicate the computer or network's country of origin. (Source: Federal Standard 1037C, *Telecommunications: Telecommunications: Glossary of Telecommunication Terms*)

Domain Name System (DNS): A general-purpose data query service for looking up host addresses based on host names. Important domains are .com (commercial), .edu (educational), .net (network), .gov (government), .mil (U.S. military), and .org (nonprofit organization).

Domestic Interchange: Interchange of a transaction within the country of issuance and acquisition.

Domestic Transaction: A transaction in which the issuer and the acquirer of the card used are located in the same transaction country.

"Do Not Call Registry": A provision of the federal Telemarketing Sales Rule announced in June 2003 that created a national registry to make it easier and more efficient for U.S. consumers to stop receiving telemarketing calls.

Door Reader: The device on a door that communicates with an ID card or credential and sends data from the card to the control panel for decision on

access rights. An example is a card used in a university environment. (Source: Smart Card Alliance)

Door Strike: The electronic lock on each door that is connected to the control panel. (Source: Smart Card Alliance)

Downline Load (DLL): The process of downloading a software application onto a terminal.

Download: To transfer a copy of a file residing on a remote computer to a user's computer. In the world of electronic processing, this term refers to the passing of programming information and parameters from a terminal driving processor to an electronic data capture terminal. This transfer is typically accomplished by phone from a computer program or by directly connecting a terminal to a computer or to another already programmed terminal.

Downgrade: The interchange downgrades that occur when a transaction does not meet all of the criteria set forth by the card companies to qualify for the best possible interchange rate. Visa and MasterCard examine each transaction as submitted and qualify or downgrade it based on the set of criteria established and presented.

Down Time: A period when all or part of a system or network is not available to end users due to failure or maintenance.

Draft: See **Sales Receipt**.

Draft Number: See **Transaction Receipt Number**.

Draft Storage: The storage of sales drafts after processing for possible future reference or retrieval. The drafts can be stored at the processor, the acquirer, or the merchant.

DSA: See **Digital Signature Algorithm**.

DSE: See **Data Storage Entities**.

DSL: See **Digital Subscriber Line**.

DSO: See **Days Outstanding**.

Dual Dating: The practice of embossing cards with valid from and expiration dates as a fraud-deterrent measure.

Dual Interface Card: An ID card that has a single smart card chip with two interfaces—contact and contactless—using shared memory and chip resources. (Source: Smart Card Alliance)

Dual Interface Chip: See **Dual Interface Card**.

Due Date: The day a payment is due to the creditor.

Dues and Assessments: To be an acquiring or issuing member of Visa and/or MasterCard the financial institution must pay annual membership dues and quarterly assessments. The dues are based on the asset size of the financial institution. The assessments are based on the dollar size of the issuing portfolio or the dollar amount of merchant sales transactions. Dues and assessments fund MasterCard and Visa services and operations, including licensing, patents and copyrights, operating regulations, national and international settlement and authorization systems, the interchange network, product development, advertising and promotion, and risk management services. Discover and American Express have similar assessments.

DUKPT: See **Derived Unique Key per Transaction**.

Dun & Bradstreet (D&B): A United States-based for-profit agency that furnishes subscribers with marketing statistics and the financial standings and credit ratings of businesses. It is used in risk management.

DUNS: The number issued by Dun & Bradstreet to identify various companies, originally for credit reporting and information purposes.

Dynamic Currency Conversion (DCC): The consumer's ability to transact the price of a transaction in local currency in real time at the point of sale. This expedites the transaction for the consumer, who then does not have to wait for receipt of the credit card statement before the conversion amounts are known. It is a value-added activity for both merchant and consumer. Some T&E merchants offer to convert the transaction into the cardholder's home currency. This means the merchant—and not the card company—is converting the currency. If the merchant supports DCC, the card companies require that the

consumer is provided a meaningful choice at the point of sale and have the right to buy the purchase in the local currency or home currency. The card companies also require merchants offering this service to inform the consumer of the exchange rate including any applicable commission being charged.

E

EBCDIC: Acronym for the standard IBM mainframe computer character set.

EBIDS: See **Electronic Invoice Delivery Service**.

EBITDA: An accounting term referring to “earnings before interest, taxes, depreciation, and amortization” but after all product/service, sales, and overhead costs are accounted for. Sometimes referred to as operational cash flow, EBITDA is a measure of a company’s cash flow that can be compared to the enterprise value (the total value of a firm’s assets calculated by adding debt to market capitalization and subtracting cash). Some analysts consider the ratio of enterprise value to EBITDA as more useful than the price-to-earnings ratio.

EBPP (Electronic Bill Presentment & Payment): The process of paying a bill online, e.g. with electronic banking products.

EBT (Electronic Benefits Transfer): The delivery of annuity and public assistance benefits via the application of plastic card technology.

EC: See **Electronic Commerce**.

E-Cash: Abbreviation for *electronic cash*, or data representing money. The data can be transferred by computer network and traded as token exchangeable for real money. Also called *digicash*, *digital cash*.

ECA (Electronic Check Acceptance): The process of electronically submitting and processing a paper check.

ECC (Electronic Check Conversion): See **ECA**.

ECC (Elliptic Curve Cryptography): A type of security encryption used in the development of smart cards. (Source: Smart Card Alliance)

E-Check: The electronic equivalent of a paper check.

ECI: See **Electronic Commerce Indicator**.

ECM (Excessive Chargeback Merchant) Merchant: is defined as any distinct merchant location, whether a merchant’s physical location or a

merchant's Internet site or uniform resource locator (URL) that is uniquely identified by the acquirer in the transaction record.

If a merchant location has a CTR (chargeback-to-transaction ratio) in excess of 50 basis points and at least 50 chargebacks in a calendar month, then MasterCard considers the merchant a Chargeback-Monitored Merchant (CMM).

If a merchant location has a CTR (chargeback-to-transaction ratio) of at least 100 basis points and a minimum of 50 chargebacks in each of two consecutive calendar months (the "trigger months"), then MasterCard considers the merchant an Excessive Chargeback Merchant (ECM).

E-Commerce: Abbreviation for *electronic commerce*. A way of doing real-time business transactions via telecommunications networks when the customer and the merchant are in different geographical places. Electronic commerce is a broad concept that includes virtual browsing of goods for sale, selection of goods to buy, and payment methods. Electronic commerce functions on a bona fide basis, without prior arrangements between customers and merchants. It operates via the Internet using any combination of technologies designed to exchange data (such as EDI or e-mail), access data (such as shared databases or electronic bulletin boards), and capture data (through bar coding and magnetic or optical character readers). (Source: Federal Standard 1037C, *Telecommunications: Telecommunications: Glossary of Telecommunication Terms*)

Economies of Scale: Term that describes volume as leverage for pricing, cost efficiencies, and outsourcing decisions. More volume lends to a lower per item charge.

ECP (Electronic Check Presentment): The electronic transmission of the contents of the MICR (magnetic information character recognition) line of each check, with the physical items to follow.

ECR (Electronic Cash Register): A cash register connected to a computer or other data processing device, allowing the use of such functions as sales, reporting, check and credit authorization inquiries, and direct transfer of funds from customer bank accounts to merchant accounts.

EDC (Electronic Data Capture): The electronic collection, formatting, and storage of data such as customer name, account number, and amount of purchase.

EDI (Electronic Data Interchange): A computer-to-computer exchange of standard business data according to agreed-upon data formats. Also, an abbreviation for *electronic document interchange*, a computerized system that allows linked computers to conduct business transactions, such as invoicing and ordering, over a telecommunications network.

EDIFACT: A set of standards approved by the United Nations for international electronic data interchange.

Edit Package: The clearing and settlement audit software that both Visa and MasterCard deliver to processors to validate interchange qualification, process interchange data, and process incoming transactions.

Edit Package Run Data: See **Acquirer's Run Date**.

Edit Package Software: See **Edit Package**.

Effective Date: The date on which a card is activated or new terms or programs take effect.

Effective Entry Date: The date on which the originator requests that ACH transactions be posted to the originator's and receiver's accounts.

E-Fraud: Fraudulent activity conducted via the Internet. Types of e-fraud include unauthorized credit card use, some online auction dealings, and false investment. See **Web Theft**.

EFT (Electronic Funds Transfer): The order, instruction, or authorization of any transfer of funds initiated through an electronic terminal, telephone, computer, or any other electronic means.

EFTA: See **Electronic Funds Transfer Association**.

EFTPOS: See **Electronic Funds Transfer at the Point of Sale**.

EFTPS: See **Electronic Federal Tax Payment System**.

EFTS: See **Electronic Funds Transfer System**.

E-Invoice: The process of electronic invoice payment and presentment.

Eighty-Twenty (80:20) Rule: The observation that 80 percent of sales come from 20 percent of customers. Sometimes called the Pareto Principle after the 19th-century economist who showed that income is unevenly distributed in society.

EIP (Electronic Invoicing and Payment): See **EIPP**.

EIPP (Electronic Invoice Presentment and Payment): In the B2B arena, the presentment of an invoice from a seller to a buyer and the corresponding payment from a buyer to a seller.

EIRF: See **Electronic Interchange Reimbursement Fee**.

Electron Card: A card that bears the electron symbol and is issued as an electronic PIN-based debit card mark in the international Visa markets.

Electronic: Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

Electronic Banking: A form of banking in which funds are transferred through an exchange of electronic signals between financial institutions rather than an exchange of cash, checks, or other negotiable instruments.

Electronic Benefits Transfer: See **EBT**.

Electronic Bill Delivery: A bill delivery system that allows banks to send consumers their bills via their personal computers or telephone lines. This system allows consumers to transfer funds from their bank to the billing agent.

Electronic Bill Payment (E-Pay): An alternative to paper checks for paying bills. Consumers can use PCs, telephones, screen phones, or ATMs to send electronic instructions to their banks or bill payment providers to withdraw funds from their accounts and pay merchants. Payments may be made either electronically or by a paper check issued by the bill payment provider.

Electronic Bill Presentment and Payment (EBPP): The electronic presentation of statements, bills, invoices, and related information sent by a company to its customers and the corresponding payment for goods and services.

Electronic Billing Invoice Delivery Service (EBIDS): A pilot using the ACH Network as a bill information delivery and payment remittance option for business-to-consumer payments.

Electronic Cash Register: See **ECR**.

Electronic Check: A payment transaction that originated as a paper check but was converted to an ACH transaction at the point of purchase.

Electronic Check Acceptance: See **ECA**.

Electronic Check Clearing House Organization (ECCHO): A national clearinghouse for electronic check presentment.

Electronic Check Imaging: The process by which the merchant or financial institution can scan, capture, and store a duplicate image of a check. The check then can be cleared using the ACH format and process.

Electronic Check Conversion: See **ECC**.

Electronic Check Council (ECC): A council formed by NACHA to govern, oversee, and monitor the pilot programs for electronic check conversion.

Electronic Check Presentment: See **ECP**.

Electronic Commerce (EC): See **E-Commerce**.

Electronic Commerce Indicator (ECI): An indicator required by Visa in the clearing record of all Internet transactions.

Electronic Commerce Merchant: A merchant that conducts the sale of goods or services electronically over the Internet and other networks.

Electronic Commerce Transaction: A transaction conducted over the Internet or other network using a cardholder access device. An electronic

commerce transaction is one of the following: nonsecure transaction, nonauthenticated security transaction, or secure transaction.

Electronic Data: Data describing a transaction receipt.

Electronic Data Capture: See **EDC**.

Electronic Data Interchange (EDI): The computer-to-computer exchange and use of information in a standardized message format.

Electronic Draft Capture (EDC) Terminal: A point-of-sale device that reads information encoded in the bank card's magnetic stripe, performs authorization functions, stores transaction data, and batches and transmits that data to the acquirer or the acquirer's processing agent for processing. Also called *electronic data capture terminal*.

Electronic Financial Services (EFS): Financial services provided via electronic delivery channels (e.g., personal computers, telephones, screen phones, and ATMs). These services may be transaction- and/or information-oriented and may be provided by bank and nonbank providers.

Electronic Federal Tax Payment System (EFTPS): The service formed to expedite and automate tax payments using the ACH Network.

Electronic Funds Transfer: See **EFT**.

Electronic Funds Transfer Act: Title IX of the Consumer Credit Protection Act establishing the basic rights, liabilities, and responsibilities of consumers using electronic money transfer services and of financial institutions offering those services.

Electronic Funds Transfer at the Point of Sale (EFTPOS): A system that allows the automatic transfer of money from a buyer to a seller of goods or services at the time of sale. This system is more common in the United Kingdom.

Electronic Funds Transfer Association (EFTA): A nonprofit association whose members make up the financial institutions and processors that effectuate electronic transfer of funds.

Electronic Funds Transfer System (EFTS): An electronically based system that eliminates the need for paper (such as checks) in the movement of funds, e.g., an ATM withdrawal or a pay-by-phone transaction.

Electronic Mail: See **E-Mail**.

Electronic Payment Gateway: Software and hardware interfacing merchants and credit/debit card authorization networks.

Electronic Payments Association: See **NACHA**.

Electronic Point of Sale: A point-of-sale merchant with electronic equipment for pricing and recording transactions, but not necessarily incorporating functions for electronic funds transfer.

Electronic Purse (ePurse): A payment card application that replaces cash. The ePurse holds monetary value, either on the card or in a central account on a host system that communicates with the payment card. See also **Stored Value Card**.

Electronic Services Payables: A system used by American Express to handle payments and reports for service establishments. (Source: American Express)

Electronic Signature: An electronic sound, symbol, or process attached to an agreement, authorization, or written statement executed with the intent to sign the record See also **Digital Signature**.

Electronic Terminal: A machine that is connected to card companies and allows for quick card transactions. (Source: American Express)

Electronic Transactions Association (ETA): Founded in 1990, under the name Bankcard Services Association (BSA), the renamed ETA is a not-for-profit organization representing entities that provide transaction services between merchants and settlement banks and others involved in the electronic transactions industry.

Electronic Transfer Accounts: See **ETA (2)**.

Electronic Transaction Receipt: A receipt for which the terminal generates the required data.

Electronic Wallet (E-Wallet): Software residing as a plug-in in the Web browser that enables a cardholder to conduct online transactions, manage payment receipts, and store digital certificates. Like a physical wallet, the digital wallet stores credit card information, payment information, and shipping details. The wallet typically initiates the data encryption in an SET transaction.

Element: The smallest item of information in a transaction set.

Elliptic Curve Cryptography: See **ECC**.

E-Mail: Abbreviation for *electronic mail*. An electronic means of communication in which (a) text is transmitted (and sometimes also graphics and/or audio information); (b) operations include sending, storing, processing, and receiving information; (c) users are allowed to communicate under specified conditions; and (d) messages are held in storage until called for by the addressee. Some e-mail software permits the attachment of separate electronic files, e.g., word-processing, graphics, and audio files. (Source: Federal Standard 1037C, *Telecommunications: Telecommunications: Glossary of Telecommunication Terms*)

Embossing: The process of placing raised data, such as account numbers, cardholder names, and expiration dates, on an access card for automatic or manual reading.

Emergency Card Replacement Service: A MasterCard service that replaces cardholders' lost and stolen cards.

Emergency Cash Service: A MasterCard service that provides cardholders with cash advances in emergency situations.

Employer Identification Number (EIN): An identification number that the Internal Revenue Service assigns to employers that serves as the tax identification number.

EMS: See **Electronic Merchant Services**.

EMS Order System: An American Express database that is used to order electronic merchant services products, e.g., terminals and payment links. (Source American Express)

EMV: The international smart card standards group made up of Europay International, MasterCard International, and Visa International.

EMV Compliant: A card or terminal application that complies with the requirements of the EMV Integrated Circuit Card Specifications for Payment Systems.

EMV Integrated Circuit Card Specifications for Payment Services (EMV): Technical specifications developed jointly by Europay International, MasterCard International, and Visa International to provide standards and ensure global interoperability for use of chip technology in the payment industry.

Encode: To convert data using a code, frequently one consisting of binary numbers, in such a manner that reconversion to the original form is possible. To convert plain text to cipher text by means of a code. To append redundant check symbols to a message for the purpose of generating an error detection and correction code. (Source: Federal Standard 1037C, *Telecommunications: Telecommunications: Glossary of Telecommunication Terms*)

Encoding: The process of recording magnetized data on an access card's magnetic stripe. The available ABA tracks on which to encode data are Track 1 (read only–alphanumeric; includes card number information, expiration date, and name); Track 2 (read only–numeric; includes card number, expiration date, security information such as PIN offset, and service codes for usage parameters); and Track 3 (numeric read and write capability; used in early offline ATMs and no longer widely used; has limited ability to store balances and velocity in simple arithmetic formats).

Encrypt: A generic term encompassing encipher and encode. To convert plain text into unintelligible forms by means of a cryptosystem. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Encrypting Pin Pad (EPP): A PIN pad that performs message encryption and decryption, usually DES or 3DES. See also **Data Encryption Standard**.

Encryption: A data security technique in which machine-readable data are scrambled and must be decoded before they can be processed.

Encryption Algorithm: In cryptography, a set of mathematically expressed rules for rendering data eligible by executing a series of conversions controlled by a key. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Encryption Key: A string of characters or numbers, private to the parties using a particular encryption process that allows the originator of a message to encrypt the message and the receiver to decrypt it.

Encryption Support Service Provider (ESSP): Services obtained from an organization, not an acquirer, whose benefit security-related business relationship with an acquirer includes: loading software into a terminal that will accept benefit security cards; loading or injecting encryption keys into terminals or PIN pads; or merchant help desk support that includes reprogramming of terminal software.

Enhanced Authorization Service: A VisaNet service providing issuers with all of the following: automated management of authorization request volumes, automated exception file updates, and enhanced reporting of authorization activity.

Enhanced Data: Also called *Level 2 and Level 3 data*. Data provided through the card companies to the issuer in connection with a commercial, purchasing, fleet or business card program. Such data may include both or either merchant-level or transaction-level data.

Enhanced Merchant-Level Data: Merchant-related data provided through a card company to an issuer in connection with a commercial, purchasing, fleet or business card program. Such data may include: merchant street address, telephone number, incorporation status, owner's name, minority- and woman-owned business status, and taxpayer identification number.

Enhanced Transaction-Level Data: Transaction-related data provided through a card company to an issuer in connection with a commercial, purchasing, fleet or business card program. Such data may include: accounting code, sales tax, description of items purchased, cost per unit, number of units,

vehicle fleet data (vehicle/driver ID, odometer reading), and detailed itinerary information (airline, origination/destination, class of travel).

Enhanced Visa Wordmark: A Visa-owned mark representing the Visa corporate identity, consisting of the Visa logotype centered above the comet design. Visa updated their wordmark and logo in March 2005. The 'V' in Visa was enhanced with a gold color to highlight the Visa wordmark's unique serif. The word 'Visa' is much more prominent. The banners used as borders in the current design were eliminated.

Enhancement Services: Value-added services (such as an extended purchase warranty) that increase the bank card program's appeal to the cardholder.

Enrollment: The process by which a customer establishes a relationship with a provider of bill, gift card, biometrics programs, or any program in which the consumer must initiate the exchange of payment and personal information in order to participate.

Enterprise Resource Program (ERP): Integrated, corporate-wide applications such as accounts receivable, accounts payable, purchasing, customer relationship management, and treasury.

Entitlement: The government program benefits given to qualified members of a specific group.

Entitlement Date: The day that benefits are issued to recipients.

Entrepreneur: The person who assumes the financial risk of the initiation, operation, and management of a business or undertaking. He/she is primarily a financial and/or professional risk taker.

Entry: An electronic item representing the transfer of funds in the ACH Network.

Enveloping: A process by which documents of the same type or purpose are grouped together, bound, and sent to the same destination in an electronic envelope. Enveloping is accomplished with an electronic data interchange management software function.

EOM: Abbreviation for *end-of-month*.

e-P3: MasterCard purchasing card program that integrates payment processing with remittance processing.

EPP: See **Encrypting PIN Pad**.

EPS: See **Express Payment Service**.

ePurse: See **Electronic Purse**.

Equal Credit Opportunity Act (ECOA): The federal law enacted in 1974 that requires that all U.S. financial institutions make credit available equally to all creditworthy customers regardless of age, marital status, race, color, religion, or national origin. Also called *Regulation B*.

Equity: Value when business debts are subtracted from the business current market value. For example, if debts amount to \$100,000, but the business could sell for \$300,000, then the business has \$200,000 in equity. The residual value of a business or property beyond any mortgage thereon and liability therein.

Equity Interests: A relationship structure among some ISOs/MSPs and their sponsors in which the ISO/MSP has negotiated an equity interest in the portfolio. Some of the terms include: right of first refusal to sell the portfolio, division of equity in monthly revenue and sales process, and some form of portfolio valuation.

ERP: See **Enterprise Resource Program**.

Error Resolution Process: Procedures required under Regulation E for resolving a consumer's allegation that entries were improperly charged to his/her account.

ESA (External Sales Agent): The American Express program that allows an independent sales organization to sell the acceptance of American Express cards to merchants. American Express pays the agent an agreed-upon fixed fee for each approved application and allows the sales entity to retain amounts over the set discount rate as an inducement to sell and to reimburse the agent for the cost of sales.

Escheatment: The process of turning over unclaimed or abandoned funds or property to a state authority.

Escrow: A kind of holding pen for money that is released after a specific event has occurred. Some acquirers have ISOs or merchants put money into an escrow account, which is supervised by a neutral third party such as a financial institution. The financial institution (called the “escrow agent”) releases the money to the ISO or merchant only after the ISO or merchant has carried out certain agreed-upon tasks, such as completion of work or performance of a service.

ESSP: See **Encryption Support Service Provider**.

ETA (1): See **Electronic Transactions Association**.

ETA (2) (Electronic Transfer Accounts): U.S. Treasury accounts to be used at participating financial institutions for the express purpose of electronic benefits transfer. These accounts have specific regulations and standards.

Ethernet: A standard protocol for using various transmission media, such as coaxial cables, unshielded twisted pairs, and optical fibers. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Ethics Statement: A statement outlining a code of ethics and professional conduct. Sponsoring members sometimes require these statements for new sales professionals upon registration.

E-Trade: See **E-Commerce**.

E-Wallet: See **Electronic Wallet**.

Exceptions: Transactions that are in some way abnormal. In the case of bank cards, exceptions can be questionable charges and chargebacks.

Exception File:

Exception Item: Any entry that requires special attention or processing, 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, including retrieval requests and chargeback processing.

Exception Report: A summary detailing questionable charges and chargebacks.

Excessive Chargeback Activity: Chargeback activity that exceeds Visa/MasterCard-specified parameters. See also **Chargeback Ratio**.

Excessive Chargeback Program: Visa and MasterCard programs which monitor and alert acquirers when a merchant approaches or reaches high volumes of chargebacks. Warnings, alerts, and fines may be imposed if thresholds are exceeded.

Excessive Chargeback Program Reporting: Under the revised Excessive Chargeback Program (ECP) Standards, each calendar month an acquirer is responsible for calculating the chargeback-to-transaction ratio (CTR) in basis points for each of its merchants.

Excessive Fraud Activity: Fraud activity that exceeds Visa/MasterCard-specified parameters. See also **Fraud Ratio**.

Exchanges: Forums or clearinghouses that enable buyers, sellers, and commodities to partner to provide economies of scale and reduced development expenses.

Exchange Rate: The charge for exchanging the currency of one country for the currency of another.

Excite Field: The RF (radio frequency) field or electromagnetic field that is transmitted constantly by the contactless door reader. When a contactless card is within range of the excite field, the internal antenna on the card converts the field energy into electricity that powers the chip. The chip then uses the antenna to transmit data to the reader. (Source: Smart Card Alliance)

Exclusivity: A contractual term whereby the primary party requires a sole relationship for the services being contracted.

Executive Business Card: Issued by MasterCard Issuers only in the United States. It includes a higher credit limit (currently \$10,000 per account) to provide select small businesses with additional buying power.

Expense Management Solution: See **XMS**.

Expiration Date: The date embossed on a bank card or imbedded in a chip card beyond which the card becomes invalid.

Exposure Limit: A maximum total limit established by an originating depository financial institution (ODFI) for each of its originators beyond which the ODFI is unwilling to process additional ACH files. This limit is established as a fraud and error control.

ExpressPay: The contactless American Express card for transit, tolls, and other proximity payments. (Source: American Express)

Expert System: An information-processing technology that stores a large amount of data on a specific area and then performs a series of logic on responses to simple questions with the aim of solving problems. Sometimes these systems are called *knowledge based systems*. They are popular in technical and customer support systems, where many people need quick training and an archive of solutions.

Extensible Markup Language: See **XML**.

Extranet: An intranet that has been extended to include access to or from selected external organizations such as customers or suppliers, but not the general public. Connections may be via leased lines, dial-up connections, or network interconnections. The overall network may be, but is not necessarily, a virtual private network. This term also refers to a Web site that links businesses to consumers, suppliers, and other parties for electronic commerce. These sites usually provide more consumer-specific information than public sites and may have security devices such as passwords for a user to gain access to more sensitive information. See also **Intranet**. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Eyeballs: The marketing measurement indicating the number of people who have looked at an ad or magazine to determine circulation. Also, a term that describes usage of a Web site for projection of possible shoppers.

F

Face-to-Face Environment: An environment in which a transaction is completed under all of the following conditions: card is present, cardholder is present, and an individual representing the merchant or acquirer completes the transaction. Transactions in this environment include: retail transactions and manual cash disbursements. Transactions in this environment exclude: installment billing transactions, mail/phone order transactions, recurring transactions, and cardholder-activated terminal transactions.

Facsimile (FAX): A form of telegraphy for the transmission of fixed images, with or without halftones, with a view to their reproduction in a permanent form. The process by which fixed graphic images, such as printed text and pictures, are scanned and the information converted into electrical signals that may be transmitted over a telecommunications system and used to create a copy of the original, or an image so produced. Wirephoto and telephoto are facsimile via wire circuits. Radiophoto is facsimile via radio. Technology exists that permits the transmission and reception of facsimile data to or from a computer without requiring hard copy at either end. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Facsimile (FAX) Access Service/System: A facsimile-based process that enables low-volume participants to transmit and fulfill copy requests through the VisaNet Copy Request and Fulfillment Service.

Facsimile Draft: A paper record that an acquirer may provide as a substitute for the sales draft. Also called a *substitute document*.

Factoring: Also called *laundering*. One merchant's depositing drafts to its account that have originated from the sales of another merchant, generally one that cannot obtain a merchant account in its own name. Can also be the coercion or bribery of a legitimate merchant to process other merchants' transactions that are typically fraudulent.

Fair & Accurate Credit Transaction Act: Enacted on December 4, 2003, this law gives regulators the green light to enact certain protections in regulating companies, such as financial institutions or payment processors that have access to an individual's confidential financial information.

Fair Credit Reporting Act (FCRA): Seeks to achieve fair, timely, and accurate reporting of credit information. Under this act, a consumer has the right to see the credit history maintained by a credit bureau. Signed into law on December 4, 2003, it includes amendments to help consumers protect themselves from identity theft.

Fair Isaac Corporation: A company that supplies creative analytics and predictive modeling solutions to the payment card processors.

Fair Market Value (FMV): The worth of a product or company in a marketplace. In leasing terms, the fair market value is used at the end of the lease to calculate remaining debt on the lease.

FAQ: See **Frequently Asked Questions**.

Farm Bill: This federal legislation passed in 1990 required the U.S. Department of Agriculture to issue regulations to establish EBT as a food stamp delivery option.

FastTrack Exhibits: A series of specific questionnaire-style exhibits, available upon request, designed for each chargeback category to facilitate the exchange of information in the dispute resolution process. A FastTrack Exhibit is required when documentation is sent to the opposing member and may be used for nonfraud-related disputes when a cardholder or merchant letter is unavailable.

Fat Client: A client-centric computing model where software must be installed on each client in a network. This approach often requires that each client computer be upgraded to the same level. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Fault Tolerance: The extent to which a functional unit continues to operate at a defined performance level even though one or more of its components are malfunctioning. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

FAX: See **Facsimile**.

FCC (Federal Communications Commission): The U.S. government board of five presidential appointees that has the authority to regulate all

nonfederal interstate telecommunications (including radio and television broadcasting) as well as all international communications that originate or terminate in the United States. Similar authority for regulation of federal telecommunications is vested in the National Telecommunications and Information Administration (NTIA). (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

FDIC (Federal Deposit Insurance Corporation): The federal regulatory agency that, among other things, insures funds on deposit at member banks.

Federal Communications Commission: See **FCC**.

Federal Deposit Insurance Corporation: See **FDIC**.

Federal Information Processing Standard (FIPS): The federal standard for processing information, including encryption and security features.

Federal Program Agency (FPA): The federal agency that implements congressional legislation and effects policy decisions of the Executive Branch.

Federal Register: The federal publication in which all public-record government regulatory actions and procedures are published, including requests for comment and final regulations and actions. The date of publication in the *Federal Register* is often considered the effective date of many regulatory actions.

Federal Reserve Bank (FRB): The branch or district office of the Federal Reserve System that acts as the central bank of the United States.

Federal Reserve System: A system of 12 regional banks that regulate bank holding companies and subsidiary commercial banks, provide payment services, and, through open-market operations, control the nation's money supply.

Federal Trade Commission (FTC): The federal agency responsible for enforcing the Truth in Lending Act (Regulation Z), of which the Consumer Leasing Act is a part, among leasing companies, finance companies, and lessors not regulated by other federal agencies. The Federal Trade Commission also performs other functions related to its role of ensuring that the nation's markets function competitively, enforcing other statutes affecting consumer financial services, and enforcing the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices.

Fed Funds: Deposits made by a commercial bank in its local Federal Reserve Bank. These funds include cash balances in excess of the reserve requirement, which may be loaned to other banks overnight.

FedLine: A personal computer software program written by the Federal Reserve Bank that allows access to the FRB's payment services. Many smaller financial institutions use Fedline to originate and receive ACH.

Fed Wire™: A wire transfer service operated by the Federal Reserve Bank to move funds electronically with instantaneous settlement.

Fee Collection: A VisaNet transaction used by a member or Visa to collect financial obligations of a member from a clearing processor.

Feet on the Street: An expression meaning salesperson or merchant-level salesperson.

FI: See **Financial Institution**.

Fiber-Optic Cable: A transmission medium composed of small strands of glass providing a path for light rays that act as a carrier.

Fictitious Account Number: A cardholder account number that does not exist and has never existed (used for fraudulent purposes).

Field: One or more consecutive character positions within a file.

FIFO: See **First-In/First-Out**.

File Transfer: The copying of a file from one computer to another over a computer network.

File Transfer Protocol (FTP): A method of transferring files from one computer to another over the Internet.

FILO: See **First-In/Last-Out**.

Finance Charge: The cost of consumer credit expressed as a dollar amount.

Finance Company: A business that makes consumer loans, usually to individuals who qualify for credit under the criteria of banks and credit unions.

Financial Agent: A financial institution designated by the U.S. Treasury Department to conduct depository services on behalf of the federal government.

Financial EDI: Electronic exchange of payments, payment information, or financially related documents in standard formats between business partners.

Financial Institution (FI): Any bank, savings and loan, credit union, or other institution organized under either national or state banking laws capable of accepting deposits and/or extending credit.

Financial Intelligence Unit (FIU): New organization unit for risk management and payment fraud investigation, such as with money laundering.

Financial Management Service (FMS): A U.S. Treasury Department bureau that is the government's financial manager and has responsibility for managing the government's payments and collections, including Electronic Benefits Transfer.

FIPS: See **Federal Information Processing Standard**.

Firewall: A computer that (a) acts as an interface between two networks (e.g., the Internet and a private network) and (b) regulates traffic between those networks for the purpose of protecting the internal network from electronic attacks originating from the external network. The firewall is capable of handling the following tasks: (a) isolating internal and external traffic (a bridge service); (b) making internal addresses invisible and directly inaccessible from outside and passing through authorized traffic after proper checking (a proxy service); (c) facilitating protected (encrypted) connections to cooperative parties over public networks (a tunneling service); (d) filtering outgoing traffic for security and network usage rules (filtering or monitoring service); (e) filtering incoming traffic for rogue data (viruses, spam, inappropriate data (filtering), or improper actions (port scanning, overload prevention, etc.); (f) blocking forbidden external services or addresses (blocking, "network nanny"-functions); (g) providing log-in services for authorized outside users and simulating the approved outside user as an inside user (proxy, log-in server); (h) caching network traffic (cache service); (i) converting between different network protocols on different protocol levels (bridge when handling lower level protocols, gateway when handling higher level protocols); (j) traffic diverting (e.g., for cost optimizing, accounting, network planning, monitoring); (k) providing consistent, open entry to the

internal network (portal service) and facilitating public network address and connection sharing (proxy service). **2.** A system designed to defend against unauthorized access to or from a private network. Firewalls can be implemented in both hardware and software, or a combination of both. Also called *front-end security filters, proxy*. (Source: *Federal Standard 103C: Telecommunications: Glossary of Telecommunication Terms*)

First Alert: A legacy system designed to provide early warning reports to members by identifying transactions occurring on accounts listed on the authorization file for credit or fraud reasons. First Alert was replaced in 2005 by the Portfolio Analytics component of the Fraud Performance Analyzer Package.

First-In/First-Out (FIFO): A queuing discipline in which entities in a queue leave the queue in the same order in which they arrive.

First-In/Last-Out (FILO): A queuing discipline in which entities in a queue leave the queue in the reverse order from which they arrive.

FIU: See **Financial Intelligence Unit**.

Flat-Fee Option: A pricing program in which merchants pay \$5 per month for American Express Card acceptance. To qualify, the merchant's American Express charge volume must remain below \$5,000 in any consecutive 12-month period. (Source: American Express)

Fleet Card: A corporate credit card used only for the purchase of fuel and vehicle maintenance services. See also **Corporate Fleet Card**.

Float: The time between a transaction and the actual settlement or posting of funds to cover it. Float is also the cost of not having money available to reinvest in a business. For example, not having access to your money means you may have to find other ways to obtain it, such as borrowing. In addition, the opportunity to invest those funds is lost when access to that money is not available. The longer one waits to receive the money, the more it could cost the business. (Source: American Express) For prepaid card issuers, float is the money held on deposit until spent by the cardholder. There is usually a delay between such time where interest is earned by the bank issuer.

Floor Limit: The maximum dollar amount for a single bank card transaction that may be conducted without authorization at specified merchant categories. Visa and MasterCard have eliminated most floor limits in the US.

FOIA: See **Freedom of Information Act** and **Privacy Act of 1974**.

Folio: A lodging merchant's guest file that contains the cardholder's transaction information, including check-in and check-out dates, rate, intended length of stay at check-in time, applicable charges, and taxes.

Food Stamp Coupon: A paper instrument that is printed in various dollar denominations and exchanged for food that meets Food Stamp Program specifications. The coupons are distributed by the states under the authority of the U.S. Food and Nutrition Service.

Food Stamps: A paper-based food assistance program of the U.S. Department of Agriculture to supplement low-income families. This program is a key automation element of the Welfare Reform Act of 1996 and is being implemented as an EBT program in various states.

Footprint: The amount of counter space a point-of-sale terminal takes up at a merchant store.

Force/Offline Transaction: The after-the-fact entry of a purchase resulting from a referral message ("call Authorization Center") or a downtime interruption of service from a network that enables the merchant to enter (as a force/post authorization) the transaction and the approval code into the EDC batch.

Formset: A carbon set of two or more copies used by the merchant as a sales draft when the merchant does not have a receipt printer.

FPA: See **Federal Program Agency**.

Frame Relay: An interface protocol for statistically multiplexed packet-switched data communications in which variable-sized packets (frames) are used that completely enclose the user packets they transport. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Franchise: An organization that grants a license to a group of merchants to market a company's goods or services in a particular territory.

Fraud: The deliberate act of misrepresentation of facts in order to obtain funds or goods illegally. Also, programs or schemes used to extort funds from consumers or banks.

Fraud Activity: A transaction or occurrence in which the cardholder certifies that he/she did not authorize or participate in the transaction or misrepresented his/her identity or financial status to the issuer to obtain any type of plastic card. Merchant fraud activity involves the submission of transactions by a merchant on known fraudulent cards or account numbers.

Fraud Detection: The process of identifying aberrant transaction characteristics.

Fraud Indicator: An alert system that would indicate, either objectively or subjectively, but within preset parameters that a merchant might have fraudulent intent or is prey to fraudulent schemes.

Fraud Prevention: The process of screening and implementing risk management procedures to mitigate fraud losses.

Fraud Monitoring: An operational process, usually done in the risk management area that involves setting alert parameters for review at the time that each transaction is presented to the system. Examples of these parameters include: excessive credits, excessive chargebacks, duplicate transaction amounts, and excessive sales amounts. Visa and MasterCard also monitor transactions and give warnings and alerts to acquirers that have suspicious transactions. Fines or monetary losses can occur if these procedures are not in place.

Fraud Ratio: The ratio of total fraudulent transactions to total sales transactions, expressed as a percentage.

Fraud Risk: The risk that a payment transaction will be initiated or altered in an attempt to misdirect or misappropriate funds.

Fraud-sales-ratio: The ratio of total fraudulent sales volume to total interchange sales volume, expressed as a percentage.

Fraudulent Merchants: Merchants who intentionally perpetrate fraud schemes, such as white plastic fraud or laundering, factoring, or third-party laundering. Chargebacks are a true indicator of fraudulent activity or services. Both MasterCard and Visa have chargeback monitoring programs aimed at decreasing chargeback activity.

FRB: See **Federal Reserve Bank**.

Freedom of Information Act (FOIA): See **Privacy Act of 1974**.

Frequency Card: A form of loyalty card program that rewards the cardholder for dollars spent or number of times they shop. Programs differ in the manner of loyalty payments. Examples include points for dollars spent and cash or certificates given when spending thresholds are met. Some private-label department stores offer certificates for use in the store when certain dollar thresholds are met. Some airline and hotel programs offer points for time spent or miles traveled with the redemption of points to be used for future travel.

Frequently Asked Questions (FAQ): A list of questions and answers provided by companies relating to software products or on a Web site. A FAQ sheet is usually prepared to assist in marketing and customer service of a product.

Front-End Processor: A company that provides communication and data processing services for authorization of card payments and transfer of data between merchant's point-of-sale equipment to the back-end clearing and settlement processor. Other functions handled by the front-end processor include merchant terminal support and balancing as well as data capture for submission for clearing and settlement to a back-end processor.

FSA (Flexible Spending Account): One of a number of tax-advantaged financial accounts that can be set up through a [cafeteria plan](#) of an employer in the [United States](#). An FSA allows an employee to set aside a portion of his or her earnings to pay for qualified expenses as established in the cafeteria plan, most commonly for medical expenses but often for dependent care or other expenses; a prepaid card program.

FSP: See **Full-Service Processor**.

FTC: See **Federal Trade Commission.**

FTP: Abbreviation for File Transfer Protocol. The transmission control protocol/Internet protocol (TCP/IP) that is a standard high-level protocol for transferring files from one computer to another. FTP usually is implemented as an application-level program and uses the Telnet and TCP protocols. In conjunction with the proper local software, FTP allows computers connected to the Internet to exchange files, regardless of the computer platform. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Fulfillment: A document image that the acquirer supplies in response to a copy or retrieval request.

Full Service Processing (FSP): A relationship between an acquirer or an issuer and a full service processor is one in which the processor provides a total outsourcing service. The processor performs all system and back-office functions but does not assume the risk or liability for any credit or fraud losses. The processor is compensated usually by charging fees for the services rendered.

Funding: The payment to a merchant for his submitted deposits.

Funding Correction: A payment made by the acquirer to a merchant to rectify an error made in clearing a merchant's bank card deposit or transmission through the card companies.

Funding Load: A transaction that results in the addition of funds to the prepaid account. Funding load sources can include cash, checks, debit cards, credit cards, ACH transfers, or other electronic funds transfers.

Funds Availability: The time at which the funds from an electronic funds transfer are made available to the customer or merchant.

Funds Disbursement: The transaction used to dispense funds to either the clearing processor or the merchant.

Funds Transfer System: A wire transfer network, ACH, or other communication system or clearinghouse or association of banks through which a payment order by a bank may be transmitted. The funds transfer system

includes: SWIFT, CHIPS, Fedwire, and the National Association of Clearing House Associations, MasterCard and Visa.

Future Services: Any sale in which the complete product or service is not delivered at the time of the sale transaction. The term may apply to either face-to-face transactions or mail/phone orders.

G

GAN: See **Global Area Network**.

Gateway: In a communications network, a network node equipped for interfacing with another network that uses different protocols. A protocol translation/mapping gateway interconnects networks with different network protocol technologies by performing the required protocol conversions. An interface that provides compatibility between networks by converting transmission speeds, protocols, codes, or security measures. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Gateway Operator: In cross-border payments, the entity that receives and performs the currency conversion.

Gateway Services Switch: For Internet merchants, services that provide the connection to front-end processors; encryption and decryption of messages; connection to a third-party verification and authentication service such as Verified by Visa; and protocol and message conversion. These services also include connections to the back-end processor for submission of transactions to the card companies for clearing and settlement.

GDI: See **Government-Designated Issuer**.

GDP: See **Gross Domestic Product**.

General Packet Radio Service (GPRS): Wireless technology replacing CDPD for speed and accuracy.

General-Purpose Card: A charge or credit card that can be used to make purchases anywhere cards are generally accepted. Some of the most popular cards in the United States are: American Express, Diners Club, Discover, MasterCard, and Visa.

General Purpose Reloadable Prepaid Card (GPR): A prepaid card that is loaded and reloaded with cash at the point-of-sale and is targeted to the “unbanked” population.

General Services Administration: See **GSA**.

Generic Identifier Card: The Visa term for a card where a generic identifier is on the card instead of the cardholder's name. Used in a temporary or instant-issue card.

Gift Card: A prepaid card that is loaded with an amount usable for later purchases. There are three kinds of gift cards; open-loop which carries a card company logo and can be used anywhere the brand is accepted; closed-loop which is used exclusively at the store of which it is labeled; and private label which is used in a select group of merchants but utilizes the open-loop transaction method.

GLBA: Gramm-Leach-Bliley Act, which governs privacy. Also see Gramm-Leach-Bliley Act.

Global Area Network (GAN): A network that (a) is composed of different interconnected computer networks and (b) covers an unlimited geographical area. Loosely synonymous with an internet, which designates one specific network (as opposed to *the Internet*).

Global Merchant Audit Program Report (GMAP): Alerts acquirers to a potentially fraudulent merchant. This report does not specifically imply that a merchant is or will be responsible for fraudulent or counterfeit transactions.

Global System for Mobile Communication: See **GSM**.

Gold Card: A card program offering higher credit lines and expanded services. Qualifications for cardholder applicants are generally more stringent than for a standard or classic card.

Good Faith: An attempt by a member to resolve a dispute with another member in writing. A good-faith attempt at resolution must be made before filing a compliance case.

Goods and Services Dispute: Disputes resulting from the cardholder's problem with the quality of goods or services, if the cardholder has tried in good faith to correct the problem and the purchase was made in the cardholder's home state or within 100 miles of his/her current address and the purchase price was more than \$50. (Source: *American Express*)

Government-Designated Issuer (GDI): A financial institution designated by the U.S. Treasury to issue Benefit Security Cards to government benefit recipients on its behalf. The GDI, or its processor, maintains cash accounts and/or food stamp accounts on behalf of the cardholder and provides authorization services.

Government Smart Card Interoperability Specification (GSC-IS): The GSC-IS was defined to provide the ability to develop secure identification smart cards that can operate across multiple government agencies or among federal, state, and local governments and provides solutions to a number of interoperability issues associated with contact smart card technology implementation. An upcoming GSC-IS revision will include interoperability definitions for contactless smart card technologies. (Source: *Smart Card Alliance*)

GPR: See General Purpose Reloadable

GPRS: See **General Packet Radio Service**.

Grace Period: The period from the statement date of the last bill to the due date of the current bill, during which a recipient does not have to incur a late charge or interest charge; primarily for those without a revolving balance.

Gramm-Leach-Bliley Act: The Financial Modernization Act of 1999, also known as the "Gramm-Leach-Bliley Act" or GLB Act, includes provisions to protect consumers' personal financial information held by financial institutions. There are three principal parts to the privacy requirements: the Financial Privacy Rule, Safeguards Rule and pretexting provisions.

Graphical User Interface: See **GUI**.

Green Book: A U.S. Treasury publication that outlines the procedures for ACH transactions originated on behalf of the federal government.

Green Sheet: A biweekly publication and on-line portal for the financial services industry.

Greenwich Mean Time (GMT): Solar time in Greenwich, England, which is at meridian 0. Also called *Greenwich Time*, it is used as the basis for standard time throughout the world, as well as the base time at which Visa and MasterCard perform their settlement processes.

Grievance: A disagreement filed by one EBT participant against another EBT participant that cannot be resolved by direct communication and must be resolved by the Benefit Security Program.

Gross Deposit: The process of submitting bank card sales and credits at the face amount. The acquirer later deducts the discount rate, also called a window discount. The acquirer takes the risk of prefunding but typically charges for the cost of funds.

Gross Margin: Sales minus cost of sales (cost of goods sold).

Gross Domestic Product (GDP): The money value (at market prices) of the goods and services produced by the economy in a period of time, usually a year or a quarter. GDP is distinguished from the Gross National Product by the exclusion of income from abroad.

Gross Pay/Pay in Gross: A method of paying merchants that reflects total charge volume submitted without applying a discount rate. American Express merchants can request this option through American Express Customer Service. (Source: *American Express*)

GSA: General Services Administration, the federal agency responsible for government agency procurement.

GSA Large Transaction: A transaction completed with a purchasing card that is issued to the federal agencies by an issuer contracted with the General Services Administration.

GSA Large Transaction Interchange Reimbursement Fee: A fee paid to or received by a member for a GSA large transaction.

GSC-IS: See **Government Smart Card Interoperability Specification**.

GSM (Global System for Mobile Communication): International chip-based standard for digital or cellular use.

Guaranteed Funds: A Business to Business (B2B) term indicating that both buyer and seller know funds are available at the time of payment.

Guaranty: A promise by one party to honor the duties or pay the debts of another.

Guest Folio: The guest file of a lodging or cruise line merchant.

GUI: Abbreviation for *graphical user interface*. A computer environment or program that displays, or facilitates the display of, on-screen options, usually in the form of icons (pictorial symbols) or menus (lists of alphanumeric characters) by means of which users may enter commands. Pronounced "gooey." (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

H

Hacker: 1. A person who breaks into, or attempts to break into, or use a computer network or system without authorization, often at random, for personal amusement or gratification, and not necessarily with malicious intent. 2. An unauthorized user who gains or attempts to gain access to an information system. 3. A technically sophisticated computer expert who intentionally gains unauthorized access to targeted protected resources. 4. Loosely, a computer enthusiast. 5. A person who uses a computer resource in a manner for which it is not intended or that is in conflict with the terms of an acceptable-use policy, but (unlike the work of a cracker) is not necessarily malicious in intent. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Hard Copy: Data in paper form. In computer graphics and telecommunications, a permanent reproduction, on any media suitable for direct use by a person, of displayed or transmitted data. Examples of hard copy include teletypewriter pages, continuous printed tapes, facsimile pages, computer printouts, and radiophoto prints. Magnetic tapes, diskettes, and nonprinted punched paper tapes are not hard copy. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Hardware: Physical equipment as opposed to programs, procedures, rules, and associated documentation. The generic term dealing with physical items as distinguished from its capability or function such as equipment, tools, implements, instruments, devices, sets, fittings, trimmings, assemblies, subassemblies, components, and parts. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Hardware Security Module (HSM): The smart card application used to manage the physical security of hardware.

Hash: A mathematical calculation that creates a single number from certain critical fields in each transaction entry as a check against inadvertent alteration of data contents due to hardware failure.

Hash Total: The result obtained by subjecting a set of data to an algorithm for purposes of checking the data at the time the algorithm is applied or for use at a later time, such as after transmission or retrieval from storage. A value computed

on data to detect error or manipulation. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

HCS: Abbreviation for *Host Capture System*. See **Host-Based Terminal**.

Header: The portion of a message or batch of transactions that contains information used to guide the message to the correct destination. In the case of batch processing, the header is the summary record indicating the number of items and the total amounts. Used for reference and reconciliation.

Head-In System: The access control server, software, and database(s) used in a physical control system. (Source: Smart Card Alliance)

Headquarters/Head Office: The main operating office of a national retail chain through which all communication, supply orders, and funding are managed.

Health-Care Merchant: A merchant, other than a pharmacy, whose primary business is providing health care services.

Help Desk: A service provided to the merchant by an acquirer, sometimes outsourced to a third-party processor. The help desk responds to terminal problems, provides repair or replacement, and assists the merchant with questions about the point-of-sale equipment. This area also manages the initial downline loading of an application to the terminal.

Hexadecimal: The mathematical term that refers to a Base 16 numbering scheme.

Highly Suspect Merchant: A merchant location where an unusually high number of suspect transactions have occurred in proportion to the merchant's total transaction volume.

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.

High-Risk Location: A merchant outlet with abnormally high levels of risk-related activity.

High-Risk Merchant: A status identified as high profile for fraud and risk activities. Card companies categorize these merchants as being identified by their risk identification service when established parameters for risk and fraud activities have been exceeded. Merchant categories include: telemarketing, adult websites, travel, online pharmacy, gambling, bail bonds, lottery, pawn shops, dating/escort service, MLM and membership clubs.

Highway: A digital serial-coded bit stream with time slots allotted to each call on a sequential basis. A common path or a set of parallel paths over which signals from more than one channel pass with separation achieved by time division, for example, the Information Highway.

Hold-Back: An underwriting program in which a percentage of the merchant deposit is held back and set aside in a separate account to offset potential chargebacks or fraud. Also called a *reserve*.

Hologram: A laser-created photograph that creates a three-dimensional image; used as an anticounterfeiting measure on bank cards.

Home Banking: Products offered by banks that are initiated by telephone or personal computer, such as bill paying, account inquiry, and funds transfer.

Home Page: 1. The document that is configured to be displayed first when a Web browser is opened. 2. The document designed to be the user's point of entry into a Web site, or the page the user sees first when he/she visits a Web site.

(Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Horizontal VARS (Value-Added Resellers): Resellers who sell or consult at no specific market segment but may have a target customer size or product specialty.

Host: The central processor/computer that can act as a database processor and/or switch for transactions leaving or coming into a central processor.

Host-Based Intrusion Prevention Systems: Fraud applications installed on e-commerce servers to lock down the operating system when a fraud alert takes place.

Host-Based Terminal: The practice of storing the transaction at the processing host and not at the terminal. All transactions must dial the host. The processor automatically closes the terminal at a given time if the merchant does not want to initiate the end-of-day process.

Host Capture System (HCS): See **Host-Based Terminal**.

Host Computer: 1. In a computer network, a computer that provides end users with services such as computation and database access and that usually performs network control functions; also called *host*. 2. A computer on which software is developed that is intended for use on another computer or terminal.

Hosting Services: In the Internet merchant processing industry, the “real estate” for Web sites and storefronts. Hosting services assist merchants with domain name and search engine registration. They are also known as Internet service providers (ISPs).

Hot Card: A card account on which excessive use is occurring, often an indication that the card (or account number) has been stolen.

HSA (Health Savings Account): The concept of HSAs combines an affordable qualified HDHP and a tax-favored HSA. The combination results in savings through lower healthcare premiums and a reduction in taxable income. The HSA grows tax-free, and if the HSA funds are used for eligible medical expenses, the account holder never pays taxes on those funds. HSA is a prepaid account that is managed by a program manager for a TPA (third party administrator). HSA prepaid accounts were established in 2003.

HSM: See **Hardware Security Module**.

HTML (Hypertext Markup Language): An application of SGML (Standard Generalized Markup Language [ISO 8879]) implemented in conjunction with the World Wide Web to facilitate the electronic exchange and display of simple documents using the Internet. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

HTTP: See **Hypertext Transfer Protocol**.

HTTPS: See **Hypertext Transfer Protocol Secured**.

Hub-Site Processing: For lower-volume acquirers, MasterCard allows faxing of retrieval requests and chargeback documentation to the operation center in St. Louis. MasterCard then submits the documents into MasterCom for routing to the issuer.

Hybrid Card: A smart card that contains two smart card chips, both contact and contactless, which are not interconnected. The card can contain a smart chip as well as a magnetic stripe.

Hybrid Terminal: The process that stores transactions both at the host and in the terminal, providing redundancy in case transactions are lost.

Hyperlink: A software function that (a) is manifest to the user as displayed, selectable words or icons and (b) allows viewers of an HTML document to navigate to another HTML document or file. A hypertext connection that can link to another document or another part of the same document. On the World Wide Web, hyperlinks appear as highlighted text or images that the user clicks to follow the link. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Hypertext: A system of writing and displaying text that enables the text to be linked in multiple ways, be available at several levels of detail, and contain links to related documents.

Hypertext Mark-Up Language (HTML): The language used to write pages for the World Wide Web. This language lets the text include codes that define fonts, layout, embedded graphics, and hypertext links.

Hypertext Transfer Protocol (HTTP): The way in which World Wide Web pages are transferred over the Internet.

Hypertext Transfer Protocol Secured (HTTPS): A variant of HTTP that encrypts messages for security.

IAB: See **Internet Architecture Board**.

IAFCI (International Association of Financial Crimes Investigators): A national organization that covers all types of fraud, including check fraud, bank fraud, identity theft, Secret Service investigations, and merchant bank card fraud. For more information: www.iafci.org. See **Mac Users Group**.

IANA: See **Internet Assigned Number Authority**.

IBDP: See **Internet Bill Delivery and Payment**.

IC: See **Independent Contractor**.

ICA (Interbank Card Association): The unique four-digit number assigned by MasterCard to identify its members, similar to the BIN for Visa. This number identifies the issuing institution, the acquiring financial institution, the third-party processor, or any other member. The MasterCard number always begins with a "5."

ICS: See **Issuers Clearinghouse**.

IDEA: See **International Data Encryption Standard**.

Identity Authentication: The performance of tests to enable a data processing system to recognize entities. An example is the checking of a password or identity token. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Identity Theft: A type of Internet or Web theft by which a criminal either breaks into a business's database to steal customer lists and card information or automates a scripted attack against a merchant checkout page to validate stolen card information. The scripted attack can be used to crack the address verification and CVV2 security methods that protect a card transaction. The average cost of a fraud event is limited by the size of a business's customer lists or the number of cards a hacker has to test. If the hacker is using a card number

generator, the potential cards to test are endless. The average economic impact is between \$1,000 and \$10,000. Also called *hacking* or *carding*.

Identity Theft & Financial Privacy Protection Act of 2003: An act mandating that credit card and debit card account numbers be truncated on all receipts from cash registers or other devices that electronically print receipts for transactions.

IDS: See **Intrusion Detection System**.

ID Verification: An emerging service, particularly used in electronic check authentication, that compares the customer's information—including name, address, phone number, bank transit routing number, and account number—to a database. Merchants using ID Verification can avoid improper transactions and stop attempts to open accounts with incorrect or outdated information.

IEC: See **International Electrotechnical Commission**.

IIN: See **Institution Identification Number**.

Image Replacement Document (IRD): The term developed by the Check Truncation Act (Check Clearing Act for the 21st Century, Check 21) to describe the physical facsimile of a check that has been truncated and needed for retrieval purposes.

Imagery: Collectively, representations of objects reproduced electronically or by optical means on film, electronic display devices, or other media.

Imprint: Cardholder data transferred from a card to a transaction receipt to complete a transaction. There are two kinds of imprints: electronic, usually through a terminal, and manual imprint, done with an imprinter device affectionately known as a "knuckle buster."

Imprinter: A device that enables the embossed characters on a bank card to be imprinted on a sales slip for use in later processing.

INAS: See **Interbank Network for Authorization Services**.

Incentive Cards: Visa's classification for prepaid cards used for promotion, rebate or employee incentives.

Incremental Cost of Card Acceptance: The American Express term used in financial training. It is calculated as the AMEX discount rate less cost savings and any margin improvement from card acceptance.

Indemnity: The contractual provision that, if certain events occur, allows the primary party—for example, a processor—to obtain defense and recourse from the contracted party in the case of any losses.

Independent Contractor (IC): An individual whose bank card–related business relationship with a Visa and/or MasterCard member allows merchant sale solicitation and service, merchant transaction processing solicitation, cardholder solicitation, and/or card application processing services.

Independent Sales Agent (ISA): See **Merchant-Level Salesperson (MLS)**, **Independent Sales Organization (ISO)**.

Independent Sales Organization (ISO): An organization or individual that is not a direct member of Visa and/or MasterCard but is registered and sponsored by a Visa and/or a MasterCard member. Performs sales, solicitation, service, merchant transaction processing, cardholder solicitation, and/or card application processing services. MasterCard classifies ISOs as member service providers (MSP). Also called MLS (merchant level salesperson), MSP (merchant sales person), and MSP (merchant sales provider).

Industry Server: A computer that facilitates electronic financial transactions and information flows. Servers function either via private (Intranet) or public (Internet) communication networks. They can have three potentially complementary sets of capabilities: (1) The gateway/switch function manages the connection between consumers and their financial institution(s). It also facilitates transfer of information between consumers and institutions. (2) The transaction processor executes consumer requests for transactions by assembling information in an appropriate form or actually conducting transactions. Electronic bill payment is a good example of a transaction facilitated by servers. (3) The settlement facilitator enables banks to settle transactions between themselves. Servers can prepare information for settlement and conduct settlement activities. The facilitator may use existing payment networks (e.g., Fedwire, ACH, and ATM) or develop a new settlement approach.

Industry Service Provider (ISP): An independent company providing credit card processing services to acquirers.

INET: See **Interbank Network for Electronic Transfer**.

IFX: See **Interactive Financial Exchange**.

Input Date: The edit package run date on which outgoing interchange is processed.

Installment Billing Transaction: A single purchase of goods that is divided into two or more installment payment transactions; originates at a mail order, phone order, or electronic commerce merchant; and is authorized and processed as specified by Visa rules.

Instant Issue Card: A prepaid card that is instantly issued at the point-of-sale or at the employer's location. The card does not carry the cardholder's name.

Institution Identification Number (IIN): The set of numbers assigned by the American Bankers Association for electronic benefits transfer and benefit security cards and identifies the GDI for purpose of interchange. More frequently referred to as BIN.

Integrated Circuit (IC): An electronic circuit that consists of many individual circuit elements—such as transistors, diodes, resistors, capacitors, inductors, and other active and passive semiconductor devices—formed on a single chip of semiconducting material and mounted on a single piece of substrate material, including a plastic card. The circuit can be used as a microprocessor and can perform programmable functions like a minicomputer. Also called *chip*, *microcircuit*. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Integrated Circuit Card: A plastic card that has been imbedded with an integrated circuit or chip for use in enhanced security or data storage and retrieval. Also called *chip card*, *smart card*.

Integrated Circuit Chip: See **Chip**.

Integrated Services Digital Network (ISDN): See **ISDN**. Integrity: The guarantee that a message has not been modified in transit.

INTERAC: Canada's PIN-based domestic-only debit card system.

Interactive Financial Exchange (IFX): A standard for the exchange of financial data and instructions independent of a particular network technology, or computing platform. It builds on previous industry experience, including OFX and GOLD, two standards currently implemented by major financial institutions and service providers to enable electronic exchange of financial data among themselves and their consumers. (Source: *Billing.org*)

Interactive Voice Response (IVR): The process in which the voice-processing system prompts the caller for information, which can then be used as a search key to a database. The result of the search is then reported back to the caller. A typical and most common application of IVR is in the banking system. A caller calls the bank's IVR lines, enters an account number, and receives information about the account.

Interbank Card Association: See **ICA**.

Interbank Network for Authorization Services (INAS): The MasterCard International network system that provides authorization services for the daily processing and routing of worldwide transactions among its members.

Interbank Network for Electronic Transfer (INET): The MasterCard International network that provides clearing and settlement service for the daily processing and routing of worldwide financial transactions among its members.

Interchange: Mutual acceptance and exchange of messages between entities. In the electronic processing industry, this term refers to the acceptance and exchange of payment clearing records between issuers and acquirers. It is the fifth stage of the seven stages of processing. The back-end processor has presented the good transactions to the card companies. The card companies then calculate the service fee (see **Interchange Reimbursement Fee**) by individual transaction and determine the net position of due/to and due/from monies. The card company then sorts the transactions by issuing BIN number and sends the transactions to the issuer for posting to the cardholder account. The categories for interchange are listed by card company. Compliance criteria for each are listed under the unique terminology name. Rates and criteria vary and change

frequently. Rates and qualification criteria can be found on both Visa and MasterCard's websites in the merchant area.

Interchange Accounting: The operational process that takes place at the back-end processor. The system edits the incoming transactions and performs an anticipatory interchange calculation on each transaction. The system can find and downgrade some nonqualified transactions. The system provides the reporting and prints the actual settlement reports from the card companies. The operational area then reconciles and works any exceptions generated from the process.

Interchange Advice: A debit or credit advice drawn on or sent to a Visa member in settlement of transaction receipts that another member enters into interchange (outside of BASE II) or the single message system. Interchange advices typically include online or real-time transactions such as online/PIN-based debit.

Interchange Fees: Fees paid by the acquirer to the issuer to compensate for transaction-related costs. The issuer pays the acquirer an interchange fee for cash advance transactions. See **Interchange Reimbursement Fee**.

Interchange File: An electronic file containing a member's interchange data.

Interchange Network: An electronic network maintained by the card companies that exchanges data related to the value of card sales and credits among issuers and acquirers.

Interchange Rate: See **Interchange Reimbursement Fee**.

Interchange Reimbursement Fee: A fee set as a reimbursement for equalizing the cost of issuing and acquiring, thus making the transaction at a par. Categories of interchange are based on: type of merchant; timeframe of submission of sales drafts; card type (Debit, Credit, Commercial, etc.), and fraud risk (mail order/phone order, Internet, etc.). Acquirers typically pay an interchange fee to Issuers. Issuers pay fees to acquirers only when a cash advance has taken place. The rationale for imposing the Interchange fee was to reimburse, in most cases the Issuer for the float involved in collecting the payment of the outstanding bill from the cardholder, as well as to subsidize bankruptcies, solicitations and collections.

Interchange Transaction: A transaction in which the issuer and the acquirer are different members of the card companies.

Interest: A charge for borrowing money, typically a percentage of the amount owed.

Interlink: Visa program for providing an international online point-of-sale debit product. Transaction amounts are immediately debited from the cardholder's account.

Interlink Program: A program through which an Interlink participant provides point-of-transaction services to Interlink cardholders (acting as an Interlink issuer), Interlink merchants (acting as an Interlink acquirer), or both.

Interloper: An agent or party that intercepts, or inserts themselves between, the communications from one party to another without permission of either of the original parties.

Intermediary Bank: A depository institution through which a settlement funds transfer must be processed for credit to a settlement account at another financial institution.

International Association of Financial Crimes Investigators: See **IAFCI**.

International Data Encryption Standard (IDEA): The standard for data security recommended by the International Organization for Standardization.

International Electrotechnical Commission (IEC): The commission that oversees chip-based standards. (Source: Smart Card Alliance)

International Organization for Standardization (ISO): An international agency whose members are the national standards bodies of most of the countries of the world. The ISO establishes and publishes international technical standards after developing a suitable consensus. It is affiliated with the United Nations and has its headquarters at 1, Rue de Varembé, Geneva, Switzerland. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

International Service Assessment (ISA): Effective April 2, 2005 Visa assesses a 1% International Service Assessment (ISA). The ISA is not a currency conversion fee but rather a charge to issuing banks when transactions use the global payment system. It is not a charge to cardholders. The ISA will also be charged to Issuers on same currency, cross-border transactions like DCC. Visa will no longer charge issuing banks the 1% Multicurrency conversion fee. Visa's change to the ISA was a result of a legal order in 2003 to refund millions of dollars of improperly disclosed currency conversion fees.

Internet: Any interconnection among or between private, industrial, or governmental computer (digital communication) networks. Every device connected to an internet has a computer "telephone number" so that a computer can engage in a telephone dialog with any other computer connected to the same internet network. The term *internet* (spelled with a lower case "i") is distinguished from the Internet (spelled with the "I" capitalized). See **Internet (The)**. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Internet [The]: The international computer network of federal and nonfederal interoperable packet-switched data networks, expanded to serve millions of users and a multitude of purposes, such as interpersonal messaging, computer conferences, files, and consulting of files. The Internet originally served to interconnect laboratories engaged in government research. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Internet Address: In Internet protocol, the decimal-numeric, fixed-length address that identifies the hosts of data sources and, specifically, a communication port. A single Internet address can have multiple URLs. Also called *IP address, Internet protocol address*. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Internet Architecture Board (IAB): The technical body that oversees the development of the Internet suite of protocols (commonly called *TCP/IP*). The IAB has two task forces: the Internet Research Task Force and the Internet Engineering Task Force. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Internet Assigned Numbers Authority (IANA): An organization directed by the Internet Architecture Board that assigns IP numbers and protocol parameters such as port, protocol, and enterprise numbers and opinions, codes,

and types. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Internet Bill Delivery and Payment (IBDP): An Internet-based service that securely and reliably delivers richly formatted bills, statements, invoices, notices, and associated advertising to any online consumer or business and returns payment, remittance instructions, and related information to the biller and/or designated payee.

Internet Check: Checks utilized in an Internet sales transaction.

Internet Check Acceptance: A payment system that allows consumers to enter checking information online. Electronic items are created and processed through the Automated Clearing House network.

Internet Commerce: All commercial transaction activity on the Internet.

Internet Fraud: See **e-Fraud** and **Web Theft**.

Internet-Initiated Entries (WEB): A single entry initiated by an originator pursuant to an authorization or authentication obtained via a secure Internet session.

Internet Protocol (IP): A U.S. Department of Defense standard protocol designed for use in interconnected systems of packet-switched computer communication networks. The Internet protocol provides for transmitting blocks of data called *datagrams* from sources to destinations, which are hosts identified by fixed-length addresses. The Internet protocol also provides for fragmentation and reassembly of long datagrams, if necessary, for transmission through small-packet networks.

Internet Service Provider (ISP): A company or organization that provides Internet connections to companies or individuals via dial-up, ISDN, T1, or other connection. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Internet Theft: See **Web Theft** and **E-Fraud**.

Interoperability: 1. The ability of systems, units, or forces to provide services to and accept services from other systems, units, or forces and use the exchanged

services to operate effectively together. 2. The condition achieved among communications-electronics systems or items of communications-electronics equipment when information or services can be exchanged directly and satisfactorily between them and/or their users. The degree of interoperability should be defined when referring to specific cases. 3. The condition that allows applications executing on separate hardware platforms, or in multiprocessing environments on the same platform, to share data and cooperate in processing it through communications mechanisms such as remote procedure calls and transparent file access. 4. The ability of a set of modeling and simulation to provide services to and accept services from other modeling and simulation and to use the exchanged services to operate effectively together. 5. The capability to provide useful and cost-effective interchange of electronic data among, for example, different signal formats, transmission media, applications, industries, or performance levels. This term is used in the bank card industry primarily in the smart card arena. Standards have made smart card systems interoperable. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Intranet: Any private network that uses some or all of the protocols of the Internet. In an intranet, nodes interact in a client-server relationship, nodes are identified by Internet protocol (IP) addresses, and files are identified by universal resource locators (URLs). The data exchanged are typically formatted using the HTML language and are controlled and displayed using a browser. The intranet may be connected to the Internet via firewalls, or it may be totally separate. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Intrusion Detection System (IDS): An Internet application that can be on the hardware or the server and is used to detect and block various kinds of incoming attacks.

Intrusion Prevention System (IPS): An Internet application that can be used to block various kinds of incoming fraud attacks and hackers.

Invoice: Bill

Invoice Cycle: The period of time between the recurring events of updating, invoicing, and charging for services rendered. See also **Billing Cycle**.

Invoice Detail: Information from a seller that provides itemized information to a buyer. It may include specific invoice event information such as credit card charges, telephone calls, or kilowatts used.

Invoice Notification: A process notifying a buyer that an electronic invoice is available for review and payment.

Invoice Summary: The summary information from a seller that is essential to a buyer to understand what is owed. Typical information may include: amount owed, date due, seller, seller's account number, summary record, summary, invoice summary, invoice summary record, and bill summary record. (Source: *Billing.org*)

I/O: Abbreviation for the computer term *input/output*.

IP: See **Internet Protocol**.

IP Address: See **Internet Address, IP Number**.

IPS: See **Intrusion Prevention System**.

IP Spoofing: **1.** A technique used by hackers to access computer systems by modifying packet headers to make them appear to have originated from a trusted port. **2.** The practice of falsifying an e-mail header to make it appear as though it originated from a different address. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

IP Wireless Terminals: A terminal that connects real-time to the Internet. These terminals are used internationally where the land line telecommunication lines are not stable and are becoming more popular in the US for pay-at-the-table applications. All POS terminal devices deployed must be PCI PED compliant as of January 1, 2008.

IRD: See **Image Replacement Document**.

ISDN: Abbreviation for Integrated Services Digital Network, a digital phone service that operates at speeds as high as 128 kilobits per second. The same time-division switches and digital transmission paths are used to establish connections for different services. ISDN services include telephone, data, electronic mail, and facsimile. The method used to accomplish a connection is

often specified: for example, switched connection, nonswitched connection, exchange connection, or ISDN connection. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

ISO (1): See **Independent Sales Organization**.

ISO (2): See **International Organization for Standardization**.

ISO/IEC 14443: The International Standards Organization standard that governs Identification Cards–Contactless Integrated Circuit Cards–Proximity Cards (Source: Smart Card Alliance)

ISO/IEC 15693: The International Standards Organization standard that governs Identification Cards–Contactless Integrated Circuit Cards–Vicinity Cards. (Source: Smart Card Alliance)

ISO/IEC 7816: The International Standards Organization standard that governs integrated circuits with contacts. (Source: Smart Card Alliance).

ISO 8583: The International Standards Organization standard that governs the retail financial transaction message format.

ISP: See **Internet Service Provider**.

Issuer: Public and private companies that enter direct contractual relationships with consumers and/or businesses to maintain and service such relationships through the issuance of one or more plastic cards.

Issuer Assessments: Fees paid by the financial institution for use of the card company BIN and programs attached to it.

Issuer-Initiated Chargeback: A procedural chargeback issued by the card issuer for various processing errors or for violations of the card companies' rules and regulations. Examples include: merchant did not receive authorization for a purchase over the floor limit; transaction was charged to an expired card; and card was listed on the Exception File.

Issuer Limit: An issuer-specified amount that determines how a transaction will be authorized. If stand-in processing is used at Visa or MasterCard, the

transaction is routed based on the transaction amount at or above the issuer limit.

Issuers' Clearinghouse Service (ICS): A service jointly developed by Visa U.S.A. and MasterCard International that is designed to reduce member losses from excessive credit applications and unauthorized use. The service, which is mandated for use in the application screening process, validates and tracks addresses, phone numbers, and social security numbers used in credit applications and in reports of fraudulent activity.

Issuer's Control Number: The identification number assigned to a retrieval request by the issuer.

Issuing Bank: The financial institution member of the card companies that has the responsibility for issuing credit, prepaid, corporate, charge and debit cards to a consumer.

IVR: See **Interactive Voice Response**.

J

Japan Credit Bureau (JCB): An independent card company established in Japan in 1961. In 1981, JCB established a U.S. presence by offering merchants the opportunity to accept the card. The marketing strategy was designed primarily to serve Japanese travelers in U.S. cities. In 1988, JCB International Credit Card Company, Ltd. was established in Los Angeles to issue credit cards as well. This company owns its receivables and the merchant relationship although it has a reseller program for merchant acceptance. JCB has direct acquiring relationships with 13 acquirers and financial institutions in the US.

Java™: A trademarked set of programming language technologies for creating and safely running software programs in both stand-alone and networked environments. Most graphics-based Web browsers can recognize and run Java codes. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Java Card: A set of specifications for running a subset of Java on a smart card.

JCB: See **Japan Credit Bureau**.

J-PEG [or JPEG]: Abbreviation for *joint photographic experts group*. 1. A standardized, relatively glossy file format for transporting, storing, and/or displaying data representing still images and graphical data. With .gif, it is one of the most common ways that photos are moved over the Web. 2. Images compressed with the JPEG format and identified with the .jpg or .jpeg filename extension. 3. An international standards group functioning under ISO and IEC to develop an international consensus on an image compression algorithm for continuous-tone still color pictures. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

J/Secure: An Internet authentication program provided by JCB International (Japanese Credit Bureau). To verify the identity of the person entering the card information, J/Secure adds a password identification step.

Julian date: 1. The sequential day count reckoned consecutively beginning January 1, 4713 B.C. For example, the Julian date on January 1, 1990, was 2,446,892. 2. The sequential day count of the days of a year, reckoned

consecutively from the first day of January. Note: In modern times, the definition of Julian date has been corrupted to use the first day of the year as the point of reference. To avoid ambiguity with the traditional meaning, *day of year* rather than *Julian date* should be used for this purpose. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

K

Key: 1. Information (usually a sequence of random or pseudorandom binary digits) used initially to set up and periodically change the operations performed in crypto-equipment for the purpose of encrypting or decrypting electronic signals, for determining electronic counter counter-measures patterns (e.g., frequency hopping or spread spectrum), or for producing other keys. This term has replaced the terms *variable*, *key(ing) variable*, and *cryptovvariable*. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Key Authentication: The assurance of the legitimate participants in a key agreement that no other entity possesses the shared-secret key. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Key Bundles: The process of multiple encryption and decryption of the same message or data. The process uses a group of encryption keys or key bundles rather than a single string of numbers encompassing one key.

Key Escrow: A scheme in which an authorized body keeps a copy of all private keys, which can be revealed only upon court order. Also called a *trusted third party*.

Key Fob: Radio frequency transponders put on key chains to effect a transaction without making contact with a card reader. One of the first and most successful implementation is the key fob used by Speedpass to effect a pay-at-the-pump transaction without swiping a card. A consumer enrolls in the card program by completing an application that includes credit card information. A device is issued that, when waved in front of the receiving device, verifies the information and allows the consumer to pump gas.

Key Management: Supervision and control of the process by which key is generated, stored, protected, transferred, loaded, used, and destroyed. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Key Offset: The process of applying a count value to a cryptographic key using the Boolean exclusive-OR function. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Kiting: A fraud scheme in which a merchant submits a sales transaction on his/her personal bank card account(s) to obtain cash advances through his/her business.

Kiosk: A stall set up in a public place where one can obtain information or products. The information may be provided by a human or by a computer-driven device. In the latter case, an example is an automatic teller machine or a gift card dispenser.

L

LAN: See **Local Area Network**.

Land Line: An informal name for conventional telephone facilities. Note: Land lines include conventional twisted-pair lines, carrier facilities, and microwave radio facilities for supporting a conventional telephone channel, but do not include satellite links or mobile telephone links using radio transmissions. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*.)

Late Settlement Fee: The fee that card companies collect from a clearing processor for failure to transfer the settlement amount to the card company's settlement bank on the due date.

Laundering: Also called *draft laundering*. A fraud scheme by which merchants process transactions, usually on white plastic cards, at other legitimate merchant locations. See **White Plastic Fraud**.

Lead Generation: Prospecting for new clients utilizing techniques such as cold calls, direct mail campaigns, telemarketing, seminars, trade shows, magazine ads and Internet Web sites.

Lease: A contract between a lessor (leasing company, in most instances) and lessee (merchant) allowing the lessee to procure equipment over a period of time, thus saving the merchant an up-front capital expenditure.

Lease Factor: The number used to calculate the gross funding amount for a lease. Determining factors include the credit worthiness of the lessee coupled with the terms of the lease.

Leased Line: A constant, high-speed communication line (not dial-up) reserved for use by a direct link or dedicated line. It is always available and open to the user and does not involve establishing a communication connection prior to transmission. (Source: American Express)

Legacy System: Any existing system, such as proprietary, enterprise resource planning, or customer service application, that may require integration with a modern Internet-based application.

Lessee: The entity renting the property from the lease company. Typically, the merchant is the lessee.

Lessor: The owner or controller of the equipment or property being leased.

Letter of Credit (LOC): A financial arrangement that extends credit to a designated organization. In the context of EBT, an LOC is established to obligate congressionally appropriated funds to certain types of program benefits.

Level 2 Data: The minimum information required to expand upon the transaction amount using a commercial card. Typically, it includes only sales tax and general purchase description categories. See **Enhanced Data, Enhanced Merchant-Level Data** and **Enhanced Transaction-Level Data**.

Level 3 Data: The expansion of both the merchant- and transaction-level data as described in the enhanced data programs for commercial cards. These data include “invoice-quality” line items such as product codes, freight charges, duty amounts, and taxpayer ID number. See **Enhanced Data, Enhanced Merchant-Level Data** and **Enhanced Transaction-Level Data**.

Leverage: A term for intentionally taking on debt to expand the scope of a business.

Liability: Any liability under any theory or form of action whatsoever, in law or in equity, including without limitation contract or tort, including negligence, even if the responsible party has been notified of the possibility of such damages. The term also includes liability for infringement of others’ intellectual property rights or liability for claims of third parties.

LIBOR (London InterBank Offered Rate): The interest rate at which banks borrow funds from other banks in the London bank-to-bank market. It is compiled by the British Bankers’ Association and announced daily at about 4 p.m. ET. LIBOR is sometimes the basis for loans in the United States. Some banks will lend money to merchants at a rate based on LIBOR plus a spread (i.e., +1 percent or 2.75). LIBOR usually refers to a three-month rate, which represents the wholesale rate that banks will lend funds for a term of three months. (Source: American Express)

Lien: The legal right to hold onto a piece of intangible property that secures someone's personal or real property. If the person or company owing the debt defaults, the property is confiscated or sold.

LIF (Locations in Force): Number of merchants accepting the American Express card as a form of payment. (Source: American Express)

Line Busting: The terminology for handheld POS applications and devices, such as a wireless device that can be brought to a table at a restaurant.

Line of Credit: The amount of credit a lender will extend to a borrower over a specified period of time.

Line of Credit Checks: Also called *convenience checks*. These physical checks allow cardholders to access their credit card accounts by writing a check. The checks are cleared the same as for a checking account, but are posted by the issuer to the cardholder's credit card account as a cash advance.

Link: A single point-to-point circuit.

Liquidity Risk: A party will have insufficient funds to meet its obligation when due, although it may be able to do so in the future.

Live Entry: An entry that creates a funds transfer as opposed to a prenotification or other zero-dollar transaction.

Live Posting: A banking transaction posting system in which financial transactions are processed and affect the account balance as they happen. Live posting typically occurs with online debit, ATM, or POS transactions.

Local Area Network (LAN): A data communications system that lies within a limited spatial area, has a specific user group, has a specific topology, and is not a public switched telecommunications network, but may be connected to one. LANs are usually restricted to relatively small areas, such as rooms, buildings, ships, and aircraft. An interconnection of LANs within a limited geographical area, such as a military base, is commonly referred to as a campus area network. An interconnection of LANs over a citywide geographical area is commonly called a metropolitan area network (MAN). An interconnection of LANs over large geographical areas, such as nationwide, is commonly called a wide area network (WAN). LANs are not subject to public telecommunications

regulations. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Local Call: 1. Any call using a single switching facility. 2. Any call for which an additional charge, such as a toll charge, is not made to the calling or called party. Calls such as those made to toll-free numbers do not qualify as local calls, because the called party is charged. (Source: Federal Standard 1037C, *Glossary of Telecommunication Terms*)

Location Code: A numerical code that identifies a merchant location or a point-of-sale terminal at a merchant location.

Locations in Force: See **LIF**.

Lockbox: A financial service that facilitates rapid collection and posting of corporate receivables. In this labor-intensive operation, customer payments are mailed to a post office box, collected, sorted, and processed for the company, and presented to the bank.

Lodging Merchant: A merchant that provides overnight accommodations intended for a limited period of time at a fixed location.

Logical Access: Access to online resources (e.g., networks, files, computers, and databases).

Loss Destruction Waiver (L&D Waiver): A stipulation in the lease indicating that the lease company will cover the equipment if it is lost or damaged.

Loss Reserve: A monetary sum set aside by the issuer to cover projected credit losses in the cardholder program.

Lost/Stolen Card Reporting Service: A card company service provided for an issuer's authorizing processor when any branded card is reported lost or stolen. An issuer-provided service in which the cardholder registers card account numbers with the issuer who will notify the individual issuers if cards are lost or stolen. This type of service is often offered through a card registration company.

Loyalty Card: A brand-specific or retailer-labeled card that has cardholder benefits tied to purchase amounts, usage, membership, or number of visits. Benefits typically include coupons or discounts for future services.

LUHN Formula: Also called *Modulus 10* or *MOD 10*. A simple algorithm used to validate the number on a credit card before sending the number for debit authorization. It works on cards issued by all the major credit card companies. Originally created by a group of mathematicians in the 1960s, the LUHN formula is in the public domain, and anyone can use it. In Canada, it is used to validate a person's Social Insurance Number. It does not verify any other information on a credit card, including whether the card's date is valid. The formula applies a simple arithmetic to a credit card number to calculate a number that must agree with the *check digit* (See **Check Digit**), the last number that appears on the credit card. Here are the formula's three steps:

1. Beginning with the second digit from the end (on the right), take every other digit and multiply it by two.
2. Proceeding right to left, take each of the digits skipped in step 1 and add them to the result obtained in step 1. If the result of doubling a number in step 1 resulted in a two-digit number (such as $7 + 7 = 14$), use each of these digits (1 and 4) in adding the digits in step 2.
3. Subtract the result obtained in step 2 from the next higher number that ends in 0. The result must agree with the check digit.

M

MAC: See **Message Authentication Code**.

Machine Readable: Data in a form for processing by a machine without the need for further translation, rather than in a form that might make sense to humans.

MAC Users Group: A nationwide organization of bank card professionals involved in the risk management issues of credit card processing. This group was formed as a membership subgroup of the IAFCI.

Maestro®: Maestro is the leading debit brand for MasterCard Worldwide and offers cardholders secure, convenient access to their deposit accounts from anywhere in the world. Maestro is the only on-line, PIN based global debit brand that can be used to make purchases and to provide access to cash at ATMs. The Maestro brand mark now appears on over 511.1 million cards worldwide and is accepted for purchases at nearly 9.6 million merchant terminals in 93 countries and territories and over 900,000 MasterCard/Maestro/Cirrus® ATMs worldwide.

Maestro, Member, MSP Agreement: The required tri-party contract for members to sponsor member service providers.

Magneprint: A registered product of Magtek, Inc., used as a security feature to determine if the card presented is the original card issued by the issuer and not a clone, a copy, or one that has altered data on the magnetic stripe. This technology was developed to generate a numeric value that could serve as the digital fingerprint of a specific stripe credit card or debit card.

Magnetic Information Character Recognition (MICR): Imprinted banking numbers (routing/transit number, checking account number, and check number) at the bottom of the check printed in magnetized ink and read electronically.

Magnetic Stripe: A stripe of magnetized plastic affixed to the back of a plastic card containing customer and account information, used to facilitate electronic financial transactions. The process to insert data on the magnetic stripe is called *encoding*. See **Encoding**.

Magnetic Stripe Data: Data contained in the magnetic stripe and usually replicated in a chip. The process of reading the data includes reading of Track 1, Track 2, and sometimes Track 3.

Magnetic Stripe Image: The minimum chip payment data replicating the magnetic stripe information required to process an EMV-compliant transaction.

Magnetic Stripe Reader (MSR): See **Magnetic Stripe Terminal**.

Magnetic Stripe-Reading Telephone: A limited-amount terminal that accepts a card as payment for a telephone call.

Magnetic Stripe Terminal: A point-of-transaction terminal that reads the magnetic stripe on a card.

Magnetic Stripe Verification: The act of verifying the information on a magnetic stripe.

MAI: See **Merchant Account Initiation**.

Mail/Phone Order Merchant: A merchant that completes a mail/phone-order transaction, such as a mail-order catalogue.

Mail/Phone Order Transaction: A transaction in which the cardholder or virtual account-holder orders goods or services from a merchant by telephone, mail, or other means of telecommunication, and neither the card, the cardholder, nor the virtual account-holder is present at the merchant outlet.

Mail/Phone Order Transaction Indicator: A card company code that identifies a transaction as one of the following: mail order transaction, phone order transaction, recurring transaction, installment billing transaction, or other mail/phone order-type transaction.

Mainframe: A large computer, usually one to which other computers and/or terminals are connected to share its resources and computing power.

Mandatory Field: A field required to ensure the proper routing and/or posting of an item.

Manual Entry: When card information is entered manually, or key-entered, usually because the magnetic stripe could not be read.

Manual Food Assistance Transaction: An offline food stamp transaction in which the merchant completes a paper sales draft, obtains the cardholder's signature, and obtains a telephone authorization code.

Manual Imprint: An imprint of the embossed data on the front of the card taken with a manual imprinter. A manual imprint must not consist of an impression taken from the card using pencil, crayon, or other writing instrument.

Manual Imprinter: A mechanical device specifically designed to transfer the embossing on a card and merchant plate to a sales draft, nicknamed a "Knuckle Buster."

MAP: See **Master Affiliated Property**.

MAP: See **Merchant Account Provider**.

MAPP: See **MasterCard Automated Point-of-Sale Program**.

Mapping: The process of putting data from one format into another or identifying which pieces of information go into which fields of a payment and information transaction.

Margin: The difference between the price at which something is bought and the price at which it is sold.

Marks: An abbreviation for *trademark*, which protects the words, names, symbols, sounds, or colors that distinguish one card from others. An example is a logo that appears on marketing material or plastics. Marks typically have standards for size and placement and require approval before usage.

Master Affiliated Property (MAP): Part of the hierarchy system for American Express accounts that links other headquarter organizations. (Source: American Express)

Master Agent: An ISO/MSP that has sub-ISOs under its structure.

MasterCard: A registered mark for MasterCard Worldwide, a for-profit card company. In 2006, it transitioned to a new corporate governance and ownership structure and began trading on the New York Stock Exchange under ticker symbol MA. Also that year, it introduced a new corporate name, MasterCard Worldwide, and adopted a new corporate signature and tagline, The Heart of Commerce™. MasterCard provides services in more than 210 countries and territories. MasterCard's history: In 1966, four Chicago banks and 14 East Coast banks formed the Interbank Card Association (ICA). The following year, five California banks that had formed the Western States Bankcard Association (WSBA) joined. The banks licensed the name MasterCharge and began to license the product to other banks. In 1973, the ICA group built an online authorization system called the Interbank Network for Authorization Services (INAS). In 1974, the group completed the development of its clearing and settlement system, called the Interbank Network for Electronic Transfer (INET). In 1979, ICA changed its name and card branding to MasterCard. In 1981, MasterCard introduced the first gold bank card program. In 1982, MasterCard launched its national ATM network, Cirrus. In 1983, MasterCard implemented a laser hologram. In 1985, as a result of electronic data capture, MasterCard developed its MasterCard Automated Point of Sale Program (MAAP). In 1991, MasterCard launched its online debit POS program, Maestro. In 2000, MasterCard purchased the closed-loop electronic purse program, Mondex. In 2002, MasterCard merged with Europay International, allowing it to convert from an association to a privately held company. MasterCards begin with "5."

MasterCard Automated Fuel Dispenser (AFD) Interchange Rate Program: See **Automated Fuel Dispenser**.

MasterCard Convenience Purchases Interchange Rate Program: This category applies to several types of merchants. Transactions must meet Merit III or Automated Fuel Dispenser (AFD) requirements including magnetic stripe data. This category includes fast food, miscellaneous food store, limousines and taxis, convenience store, gas, AFD, and motion picture theaters. The card must be present and swiped for authorization, and the magnetic stripe must be read. Transactions initiated with a transponder will qualify without the magnetic stripe data. For limousines and taxis, transactions must be at or below \$25; transactions above \$25 qualify for Merit 3.

MasterCard Debit Card: Debit MasterCard is tied to a cardholders bank account and can be used to make purchases throughout the MasterCard merchant acceptance network of over 22 million locations around the world. It can also be used to gain cash access at more than 900,000 ATMs globally. Purchases using debit MasterCard are authorized by signed receipt or the use of a PIN. Debit MasterCard issuance is concentrated mainly in the US and several key markets; usage is continuing to grow at an impressive rate of approximately 26% annually.

MasterCard Emergency Cash Advance: A MasterCard Global Service that enables cardholders to receive cash in the event of a lost or stolen card. Cash is provided via locations such as bank branches.

MasterCard Emerging Market Interchange Rate Program: A program for government agencies, education, tolls, transportation-commuter, utilities insurance companies, postal service-government only, and cable and other pay television merchants. This rate program is applicable to consumer debit only.

MasterCard Full UCAF Interchange Rate Program: MasterCard interchange rate program for internet transactions. Electronic authorization is required and the auth and clearing amounts must match.

MasterCard Global Clearing Management System (GCMS): A centralized clearing facility owned and operated by MasterCard for the daily processing and routing of financial transactions between MasterCard and its member financial institutions.

MasterCard Global Services: Available to all MasterCard cardholders, this service provides customer service anytime, anywhere, and in any language. Access is via country-specific, toll-free telephone numbers or via a collect number from countries where toll-free service to the United States is not available.

MasterCard Interface Processor (MIP): The processor placed on-site at a merchant's facility that interfaces with MasterCard's BankNet communications network. It contains the exception file of bad card numbers and the local negative file and conducts authorization and settlement as well as other services.

MasterCard Key-Entered Interchange Rate Program: To qualify for this rate, the card is present but the magnetic stripe fails to read properly. Only retail and restaurant, gas stations and convenience stores, and supermarket/warehouse merchants are eligible for this rate. The transaction must meet all Merit III requirements, except for the transmission of the entire magnetic stripe. The transaction must be settled within 24 hours of the authorization.

MasterCard MATCH™, the Member Alert to Control High-Risk (Merchants) system (MATCH): MasterCard designed MATCH to provide acquirers with the opportunity to develop enhanced or incremental risk information before entering into a merchant agreement. MATCH is a mandatory system for MasterCard acquirers. The MATCH database includes information about certain merchants (and their owners) that an acquirer has terminated.

MasterCard, Member, MSP Agreement: The required tri-party agreement for any member to sponsor a member service provider.

MasterCard Merit 1 Interchange Rate Program: To qualify for this rate, the card is not present. An electronic authorization is required, and the transaction must be settled within two-three days depending on Interchange Program. Authorization amount must be within 25% for beauty salons and 10% for all other categories except restaurant, bar, fast food and MO/TO where the amounts must match.

MasterCard Merit 3 Interchange Rate Program: The most common rate for a face-to-face environment. To qualify, the cardholder, card, merchant and card-reading device must be present at the time of the sale; the card must be swiped for authorization; only one authorization is allowed per transaction; the merchant must obtain an authorized signature; beauty salons must be within 25 percent of the authorized amount, with others being within 10 percent, except restaurant, bar, fast food and MO/TO where the amounts must match.

MasterCard Open Data Storage (MODS): A program provided by MasterCard that fulfills security requirements for unencrypted data storage.

MasterCard Restaurant Interchange Rate Program: A rate program for restaurants (5812) and fast food (5814) for consumer debit where an electronic

authorization required, magnetic stripe data not required, there can be 2 days between auth and clearing. No variation in auth and clearing amounts.

MasterCard RPPS: Abbreviation for *MasterCard Remote Payment Processing System*, MasterCard's electronic bill payment network. The network is one of the largest with over 3,000 billers.

MasterCard Passenger Transport Interchange Rate Program: To qualify for this rate, a transaction must have only one authorization. There can be three days between authorization and clearing. The magnetic stripe is not required. The category applies to consumer credit core value and enhanced value cards as well as consumer debit and applies to airlines and passenger railway merchant category codes. For consumer credit world elite cards, the **Airline Interchange Rate Program** applies.

MasterCard PayPass: A card used for both contact and contactless transactions. The contact usage is done with a magnetic stripe as a traditional card transaction. The card also has an embedded chip and a tiny antenna used to transmit the information wirelessly, when waved near any of the accepting terminals.

MasterCard Public Sector Interchange Rate Program: A transaction type restricted to specific market sectors; court fees; payment of fines; bail bonds; transportation – commuter; bridge and road fees; tolls; postal services – government only; and taxes and government services that are not classified elsewhere. The transaction type only applies to consumer credit cards; an electronic authorization is required but magnetic stripe data is not. The transaction must be cleared within three days of the authorization.

MasterCard SecureCode®: The Internet encryption used by MasterCard issuers and acquirers to prevent Internet fraud and provide consumer protection for Internet purchases.

MasterCard Service Industries Incentive Program (SIIP) Transaction: A program restricted to specific market sectors that MasterCard is targeting to increase recurring MasterCard usage. It applies only to MasterCard-branded consumer credit cards and is restricted to key-entered transactions for telecommunication equipment and services; cable and other pay television services; and insurance. An electronic authorization is required, and

the transaction must be settled within one day of the authorization. The transaction must also include a special indicator in authorization and settlement records. The merchant is required to sign a marketing agreement with MasterCard. There is a separate rate for credit and offline debit cards.

MasterCard Small Ticket Interchange Rate Program: Only consumer debit card types qualify for this MasterCard interchange program. The transaction must occur at a merchant assigned one of the merchant category codes: Transportation (4111), Limousines & Taxi (4121), Bus Lines (4131), Bridges and Road Fees, Toll (4784), Misc. Food Stores/ Convenience (5499), Restaurants (5812), Fast Food Restaurants (5814), News Dealers and Newsstands (5994), Laundry (7211), Dry Cleaners (7216), Quick Copy, Reproduction Services (7338), Parking Lots & Garages (7523), Car Washes (7542), Motions Picture Theaters (7832) and Video Rental (7841) The amount of the transaction must be less than or equal to \$25.

MasterCard Standard Interchange Rate Program: The interchange fee available to all merchant service categories for any transaction not eligible for any other interchange reimbursement fee.

MasterCard Supermarket Acceptance Development Program: A MasterCard U.S. program developed for full service groceries to promote card usage.

MasterCard Supermarket Interchange Rate Program: To qualify for this rate, merchants must be a self-service full line grocery store. In addition, the transaction must have an electronic authorization, have magnetic stripe data and be face-to-face. Authorization and clearing must occur within 2 days. Variance between authorization and clearing transaction can be 10 percent. A merchant must be approved and registered by MasterCard to participate in the program. There are several tiers for supermarket dependent on volume. Credit and Debit card rates differ.

MasterCard T&E Interchange Rate Program: Applicable to the card acceptor business codes/merchant category codes (MCCs) relating to travel and entertainment (including Airline, Vehicle Rental, Lodging, Passenger Railway, Restaurants, etc.) for consumer world credit and consumer world credit elite cards. This rate program is also applicable to add MasterCard Commercial,

Corporate and Corporate World Elite card programs. For these cards are three tiers of rates. Magnetic swipe data is not required but an electronic authorization is. There can be three days between authorization and clearing. Rate requires enhanced data.

MasterCard Travel Industries Premier Service (TIPS) Rate Program: The category for merchants who are registered with MasterCard to participate; a Preferred Customer indicator is required in the POS message. The transaction must be electronically authorized, and the cardholder signature and magnetic stripe swipe are not required. The merchant will forfeit chargeback rights on “fraudulent transaction— no imprint” chargebacks. The transaction must be settled within 2 days. It is limited to registered car rental, cruise lines and lodging establishments with consumer credit and debit cards. Enhanced data is required to get this rate.

MasterCard Universal Cardholder Authentication Field (UCAF): A field to support a universal, multipurpose data transport infrastructure that MasterCard uses to communicate authentication information among cardholders, merchants, issuers and acquirers when conducting an e-commerce/Internet transaction.

MasterCard Utilities Interchange Rate Program: The MasterCard Utility Industry Program is an interchange rate for qualifying one-time and recurring U.S. consumer credit MasterCard card, World MasterCard® card and Debit MasterCard® card transactions.

MasterCard Warehouse Interchange Rate Program: A special category in which the merchant must be registered with and qualified by MasterCard as a warehouse club merchant and must clear within 2 days of the authorization, can have a 10% variance between authorization and clearing amounts, electronic authorization required but magnetic stripe is not. Commercial products can qualify.

MasterCard Watch and Alert Reports: See *GMAP*

MasterCom® electronic imaging system: An electronic image processing program using the Banknet® telecommunications network to route high-resolution document images between members. The retrieval application of

this system allows acquirers to fulfill retrieval requests from issuers by transmitting an enhanced image of the requested document directly to the requesting site. The Chargeback Support Documentation application is designed to expedite the resolution of cardholder disputes and to reduce the amount of paper required to resolve chargebacks. In addition to retrieval requests and chargeback documentation, the MasterCom system can process other images between members. MasterCom Image Review Refers to the process by which the MasterCom® system member representatives review an image fulfilled by the acquirer and rejected by the issuer. This process is used to arbitrate the legibility and quality of the fulfillment image. Issuers and acquirers are notified of the ruling within two business days.

The MasterCom® electronic imaging system transmits high-resolution images of credit and debit transactions around the world. The MasterCom system uses client-server and browser-based technology that allows issuers, acquirers, and card acceptors (merchants) to send and receive images through MasterCom workstations at any location. Issuers, acquirers, card acceptors, and cardholders share in the advantages of the MasterCom system. The easy-to-use system safeguards the integrity of each transaction by producing an accurate, often enhanced, image of the original credit or debit transaction information document (TID), offering storage at a central location, and transmitting it to the requesting site. With the MasterCom system, electronic images of critical documentation are available to the receiving member and are processed at the sending member's client workstation. This process represents an overall time savings of 5–30 days versus supplying the documentation using the postal system.

Master Key: Within a hierarchy of encrypting keys and transaction keys, the highest level of key-encrypting key. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Master Merchants: See **Merchant Aggregators** and **Aggregators**.

Master/Session: The process whereby a master key is injected into a PIN pad or terminal at a secure facility. This key is used to decrypt a session or working key. This session key is the key used to protect PINs and data as transactions take place.

MCC: See **Merchant Category Code**.

M-Commerce: Mobile devices and markets such as wireless and contactless environments.

MCU: See **Microcontroller**.

M/Chip: MasterCard's common EMV standard smart card. See **EMV**.

Media: The documentation of monetary transactions, such as sales drafts, credit slips, and computer printouts.

Member: Any financial institution or entity licensed by the government to extend credit and/or accept checking or savings deposits that has fulfilled the requirements to participate, in good standing, with Visa or MasterCard.

Member Alert to Control High-Risk (MATCH): A Visa program used to track velocity and trends with merchant transactions in select high-risk areas to mitigate risk.

Member Identification Area: The area on the front of a card that is not covered by the card company marks. Typically, this area contains the issuing institution's and/or the affinity player's name.

Member Interface Processor: See **MIP**.

Member Message Field: A text field in the clearing record of a chargeback or re-presentment that contains preformatted messages.

Member Service Provider (MSP): The MasterCard term applied to any nonmember organization or any nonemployee individual that provides credit and/or debit card services to MasterCard members. Types of registered service categories are: Merchant MSP, Cardholder MSP, and Processor MSP.

Membership Dues and Assessments: See **Dues and Assessments**.

Membership Rewards: The American Express customer loyalty program that awards points to the cardmember for virtually every dollar spent on an eligible enrolled card. (Source: American Express)

Memo Posting: A banking transaction posting system that records financial transactions on an interim basis to allow the financial institution to reflect deposit information before the actual posting against the account.

Memory Card: A smart card containing a memory chip with read/write capability and sometimes hardwired security functions.

Message Authentication Code: See **MAC**.

Merchandise Return Card: A type of stored-value card used for merchandise returns, usually when there is no receipt or instead of cash. It replaces the former procedure of mailing a check to the returnee.

Merchant: A person or firm contractually affiliated with an acquirer for accepting payments for goods and services rendered. Types of merchants include: airline, advanced payment service merchant, car rental company, cash disbursement merchant, cruise line merchant, direct-connect merchant, electronic commerce merchant, express payment service merchant, health care merchant, high-risk merchant, high-risk telemarketing merchant, international airline, lodging merchant, mail/phone order merchant, quasi-cash merchant, recurring services merchant, retail merchant, T&E merchant, and wire transfer money order merchant.

Merchant Account: A checking account established by a merchant to receive payment for transactions.

Merchant Account Initiation (MAI): A full-cycle credit management system that statistically scores credit and rates new merchant applications; tracks accounts from contract signing to achievement, including an ongoing profitability analysis; and retains a paperless credit file online.

Merchant Account Provider (MAP): The bank or financial institution that accepts merchants' deposits.

Merchant ACH: See **Merchant Deposit/Payment**.

Merchant Acquirer: A company that has entered into an agreement with a merchant to accept deposits generated by bank card transactions; also called the *acquirer* or *acquiring bank*.

Merchant Advance: Providing a loan or advance to a merchant using credit card receivables as collateral. It is repaid as a percentage of future credit card sales.

Merchant Aggregators: E-commerce merchants through which other e-commerce merchants process their transactions. See **Aggregators**. Also called *master merchants*.

Merchant Agreement: A contract between a merchant and an acquirer containing their respective rights, duties, and obligations for participation in the acquirer's program.

Merchant Application (APP): See **Application**.

Merchant Authorization: The process that a merchant uses to inquire about the cardholder to determine his/her authentication and availability of funds.

Merchant Bank: See **Acquiring Bank**.

Merchant Balancing: The merchant's daily process of reconciling daily work and closing out daily processing. With a terminal-based capture system, the merchant generates the balancing procedure. With a host-based capture system, the system may perform an auto-close procedure that automatically submits online transactions to the clearing and settlement process. If the merchant initiated the balancing step, then it has a chance to reconcile the transactions before submission; otherwise, there may be a system discrepancy that must be reconciled after the merchant has been paid for the items. Merchant processing is the second step in the seven stages of processing.

Merchant Category Code: A code designating the principal trade, profession, or line of business in which a merchant is engaged. All card companies have standardized on MCCs. The standard numbering structure is listed with the U.S. Commerce Department's Standard Industry Code. Also called *Standard Industry Code*, *Merchant Industry Code*.

Merchant Certificate: An electronic document that authenticates the merchant using a secure electronic commerce transaction or encrypts transaction information in a nonauthenticated security transaction.

Merchant Chargeback Monitoring Program: 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 chargeback rates to acceptable levels. Failure to reduce chargebacks can result in fines for a merchant.

Merchant Classification: See **Merchant Category Code**.

Merchant Data Entry: The process of key-entering a merchant application and merchant profile into the database for set-up.

Merchant Deposit/Payment: In the clearing stage of processing, the back-end processor has formatted the good transactions and calculated the merchant fees and the deposit amount. The acquirer can review the deposit amount and release the deposit for posting to the merchant's checking account. This process, the seventh stage of the seven stages of processing, occurs after the acquirer has been reimbursed for the transaction amount so as not to incur any float. Also called *merchant ACH*.

Merchant Deposit Monitoring Standards: Minimum standards that an acquirer uses to monitor its merchants' deposits for indications of fraud or operational problems and to analyze member profitability.

Merchant Descriptor: A term describing the aggregate of the BIN, merchant name, merchant city, merchant state, and merchant category code fields contained in an authorization request or clearing record.

Merchant Direct Access Service: A service provided by Visa or its agent that allows a merchant to access the address verification service system directly by a toll-free number and a voice response unit or by a call to a subscribing issuer.

Merchant Discount: The percentage of each retail sale a merchant must pay the acquirer for the ability to accept a credit or debit card at the point of sale. Its components include the cost to process and handle bank card sales transactions, interchange fees, and the costs of providing deposit credit to the merchant.

Merchant Identification Number (MID): A number assigned by the acquirer to identify each merchant for the purposes of reporting, processing, and billing.

Merchant Industry Code: See **Merchant Category Code**.

Merchant-Level Fraud: The act of submitting sales drafts that are not the result of legitimate sales for the purpose of defrauding the services, the client bank, or individual cardholders. Fraud includes knowingly accepting lost, stolen, or counterfeit credit cards. Other categories of merchant fraud include employee-initiated fraud, merchant nondelivery of services or products, bankruptcy, online auction sellers, Internet or telemarketing spoofing, and hacking into legitimate online sites.

Merchant-Level Salesperson (MLS): An individual or agent who contracts with an acquirer or cardholder member of Visa and/or MasterCard or with a Merchant MSP/ISO or who registers as an independent contractor with one of the above to provide merchant sales and solicitation and to provide a member contract to the merchant. Also Merchant Sales Rep (MSR).

Merchant Master File (MMF): The file that the acquirer uses to list pertinent information on its merchants, such as billing codes, terminal type, terminal application, location, and bank account number.

Merchant Number: A number that identifies each merchant to the merchant processor for accounting and billing purposes.

Merchant Outlet: The physical premises of the merchant at which a transaction is completed.

Merchant Qualification Standards: The minimum standards established by Visa and MasterCard that an acquirer uses to determine the financial standing of an entity wishing to become a merchant.

Merchant Risk Council: A group of professionals that identifies online fraud and helps retailers fight it (formerly the Internet Fraud Roundtable and the Merchant Fraud Squad).

Merchant Sales Agreement: The written contractual agreement between a merchant, the sales agent, and the clearing/funding member bank. This

agreement contains their respective rights, duties, and warranties with respect to the acceptance of credit, debit, or charge cards and payment system processing.

Merchant Screening: The act of reviewing the financials and other formation information before approving a relationship. Other screening criteria can include site visits and inventory review. This practice is crucial in risk management.

Merchant Service Charge: The discount rate or other fees assessed by the acquirer.

Merchant Service Provider (MSP): (1) An entity or individual that contracts with a member to provide merchant sales and solicitations. (2) A type of registration for MasterCard under the Member Services Provider (MSP) program. See **ISO (Independent Sales Organization)**.

Merchant Settlement Amount: The net dollar amount of card transactions processed for each business day, less chargebacks and other debits or credits to the merchants.

Merchant Station Plate: A metal embossed plate attached to the imprinter machine for imprinting sales slips and batch headers/summaries. Embossed data include merchant name, account number, city, state, and sometimes service entitlement numbers or checking account number. Also called a *slug*.

Merchant Statement: A reconciliation report produced daily, weekly, or most often monthly to note transaction deposit volume and billing information for the selected period.

Merchant Summary Form: The form that provides a summary of the merchant's bank card deposits.

Merchant Training: The process of training a merchant on the procedures of the point-of-sale terminal. This training usually takes place by telephone after the terminal has been installed.

Merchant Web Site: The Internet storefront for a merchant selling over the Internet or driving consumers to a storefront.

Merit I: An interchange reimbursement category used for MasterCard transactions. See **MasterCard Merit I Rate**.

Merit III: An interchange reimbursement category used for MasterCard transactions. See **MasterCard Merit III Rate**.

Message Authentication: Determining that a message has not been changed since leaving its point of transmission, where: (a) the identity of the originator is verified and (b) the source, uniqueness, and integrity of the message are verified. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Message Authentication Code (MAC): 1. A bit string that is a function of both data (either plain text or cipher text) and a secret key that is attached to the data to allow data authentication. A one-way function must be used to generate the message authentication code. 2. Data associated with an authenticated message allowing a receiver to verify the integrity of the message.

Message Processing Service: An authorization service that the VisaNet Integrated Payment System (V.I.P.) provides in response to an authorization request entered into the system.

Metropolitan Statistical Area: A term used in U.S. government statistical compilations to describe a geographic area defined by the U.S. Bureau of the Census as a central city of 50,000 people or more, the surrounding county, and all adjacent counties in which jobs or commercial activity link a significant portion of the workforce to the central city or central county. This term replaced *Standard Metropolitan Statistical Area (SMSA)* after the 1980 census.

MICR (Magnetic Ink Character Recognition): Specialized characters and numbers, usually found on the bottom of checks, printed in ink that can be magnetized and read electronically.

MICR Number Method: A check authorization procedure that uses the bank routing/transit number, checking account number, and check number encoded along the bottom of the check.

Microcircuit Card: See **Smart Card**.

Microcontroller (MCU): A highly integrated computer chip that contains all the components comprising a controller. Typically, these components include a CPU, RAM, some form of ROM, I/O ports, and timers. Unlike a general-purpose computer, a microcontroller is designed to operate in a restricted environment. (Source: Smart Card Alliance)

Micropayment: A payment of under \$20 that usually is made in cash. These payments are particularly popular for the sale of information and content online. Micropayments are also considered a market for prepaid and stored-value cards as well as contactless cards in venues such as vending, parking meters, and tollbooths.

Mid-Qual: The category of interchange downgrades that allows a partial criteria match for the lowest rate associated with a transaction.

Migration: The planned, incremental move from one process to another. Examples include the movement from paper capture to electronic capture, the conversion from one processor to another, or the move from a physical access control system to a smart card-based system.

Minimum Acceptable PIN Entry Device: A device that relies on a key management technique to limit the disclosure of secret data to that used in a single transaction in the particular device.

MIP (Member Interface Processor): A PC-based system, maintained and owned by MasterCard International, that connects a MasterCard Issuer, acquirer, or their respective settlement processor to the MasterCard interchange network.

Mobile Banking: The ability to conduct banking using a mobile phone or smartphone.

Mobile Commerce: The ability to conduct commerce using a mobile phone or smartphone. There have been several pilots conducted using NFC technology inside a mobile phone as a contactless payment method.

Mobile Phone Network: A wireless telephone system where each area is covered by a base station.

Mod 10 Check-digit: The algorithm from the Pascal, Modula2, and Basic programming languages command called Mod. Mod is based on the remainder

of a division of two numbers. Because the check sum is subtracted by a factor of 10, the process was named Mod 10 and is used in programs to calculate the check digit, which is the last and validating number of a check, credit card, or debit card. An example of the calculation of a check digit for a number is as follows:

Number: 70651122
Multiplier: 12121212 (the multiplier is always a series of 1212...)
Result: 70611224 (all two digit answers are added. 10 becomes 1)

Add the result numbers for a horizontal sum of 23; subtract from nearest the 10, which is 30. The check digit becomes 7 (30 minus 23).

The bank card industry has adopted this formula—also called *Modulus 10* and the *LUHN formula* for the calculation of card numbers.

Modem: Acronym for *modulator/demodulator*. 1. In general, a device that both modulates and demodulates signals. 2. In computer communications, a device used for converting digital signals into, and recovering them from, quasi-analog signals suitable for transmission over analog communications channels. Many additional functions may be added to a modem to provide for customer service and control features. Also called signal conversion equipment. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

MODS: See **MasterCard Open Data Storage**.

Modular Jack: A device that conforms to the *Code of Federal Regulations*, Title 47, part 68, which defines the size and configuration of all units that are permitted for connection to the public exchange facilities. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Module: 1. An interchangeable subassembly that is integrated into a larger device or system. 2. In computer programming, a program unit that is discrete and identifiable with respect to compiling, combining with other modules, and loading. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

"Mom and Pop": A small, single-proprietor merchant. Also called a Level 4 merchant.

Mondex: An electronic cash product, also called *smart card*, *electronic cash*, or *electronic purse*. It is global, language independent, and has immediate transfer of value. This chip-based technology enables multiple applications to reside on one card. Applications can be remotely added, modified, or deleted after the card has been issued. Mondex runs on MULTOS (Multiple Application Operating System).

Money: The most common form of payment exchange. Also called *legal tender*, it can be in the form of paper currency or coin.

Monthly Fees: A fee charged to a reloadable prepaid card account to cover administrative expenses. Monthly fees are often waived if the consumer utilizes direct deposit to the card.

Monthly Minimum: The charge (usually \$25) assessed a merchant whose monthly billing is below the minimum dollar threshold.

Monthly Periodic Rate: The rate of interest per month, calculated by dividing the annual percentage rate (APR) by 12.

MO/TO: Abbreviation for *mail order or telephone order*. Also called MOPO – mail order / phone order.

MSP: See **Member Service Provider**.

MSR: See **Magnetic Stripe Reader**. Also **Merchant Sales Rep**.

MSTSC: Abbreviation for *Merchant Services Telephone Service Center*, the American Express department that provides customer support to incoming calls from merchants regarding their accounts. (Source: American Express)

MSV: See **Magnetic Stripe Verification**.

Multiapplication: A terminal that has multifunctional payment applications from different sources, such as a credit card application routing to one front-end provider and a gift card application routing to another. The terminal's memory can be divided so that the applications do not interfere with one another.

Multiapplication Card: A smart card that runs multiple applications—for example, electronic purse, physical access, logical access, and data storage—

using a single card. Multiapplication cards are used in most university or campus card programs. Also called multi-purpose or universal card.

Multicurrency Merchants: Merchants on the borders between countries or Internet-based merchants that need to accept multiple currencies from consumers. These merchants are especially prevalent in the Euro market, where a dual currency is almost mandated.

Multifactor Reader: A smart card reader that includes a PIN pad, biometric reader, or both to allow multifactor authentication. (Source: Smart Card Alliance)

Multimerchant: Multiple merchant numbers sharing the same locality or terminal/PC. An example is a doctor's office with multiple physicians who use a centralized administrative and payment station.

Multinational Company: A commercial organization with operations, subsidiaries, and employees in more than one country (excluding franchise representatives, independently owned dealers, and joint ventures in which a multinational company participates).

Multitasking: The concurrent performance or interleaved execution of two or more tasks. Also called concurrent operation. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Multitechnology Card: A smart card that has two or more independent technologies that do not interact or interfere with one another. An example is a card that contains a smart chip and a magnetic stripe. (Source: Smart Card Alliance)

Multitechnology Reader: A card reader/writer that can accommodate more than one card technology in one device. An example is a smart chip and magnetic stripe reader. (Source: Smart Card Alliance)

MULTOS (Multiple Application Operating Systems): The chip based technology that enables multiple applications to reside on one card. Applications can be remotely added, modified or deleted after the card has been issued. Chip-based technology will allow individuals to have one "lifestyle" card that they can customize to meet their individual needs.

N

NAC: See **Network Access Controller**.

NACHA: Abbreviation for National Automated Clearing House Association. The Electronic Payments Association, a national organization that establishes the standards, rules, and procedures for electronic payments.

NAN: Abbreviation for Network Access Node, a communications box that allows external entities to interface with American Express systems. (Source: American Express)

NAOPP: See **National Association of Payment Professionals**.

NAP: See **Network Access Point**.

National Association of Payment Professionals (NAOPP): a nonprofit organization formed in October 2003 for independent sales contractors or merchant-level salespeople (MLS).

National/International ATM Network: National and international ATM networks include the Cirrus network, which is wholly owned by MasterCard, and the Plus network, which is partially owned by Visa. The PIN-based debit cards of the regional ATM networks add the Cirrus or Plus logo (bug) to the cards to alert cardholders of this expanded service.

National Automated Clearing House Association: See **NACHA**.

National Bureau of Economic Research (NBER): A private nonprofit economic research organization.

National Institute of Standards and Technology (NIST): The government agency that oversees and manages revisions to smart card and telecommunications specifications. (Source: Smart Card Alliance)

National Retail Federation (NRF): The world's largest retail trade association, with membership that encompasses all retail formats and distribution channels, including department, specialty, discount, catalogue,

Internet, and independent stores as well as the industry's key trading partners of retail goods and services.

NBER: See **National Bureau of Economic Research**.

Near Field Communications: **Near Field Communication** or NFC, is a short-range wireless technology which enables the communication between devices over a short distance (hands width). The technology is primarily aimed at usage in [mobile phones](#). NFC is compatible with the existing [contactless](#) infrastructure already in use for public transportation and payment.

Negative File: A computer file that lists accounts on which charge privileges have been revoked and/or require a voice authorization.

Net Margin: Gross margin plus other income less all other business expenses, including operating expenses, nonrecurring expenses, and other expenses. Also called net profits from sales (net income/sales).

Net Pay: The standard payment method used by American Express. Merchants pay a percentage of each charge made with an American Express Card. The discount fee is deducted from the gross submission amount before payment is sent to the merchant. For example, if the merchant's discount rate is 2 percent and a customer charged an item for \$100, the merchant would pay \$2 of that charge and receive \$98 from American Express. Only this net amount is shown on the merchant's monthly statement. (Source: American Express)

Net Payment: Payment to the merchant for sales drafts less credits minus the appropriate discount fee.

Net Revenue: Discount income less interchange expense.

Net Sales: In calculation of interchange reimbursement fees, transaction receipt totals less credit transaction receipt totals.

Net Settlement: The "netting out" of debits and credits owed between issuing and acquiring institutions or originating and receiving institutions, resulting in a single net amount for settlement. In the Visa/MasterCard/Discover processing world, net settlement includes the formula (sales – interchange – fees = net settlement to acquirers).

Netting: An agreed-upon offsetting of positions or obligations by trading partners or participants.

Network: The system that facilitates the use of cards for consumer authorization, financial settlement from the card issuer to the acquirer, and the management of interchange and switching of transactions.

Network Access Controller (NAC): A protocol converter.

Network Access Node: See **NAN**.

Network Access Point (NAP): A physical entity that provides network access for users. It contains the call-control agent function and may include the call-control function. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Network Architecture: The design principles, physical configuration, functional organization, operational procedures, and data formats used as the basis for the design, construction, modification, and operation of a communications network. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Network Browser: A computer program for browsing hyperlinked documents (especially on the Web). A network browser formats and displays information in a form useful to the viewer. It may function in a graphical mode or in a text-only mode. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Network Intrusion Prevention System: An application that resides in a hardware appliance that attempts to detect and block various kinds of incoming attacks.

Network Service Provider: A terminal-centered system that allows the merchant to obtain authorization and/or data captured through the network. A third-party vendor who provides authorization network services such as BankNet, VisaNet, and NDC.

Next Day Settlement: Many acquirers are offering next day settlement to merchants if they have accounts with their partnership or own banks.

NFC: See Near Field Communications

Night Cycle: The latest scheduled time for transmission of ACH files from the ODFI to the ACH operator. The close of the night cycle is generally the ACH operator's end-of-day for processing.

NIST: See **National Institute of Standards and Technology**.

NOC: See **Notification of Change**.

Node: The network telecommunication access point, accessed when the terminal dials a local or toll-free '800' telephone number for authorization.

Nonbank: In a payment system, a financial institution not offering retail services.

Noncash Benefit: The value made available in tangible form and not cash, as in the Food Stamp and Women, Infants, and Children (WIC) Programs and other government programs.

Nonconfidential Enhanced Merchant-Level Data: Merchant-related data provided through Visa to an issuer in connection with a Visa Commercial card program, consisting only of the following data elements: merchant name, street address, city, state, and zip code, and telephone number.

Nondelivery Risk (NDX): A processed and cleared transaction charged to a cardholder's account for full or partial payment for a product/service in advance of delivery/receipt of the product/service to the cardholder.

Nondollar Maintenance: An operational process that encompasses making changes to the merchant or cardholder profile on the master file database. Examples of these changes include name/address change, rate increases, checking account numbers, and new products utilized.

Non-Face-to-Face Transaction: Any transaction in which the card is not present, such as a phone, internet or mail order transaction.

Nonmember Licensee: An entity that is licensed to participate in the Visa or Visa Electron Program in a country outside of the United States, is not a member

of either Visa International or Visa U.S.A., and has the privileges and obligations of interchange in the respective programs.

Nonqual: Abbreviation for *nonqualified transaction*. The default level of interchange for those transactions not meeting the criteria for the best rate per segment. Typically, the transaction was manually entered or not settled within the allowable time frame, usually three days. Nonqualified transactions default to the higher rate of interchange.

Nonrepudiation: A security feature that verifies to the sender that the receiver received the message and that the integrity of the content was not compromised. The ability to ensure and have evidence that a specific action occurred in an electronic transaction, e.g., that a message originator cannot deny sending a message or that a party in a transaction cannot deny the authenticity of their signature.

Nonsolicitation: In contractual terms, a provision that precludes the solicitation from a sales agent of any merchant that has been submitted for a period of three to five years.

Nonsufficient Funds: See **NSF**.

North American Free Trade Agreement (NAFTA): The treaty between the United States, Canada, and Mexico, which opened up trade relations among the three countries. NAFTA also mandated electronic collection of federal taxes for most U.S. taxpayers.

No-Show: A charge processed by a hotel or motel when a cardholder fails to arrive within a specified time or fails to cancel the guaranteed reservation within a specified period. The words *no-show* must be written on the signature line of the sales draft.

No-Show Transaction: A transaction resulting from a cardholder's alleged failure to cancel within a specified time or arrive within a specified time: Lodging, car rental or cruise lines participating in this category are eligible to charge for a no show transaction.

Notification: A monthly report that a merchant's suspect or fraudulent activity exceeds Visa specifications for monthly parameters.

Notification of Change (NOC): An ACH entry sent by an RDFI to notify an originator that information contained in an entry is incorrect or erroneous.

NRF: See **National Retail Federation**.

NSF: Abbreviation for *nonsufficient funds*, the term relating to a check rejected due to lack of funds in the checking account.

O

Object: 1. In image processing, a subregion of an image that is perceived as a single entity. An image can contain more than one object. 2. In facsimile systems, the image, the likeness of which is to be transmitted. Passive entity containing or receiving information. Access to an object implies access to the information it contains. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Object-Oriented: 1. Pertaining to or characteristic of a computer program consisting of (a) many relatively small, simple programs (subroutines) and (b) one monitor program, the function of which is to coordinate the exchange of data among the subroutines. Subroutines designed under this concept may be stored in object libraries and used by other computer programmers with similar functional requirements. 2. Pertaining to or characteristic of data to be processed by object-oriented programs. Each data object in an object-oriented program may have multiple attributes associated with it. For example, if a data object is defined as a person, several appropriate attributes might be the person's birth date, social security number, and eye color. The data and its attributes are considered as one object as they pass between subroutines. Objects with similar attributes are considered as a particular class of objects. For example, "people" would be one class of objects and "automobiles" could be another, because the objects in the "automobiles" class are likely to have a different set of attributes associated with them. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

OCC: See **Office of the Comptroller of Currency.**

OCR: See **Optical Character Recognition.**

ODFI: See **Originating Depository Financial Institution.**

Office of the Comptroller of Currency (OCC): The federal agency that supervises bank and national charters.

Office of Management and Budget (OMB): The federal office in the Executive Office of the President that assists the President in overseeing the

preparation of the federal budget and supervises its administration in Executive Branch agencies.

Offline: A term relating to one of the following conditions: The merchant is not able to connect to its processor; the processor is not able to connect to the card company; the card company cannot connect to the card issuer in a debit card transaction; or the account balance was not available for authorization. This term is also used to describe a transaction that was not processed real-time.

Offline Authorization: An issuer-controlled process that allows an authorization request to be processed in a below-floor-limit environment without sending the request to the processor.

Offline Check Card Transaction: A transaction completed through the use of a Check Card that is processed as a dual message through the traditional Credit card process. This card does not use a PIN but may require a signature.

Offline Debit: See **Offline Check Card Transaction**.

Offline Enciphered PIN: Offline PIN processing in which the PIN entered by the cardholder is encrypted using public key technology at the PIN pad and then sent to the chip card, where it is decrypted inside the chip and verified.

Offline PIN Verification: A process used to verify the cardholder's identity by comparing the PIN entered at the chip-reading device to the PIN verification value contained in the chip.

Off-Premise: A location other than a financial institution or its branch locations.

OFX: See **Open Financial Exchange**.

OMB: See **Office of Management and Budget**.

OMS (Online Merchant Services): A premier American Express service for merchants that provides access to a variety of products and services, including but not limited to processing submissions and payments. (Source: American Express)

Online: A method of requesting an authorization through a communications network other than voice, to one of the following: an issuer, an authorizing processor, or a stand-in processor. The ability in the case of debit cards to access the cardholder's available balance, validate the PIN, and post the transaction for settlement.

Online Address: The electronic sales location (domain name) of a merchant that conducts the sale of goods or services over the Internet or other network (e.g., <http://www.merchant name.com>).

Online Card Authentication Cryptogram: A cryptographic validation of the legitimacy of the card and authorization request information.

Online Check Card Interchange Reimbursement Fee: An interchange reimbursement fee paid or received by a member of Visa for the use of a Visa Check Card II.

Online Check Card Transaction: A transaction completed using a Visa Check Card II that is a single-message acquired full financial transaction. The transaction requires a PIN and the ability to access and post in real time.

Online Currency: The use of prepaid virtual accounts on the Internet, used primarily for micropayments for information exchange. An example of a company issuing online currency is MasterCard's Mondex.

Online Debit: See **PIN-Based Debit**.

Online Financial Transaction: A transaction that is authorized cleared and settled in a single online message. These transactions are usually associated with a PIN-based debit card.

Online Merchant Services (OMS): A premier American Express service for merchants that provides access to a variety of products and services—including processing submissions and payments—through the Internet. (Source: American Express)

On-Us Check: A check deposited or otherwise negotiated at the bank on which it is drawn.

On-Us Entries: Financial institution debit and credit entries to accounts held at the same institution. Such entries are posted internally to the appropriate accounts.

On-Us Transaction: Any transaction in which the acquirer and the issuer are the same institution

Open Architecture: See **Open Systems Architecture**.

Open Financial Exchange (OFX): A standard for the exchange of financial data and instructions independent of a particular network technology or computing platform. Major financial institutions and service providers that enable electronic exchange of financial data between their customers and themselves currently implement OFX. (Source: Billing.org)

Open-Looped System: A payment system in which multiple card issuers and multiple merchant acquirers share a common logo or “bug” on the card. A network for switching or interchanging the transactions is necessary in this environment. Examples of these types of cards are Visa, MasterCard, Discover, and PIN-based debit networks such as NYCE and STAR. These cards are referred to as Open Network or Network Branded Cards.

Open OS (Open Operating System): An operating system that is not owned by a single card maker, such as Java Card, Smart Card for Windows, or Multos.

Open Systems Architecture: The layered hierarchical structure, configuration, or model of a communications or distributed data processing system that (a) enables system description, design, development, installation, operation, improvement, and maintenance to be performed at a given layer or layers in the hierarchical structure; (b) allows each layer to provide a set of accessible functions that can be controlled and used by the functions in the layer above it; (c) enables each layer to be implemented without affecting the implementation of other layers; and (d) allows the alteration of system performance by the modification of one or more layers without altering the existing equipment, procedures, and protocols at the remaining layers. Examples of independent alterations include (a) converting from wire to optical fibers at a physical layer without affecting the data-link layer or the network layer except to provide more traffic capacity and (b) altering the operational protocols at the

network level without altering the physical layer. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Open to Buy: The available credit limit for the cardholder.

Operating Procedures: The current manual prepared by an acquiring processor containing operational procedures, instructions, and other directives relating to card transactions.

Operating Risk: The risk that a transaction is altered or delayed due to unintentional error in transmission, receiving, or processing. The sum total of cumulative chargeback risk exposure plus the cumulative credit risk exposure with a given merchant.

Operating Rules: Rules and business practices meant to increase consistency and interoperability among the various financial service providers that will interact with each other and end-users. Examples of operating rules include: authorization procedures, settlement timing requirements, audit and accounting rules, and credit limits.

Operational Range: The distance from the reader at which the contactless ID credential is effective. (Source: Smart Card Alliance)

Optical Character Recognition (OCR): The technology used to read images from paper. It involves the electronic reading and digital conversion of printed numeric or alphabetic information into a form understood by a computer.

Organic Growth: Natural growth in volume rather than a merger or acquisition of volume.

Original Draft: The actual member copy of the form used in the transaction. Also called the *hard copy*.

Originator: Any individual, corporation, or other entity that initiates entries into the Automated Clearing House Network.

Originating Depository Financial Institution (ODFI): A participating financial institution that originates ACH entries at the request of and by agreement with its customers.

Outlet: One location of a chain merchant.

Outsource: The practice of contracting with a third party to provide a service rather than developing an internal environment.

Over-the-Limit Fee: Fee imposed when the cardholder charges more than the credit limit allows.

Overdraft: A check, instrument, or draft that is in excess of the account balance.

Overdraft Protection: Allows for insufficient funds to be posted against a credit account or prepaid card account. The cardholder must agree to the fees charged and must receive notice in the mail of each overdraft performed.

Overhead: Business expenses such as property taxes, utilities, and insurance that are not directly related to the goods and services offered.

P

P2P: See **Person- to-Person**. (Also called *Peer-to-Peer*.)

P&L: (Profit and Loss) Also called *income statement*. A financial statement that lists revenue, expenses, and profit (or loss) for a given period, usually quarterly and yearly, for a merchant, portfolio, or market. The formula for a P&L is Revenue – Expenses = Profit (Loss)

Packet: In data communications, a sequence of binary digits, including data and control signals, that is transmitted and switched as a composite whole. The data, control signals, and possibly error control information are arranged in a specific format. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Packet-Switching Network: A telecommunications system that sends packets of debit and credit transaction data and authorization information between issuing and acquiring members. MasterCard's proprietary packet-switching network is BankNet.

PAN (Primary Account Number): The embossed or encoded number that identifies the card issuer to which a transaction is to be routed and the account to which it is to be charged unless specific instructions indicate otherwise.

Paper: Any paper or electronic evidence of a sale or credit that has been completed according to card company regulations. See also **Transaction Receipt**.

Paper-Based Sales Drafts: Sales receipts that are generated manually, not produced electronically by a printer.

Paper, Electronic: Electronic record showing the use of a card for purchase and bearing a representation of the embossed or encoded information contained on the card.

Paper, Voice: The oldest, most familiar bank card process mode in which a merchant must call the authorization center for approval of a credit card transaction and then submit sales slips to the processor for data entry processing.

Parity: The concept of equality of status or functional equivalence.

Partial Authorization: The ability of a prepaid issuer to partially approve an authorization request if the cardholder does not have sufficient funds to approve the transaction in full. Participating merchants may complete the sale with split tender processing. Prepaid issuers are required to support partial authorization capabilities for all prepaid card programs.

Participant: A government-designated issuer, acquirer, processor, third-party service provider, network, or merchant that participates in the Electronic Benefits Security Program, routing and processing transactions and servicing cardholders.

Passive Suppression: The act of refusing to place American Express POP. (Source: American Express)

Pass-Through: Items, usually prices or costs that are not marked up by the processor but are sent through as actual costs to the recipient. An example of a pass-through occurs in some large national retailers, who have negotiated deals whereby the interchange calculated on each transaction is charged directly to the retailer. Typically in an unbundled billing scenario, Interchange is “passed through” as is rather than being bundled into a discount rate.

PAT: See **Profit after Tax**.

Patriot Act: See **USA Patriot Act of 2001**.

Payable through Entry: An item destined to an account held at a credit union or savings institution that receives items destined for its customer’s accounts through an intermediary financial institution.

Pay-as-You-Go: An unbanked, credit-poor, or noncredit customer who mostly deals with cash. These consumers are targets for a prepaid card.

Pay-at-the-Pump: Hardware and software installed at a gasoline pump that allows the consumer to dispense gasoline without going to a cashier. Most programs allow the consumer to insert a card to be read and follow the instructions. Some programs are contactless, with devices such as the Speedpass key fob used to transmit a radio-frequency authorization for the transaction. No signature is required. Both credit and debit card transactions can be processed at the pump.

Pay Before: The method of prepaying cash to a card to pay for goods and services at a later date.

Pay-by-Touch: A type of product using biometrics to enroll and generate payments. See **Biometrics**.

Paycards: See **Payroll Cards**.

Payee: An individual who receives credit during a transaction.

Pay-in-Advance: A type of payment category using a stored value card or instrument. The pay-in-advance concept refers to the fact that the monies are prepaid, with subsequent purchases being taken from the prepaid account.

Pay-in-Gross: See **PIG**.

Pay-Later: A type of payment category using a credit card or instrument. The pay-later concept refers to the fact that the monies will be collected from the consumer at a later date, usually after a statement is rendered.

Payment: For the issuer, the amount a cardholder applies to an outstanding bill to pay down the amount owed. The cardholder can pay the outstanding balance in full to avoid interest charges, can remit a portion of the balance or pay the minimum payment as noted on the cardholder bill. For the acquirer, the amount deposited into the merchant's checking account to reimburse the merchant for sales. This merchant deposit typically includes the total amount of sales less the amount of credits/returns less the discount rate or any processing fees.

Payment Application: A software application contained within a chip that defines the parameters for processing a Visa or Visa Electron application.

Payment Authorizations: See **Payment Instructions**.

Payment Concentration: The process that takes payments from multiple banks and payment networks and consolidates them into a single format (for example, lockbox, EDI, and ACH).

Payment Dispute: Disagreement between financial institutions or within the payment network.

Payment Due Date: The date by which a payment must reach the issuer to keep the account current.

Payment Engines: The application software that operates Internet storefronts. It is what constitutes the “virtual terminal”. This software resides at the storefront/hosting service provider and is downloaded for maintenance upgrades, much like a physical terminal.

Payment Gateway: A system that provides electronic commerce services to merchants for the authorization and clearing of transactions.

Payment Innovations: New payment methods and various value-added services complementing funds transfer, including payment information.

Payment Instructions: The instructions for routing/posting the payment, for example, into the bank account where the funds should be deposited.

Payment Instruments: The instruments required to initiate a payment. Examples include plastic cards (credit or debit), checks, and cash.

Payment Management Systems: A system managed by the U. S. Department of Health and Human Services that allows states to draw funds from federal letters-of-credit.

Payment Method: A method used to facilitate and process payment.

Payment Posted Date: The date on which a payment is posted to an account.

Payment Processing: The process of authorizing, collecting, posting, interchanging, settling, and reporting payments such as credit cards, debit cards, checks, and any other form of consumer or business transactions.

Payment Risk: The risk of not receiving payment for funds due.

Payment System: A set of instructions and procedures used for the transfer of ownership and settlement of obligations arising from the exchange of goods and services.

Payment Terms: A contractual term outlining payment schedules that may extend beyond the term of the contract. An example of payment terms for sales personnel is the length of a residual payment in relation to the event of a cancellation, expiration, or termination of the merchant agreement.

Pay-Now: A type of payment category using a debit card or instrument. The concept refers to the fact that the monies will be collected in real time (PIN-based) or at time of presentment (signature-based) from an access account such as checking or savings.

Paypal: Paypal is an [e-commerce](#) business allowing payments and [money](#) transfers to be made through the [Internet](#). It serves as an electronic alternative to traditional paper methods such as [checks](#) and [money orders](#). PayPal performs payment processing for online vendors, [auction](#) sites, and other [corporate](#) users, for which it charges a fee. On [October 3, 2002](#), PayPal became a wholly owned [subsidiary](#) of [eBay](#).

PayPass: The MasterCard term for contactless card technology.

Payor: The individual who makes a payment in a transaction.

Payroll Cards: PIN-based debit cards issued to unbanked employees in conjunction with a banking institution. Funds are deposited in card accounts with the payroll frequency of the employer. In most cases, cardholders can withdraw funds from any participating ATM device. Programs also allow for balance inquiries and POS withdrawals operating on traditional regional debit networks and rules.

payWave: Visa's term for contactless technology.

P-Card: See **Purchasing Card**.

PC: Personal computer.

PCE: See **Personal Consumption Expenditures**.

PCI: Payment Card Industry

PCI Data Security Standard: The PCI DSS is a multifaceted security standard that includes requirements for security management, policies,

procedures, network architecture, software design and other critical protective measures.

PCI PED Standard: PCI PED is an updated requirement for manufacturers that sell PIN pads and terminals with internal PIN pads. It is a standard testing process that combines one set of standards for each of the PCI members (Visa, MasterCard and JCB), helping ensure cardholder security and providing faster time-to-market for financial institutions.

PCI Security Council: The mission of the PCI Security Standards Council is to enhance payment account security by fostering broad adoption of the PCI Data Security Standard and other standards that increase payment data security. The PCI Security Standards Council was formed by the major payment card brands American Express, Discover Financial Services, JCB, MasterCard Worldwide and Visa International to provide a transparent forum in which all stakeholders can provide input into the ongoing development, enhancement and dissemination of the Data Security Standard. Merchants, banks, processors and point of sale vendors are encouraged to join as Participating Organizations.

PCMIA: See **Personal Computer Memory Card Association**.

PCS: See **Personal Communications System/Service**.

PC/SC: See **Personal Computer Smart Card**.

PED: See **PIN Entry Device**.

PED Security Requirements: Visa International, MasterCard Worldwide and JCB developed standards for PED devices. The standards are divided into two categories: Device characteristics are those attributes of the PED that define its physical and its logical characteristics. The physical security characteristics of the device are those attributes that deter a physical attack on the device. Logical security characteristics include those functional capabilities that preclude, for example, allowing the device to output a cleartext PIN encryption key. Device management relates to how the PED is produced, controlled, transported, stored and used throughout its life cycle. If the device is not properly managed, unauthorized modifications might be made to its physical or logical security

characteristics. In September 2007, the PCI Security Council took over these standards.

Peer-to-Peer (P2P): See **Person-to-Person**.

Pending File: A file containing ACH entries for future release into the ACH Network according to the effective entry date.

Performance Threshold Interchange Structure: In January 2004 as a result of the Wal-Mart settlement, Visa introduced three performance thresholds for retail/supermarket transactions to qualify for certain interchange rates. The thresholds include transaction minimums, volume minimums, maximum chargeback ratio, and maximum fraud ratio. Qualification for each tier is determined by the total offline transaction count and dollar amount over a specified period. Actual qualification numbers and rates may be obtained by the Visa sponsor bank.

Periodic Rate: The expression of the finance charge as a percentage to be applied to a cardholder balance for a specified period, usually monthly.

Person-to-Person (P2P): Also called *peer-to-peer*. Transactions that involve individuals buying from each other, such as eBay and other auction sites or individuals transferring money from person to person when the other person is in a different country or locale.

Personal Communication System/Service (PCS): Digital wireless communication system operating within a specified frequency range.

Personal Computer Memory Card International Association (PCMCIA): The association that oversees standards for personal computer memory cards. (Source: Smart Card Alliance)

Personal Computer/Smart Card (PC/SC): A smart card that has functions similar to a personal computer. The user can store data and retrieve information. (Source: Smart Card Alliance)

Personal Consumption: The utilization of economic goods by consumers to satisfy individual needs. Statistics for payment system usage are typically done for expenditures based on this category.

Personal Consumption Expenditures (PCE): A term used by the U.S. Bureau of Economic Analysis to determine the gross domestic product. See **Personal Consumption**.

Personal Digital Assistant (PDA): Handheld digital device used to organize and store information.

Personal Finance Management or Manager (PFM): Software used by a customer to manage a checking account and other financial matters. Often includes categorization, reporting, and graphing capabilities.

Personal Guarantees: A contractual term that holds the contracted party personally responsible for any losses and indemnifies the primary party from any risk. In some cases, the contracted parties' personal assets may be at risk if losses occur.

Personalized Card: A card where the cardholder's name, card number and expiration date are embossed or printed on the front of the card. Also called personalization.

Personal Identification Number: See **PIN**.

PDA: See **Personal Digital Assistant**.

PDF File: Abbreviation for *portable document format*. A method of distributing formatted documents over the Internet. The user opens and reads the files with Acrobat software, downloaded at: www.adobe.com.

PFM: See **Personal Finance Management**.

Phishing: A fraud scheme whereby fraudsters fool innocent victims into revealing personal information, such as social security and credit card numbers, and privileged access information such as usernames and passwords, for the express purpose of perpetrating fraud. This is a common practice in identity theft schemes.

Physical Access: Access to physical facilities such as buildings, rooms, airports, warehouses, or classrooms. (Source: Smart Card Alliance)

Physically Secure Device: A hardware device that, when operated in its intended manner and environment, cannot be penetrated successfully to disclose all or part of any cryptographic key or PIN resident within the device.

Pick-Up Card: An issuer's response to an authorization request stipulating that the card is to be confiscated by the merchant and returned to the issuer. The issuer pays a reward for confiscating and returning the card.

PIG (Pay in Gross): An American Express service that allows merchants to receive payment in lump sums. (Source: American Express)

Piggybacking: The use of an existing communications infrastructure for other card systems.

PIN (Personal Identification Number): The unique alpha or numeric code assigned to or selected by a cardholder to ensure the security of transactions and the authentication of the user of on-line debit cards. Also, a code or password unique to or associated with a specific user and entered into a data-processing device for purposes of verifying the identity of a person requesting a transaction or access.

PIN Authorization Requests: A procedure enabling the issuer to validate cardholder identity by comparing the PIN to the account number.

PIN-Based Debit: Also called *online debit*. A transaction from the use of a debit access card that requires a personal identification number to be authorized. It is governed under the rules of the ATM regional debit card networks and is usually made online to the cardholder's checking or savings account balance.

PIN Entry Device (PED): A device used to enter a personal identification number. PIN numbers are encrypted at this first level of entry for security protection, so that the number is never in the clear and not able to be compromised. Also called *PIN pad*; other machines also have integrated PIN entry facilities.

PIN Offset: A four- or five-digit equivalent of a PIN verification value used to verify that the PIN is correct.

PIN Pad: See **PIN Entry Device**.

PIN Verification: A procedure used to verify cardholder identity when a PIN is used in an authorization process. Typically associated with an online debit card transaction.

PIN Verification Field: A field encoded on the magnetic stripe or chip consisting of a PIN verification value, calculated with an algorithm using portions of the account number and PIN and a one-digit key indicator. See **PIN Offset**.

PIN Verification Service: A Visa service for the verification of cardholder PINs transmitted with authorization requests.

PIN Verification Value: A four-digit value used in PIN verification. See **PIN Offset**.

PIN Verification Value File: A VisaNet file of account numbers and PIN verification values maintained at a VisaNet Interchange Center at an issuer's option for use as part of the PIN verification service.

PIP (Plural Interface Processing): Software provided by American Express and loaded into merchant terminals that allow merchants to separate the processing of American Express transactions from the routing of other credit card processing. Typically, this software is loaded into a terminal that has been mastered by a Visa/MasterCard software protocol. PIP then becomes a slave protocol.

PKI: See **Public Key Infrastructure**.

Platform: The underlying hardware on which operating systems and software perform; for example, the platform might be an Intel 80486 processor or UNIX hardware with Ethernet connections capability.

Platinum Card: Provides all the benefits of the Gold Card with extra enhancements and carries extra status and recognition. It is designed for heavy spenders who revolve the balance.

Plug-and-Play: Of or pertaining to the ability of certain computer operating systems to automatically (a) detect a new device that has been added to the system, (b) uniquely identify that device, and (c) install the appropriate drivers and system files for that device. Identification is facilitated by predetermined

identification numbers hard-coded into the device. When the operating system boots up, it polls all installed devices and checks the returned identification numbers against the list of previously installed devices. If an identification number is not on that list, the number is looked up in a master database (either locally or online) and the new device is identified. Not all devices are plug-and-play compatible.

Plural Interface Processing: See **PIP**.

PLUS® ATM: An ATM that displays the symbol for PLUS, Visa's global ATM Network.

PLUS® Card: A card issued for use in the Plus ATM network operated by Visa.

PLUS Program: A prepaid card program through which a Plus Program Participant provides ATM services to cardholders, as specified in the Plus System, Inc. By-Laws and Plus System, Inc. Operating Regulations.

Point of Purchase (POP): A single-entry debit initiated by merchants/retailers for the in-person purchase of goods and services, using the consumer's check as the payment initiator or source.

Point of Sale (POS): A payment entry initiated at an electronic terminal, defined by Regulation E for debit transactions or Regulation Z for credit transactions, to affect a transfer of funds or a change in the open to buy.

Point-of-Sale Terminal: See **Point-of-Transaction Terminal**.

Point of Transaction: The physical location at which a merchant or acquirer (in a face-to-face environment) or a cardholder-activated terminal completes a transaction receipt.

Point-of-Transaction Capability: The capability of a merchant, acquirer, or cardholder-activated terminal to obtain an authorization and process transaction receipt data. The types allowed by Visa are: authorization-only, data capture-only, electronic, manual, and semi-electronic.

Point-of-Transaction Terminal: A device used at the point of transaction that has a corresponding point-of-transaction capability. Visa uses the following

types of point-of-transaction terminals: account-number-verifying terminal, ATM, automated dispensing machine, chip-reading device, limited-amount terminal, magnetic-stripe terminal, magnetic-stripe telephone, and self-service terminal.

Polyvinyl Chloride: See **PVC**.

POP: See **Point of Purchase**.

POP Materials: Materials provided to the merchant such as stickers, decals, coin mats, and posters to let consumers know about the sale of certain products in the stores or that the card brand is accepted.

Port: The hardware through which computer data is transmitted; the plugs on the back of computers are ports. On the Internet, port often refers to a particular application. For instance, one might telnet to a particular port on a particular host.

Portable Document Format (PDF): See **PDF File**.

POS: See **Point of Sale**.

POS Entry Mode: A field indicating the method by which a point-of-transaction terminal obtains and transmits the cardholder information necessary to complete a transaction.

Positive File: A file listing the current balance and available credit for each active cardholder account. PIN and other cardholder information may also be included.

Positive Authorization Capacity Management Service: A VisaNet service designed to increase volume of transactions authorized by the issuer.

Positive Cardholder Authorization Service: An authorization service that uses stand-in processing and allows the issuer to control card usage through the selection of the issuer-specified options.

Post-Authorization (Post-Auth): An offline transaction, in which a transaction is created and placed in the merchant's batch using an existing authorization. Post-auths are commonly used when the terminal has done a

previous authorization to hold the cardholder's credit line such as lodging or car rental.

Posting: The process of recording debits and credits to individuals' accounts.

Posting Date: The date that a transaction is recorded to an account.

Pre-Authorization (Pre-Auth): A transaction that is used to hold funds on a cardholder's account for the final charge to be made when known usually at least 24 hours or more later. Used by lodging and car rental merchants.

Preauthorized Health Care Transaction: A transaction completed by a health care merchant for which a cardholder has provided written permission to the merchant to charge the cardholder's account for services.

Predictive Modeling: A program that allows for the input of parameters resulting in the prediction of certain trends or habits. It can be used to predict cardholder problems in credit default or trends in merchant sales-to-chargeback ratios.

Premium Card: A payment card that is marketed to a high-income, affluent cardholder base. Such cards are often accompanied by an extended credit limit, higher fee, and expanded value-added services.

Prenotification (Prenote): An optional, zero dollar-entry transaction used to verify information within an ACH entry and notifying the RDFI that an originator will send one or more entries to a receiver's account. Usually done up to 10 days before the actual first dollar entry.

Prepaid Account: An account established by an issuer with previously deposited funds, which will be decremented by a purchase transaction, cash disbursement, or any applicable account fees.

Prepaid Card: A card used to access funds in a prepaid account. There are 34 different categories of prepaid cards. Some examples are payroll, general purpose reloadable and gift cards. Prepaid cards come in open, closed and private label types.

Prepaid Card Issuer: Financial Institution that issues prepaid cards. These cards are branded Visa, MasterCard or Discover and may also carry the STAR, NYCE, PLUS, Maestro, Interlink or Cirrus bug.

Prepaid Card Transaction: A transaction representing the retail purchase of a prepaid card or usage of a prepaid card at the point-of-sale.

Prepaid Program Manager: Any company or contractor, including processors and any Independent Sales Organizations, Third-party servicers, or independent contractors, engaged by a bank issuer to provide services or act on its behalf in connection with prepaid payment services, solicitation, marketing or selling of branded card products.

Prescreen Service: An optional feature of the Issuers' Clearinghouse Service that allows members to select data from the service's databases to create a suppression file before mailing solicitations for card or non-Visa products.

Presentment: The process of forwarding data from an issuer to an acquirer either initially (first presentment) or after a chargeback has been worked (a re-presentment).

Pretax Income (PTI): The measure of whether a company is making a profit or losing money. (Source: American Express)

Primary Account Number (PAN): See **Account Number**.

Prime Rate: The interest rates banks charge for loans to their biggest and highest-rated customers. The prime rate changes based on the demand for money and the rate that the Federal Reserve Bank charges its member banks. It is used as a major economic indicator.

Principal: The amount of money owed, not including interest or fees.

Principals: The owners and/or executives of a company.

Principal Member: A financial institution that participates directly as an issuing and/or acquiring member of Visa and/or MasterCard International.

Privacy Act of 1974: Balances the government need to maintain information about individuals against unwarranted invasions of their privacy stemming from

federal agency collection, maintenance, use, and disclosure of personal information. The four primary policy objectives are: 1. Restrict disclosure of personally identifiable records maintained by agencies. 2. Grant individual rights of access to information maintained about them. 3. Grant the individual the right to seek amendment of agency records if not accurate, relevant, or complete. 4. Establish a code of fair information practices that requires agencies to comply with statutory norms for collection, maintenance, and dissemination of information. Also called the *Freedom of Information Act (FOIA)*.

Private Key: 1. In a public-key cryptosystem, the key of a user's key pair that is known only to that user. 2. A cryptographic key created and kept private by a party. A private key may be used for the following: to compute the corresponding public key; to make a digital signature that may be verified by the corresponding public key; to decrypt the message encrypted by corresponding public key; or, together with other information, to compute a piece of common shared secret information. 3. Encryption methodology in which the encryptor and decryptor use the same key, which must be kept secret. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Private Label Card: A merchant's proprietary card that is accepted only at its own locations or at approved multiple, affiliated merchant locations, such as merchants owned by the same parent company. In the prepaid area, this card can use the existing communication system for authorization.

Probation Period: In conjunction with Visa's Cardholder Risk Identification Service, a six-month period after the workout period during which a merchant's suspect transaction and fraud activity volumes must remain within acceptable levels.

Probing: The act of gathering information.

Procedural Chargeback: See **Issuer-Initiated Chargeback**.

Processing Date: The earliest date stamped on the transmittal summary and draft by the member or its processor.

Processing MSP: Also called a *third-party processor*. An organization that handles services such as transaction processing and authorization services for

members. A MasterCard requested registration under the MasterCard Service Provider (MSP) program.

Processor: An acquirer or an acquirer's agent that provides authorization, clearing, or settlement services for merchants or members of the card companies. An issuer or an issuer's agent that authorizes, produces, posts transactions to cardholders, and renders statements and billing services are also processors on the issuing side.

Product Theft: A form of Web theft in which the criminal uses a stolen identity to purchase a product that can be resold for personal use. Criminals access stolen card information through offline sources such as discarded receipts and skimming and through online sources such as hacking and black markets. The average cost of a fraud event is limited by the type and price point of products that the business sells. The average economic impact is less than \$500. See **hacker, skimming**. Also called *virtual shoplifting*.

Profit: The measure of a company's surplus. Two concepts of profit are (1) *net profit* before tax that is residual after deduction of all costs, such as sales revenue minus salaries, wages, rent, interest, and depreciation, and (2) *gross profit*, which is net profit before depreciation and interest.

Profitability: A company's ability to generate revenues in excess of the costs incurred in producing those revenues.

Profitability Ratios: The measures of performance showing how much a company is earning compared to its sales, assets, or equity.

Profit after Tax (PAT): The net profit earned by a company after deducting all expenses, such as interest, depreciation, and tax. PAT can be retained fully by a company to be used in the business. Dividends, if declared, are paid to the shareholders from this residue.

Profit and Loss Statement (P&L): Also called an *income statement*. Shows a company's business revenue and expenses for a specific period of time. The difference between the total revenue and the total expense is the business net income. A key element of this statement, which distinguishes it from a balance sheet, is that the amounts shown on the statement represent transactions over a

period of time while the items represented on the balance sheet show information as of a specific date (or point in time).

Profit Margin on Sales: A profitability ratio calculated by dividing net income by average total assets.

Program Identifier: A program name that identifies the type of prepaid card, such as “gift card,” “payroll card,” or similar language to appear on the front of the card.

Property Management: The software applications used by a large lodging property. Usually includes many types of merchant applications, servicing, reservations, restaurants, gift shops, spas, and golf courses that are part of the overall property.

Proprietary Card: See **Private-Label Card**. Also, a debit card issued by a financial institution for use in its own ATM.

Protocol: A set of rules or standards designed to enable computers to connect with one another and exchange information with as few errors as possible. (Source: American Express)

Protocol Converter: Equipment that translates various protocols from one standard into another and then passes the message up or downstream, as necessary.

Provisional Settlement: The conditional settlement of debits and credits transferred via ACH. Until declared final by the Federal Reserve Bank, provisional settlement may be reversed.

Proximity Payments: Programs that use devices that transmit wireless or radio frequency messages that include cardholder information. Also called *contactless payments*. Examples include the Speedpass key fob and the MasterCard PayPass card, which has a magnetic stripe, an embedded computer chip, and a tiny antenna.

PSIRF: See **Payment Service Interchange Reimbursement Fee**.

Public-Key Certificate: Also called *certificate*. Contains the name of a user, the public key component of the user, and the name of the issuer who vouches

that the public key component is bound to the named user. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Public-Key Encryption: A form of encryption that utilizes a unique pair of keys, the public key, which is openly known, and the private key, which is known only to the recipient of an encrypted message. At the recipient's discretion, the public key is made available to those who may have occasion to send an encrypted message to that recipient. The sender uses the recipient's public key to encrypt a message. The encrypted message, which cannot be decrypted by means of the public key, is then delivered by conventional means to the recipient, who uses the matching private key to decrypt the message. Public-key encryption can also be used to add a digital signature to publicly posted electronic messages. The poster of an electronic message feeds the text of the message into the encryption program, along with the poster's private key. A unique block of text (the digital signature) is generated and attached to the end of the message. Any other reader of the message can use the poster's public key to analyze the message text and the signature block. The encryption software will indicate whether or not the message text matches the digital signature. Users of public-key encryption systems may register their public keys in several public databases. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Public Key Infrastructure (PKI): A framework established to issue, maintain, and revoke public key certificates accommodating a variety of security technologies, including the use of software. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Purchase Transaction: An EBT transaction authorized from either a cash account or a food stamp account in which the transaction amount is debited or authorized for the purchase of goods or services. Cash account purchase transactions may include cash back.

Purchasing Card (P-Card): Designed to help companies maintain control of small purchases while reducing the administrative cost associated with authorizing, tracking, paying, and reconciling those purchases.

PVC (Polyvinyl Chloride): The type of plastic used to make bank cards.

Q

QRG: See **Quick Reference Guide**.

Qualification: The process of editing transactions and matching the criteria for the appropriate interchange rate. Back-end processors perform this anticipatory function before obtaining the final dispensation from the card companies, which have the final determination of qualified transactions.

Qualified: A transaction that meets all of the qualifications for an interchange category.

Qualified Cash Disbursement Merchant: See **Cash Disbursement Merchant**.

Quarterly Operating Certificate: Also called *quarterly reporting*. A report that each member sends to Visa and/or MasterCard each calendar quarter detailing its card and merchant transaction volume.

Quasi-Cash Merchant: A merchant that completes a quasi-cash transaction.

Quasi-Cash Transaction: A transaction representing a merchant's sale of items that are directly convertible to cash, such as casino gaming chips, money orders, deposits, wire transfer money orders, Travelers Cheques, and foreign currency. Prepaid issuers of all Visa Non-Reloadable cards **must** decline Quasi-Cash Transactions as well as Cash Disbursements.

Quest: The name, logo, and mark of the official national EBT network for state-initiated programs. Graphics and operating rules were adopted for the interoperability of programs and cross-border usage.

Quick Cash: An ATM feature that enables the user to get a predetermined amount of cash by performing a minimum number of steps. Also called *Fast Cash*.

Quick-Payment Service (QPS): The MasterCard program targeting convenience-oriented merchants, such as fast-food chains and movie theaters.

Quick-Reference Guide (QRG): The marketing piece that accompanies the operating guide of a terminal or POS product. Used by the clerk as a guide to the most important functions of the terminal, such as batch settlement and balancing.

Quick-Service Restaurant (QSR): A merchant category encompassing merchants that have massive throughput with transaction amounts usually under \$25.

Quick\$start: The name given by the Social Security Administration to its automated enrollment program for direct deposit of monthly benefit payments.

R

Radio Frequency (RF): Of or pertaining to any frequency within the electromagnetic spectrum normally associated with radio wave propagation. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Radio Frequency Identification (RFID): Used in contactless or proximity payment locations such as tollbooths and some fuel retailers. The card or key fob is loaded with a radio frequency transponder and used to transfer payment information into the point-of-transaction device. The infrared technology is used in Speedpass and MasterCard's PayPass products, to name a few.

RAM: See **Random-Access Memory**.

RAMP: See **Risk Assessment Management Program**.

Random-Access Memory (RAM): A type of computer storage whose contents can be accessed in any order.

RCK: See **Re-Presented Check Entry**.

RDFI: See **Receiving Depository Financial Institution**.

Read-Only Memory (ROM): Memory whose contents can be accessed and read but cannot be changed.

Real Time: Immediate, one-by-one processing of transactions, usually online to the databases. Also, the processing of instructions or payments on an individual basis at the time they are received rather than at some later time.

Reason Code: A code that provides additional information to the receiving member regarding a chargeback, re-presentation, fee collection, funds disbursement, or transaction receipt request.

ReadyLink: An optional service that utilizes Visa processing service that enables the settlement through VisaNet of funds associated with an issuer-approved load transaction to a participating Visa Prepaid card at a load partner location.

Rebate/Enhancement Cards: Cards that give cash back or merchandise rebates based on frequency and amount spent on the cards. Discover was the first major credit card to offer such a program.

Receipt: A hard copy of the transaction, given to the consumer. Also called *sales draft receipt*.

Receiver: Organization or individual that receives funds and/or remittance information. An entity that has authorized an originator to initiate a credit or debit entry to a transaction account held at an RDFI.

Receiving Depository Financial Institution (RDFI): Any financial institution qualified to receive ACH entries for subsequent posting to access accounts.

Receiving Member: A member receiving a transaction through interchange.

Recipient: An individual who has been declared eligible for government benefits or services.

Reclamation: A procedure to recover benefit payments from a financial institution that were paid on behalf of a deceased or legally incapacitated beneficiary.

Reconciliation: A message generated by an acquirer or an issuer, an originator or a receiver, or a terminal and a processor of an electronic transaction that advises the receiver of settlement information regarding transactions processed between the sender and the receiver.

Record: Information pertaining to a transaction. A record can be paper or stored in an electronic medium such as microfiche, magnetic tape, and disk or on-line within an accessible database.

Record of Change: See **ROC**.

Recovery: The issuer's attempt to collect the balance owed on a charged-off account. Also, the acquirer's attempt to collect bad debt from an ISO or merchant.

Recurring Billing: See **Recurring Transaction**.

Recurring Fees: Fees that are billed each month, quarter, or year. See **Recurring Transactions**.

Recurring Services Merchant: A merchant that provides ongoing services to a cardholder (for example, club membership or magazine subscription) and completes recurring transactions to bill the cardholder for these services. The reoccurrence can be monthly, annually or in a time frame agreed upon by the merchant and the cardholder.

Recurring Transaction: A transaction for which a cardholder provides permission, in either written or electronic format, to a merchant to charge his/her account number periodically for recurring goods or services. Recurring transactions may include insurance premiums, subscriptions, Internet service provider monthly fees, membership fees, tuition, or utility charges.

RED (Re-Engineering Disputes): See **Visa RED**.

Reference Number: The number identifying a transaction in a cardholder billing system. Each transaction reference number is printed on the monthly statement sent to the cardholder. The reference number is used if a retrieval request becomes necessary.

Referral/Activity Default Response: An issuer-specified approval or decline response.

Referral Response: An authorization response that instructs the merchant or acquirer to contact the issuer for further instructions before completing the transaction.

Regional ATM Networks: Financial institution–owned groups sharing in the switching of transactions among ATM owners. Machines accept PIN-based debit cards with the mark (bug) of the regional network. Some machines also accept credit cards. The consumer matches the mark on their card to the displayed marks on the machine and enters his/her PIN for transactions. Regional ATM networks include STAR, NYCE and PULSE.

Regional Online POS Debit: Many regional networks provide online POS services to financial institutions. Participating merchants are enrolled in the

program and must have a PED (PIN encryption device) or PIN pad to effect an online authorization of a transaction. Many networks charge a switch fee for routing the transaction to the issuer. The acquirer pays this fee to the issuer for the guaranteed transaction.

Regional Network: A network that processes debit transactions for financial institutions and retailers in a given geographic area. Regional networks are not part of the national interchange system.

Registration: The process of a biller establishing a relationship with a biller service provider. Also, the process of a Visa and/or MasterCard member establishing a relationship with an independent sales organization or member service provider.

Regulation B: See **Equal Credit Opportunity Act**.

Regulation CC: The Federal Reserve Bank regulation implementing the law that mandates the time limits for funds availability on deposited items.

Regulation D: The Federal Reserve Bank regulation regarding reserve requirements for financial institutions.

Regulation E: The Federal Reserve Board Act, also called the Electronic Funds Transfer Act, which governs any electronic funds transfer and provides consumer protection for debit access accounts. Recent changes to Reg E have eliminated the need for a paper receipt for transactions under \$15 and clarifications of the rules for prepaid payroll cards.

Regulation Z: The Federal Reserve Board Act, also known as the Fair Credit Act, which governs credit and lending policies and consumer protection on credit usage. The Fair Credit Act was enacted in 1971 as Title VI of the Consumer Credit Protection Act, which was enacted in 1968 and amended in 1980 and 1988. It is also known as the Truth-in-Lending Act.

Reimbursement Attribute: A VisaNet code designating the reimbursement fee applicable to a transaction.

Reimbursement Fee: See **Interchange Reimbursement Fee**.

Reloadable Card: A prepaid card program in which the issuer, its affinity/co-brand partner, its load agent or cardholder is permitted to process funding loads to the prepaid account after the initial load.

Remediation: The process of helping fraud victims to recover their losses and to identify and prosecute fraud criminals.

Remittance: Payment of a bill.

Remittance Information: Accounts receivable information required by the biller to post customer bill payments effectively.

Remittance Method: The method used to deliver funds and remittance information.

Remittance Processing Service: An electronic routing and settlement service that accepts previously captured and authorized payment transactions from members for delivery to other financial institutions.

Remote Card Personalization: The ability to personalize (emboss or print) cards as the customer waits (instantly) or to respond to the emergency replacement of a cardholder's card that has been lost or stolen.

Remote Deposit Capture: Remote Deposit Capture is a service which allows a user to scan checks and transmit the scanned images and / or ACH-data to a bank for posting and clearing. The basic requirements for an RDC service currently include a PC, an internet connection, a check scanner and a service provider such as a bank. Checks can be scanned to create a digital deposit. The digital deposit is then transmitted (usually over an encrypted internet connection) to a RDC bank or service provider who then accepts the deposit, posts the deposit to the merchant's account.

"Rent-a-BIN": The process in which an ISO/MSP contracts with the acquirer to assume all functions and liability related to managing a merchant portfolio, including all pricing, collections, and transaction processing arrangements. This approach does not absolve the acquirer from its card company member responsibilities; it does give the contracted entity direct responsibility for

portfolio P&L. The contracted entity will pay all related card company fees and all processing costs in exchange for some sort of “BIN rental” fee.

Rental Agreement: A detailed contract with the cardholder indicating all charges the cardholder is responsible for.

Report Distribution Service: A Visa service that distributes reports generated upon request.

Report on Compliance (ROC): The audit result required by Visa within the PCI Program.

rePower: MasterCard’s reload network for prepaid cards.

Re-Presented Check Entry (RCK): A single-entry debit initiated for the purpose of collecting a paper check that has been returned for insufficient or uncollected funds.

Representment: The process of providing data either to reverse a chargeback to the issuer or to make additional requests for the acquirer to reimburse the cardholder’s account.

Request for Copy (RFC): See **Retrieval Request**.

Reseller: An agent or an ISO/MSP or MLS/ISA that has been contracted to sell products as an indirect sales agent of another company. A third-party company or organization with which an issuer contracts to purchase Prepaid cards from the issuer. The company is responsible for selling prepaid cards to their client companies and sales of prepaid cards are not their primary business.

Reserves: The holding back of a portion of a merchant’s deposits to offset possible chargebacks or other risk. Also, an acquirer may require an ISO to set up a funded reserve account, usually a certificate of deposit, for a specified period of time to offset potential losses. Within prepaid issuing, this would be a portion of money set aside apart from deposits to cover any losses.

Residual: The monthly commission payments or the amount of money usually calculated in basis points that becomes shared revenue to an ISO/MSP for the procurement of merchant accounts. Residuals usually are paid monthly for the life of the merchant contract.

Response Time: The amount of time required to complete an electronic transaction.

Restricted Account: A cardholder account that may not be used without authorization.

Resubmission: The electronic submission of a transaction that was initially stored by a merchant but was rejected or lost by the host.

Restricted Card List: A list of cardholder accounts that are restricted and on which transactions are not to be completed without authorization. See **Warning Bulletin**.

Retail Merchant: A merchant that is *not* one of the following: mail/phone order merchant, recurring services merchant, or a T&E (travel and entertainment) merchant.

Retail Transaction: A transaction, which is typically a sale or return, which is performed at a retail merchant outlet.

Retention Period: The minimum time a member must retain microfilm or other reproduction of interchange paper and chargeback documentation.

Retrieval: The act of finding or producing an original copy of the sales draft or receipt.

Retrieval Request: Also called *retrieval, request for copy (RFC)*. An issuer's request that an acquirer provide a copy of a sales draft that has been cleared and settled by the acquirer.

Return: A credit to the cardholder for returned merchandise. Also, a NACHA term for any entry that cannot be processed and is returned by the RDFI to the ODFI for correction or reinitiating.

Return on Investment (ROI): A financial ratio showing profit as a percentage of total assets or capital employed or shareholders' equity.

Revenue: The earnings of a company before any costs or expenses are deducted. Also called *income* or *net sales*.

Reversal: An ACH entry or file sent with required deadlines to “correct” or reverse a previously originated duplicate or erroneous entry or file.

Reverse PIP (Plural Interface Processing): The same process as PIP, but the merchant is using the American Express terminal allowing for non-American Express transactions to be routed to the appropriate authorizing source. This process requires software that is loaded into a terminal with the master protocol of American Express and a slave or back-up protocol loaded to route other card types to the appropriate authorizing entity.

Revocation: The process of canceling a previously authorized ACH transaction.

RevolutionCard: The RevolutionCard is a PIN-based credit card that can be used for internet or merchant purchases. There is no name or account number on the card. It allows cardholders to transfer money to friends or family.

Revolution Money: Company that offers the RevolutionCard.

Revolve: To carry over a debt from month to month, paying only interest on the amount owed.

Revolving Credit: A credit agreement allowing cardholders to pay all or part of the outstanding balance of a loan or credit card. As the balance is paid, the available credit line is increased commensurately.

Revolving Line of Credit: An account on which the cardholder can maintain a balance, making monthly payments. The customer can repeatedly use and pay back credit without having to reapply every time credit is used. Most issuers apply finance charges to the amount that is not paid in full within each billing cycle.

RF (Radio Frequency): Of or pertaining to any frequency within the electromagnetic spectrum usually associated with radio wave propagation.

RFC: See **Request for Copy**.

RFID: See **Radio Frequency Identification**.

Right of Recredit: A protection within Regulation E that gives the consumer one checking account cycle to review his/her statement for any unauthorized debits. The consumer has 60 days in which to receive a credit under this regulation.

RIS: See **Risk Identification Service**.

Risk: The possibility that a particular threat will exploit a particular vulnerability of a data processing system, economic system, or payment system.

Risk Assessment Management Program (RAMP): is a tool for assessing a member's current capability to manage and protect against inherent internal and external risks in their issuing and acquiring portfolio. RAMP also determines the effectiveness of existing fraud loss controls and other risk reduction measures and assists members in identifying specific areas where measures may be inadequate. RAMP consists of:

- RAMP Level 1 – The RAMP Level 1 review is mandatory for applicants for MasterCard principal or affiliate card membership, at the sole discretion of Security and Risk Services staff. The RAMP Level 1 review takes place during the initial licensing and certification stage, and requires the applicant to complete one or both of the following questionnaires: RAMP Issuer Questionnaire; RAMP Acquirer Questionnaire;
- RAMP Level 2 – The RAMP Level 2 review is optional and is available upon request by members. This review is consultation-oriented, and is conducted on site. The member will receive a detailed and comprehensive gap analysis report containing recommendations and benefits of critical findings during the course of the review; and
- RAMP Level 3 – MasterCard will solicit certain members for a RAMP Level 3 review of their systems and programs, in an effort to determine whether the selected member has put in place adequate and effective fraud loss control programs and to evaluate the member's initial and continuing ability to avoid inordinate risk. Members must submit to and cooperate in RAMP Level 3 reviews.

Risk Identification Service (RIS): A service that evaluates interchange transaction activity and reports fraudulent and other risk-related merchant activity to members.

Risk Management: The process concerned with the identification, measurement, control, and minimization of security risks in information systems and payment systems to a level commensurate with the value of the assets protected. Good risk management in the merchant program requires meeting the challenges of reducing the exposure to risk and responding quickly when risk arises. Monitoring merchant activity with preset parameters allows the transactions to be rejected for examination before potentially incurring a loss. In prepaid issuing, risk management would include the monitoring of velocity and amounts for a cardholder.

Risk Monitoring: The process of examining suspicious merchant transactions for possible fraudulent activities. Usually the risk manager establishes parameters that reject certain criteria, such as high dollar ticket or duplicate amounts for review prior to the release of the merchant deposit. The risk area also will monitor and review chargeback activity.

ROC (Record of Change): A unique number on a charge receipt that card members receive for purchasing goods and services with the American Express Card. The number represents the actual transaction code and is the same as the reference number in the bank card world. (Source: American Express)

ROC: See **Report on Compliance**.

ROI: See **Return on Investment**.

Rollover: The part of an outstanding balance on a cardholder account that carries forward month to month.

Roll Printer: A dot matrix printer connected to a POS terminal and used to print receipts and reports on carbonless roll paper. Not an imprinter.

ROM: See **Read-Only Memory**.

Routing/Transit Number (RTN): Also called the *ABA number*. A nine-digit number (eight digits plus a check digit) that 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.

RPPS: See **MasterCard Remote Payment Processing System**.

RSA: Refers to public/private key encryption technology that uses an algorithm developed by Ron Rivest, Adi Shamir, and Leonard Adleman and owned and licensed by RSA Security. (Source: Smart Card Alliance)

Runaway Card: A cardholder account that has exceeded the limit for excessive use, has possibly exceeded the credit limit, and/or continues to indicate unauthorized use.

Run Rate: See **Burn Rate**.

S

Sales Draft: The paper or electronic evidence of a purchase of goods or services from a merchant by a cardholder through the use of a card.

Sales Pitch: Value proposition used by a merchant-level salesperson to sell a merchant on accepting a payment type.

Sales Slip: See **Sales Draft**.

Same-Day Settlement: The process of settling transactions and making them final the same day that the payment request is received. Also called *same-day payment*.

Sarbanes-Oxley: A federal law passed in 2002 regulating corporate governance disclosure and financial accounting. Key sections are Sections 302 and Section 404. Section 302 requires CEOs, CFOs, and independent auditors and committees to certify the accuracy of financial statements and disclosures. Section 404 requires an annual evaluation of internal controls and procedures for financial reporting.

Satellite Communications: A telecommunications service provided via one or more satellite relays and their associated uplinks and downlinks. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

SAR: See **Suspicious Activity Report**.

SBA: See **Small Business Administration**.

Scalability: The degree to which video and image formats can be sized in systematic proportions for distribution over communications channels of varying capacities.

Screen Scraping: The process of data processing programs taking information from computer screens or Internet pages to produce new forms of information reporting for a client. Used extensively by aggregators to garner information from other sources.

Screening: See **Merchant Screening**. This risk management practice can also be used for agents, independent sales organizations, and member service providers.

Scrip: A two-part paper receipt dispensed by a scrip terminal that prints scrip. Usually this document is then handed to a clerk for use to procure goods or services.

Scrip Terminal: A cardholder-activated terminal that produces scrip, which is then used to procure goods or services.

SDLC: See **Synchronous Data Link Control**.

SDP (Site Data Protection): See **MasterCard SDP**.

SE (Service Establishment): American Express term for a merchant. (Source: American Express).

Seasonal Merchant: Merchants that are only open during certain times of the year, such as are ski resorts, mall kiosks, and hotels/restaurants in seasonal tourist areas.

SEC: See **U.S. Securities and Exchange Commission**.

Second Presentment/ Second Chargeback: If the acquirer re-presents the transaction to the issuer, it is called a second presentment. If the issuer still disputes the transaction or all of the related procedures have not been fulfilled, then the issuer can initiate a second chargeback. If the dispute is still not resolved then the result is an arbitration chargeback, which causes the dispute to go to arbitration. Visa's RED project is eliminating the second presentment and second chargeback step.

Secret Key: A cryptographic system that uses a single key for encrypting and signing data.

Secure Electronic Transaction (SET): An electronic commerce transaction that meets either the three-domain (3-D) secure specification or the secure electronic transaction specification and contains both a cardholder certificate and a merchant certificate.

Secure Electronic Transaction (SET) Specification: A software development protocol that enables the secure processing of transactions over the Internet and other networks.

Secure Hypertext Transfer Protocol (S-HTTP): An extension of HTTP (*see* **World Wide Web**) that provides independently applicable security services for transactional confidentiality, authenticity/integrity and nonrepudiation of origin. The protocol emphasizes maximum flexibility in choice of key management mechanisms, security policies, and cryptographic algorithms by supporting option negotiation between parties for each transaction.

Secure Payment Application (SPA): An application that performs any type of encryption/decryption or cryptographic function to better ensure the security of the payment process or physical card.

Secure Sockets Layer (SSL): A protocol that uses encrypted communications on the Internet to provide communications privacy. It allows client/server applications to communicate in a way that is designed to prevent eavesdropping, tampering, or message forgery. It primarily involves the use of message encryption and does not encrypt at the end-user level.

Secured Credit Card: A card that is guaranteed by the cardholder with collateral such as a cash deposit in a checking account.

Securities and Exchange Commission (SEC): See **U.S. Securities and Exchange Commission**.

Securities Industry and Financial Markets Association (SIFMA): A nonprofit association that monitors securities and trade.

Security Agreement: See **Card Manufacturing Agreement**. (Source: Visa U.S.A.)

Selective Authorization: A prepaid card issued under BIN(s) unique for both the Card Program type and Selective Authorization that permits card acceptance to be restricted to certain Merchant Category Codes (MCCs) or defined by specific merchant(s) or merchant terminals.

Self-Service Terminal: A cardholder-activated terminal that accepts payment for goods and services, such as prepaid cards or video rental, has electronic capability, and does not accept PINs.

Seller: A biller or vendor. Any entity providing products or services.

Seller Direct: In a B2B transaction, the EIPP model connecting one seller to many buyers. Buyers connect to the seller's site to view invoices.

Serial Port: The place on the back of your computer where you plug in your modem. Also called a communications port or comm port.

Server: A computer that provides a service to other computers (known as clients) on a network.

Service Bureau: A data processing service provider used by a financial institution or company for accounting- and payment systems-related functions. Also called *third-party processor*.

Service Code: A three-digit number encoded in track 2 of the magnetic stripe and replicated in a chip that identifies the circumstances under which the encoded BIN is valid (for example, international transactions, domestic transactions, restricted card use, local services, or cardholder verification). A service code is particularly important with prepaid card issuing because it impacts how the card reacts in certain situations and can reduce fraud.

Service Corps of Retired Executives (SCORE): An organization of experienced experts from a variety of fields who offer advice on business, from advertising to pricing and cold calling.

Service Establishment: See **SE**.

Service Initiation: The term encompassing registration, enrollment, and activation.

Service-Level Agreement (SLA): Contract between internal business partners that details the agreement between the two parties. For example, an ISO will sign an SLA with its sponsor.

Session: The term used in the key management process to refer to the length of time that the key is valid.

Session Key: An encryption key that provides privacy during a call or transaction and may be changed dynamically by the system. It can be changed daily or every hour or any frequency. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

SET: See **Secure Electronic Transaction**.

Settlement: The process of transferring funds for sales and credits between acquirer and issuers, including the final debiting of a cardholder's account and the crediting of a merchant's account. This is the sixth stage of the seven stages of processing. In this stage, the card company calculates the interchange rate due on each transaction. At this time they determine which transactions qualify for certain rates and apply the appropriate rate based on the submitted criteria. (Some transactions can be downgraded to a higher rate if all of the qualifications are not met.) The card company then determines the net of monies due/to and due/from each member by issuing and acquiring BIN and then make a wire transfer of funds to the members' bank accounts each day. For acquirers, the net calculations by BIN include sales less interchange less chargebacks less fines, resulting in a net credit to the acquirer. For issuers, the net position will be interchange plus chargebacks less fines less sales, resulting in a net debit to the issuer.

Settlement Account: An account established by a financial institution either directly with the Federal Reserve Bank or with the card company in the case of issuing and acquiring relationships for the funding of financial transactions.

Settlement Amount: The daily net amount resulting from clearing. This amount includes transaction and fee-collection transaction totals.

Settlement Bank: A bank, including correspondent or intermediary banks, that is authorized to execute settlement of interchange on behalf of the member or the member's bank.

Settlement Date: The date on which an exchange of funds with respect to an entry or entries is reflected on the books of the Federal Reserve Bank.

Settlement Processor: A data processing company that contracts with Visa and MasterCard members to provide communications and processing systems to provide clearing and settlement services on behalf of the Acquirer. This processor is also referred to as the back end processor. There can be only one back end processor per BIN. Clearing and settlement services involve the act of formatting the data to the card company's specifications and sending the information to the various card companies, so that the interchange and payment to the acquirer from the issuer can occur. The payment to the acquirer, also known as the funds transfer process, is the actual settlement process.

Settlement Risk: Final settlement fails to occur, leading to financial loss for other members of the payment stream. Widespread settlement failures can lead to systemwide losses.

Settlement Summary: A report that provides a clearing processor's net settlement position.

Setup Fees: A fee charged for setting up a merchant account on the system. It includes the cost of background checks and credit bureaus. It usually is charged regardless of whether the merchant was approved.

Shopping Basket: See **Shopping Cart**.

Shopping Cart: The payment management software application used to manage an Internet purchase. The software typically handles inventory management, shipping costs, tax, and the total amount of purchase. The application then gathers payment information and passes on to the payment gateway for authorization and further processing. Also, software that acts as an online store's catalogue, order management, and payment origination application.

Shopping Cart Software: Allows the cardholder to select items from an online store and place them in a virtual shopping cart. The cart remembers which items are selected while the cardholder views other items, keeps a running total, and may calculate taxes and shipping. The items in the shopping cart are eventually ordered if the cardholder chooses.

Short-Message Service (SMS): A mobile phone service that sends and receives messages of up to 160 characters to and from another mobile phone or host based system.

SHTTP: See **Secure Hypertext Transfer Protocol**.

SIFMA: See **Securities Industry and Financial Markets Association**.

SIC (Standard Industry Code): Special numbers assigned by category or retailer for identification and tracking purposes.

Signature-Based Debit: See **Offline Credit Card Transaction**.

Signature Capture: The ability to capture a customer's signature at the point-of-sale. Some merchants connect peripheral devices to the cash register and point-of-sale terminal to allow customers to input signatures electronically. The signature is then warehoused for retrieval later, if necessary.

Signature Panel: The panel for cardholder's signature on the back of the card. Card companies have rules regarding the placement and size of the panel.

Sign-Up: The act of requesting and performing the paperwork to accept an arrangement for payment processing at merchant locations.

SIIP: See **MasterCard Service Industries Incentive Program**.

SIM: See **Subscriber Identification Module**.

SingleConnect Service: A VisaNet service that enables a member to process online financial and deferred clearing transactions through a single VisaNet interface. It no longer requires a two-step authorization process and the presentment of the item for later clearing and settlement. This transaction method typically is used for debit cards.

Single Point of Entry: See **Boarding**.

Singleton: A merchant operation consisting of one location with no future plans to open another.

Site Data Protection (SDP): See **MasterCard SDP**.

Site Visit/Inspection: A card company requirement of an acquirer before approval of a merchant. This process mitigates the risk of a merchant misrepresenting a business or services. The site visit can be a physical inspection for “brick-and-mortar” businesses, a Web site inspection for Internet merchants, or a review of a catalogue and possible merchandise order for mail order/ phone order merchants. Included in the inspection are type of building, business name as it appears on signs, condition of the building, area or neighborhood, merchant product, product inventory, marketability of the product, and prominent display of business licenses and registration. For online merchants, the inspection includes navigating of the site, examining the shopping cart, checking delivery policy and returns procedure, and actually ordering a product. Depending on the quantity of cards sold and stored, this is also a requirement of the card companies for a location that will be selling prepaid cards.

Skimming: A method of creating fraudulent cards in which a legitimate string of card data is captured and copied to create another card.

Skip Account: A cardholder account with a balance due where the cardholder’s current address is unknown.

SKU: See **Stockkeeping Unit**.

SLA: See **Service-Level Agreement**.

Slug: See **Merchant Station Plate**.

Small Business Administration (SBA): A federal agency committed to helping entrepreneurs become successful through services ranging from counseling to financing.

Smart Card: A transaction card containing one or more integrated circuit chips, capable of storing and or processing information for a variety of financial and other applications. A smart card includes an embedded chip that can be either a microcontroller with internal memory or a memory chip alone. The card connects to a reader with direct physical contact or with a remote contactless electromagnetic (RF) interface. With an embedded microcontroller, smart cards have the unique ability to store large amounts of data, carry out their own on-card functions (such as encryption and digital signatures), and interact intelligently with a smart card reader. (Source: Smart Card Alliance)

Smart ID Card: An identification card that is also a smart card. The most common use of this card is in the health care or campus card environment.

SmartX: An implementation of XML for Smart Cards. SmartX offers a complete framework for developing Smart Card applications.

SMBS: Small to medium-sized businesses.

SMS: See **Short-Message Service**.

SMSA: See **Standard Metropolitan Statistical Area**.

SNA (Synchronous Network Access): A communications protocol describing a terminal-to-mainframe connection.

Society for Worldwide Interbank Financial Telecommunications: See **SWIFT**.

Sole Proprietorship: A business in which there is one owner who has complete control and responsibility.

Soft Decline: A declined response in which authorization is not granted on a valid card, not because it has been stolen or lost, but because the credit card already exceeds the credit line.

Software: 1. A set of computer programs, procedures, and associated documentation concerned with the operation of a data processing system, e.g., compilers, library routines, manuals, and circuit diagrams. 2. Information (generally copyrightable) that may provide instructions for computers, data for documentation, and voice, video, and music for entertainment or education. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

SPA: See **Secure Payment Application**.

Spam: 1. Unwanted or unsolicited e-mail messages or mailing-list or newsgroup postings. 2. To send an advertisement or solicitation to large numbers of unsolicited recipients, usually via mailing lists or newsgroups. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Speedpass: A proximity payment program using a transponder on a key fob to pay for gasoline without having a physical card present. The cardholder registers his/her card or payment type at the time of enrollment and then is given the transponder. When pumping gas, the customer waves the instrument in front of the reader and the information is authorized and recorded. The technology used is RFID.

Split-Dial: See **Split-Dial Authorization**.

Split-Dial Authorization: A process that allows the authorization terminal to dial directly to different card processors for authorization. This process is commonly used with check guarantee/check verification services as well as some closed loop gift card programs. The process allows the terminal to dial directly to the service provider rather than to send everything through one focal point. This process can eliminate the need to have a front end processor certify to every type of service program available. The limitations of number of allowable split dial numbers is dependent on the type and memory of the terminal used. This has become more popular through the advent of multi-application terminals.

Split-Funding: In a lease arrangement, the lease company pays the equipment or property vendor for the leased equipment as the lease is paid or funded.

Split Sale: The splitting of a single transaction among two or more sales slips, usually to avoid authorization procedures and/or circumvent the applicable floor limit.

Spoofing: The act of impersonating a reputable organization to obtain financial details from unsuspecting consumers. Spoofing typically is done either by e-mail on counterfeit stationery or by creating a duplicate website.

Sponsor: A bank that sponsors non-banks into the various card companies for issuing, acquiring, etc.

SSI: See **Supplemental Security Income**.

SSL: See **Secure Sockets Layer**.

Stages of Processing: The seven stages of processing are: (1) authorization, (2) merchant balancing, (3) capture, (4) clearing, (5) interchange, (6) settlement, (7) merchant payment/ACH.

Stand-Alone Balance Inquiry Terminal: A POS terminal situated away from a checkout lane that permits a cardholder to check the balance on his/her gift card or EBT card.

Standard Acceptance: Prepaid cards that are accepted at all locations applicable to the type of card.

Standard Card: The original MasterCard card similar to the classic Visa and before enhanced gold card, platinum card and other levels of prestige and value-added services.

Standard Floor Limit: A floor limit that varies by merchant type.

Standard Industry Code (SIC): See **Merchant Category Code**. Also called *standard industrial classification*.

Standard Metropolitan Statistic Area (SMSA): See **Metropolitan Statistical Area**.

Stand-In Processing (STIP): The system component of Visa and MasterCard that provides authorization services on behalf of the issuer when the Positive Cardholder Authorization System is used or when the issuer or its authorizing processor is unavailable.

Stand-in Processor: Visa and MasterCard systems that provide authorization services on behalf of acquirers in case the issuer is unavailable to respond. There is no stand-in processing allowed for prepaid cards.

Start-Up Kit: Supplies shipped to new merchants, including sales slips, credit slips, batch header tickets, return envelopes, decals, merchant plastics, imprinter slugs, and instructional materials.

Statement: The billing mechanism for a merchant, usually a monthly reconciliation report detailing all activity fees and charges. The billing fee is usually collected by an ACH debit to the merchant's checking account.

Statement Date: Date of the billing cycle of production.

Statement Notice: An electronic or paper document sent to a customer, merchant, or agent that does not have a payment due associated with it.

Statement Rendering: The process of creating, printing, folding, inserting marketing insertions, and mailing the cardholder and merchant activity and billing statements.

Status Change: A nonmonetary change or update to an account, such as a new merchant address.

Status Check Procedure: A procedure in which a merchant requests an authorization for \$1 for the purpose of account verification only, for a deferred payment transaction. Also called *auth-only*. This was used in the beginning of EDC but is rarely used in present day processing.

Statused Account: A cardholder account to which a status code has been assigned indicating a condition under which the cardholder may not use the account.

Stockkeeping Unit (SKU): An identifier or inventory item that is usually a unique code consisting of numbers or letters and numbers assigned to a product by a retailer for purposes of identification and inventory control.

Stop-Payment Order: A directive by an account holder to its financial institution not to pay a particular ACH transaction.

Store and Forward: The method by which the ACH system processes entries, also known as a *batch* system because the entries are accumulated together in files and processed as a group rather than as they are generated.

Store-and-Forward Transaction: A transaction that has been stored electronically by a point-of-transaction terminal or an ATM when the merchant's or acquirer's links are down or inoperative. Stored transactions must be forwarded as soon as the system connection is reestablished.

Store Card: A financial transaction card associated with a particular retailer or group of retail stores that can be used only for purchases from that retailer or group of stores. See **Private Label & Closed Loop Card**.

Stored-Value Payment Card: A payment card that holds a monetary value for use by a cardholder, with the value stored either in an account held by the issuer or on the card itself. Also called *stored-value card*. (Source: Smart Card Alliance) *Also called Prepaid Card*.

Storefront: An Internet product that provides the tools to create Web storefronts. Components include cataloguing capability, shopping carts, purchase forms, returned merchandise and refund policy, customer service, and contacts. These off-the-shelf design tools and commerce packages also include hosting services.

STP: See **Straight-Through Processing**.

Straight-Through Processing (STP): The execution of a stock transaction without another human being involved past the broker's entry into the order system. With Internet security trades, the broker is taken out of the transaction and the trade is taken electronically "straight through" the order, confirmation, and settlement stages.

Strip Off: The process of a processor to separate transactions during submission of a batch for clearing and settlement and sending the transactions directly to the appropriate card company.

Subject Matter Expert (SME): The person(s) or company that has been identified as a resident expert on a particular subject, typically because of years of experience or accumulation of knowledge on a particular subject.

Submission: The action of reporting charges and credits to American Express for payment within seven days of the date they are incurred. Most merchants submit charges and credits electronically, but paper submissions are allowed. (Source: American Express)

Subscriber Identification Module (SIM): The software application that manages the enrollment and authentication of a smart card program subscriber. (Source: Smart Card Alliance)

Substantive Chargeback: See **Cardholder-Initiated Chargeback**.

Substitute Draft: See **Facsimile Draft, Substitute Transaction Receipt**.

Super ISO: A term used for an ISO of a large size that sponsors a significant number of smaller ISOs. The smaller ISOs receive better pricing than they would alone. They may also receive their services such as deployment, merchant support from the Super ISO.

Supplemental Security Income (SSI): A federal income supplement program that provides cash payments to qualified elderly, blind, or disabled recipients. This program is one of the automated products included in electronic benefits transfer (EBT).

Support Documentation: The forms necessary to effect a chargeback processing cycle, along with any additional material to uphold a dispute.

Suppression: Merchant activity that discourages use of a particular card, such as American Express. Suppression can be active or passive and includes, but is not limited to: refusing to accept the card, surcharging for use of the card, and suggesting that a customer use another form of payment. (Source: American Express)

Surcharge: In debit card usage, additional fees assessed to cardholders by merchants and ATM providers. Merchants are sometimes charged additional fees for nonqualified interchange transactions.

Surcharge-Free ATM Networks: ATM networks whose participating ATMS do not charge a surcharge to the cardholder for usage. The fees are absorbed by the financial institution or prepaid card program manager. The largest Surcharge-Free ATM Network is Allpoint.

Suspect Activity: A transaction completed after the day the account number was listed on the exception file with a pickup response code of "07," "41," or "43" or reported as fraud activity.

Suspect Transaction: A transaction completed one day prior to or one day following the day the account number was put on the exception file.

Suspended Batch: A batch of transactions that match risk management criteria as a suspect for fraudulent activity. These transactions are rejected from the process and handled manually.

Suspicious Activity Report (SAR): Report noting suspicious cash equivalent transactions, mandated by the USA Patriot Act of 2001.

SWIFT (Society for Worldwide Interbank Financial Telecommunications): An international network that moves messages and funds transfer across borders.

Swiped Card: The process of reading the magnetic stripe on the card in a card-reading terminal.

Switch: An electronic mechanism that routes transaction data from a point-of-sale terminal to the authorizing data processor for approval of the card-issuing institution.

Switch Fee: The fee imposed on acquirers of POS PIN-based debit for obtaining an authorization and confirmation from the issuer. This fee is sometimes charged to the issuer for non-on-us ATM authorizations. The fee is set by the individual regional ATM networks and varies by network.

Symmetric Key Algorithm: An algorithm for cryptography that uses the same cryptography key to encrypt and decrypt. Also called *single-key* and *private-key encryption*.

Synchronous: Pertaining to the relationship of two or more repetitive signals that have simultaneous occurrences of significant instants. *Isochronous* pertains to characteristics. *Synchronous* and *asynchronous* pertain to relationships. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Synchronous Data Link Control (SDLC): In a data network, a bit-oriented protocol for the control of synchronous transmission over data links. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Synchronous Network Access: See **SNA**.

System Processor: The term to describe a third-party processor that only performs data-processing functions and no back-office operational functions.

Systemic Risk: The possibility that one or more financial institutions will face losses because other financial institutions are unable to settle their net debit obligations at the time of settlement.

Systemwide Risk: In the event of a shock or disaster, situations in which the amounts transferred through a payment system are too small to have repercussions throughout the financial network but could be very disruptive to an individual payment category. For example, the terrorist attacks on September 11, 2001, resulted in airports closing, which threatened check clearing nationally.

T

T+1: Shorthand for an SEC (Securities and Exchange Commission) ruling requiring the securities industry to move toward completing stock exchange purchases one business day after the trade is executed.

T&E: Abbreviation for *travel and entertainment*.

T&E Chargeback: The chargeback of a T&E transaction.

T&E Merchant: A merchant whose primary function is to provide travel-related services. Visa breaks down this category for interchange but MasterCard includes lodging, car rental and cruise lines.

T&E Services: Travel-related services provided to eligible cardholders, including: priority check-out service, T&E advance deposit service, T&E cash disbursement, and reservation service.

Tax Number: The individual merchant's assigned business tax number assigned by a state department of revenue. The business uses the number to buy items at wholesale costs and without paying sales tax.

Taxpayer Identification Number (TIN): An identification number assigned to taxpayers by the Internal Revenue Service. The TIN for individuals is their social security number; the TIN for businesses is the employer identification number.

T-Commerce: A new technology that gives the consumer the ability to order products and/or services directly from television.

TCP: Abbreviation for *transmission control protocol*. In the Internet protocol suite, a standard, connection-oriented, full-duplex, host-to-host protocol used over packet-switched computer communications networks. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

TCP/IP: Abbreviation for *transmission control protocol / Internet protocol*. Two interrelated protocols that are part of the Internet protocol suite. TCP operates on the OSI transport layer and breaks data into packets. IP operates on the OSI network layer and routes packets. TCP/IP was originally developed by the U.S.

Department of Defense. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

TCS: See **Terminal Capture System**.

TDEA: See **Triple Data Encryption Algorithm**.

TDES: See **Triple Data Encryption Algorithm**.

TDMA: See **Time Division Multiple Access**.

Telemarketing: The solicitation of customers by telephone.

Telemarketing Fraud: See **Telemarketing Scams**.

Telemarketing Sales Rule (TSR): A U.S. Federal Trade Commission's amended rule, effective March 31, 2003, that covers for-profit companies working on behalf of nonprofit organizations. Telemarketers must obtain "express verifiable authorization" of donor or customer consent when accepting any "novel payment method," defined as any payment method other than credit cards and debit cards.

Telemarketing Scams: Programs used by telemarketers with the intent to defraud consumers by draining funds from their checking accounts or credit cards. Types of programs include: advance-fee loans, automatic debit, charity fraud, credit card protection, cross-border phone fraud, international lottery, magazine subscription or renewal notice, vitamins or weight loss, office supplies, or work-at-home.

Telephone Bill Pay: A system that enables customers to pay bills using the telephone.

Telephone-Initiated Entry (TEL): A single-entry debit initiated by an ACH originator in accordance with the ACH receiver's oral authorization for the purchase of goods or services over the telephone.

Telephone Service Transaction: A transaction in which a cardholder uses a card to purchase a telephone call. These transactions include, but are not limited to, magnetic-stripe telephone transactions and VisaPhone transactions.

Teletext: One-way videotext that allows users to retrieve news, weather, travel, or other information via an alphanumeric keypad or terminal.

Temporal Risk: An institution's risk or exposure as a result of the time necessary to complete certain transactions

Temporary Card: Non-personalized prepaid card provided to a cardholder in lieu of their personalized card. Most reloadable card programs require ID verification and OFAC check before a personalized card is sent. Temporary cards typically expire in 90 days and have lower limits on cash load and spend.

Terminal: A device capable of sending, receiving, or sending and receiving information over a communications channel. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Terminal-Based Application: See **EDC Terminal**.

Terminal Capture System (TCS): A terminal that stores all transactions in its memory. Credits, voids, adjustments, and post-authorizations do not dial the host computer. The terminal stores the transactions until the batch is closed and then the offline transactions are transmitted to the host computer for clearing. Because only the terminal has a record of all transactions, the batch must be closed manually to send the transactions for clearing and settlement. A TCS merchant must initiate the closing and batching of the transactions in order to be paid for the transactions.

Terminal Identification Number (TID): The number assigned to the physical device to identify its attributes to the processor. It is used to manage the terminal software application software and to trace transactions to a terminal level.

Terminal Installation: The process of implementing a point-of-sale terminal at a merchant location. The physical installation will sometimes require phone training for procedural updates and operational instructions after the installation has occurred.

Terminal Risk Management: A process performed by a chip-reading device to protect a member from fraud by: initiating online issuer authorization

for above-floor-limit transactions; ensuring random online processing for below-floor-limit transactions; and performing transaction velocity checking.

Terminated Merchant File (TMF): Also called *match*. A file maintained by MasterCard Worldwide that identifies merchants and principals of merchants that acquirers have terminated for specified reasons.

Termination Provisions: A contractual term that outlines the conditions under which a contract can be terminated. In the case of a sales agent, the terms could mean the conditions under which a residual can be discontinued.

Test System: Processor's systems that are used for test data for certification.

Testimonial: A statement testifying to benefits received.

The Clearing House: Established in 1853 to simplify the exchange of checks and improve the efficiency of the payments system, it manages and operates the Clearing House Interbank Payments System (CHIPS); National Check Exchange (NCE); and the SVPCo businesses, Electronic Payments Network (EPN) and Electronic Clearing Services (ECS). The Clearing House is owned by the U.S. commercial banking affiliates of ABN AMRO Bank, BB&T, Bank of America, The Bank of New York, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank, Citizens Bank, City National Bank, Comerica Bank, Deutsche Bank, Fifth Third Bank, First-Citizens, HSBC Bank, JPMorgan Chase Bank, KeyBank, M&T Bank, National City Bank, PNC Bank, UBS Investment Bank, U.S. Bank, Wachovia Bank, and Wells Fargo Bank. The Clearing House is the largest private check-clearing organization in the United States.

Thick Consolidator: One of four models of electronic bill presentment and payment (EBPP). The biller sends summary billing data to a central service provider that consolidates electronic bills from different billers so that the consumer can view billing information and make electronic payments on a single Web site. Other models include: biller direct, thin consolidator, and customer consolidation.

Thin Client Architecture: Typically a handheld battery-operated POS device.

Thin Consolidator: One of four models of electronic bill presentment and payment (EBPP). The biller sends summary billing data to a central service provider that consolidates electronic bills from different billers so that the consumer can view billing information and make electronic payments on a single Web site. The consumer may access full billing data through the billers' Web sites. Other models include: biller direct, thick consolidator, and customer consolidation.

Third Party Agent: Any company or contractor, including processors and any Independent Sales Organizations, Third-party servicers, or independent contractors, engaged by a financial institution to provide services or act on its behalf in connection with payment services, solicitation, marketing or selling of card company products.

Third-Party Processing: Processing of transactions by service providers acting under contract to card issuers or acquirers.

Third-Party Processor (TPP): Also *third-party servicer*. A company that provides any type of services related to card-issuing and card-acquiring programs, including sales, data processing, chargeback operations, clearing and settlement, and customer service. The company must be certified by the card companies as a TPP.

Three-Domain (3-D) Secure Authentication Request: A request for cardholder authentication from a merchant to an issuer, processed with the 3-D implementation guide.

Three-Domain (3-D) Secure Specification: A software development protocol that enables the secure processing of transactions over the Internet and other open networks.

Three-Way Matching: Accounts payable control procedure that matches purchase order, shipping or receiving documents, and invoice before payment is authorized.

Ticket: Another name for the sales slip or its "monetary value" that results when a credit card purchase is made.

TID: See **Terminal Identification Number**.

TILA: See **Truth in Lending Act**.

Time and Attendance: A value-added product to a payment system by which merchants collect, track, process, and report labor information electronically, eliminating time cards and manual time sheets. Information can be captured on PCs or through selected POS terminals. Files can then be sent electronically directly to the payroll processing companies.

Time Division Multiple Access (TDMA): A second-generation technology for digital transmission of radio signals.

Time-Out: The length of time in which a terminal or processor must reply before other processors in the network terminate the transaction.

TIPS: See **MasterCard Travel Industries Premier Service**.

Total Solution VARS (Value-Added Resellers): VARS that sell turnkey or custom solutions that include hardware, software, and services.

TPP: See **Third-Party Processor**.

Trace Number: The number assigned by the acquirer to identify a transaction.

Track 1: A read-only, alphanumeric track on a magnetic stripe that contains the card number, expiration date, and cardholder's name. Standards for producing plastic credit or debit cards are governed by the ISO standard 7811.

Track 2: A read-only numeric track on a magnetic stripe that contains fields such as cardholder number, expiration date, PIN offset, and service code. Track 2 is the most-used space on the magnetic stripe. Standards for producing plastic credit or debit cards are governed by the ISO standard 7811.

Track 3: A numeric, read-write track on a magnetic stripe, utilized in the early days of ATMs when the machines were not online. It is the least-used magnetic stripe track. Track 3 held the reserve balance and velocity checks, allowing simple arithmetic calculations and the ability to have the machine perform store and forward activity when the machine was again online-operable. Governed by ISO standard 7811.

Transaction: An act between a merchant and a cardholder that results in a paper or an electronic representation of the cardholder's promise to pay for goods or services received from the act.

Transaction Certificate: A cryptogram generated by a chip card at the end of all offline and online approved transactions. The transaction certificate provides information about the actual steps and processes executed by the card, chip-reading device, and merchant during a given transaction and can be used during dispute processing.

Transaction Code: The two- or three-digit code in a payment record that determines the type of transaction or entry, such as debit or credit, being made to an account.

Transaction Currency: The currency in which a transaction is originally completed.

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

Transaction Fee: Fees charged to the acquirer by the processor. These fees can be bundled into a discount rate for the charge to the merchant or passed through with a mark-up in an unbundled processing scenario. Also, a fee charged each time a transaction takes place, such as a cash advance fee.

Transaction Identifier: A code that uniquely identifies a transaction as a custom payment services transaction, usually generated by the V.I.P. System. BASE II assigns a transaction identifier to an original purchase transaction that was not assigned a transaction identifier by the V.I.P. system.

Transaction-Level Fraud: This type of fraud is directly related to the transaction level. Examples include: changing the amount without customer approval, excessive credits, interception of financial data from an unsecured environment, and user name hacking on Web sites.

Transaction Log: A daily record of all transactions processed.

Transaction Receipt: An electronic or paper report of a transaction (or a copy, including microfilm), generated at the point of transaction.

Transaction Receipt Number: The sequential number printed on form sets.

Transaction Record: A paper record issued by, or in connection with, a point-of-transaction terminal.

Transaction Risk: The possibility that a loss will be sustained due to incorrect transfer of funds.

Transaction Validity Chargebacks: A type of chargeback in which issuers advise acquirers that transactions cannot be honored as presented because of an unresolved dispute between the cardholder and the merchant.

Transit Routing Number: See **ABA Transit Routing Number**.

Transmission: The act of sending items electronically from one point to another, computer to computer.

Transmission Control Protocol: See **TCP**.

Transmission Control Protocol / Internet Protocol: See **TCPIP**.

Transmittal Summary Chargeback Draft (ICA-2): The form used by a MasterCard member to collect from another member any step in the chargeback process, such as chargeback, second presentment, or second chargeback.

Transmittal Summary Clearing Draft (ICA-1): The form used by a MasterCard acquirer in settlement with the issuer.

Transport Vulnerabilities: The interception of financial data, user names, and passwords transmitted in an unsecured environment.

Travel and Entertainment Cards (T&E): Plastic cards (credit or debit) used with airlines, hotels, restaurants, car rentals, or particular retail outlets. Popular programs include: Diners/Carte Blanche, American Express, and the Visa and MasterCard Corporate & Business card programs. These cards require to be paid in full monthly.

Travelers' Cheque: A cash equivalent, usually issued at financial institution teller windows. The cheque can be used as cash at participating merchants and

replaced if stolen. A nominal fee is charged to the customer for purchase of the travelers' cheque. This is considered the first prepaid vehicle.

Triple Data Encryption Algorithm (TDEA, TDES, Triple DES, 3DES): An encryption algorithm whose key consists of three DES (data encryption standard) keys, also called a *key bundle*. A DES key consists of 64 binary digits (0 or 1) of which 56 bits are randomly generated and used directly by the algorithm. (The other 8 bits, which are not used by the algorithm, may be used for error detection.) Each TDEA encryption/decryption operation (as specified in ANSI X9.52) is a compound operation of DES encryption and decryption operations. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Triple DES: See **Triple Data Encryption Algorithm.**

Truncation: The deletion or omission of a leading or a trailing portion of a string in accordance with specified criteria. An example in the payment processing industry is the truncation of the card number on the transaction receipt so that only the last four or five digits appear.

Trusted Third Party: A security authority trusted by communicating entities with respect to specific security-related activities, such as for authentication purposes. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Truth-in-Lending Act (TILA): See **Regulation Z.**

TSR: See **Telemarketing Sales Rule.**

Turnkey: A package solution providing an individual with a fully e-commerce-enabled Web site. The package usually includes a shopping cart, Web design, hosting, merchant accounting, and transaction processing.

24 Business Hours: A period of time defined as 24 hours during which the member is open for business, not necessarily the same as one calendar day.

U

UCAF: See **Universal Cardholder Authentication Field**.

UCC: See **Uniform Commercial Codes**.

U-Commerce (Universal Commerce): The ability to conduct secure electronic commerce anywhere, anytime, and with any type of device.

UL: See **Underwriters Laboratories**.

UMTS: See **Universal Mobile Telecommunications System**.

UN/EDIFACT: The United Nations body that sets and administers international standards for electronic data interchange usage.

Unauthorized Transaction: Any sale for which the cardholder did not provide a specific authorization. It is most often associated with mail/phone sales.

Unauthorized Use: A transaction that meets one of the following criteria: is not processed on behalf of a member; is processed on behalf of a member by a processor not designated for processing activities; is processed on behalf of a member but not within the scope of the member's category of membership; is not within the scope of activities approved by the member; is processed using a BIN that has not been designated by the BIN licensee for that member's use.

Unbanked: The population that does not maintain checking or savings accounts with financial institutions because they do not desire to do so. Products that would benefit the unbanked market include payroll cards and electronic benefits transfer (EBT).

Unbanked Recipient: A person who receives benefits and does not maintain a relationship with a financial institution. The federal government has set up an Electronic Transfer Accounts (ETA) Program with the help of participating institutions to allow deposit and card access for automated benefits.

Unbundled Fees: The pricing structure given to some merchants that passes interchange through to the merchant and designates individual associated prices

for all services. In addition to the interchange rates, charges include installation and support services, authorization fees, supply costs, MasterCard and Visa dues and assessments, transaction processing, statement fees, and application fees.

Underbanked: The population that does not maintain checking or savings accounts with financial institutions because of a loss of credit, bankruptcy or too much difficulty qualifying.

Underserved: Visa's term for the underbanked and unbanked. They estimate there are more than 80 million people living in the US in this category.

Underwriters Laboratories (UL): UL is an independent product safety certification organization that tests products and writes Standards for Safety to ensure public safety and product compliance globally, in many different industries.

Underwriting: The process of analyzing and accepting risk on behalf of a third party. In this industry, a member of Visa or MasterCard holds the primary liability for any monetary losses. Underwriting is the term used to access the risk of doing business with a merchant, processor, independent contractor, or independent sales organization and the acceptance criteria used to mitigate the risk. The criteria can include having been a reserve account where funds are withheld as a cushion for losses.

Unembossed Cards: Unembossed cards do not have the account number embossed on the front of the card but do carry the card company bugs (logos). They must be processed electronically.

Uniform Commercial Code (UCC): Instituted in 1952 by the Interstate Commerce Commission as a guideline for states to adopt for the express purpose of providing both buyer and seller protection and rights on any commercial trade or sale of goods and services.

Uniform Commercial Code (UCC), Article 3: The portion of the Uniform Commercial Code that outlines what a negotiable instrument is and what it means.

Uniform Commercial Code (UCC), Article 4: The portion of the Uniform Commercial Code that deals with bank deposits and collections.

Uniform Commercial Code, Article 4A (UCC 4A): The portion of the Uniform Commercial Code that deals with certain funds transfers. This law outlines the protections and responsibilities given to the parties to wholesale credit transactions and sets the legal standards for commercially reasonable security procedures to be used in conjunction with those transactions.

Uniform Resource Locator (URL): The address of a page on the World Wide Web.

Unique Key: Key held only by one crypto-equipment and its associated distribution center. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Unique Transaction: A transaction that cannot be categorized as a retail sale or a cash advance and for which there are special merchant classification codes. An acquirer with such merchant activity must have written approval from MasterCard and/or Visa for a bank card relationship with the merchant.

United States Code (USC): The compilation of the general and permanent laws of the United States.

Universal Cardholder Authentication Field (UCAF): The field designated as the universal space to store the authentication value on a smart card. (Source: Smart Card Alliance)

Universal Mobile Telecommunications System (UMTS): A third-generation (3G) system to offer broadband communications over mobile communications networks.

Universal Serial Bus (USB): The technology that replaces serial ports, parallel ports, keyboard, and monitor connectors for low-speed connections. This technology is used widely within the manufacturing of smart cards.

Universal Transit Farecard Standards (UTFS): The standards produced and governing transit smart cards or prepaid cards. (Source: Smart Card Alliance)

University Card: See **Campus Card**.

Unrecognized Service Code: A service Code that is not recognized by a Magnetic-Stripe terminal or Chip-reading Device.

URL: See **Uniform Resource Locator**.

USB: See **Universal Serial Bus**.

USC: See **United States Code**.

USDA: See **United States Department of Agriculture**.

Unsecured Credit: Credit extended without collateral, i.e., without the ability to attach specific borrowed assets in the event of default.

Unsecured Electronic Network: a network, public or private, not located entirely within a single, contiguous, physical facility, and any part of which has not implemented security technologies that provide a level of security that, at a minimum, is equivalent to encryption technology.

Unsecured Loan: A loan based on a consumer's promise to pay, without having backup collateral such as a cash deposit as a guarantee. Synonym: Signature Loan

Unsigned card: A seemingly valid payment 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.

Unused Credit: The amount of credit available.

Unwinding Risk: A type of payment system risk monitored by the Federal Reserve in which the unwinding of financial obligations can occur. This unwinding can occur if there is a settlement failure in a net settlement system. This risk applies to netting systems in which only the net financial difference after all offsetting transactions has been deducted.

Upload: To transfer data/files from your computer to another computer

U.S. Department of Agriculture (USDA): The federal department that regulates the distribution of food stamps.

U.S. Securities and Exchange Commission (SEC): The federal agency that protects investors and maintains integrity in the securities market.

USA Patriot Act of 2001: Enacted in October 2001, this law was intended to deter and punish terrorist acts in the United States and around the world and to enhance law enforcement investigatory tools. For the payment processing industry, the effects include the development of a Customer Identification Program (CIP) that aids in the collection of information about customers opening an account; verifies that customers are who they say they are; maintains records of the information used to verify their identity; and determines whether the customer appears on any list of suspected terrorist organizations. For prepaid issuing, requirements pertain to cardholders and clients.

User Friendly: A term used in the computer hardware and software industry to indicate that equipment or software is easy to use. The applications often have self-directed help screens and instructions and do not require a technical background to understand.

UTFS: See **Universal Transit Farecard Standards**.

V

Validation: A process in which a carrier validates a VisaPhone transaction against the exception file and verifies the account number and telecode.

Validation Code: A unique value that Visa includes as part of the authorization response for Custom Payment Services transactions to ensure that key authorization fields are preserved in the clearing record.

Valid Date: The date embossed on the card, before which the card may be used.

Value Add: Additional products beyond the core product. Examples include enhanced reporting and online merchant statements.

Value-Added Network (VAN): 1. A third-party service provider that facilitates the transmission of data among multiple trading partners. 2. A network using the communication services of other commercial carriers, with hardware and software that permit enhanced telecommunications services to be offered.

Value-Added Product (VAP): The term attributed to nontraditional products offered or bundled with a standard transaction-processing product. An example of a VAP would be a gift card, loyalty program, or time and attendance program.

Value-Added Reseller (VAR): Third-party software integrators that provide all-encompassing business applications to merchants, including payment initiation, connectivity and certification to front-end (authorization) processors, and merchant management components. Three types of VARs are total solution VARs, vertical VARs, and horizontal VARs.

Value-Added Tax (VAT): A tax imposed since July 2003 on non-European Union sellers of digital goods in the European market. The rates vary, depending on variables such as where the seller has a physical presence or the location of the customer. The range of the tax is approximately 15 percent to 20 percent of the product's value.

Value Proposition/Story: In the merchant acquiring industry, a story that describes the benefits of accepting American Express, Visa, MasterCard, or any card type or payment type. Also called a *sales pitch*. (Source: American Express)

VAN: See **Value-Added Network**.

VAP (VisaNet Access Point): Visa equipment and software that a member uses to access VisaNet systems through either a PC-based configuration or router and switch configuration (direct exchange environment).

VAP: See **Value-Added Product**.

VAR: See **Value-Added Reseller**.

Variable Interest Rate: A rate based on the fluctuating rates in the banking system, such as prime rate. For example, if on January 1, the prime rate was 7 percent and the credit card's variable rate formula was prime rate plus 5.2 percent, then the applied interest rate for this card would be 12.2 percent.

VAT: See **Value-Added Tax**.

VbV: See **Verified by Visa**.

VCRFS: See **VisaNet Copy Request and Fulfillment Service**.

Velocity: Usage. Velocity checks are prime parameters in risk management when usage statistics are compared to projected volume and an alert is issued for higher-than-normal usage. This alert can forestall and project possible fraud for a cardholder issuing program and a merchant acquirer.

Vendor: A service provider.

Vendor Express: The U.S. Treasury's program that utilizes the ACH Network for making payments to federal government vendors.

Venture Capital: Money available to invest in new and/or risky enterprises.

Venue: In a contract, a venue provision forces the contracted party to sue in the court of the primary party, e.g., a processor or vendor.

Verified-by-Visa (VbV): Visa's online security program that enables consumers to add their own password to a card, giving them added confidence that their personal information is safe when making Internet purchases. Verified by Visa is based on the Three Domain ("3-D") Secure protocol, the payment industry's Internet authentication standard used by major card brands. Developed by Visa, 3-D Secure allows card issuers to authenticate cardholders using passwords, chip cards, digital certificates, etc. during the purchase transaction. Verified by Visa can be integrated into existing merchant e-commerce systems with little impact on the existing checkout process. Visa has established partnerships with a number of global firms to support implementation of Verified by Visa.

Verification: In a lease, the act of the lessor confirming delivery of the leased property or equipment and the acceptance and understanding of the lease terms. See **Check Verification**.

VeriFone Easy ID: A hardware and software application designed by VeriFone that age-restricted merchants such as bars, casinos, and tobacco sales outlets use to read driver's licenses.

Vertical VARS: Value-added resellers that sell to or consult with merchants in specific market segments, such as medical, education, government, hospitality, and financial.

Videotex: The generic term that describes a computer-based system, typically operating over telephone or cable television lines, that facilitates the electronic distribution of information and services from providers to consumers. Users interact with service providers by personal computer, handheld keypad, or other communicating terminal. The information appears as a screen or page of alphanumeric text and/or graphics. Videotex encompasses transaction services, such as home banking, information retrieval, and interactive games.

V.I.P. System (Visa Integrated Payment Platform): The all-inclusive name given to Visa's processing systems, including BASE I, BASE II, and the single message debit system.

V.I.P. System User: An authorizing processor that connects to the V.I.P. System through a terminal or computer device for authorization and other services.

V.I.P. Transaction Research Service Transaction Detail Report: A V.I.P. System report that lists data elements for authorizations, including card verification value information.

Virtual Account: A card account provided with no corresponding plastic and intended for electronic commerce transactions.

Virtual Accountholder: An individual or commercial entity to whom a virtual account is provided or who is authorized to use a virtual account.

Virtual Account Issuer: A financial institution that provides a virtual account and enters into a contractual relationship with a virtual cardholder.

Virtual Local Area Network (VLAN): A computer network using internet works as data links that are transparent for users and that do not have restrictions on protocols, so that the network has the characteristics of a local area network. *Note: Data links over internet works often use tunneling. (Source: Federal Standard 1037C, Telecommunications: Glossary of Telecommunication Terms)*

Virtual Private Network (VPN): A protected information-system (IS) link utilizing tunneling, security controls, and end-point address translation, giving the user the impression a dedicated line exists between nodes. (Source: Federal Standard 1037C, Telecommunications: Glossary of Telecommunication Terms)

Virtual Reality: A 3-D visual computer simulation that responds to individual inputs so realistically that the user feels as if he/she is inside another world.

Virtual Shoplifting: See **Product Theft**.

Virtual Terminal: The use of the Internet as a point-of-sale instrument. Application software is imbedded in the Internet hosting service to effect the requirements for transaction processing and connectivity to the payment gateway for authorization and submission of items for subsequent clearing. See **Payment Engines**.

VIS-Compliant: A card or terminal application that complies with the requirements of the Visa Integrated Circuit card specifications.

Visa: A registered mark for Visa U.S.A. and Visa International, Inc., as well as the Visa International Service Association and all of its subsidiaries and affiliates.

Visa is a not-for-profit association whose members are licensed financial institutions. Members must be regulated by the federal government and be able either to extend credit or accept consumer deposits. In September 2007, Visa announced that its registration statement on Form S-4 filed in connection with its proposed restructuring was declared effective by the United States Securities and Exchange Commission (SEC). Visa will now proceed with securing the required approval of member financial institutions for the restructuring. The restructuring contemplates a series of transactions by which Visa International, Visa USA and Visa Canada will become subsidiaries of a single stock corporation, Visa Inc. Visa Europe will remain a membership association and will become a licensee of, and own a minority interest in, Visa Inc. The boards of directors of Visa International, Visa USA, Visa Europe and Visa Canada have approved the restructuring agreement. In 1966, Bank of America extended its license for the BankAmericard brand to other banks. In 1970, 200 BankAmericard licensees formed an association named National BankAmericard, Inc. (NBI). In 1973, NBI built its authorization system (BASE I: Bankcard Authorization Systems Experiment I) and followed later that year with its national clearing and settlement system (BASE II: Bankcard Authorization Systems Experiment II). In 1975, NBI introduced its debit access card and national ATM network under the brand Plus. In 1976, NBI changed its name and brand to VISA. In 1982, Visa introduced its first premium card. In 1991, Visa introduced Interlink, a national online POS network. In 1992, Visa introduced its point-of-sale processing solution, MBS (Merchant Bankcard Services). In 1996, Visa spun off MBS as a joint venture with Total Systems to produce Vital Processing Services, Inc., a full-service processor. On April 3, 2000 Visa International moved its systems and processing services division into a wholly owned subsidiary company, named Inovant. Inovant provides global transaction processing for Visa. All Visa branded flagged cards begin with "4" but Visa also issues cards that begin with a "6" under its Private Label guidelines.

Visa Agent Reference File: An online file provided by Visa U.S.A. that lists member banks that have sponsorship programs for agents and ISOs.

Visa ATM: An ATM that displays the Visa flag symbol.

Visa ATM Network: A service offered by participating members of Visa that allows a cardholder to obtain currency or travelers cheques from an ATM displaying the Visa flag symbol.

Visa ATM Network Transaction: See **ATM Cash Disbursement**.

Visa Automated Fuel Dispenser (AFD) Interchange Reimbursement Rate: See **Automated Fuel Dispenser**.

Visa Brand Mark: A Visa-owned mark that is the stylized word “Visa.” On cards, the Brand Mark appears in Visa Blue and Visa Gold on a standardized white background.

Visa Buxx: A prepaid, host-based stored value card designed for teenagers, with account ownership by a parent or guardian. Visa Buxx was launched in 2000 to open an underserved market of teenaged consumers and offer parents a tool to teach their teens about responsible money management.

Visa Buxx Symbol: A Visa-owned mark consisting of the word *Buxx*.

Visa Card: A card that bears the Visa flag symbol, enabling a Visa cardholder to purchase goods or services or obtain cash from a Visa merchant.

Visa Commercial Interchange Reimbursement Rates: For Visa purchasing, business and corporate T&E cards fee programs include Commercial Level III, Commercial Level II, Commercial Business-to-Business, Commercial Retail, Commercial Card Not Present, Commercial Electronic, Commercial Standard Interchange, Utility, GSA Large Ticket and Purchasing Large Ticket.

Visa Consumer Cards: Visa consumer credit cards include Visa Preferred Signature, Visa Signature, Traditional Rewards, and all other consumer credit cards.

Visa Corporate Identity: The enhanced wordmark used to represent the Visa organization and all of its products and services.

Visa CPS/Account Funding Interchange Reimbursement Rate: Visa Interchange Reimbursement Rate where the card and the cardholder are not at the merchant location and the cardholder is funding a brokerage account or an escrow account with a Visa consumer credit or debit product in a secure Internet environment. The magnetic stripe cannot be read. The point-of-sale terminal application must be equipped to provide additional data, such as the merchant order number and customer service telephone number. Only one authorization

per clearing transaction is allowed. An address verification service (AVS) request and cardholder verification value 2 (CVV2) are required in the authorization.

Visa CPS/Card Not Present Interchange Reimbursement Rate: Visa Card Not Present interchange reimbursement rate where neither the card nor the cardholder is present at the merchant location; the merchant accepts payment by mail or telephone. The authorization request must be approved and must allow for the merchant to confirm cardholder identity and validity of purchase. One authorization per clearing transaction is allowed and one reversal is permitted to make the total authorization amount equal the clearing amount. The transaction must clear in two days and include: the purchase date, which is the ship date (up to seven days from authorization); the customer service telephone number; the URL or an e-mail address; the order number; mail/telephone order; e-commerce indicator; and total amount authorized. Most transactions require AVS to be performed. AVS is required to qualify for CPS/CNP if the transaction is the first of a recurring payment or if the time between payments is longer than one year. AVS is not required if the transaction is not the first transaction of a recurring payment or if the time between payments is less than one year.

Visa CPS/e-Commerce Basic Interchange Reimbursement Rate: A Visa interchange reimbursement rate category for electronic commerce transactions using address verification service at the time of authorization. This category has both credit and debit card rate structures.

Visa CPS/e-Commerce Preferred Hotel and Car Rental Interchange Reimbursement Rate: The requirements for this Visa category are the same as for CPS Hotel/Car Rental Card Not Present except that the card and the cardholder are not at the merchant location and the transaction takes place in a secure Internet environment using Verified by Visa. The magnetic stripe cannot be read; the chip is not required to be read; the authorization request is approved; and the receipt is not signed. This category has both credit and debit card rate structures.

Visa CPS/e-Commerce Preferred Passenger Transport Interchange Reimbursement Rate: The requirements for this Visa category are the same as for CPS/Passenger transport except the card and the cardholder are not at the merchant location and the transaction takes place in a

secure Internet environment using Verified by Visa. The magnetic stripe cannot be read; the chip is not required to be read; the authorization request is approved; and the receipt is not signed. This category has both credit and debit card rate structures.

Visa CPS/e-Commerce Preferred Retail Interchange

Reimbursement Rate: A Visa rate category for selected e-commerce merchants performing the address verification program. This category has both credit and debit card rate structures.

Visa CPS/Hotel and Car Rental Card Present Interchange

Reimbursement Rate: A Visa interchange reimbursement rate whereby, a transaction must be conducted in a face-to-face environment as a swiped transaction. Multiple authorizations are allowed with industry-specific data that include authorization increments and reversals needed to meet amount tolerance requirements. The settled amount must be within 15 percent of the authorized amount. One authorization reversal is allowed. The total authorization amount and the estimated length of hotel stay or car rental must also be submitted. The full magnetic stripe must be read and transmitted; a signature must be obtained. The transaction must clear within two days and include the following industry-specific data: purchase data (must be the same as the hotel check-in and check-out dates or the car check-out and return dates); market-specific authorization data; indicator from authorization; folio number or rental agreement number; and the total authorized amount and indicators for any ancillary charges, if applicable. This category has both credit and debit card rate structures.

Visa CPS/Hotel and Car Rental Card Not Present Interchange

Reimbursement Rate: A Visa rate category where the transaction must meet all requirements for CPS Hotel/Car Rental—Card Present except that the signature and full swipe of the magnetic stripe contents are not required. The indicator for preferred customer is required in the authorization and settlement records. The merchant also forfeits chargeback rights on “invalid travel and entertainment transactions.” All hotel and auto rental merchant category codes apply to this category. This category has both credit and debit card rate structures.

Visa CPS/Passenger Transport Interchange Reimbursement Rate: To qualify for the Visa CPS/Passenger transport rate, a transaction must have

only one authorization. The magnetic stripe is not required, though it can be present. A cardholder signature and contract must be on file. The transaction must clear within eight days and include the following industry-specific data: multiple clearing messages identified by the ticket sequence number and count; purchase date that is the same as the authorization date; ticket number; itinerary information number; and restricted ticket indicator number. This category has both credit and debit card rate structures.

Visa CPS/Restaurant Interchange Reimbursement Rate: An interchange reimbursement fee program for restaurants which include both consumer debit and credit Visa cards.

Visa CPS/Retail Interchange Reimbursement Rate: A Visa interchange reimbursement category for all general consumer Visa debit and credit card transactions. There are four categories: Performance Thresholds I, II, III, and all other. Performance thresholds are reviewed at least annually and include transaction minimums, volume minimums, maximum chargeback ratio, and maximum fraud ratio tiers for qualification. See **Performance-Based Interchange Structure**.

Visa CPS/Retail Key Entry Interchange Reimbursement Rate: To qualify for this Visa rate, the card, cardholder, merchant, and terminal are all present at the time of the transaction. The magnetic stripe cannot be read and the account number is key-entered; the authorization request is approved and the receipt is signed. Only one authorization per clearing record is allowed, the cardholder must be present and a signature must be obtained. Mail/telephone or e-commerce transactions are not allowed in this rate category. Transactions must clear in two days. Address Verification Service (AVS) is performed at authorization, in order for receipt of a full-match response on the cardholder's billing zip code. This category has both credit and debit card rate structures.

Visa CPS/Retail 2 (Emerging Markets) Interchange Reimbursement Rate: A Visa interchange reimbursement category for government agencies, schools, insurance companies, and cable and other pay television merchants. This category has both credit and debit card rate structures.

Visa CPS/Small Ticket Interchange Reimbursement Rate: Only consumer card types qualify for this Visa rate. The transaction must meet all existing CPS fee edit criteria. The transaction must occur at a merchant assigned

one of the merchant category codes: 4111 (local commuter transport); 4142 (taxicabs and limousines); 4131 (bus lines); 4784 (tolls and bridge fees); 5812 (restaurants); 5814 (fast-food restaurants); 5994 (news dealers and newsstands); 7211 (laundries-family and commercial); 7216 (dry cleaners); 7338 (quick copy, reproduction and blueprinting services); 7542 (car washes); 7523 (parking lots and garages); 7832 (movie theaters); or 7841 (video rental stores). The amount of the transaction must be less than or equal to \$25. This category has both credit and debit card rate structures.

Visa CPS/Service Station Interchange Reimbursement Rate: This rate program is designed for Service Stations accepting both Visa consumer credit and debit cards.

Visa CPS/Supermarket Interchange Reimbursement Rate: A Visa interchange reimbursement category for Visa consumer credit and debit card transactions accepted at a supermarket. There are four debit categories: Performance Thresholds I, II, III, and all other. Performance thresholds are reviewed at least annually and include transaction minimums, volume minimums, maximum chargeback ratio, and maximum fraud ratio tiers for qualification.

Visa Electron Card: A card that bears the Visa Electron symbol and is issued as an international debit card. It requires 100% online authorization.

Visa Electronic Interchange Reimbursement Fee (EIRF): Keyed, electronically authorized, or swiped transactions that are not otherwise CPS-qualified. EIRFs usually occur when the full, unaltered contents of the magnetic stripe are not transmitted during the authorization. Call-referral voice authorizations qualify for this rate. The transaction must be settled within three days of the transaction date.

Visa Enhanced Data: Merchant-related data provided through Visa to an issuer in connection with a Visa commercial, purchasing, fleet, airline, hotel, shipping, temporary help and auto rental card programs. This data includes all enhanced merchant-level data (Level II and III) and is subject to disclosure restrictions.

Visa ePay: The Visa systems and services used for electronic banking and bill payment services. This service is a fully electronic, bidirectional solution for payment delivery.

Visa Flag: The Visa logo that denotes the acceptance of Visa debit, prepaid and credit cards, as well as business cards, at the point- of- sale.

Visa File Correction Service: See **File Correction Service**.

Visa Fleet Service: An enhancement to Visa purchasing that provides company vehicle fleet managers with information to track vehicle fuel and maintenance expenses.

Visa Fleet Service Merchant: A merchant whose primary business is providing fuel or vehicle maintenance services. Fleet merchants fall under the following merchant category codes: 4468, 4582, 5511, 5532, 5533, 5541, 5542, 5599, 7531, 7534, 7535, 7538, 7542, 7549, and 7699.

Visa Gold: A special-category credit or debit card with enhanced privileges.

Visa Infinite: A product name for a Visa card product that has attributes exceeding those of Visa Gold, Visa Platinum, and Visa Signature. This card is a premium card for high-end consumers. The card has no preset spending limit and comes with enhanced services and rewards.

Visa Incentive Network (VIN): VIN allows issuers and merchants to make valuable offers to reward cardholders based on relevant spending behavior and geographic information.

Visa InfoSpan: An optional Visa reporting and data analysis software package for Visa Corporate Card and Visa Purchasing Card issuers.

Visa Integrated Billing Statement: A monthly report provided by Visa that details charges assessed to members. Items appearing on this report will be collected using the fee collection transaction reason code 5010.

Visa Integrated Billing System: A system that provides members with a Visa Integrated Billing Statement.

Visa Integrated Circuit Card Specifications (VIS): Chip card and terminal requirements for Visa Smart Payment programs that serve as companion specifications to the EMV integrated circuit card specifications.

Visa Mail/Phone Order and Electronic Commerce Merchant Interchange Reimbursement Rate: An interchange rate category for Visa for consumer credit and debit card transactions.

Visa Non-Passenger Transport Interchange Reimbursement Rate: A fee program for Visa consumer credit, debit and commercial card products specifically for non-passenger transport MCC.

Visa Owned Payment Products: Visa cards, Electron cards, Visa Electron Cards, Cheques, and Visa TravelMoney cards.

Visa Passenger Transport Interchange Reimbursement Rate: This category includes all credit voucher card types with the passenger transport merchant category codes for airline and passenger railway (3000–3299, 4112, and 4511).

Visa Passenger Transport Service Category: A transaction category that provides customized services and procedures for Airlines, passenger railway merchants, or their agents.

Visa Payment Application: A software application contained within a chip that defines the parameters for processing a Visa transaction and meets the minimum requirements of the Visa program.

Visa Payment Gateway Service: A Visa service that provides authorization and clearing of transactions that comply with the secure electronic transaction specification.

Visa PED Approved Devices: After December 31, 2007, manufacturers may no longer sell Visa PED approved PIN entry devices for PIN-based transactions. Per January 1, 2008 all PIN entry devices sold must be PCI PED approved. However, there is no set date for removal of Visa-PED approved devices from operation. Retailers should realize that in the event of a PIN compromise, noncompliance could result in losses and card reissuing costs could be passed to the retailer. Liability for penalties per association could be applied, and merchant

service agreements could be revoked. A list of devices can be found at: <https://partnernetwork.visa.com/vpn/global/category.do?userRegion=1&categoryId=19&documentId=33>

Visa Platinum: A product name for a Visa card with attributes equal to or exceeding Visa Gold.

Visa/Plus ATM: An ATM that displays both the Visa flag symbol and the Plus symbol, and may also display the Visa Electron symbol.

Visa Products: See **Visa-Owned Payment Products**.

Visa Program: A program through which a member provides payment services to Visa cardholders or merchants by acting as an issuer, an acquirer, or both.

Visa Purchasing Cards: See **Purchasing Cards**.

Visa Reservation Service: Visa services provided by a lodging merchant to guarantee accommodations or car rental company to guarantee a specialized arrangement at time of reservation.

Visa Resolve Online: Visa service for retrieval and transmission of dispute information and documentation. This service is part of the chargeback reduction project. See **Visa RED**.

Visa Risk ID Service (RIS): Reports various fraud and risk activities to acquirers, based on the ratio of suspect activity to sales and the amount of suspect activity and other risk activity.

Visa Signature: A name for a Visa card product that has attributes exceeding those of Visa Gold or Visa Platinum. This card is a premium card for high-end consumers. The card has no preset spending limit and comes with enhanced services and rewards.

Visa Signature Card Interchange Rate: Visa has two categories of interchange rates (Signature Preferred and Signature) for these type of cards dependent on merchant type.

Visa Smart Debit/Credit (VSDC): See **Visa Smart Payment**.

Visa Smart Payment: EMV and VIS-compliant chip-based applications that provide payment service options and controls to issuers of chip cards bearing the Visa flag symbol and that are not available using magnetic-stripe technology.

Visa Standard Interchange Reimbursement Fee: The interchange fee available to all merchant service categories for any transaction not eligible for any other interchange reimbursement fee.

Visa Supermarket Incentive Program: A Visa U.S.A. program that permits certain supermarket merchant outlets to qualify for a reduced interchange reimbursement fee.

Visa T&E Advance Deposit Transaction: A transaction that a lodging merchant, cruise line merchant, or car rental company completes as a result of a cardholder's agreement to use a Visa card to pay for an advance deposit to reserve accommodations or a vehicle.

Visa Transaction Information: Any transaction information or data that are contained in the VisaNet authorization message or clearing record.

Visa TravelMoney Card: A prepaid card that may be purchased and used worldwide to obtain local currency at Visa ATM network or Plus ATM locations.

Visa U.S.A: Visa U.S.A. Incorporated, the domestic region of Visa International.

Visa U.S.A. Inc. By-Laws and Operating Regulations: The corporate by-laws that govern a member's participation in Visa U.S.A. and the rights, obligations and requirements associated with various Visa card programs, including Visa Prepaid cards. These will change to Guidelines and Operating Regulations when Visa is a for-profit company.

Visa Utility Interchange Reimbursement Rate: Applicable to merchants in utility categories, this rate program is applicable for both consumer credit and debit cards.

VisaNet: The systems and services, including the VIP system and BASE II, through which Visa delivers authorization, clearing, and settlement services to

members. Visa's information technology and processing services subsidiary, Inovant, is responsible for operating VisaNet.

VisaNet Access Point (VAP): Visa equipment and software that a member uses to access VisaNet systems through either a PC-based configuration or a router and switch configuration (direct exchange environment).

VisaNet Access Resumption Service: A Visa service that provides connectivity to the V.I.P. System for subscribers that use alternate processing locations designated by Visa during a disaster.

VisaNet Copy Request and Fulfillment Service (VCRFS): an automated process for transmitting copy requests, retrieval requests, and fulfillments and for monitoring the integrity and quality of the service through the ImagExpress (with or without the VisaNet Image Gateway) or Facsimile Access System.

VisaNet Copy Request and Fulfillment Service Fees: Service-related fees that include but are not limited to: transaction fees, fulfillment incentive fees, mediation service fees, monthly access fees, and VisaNet Documentation Automation Service fees.

VisaNet Image Gateway: Software components of the VisaNet Copy Request and Fulfillment Service that enhance ImagExpress capabilities by allowing electronic transfer of images into an Issuer's host image system.

VisaNet Image Interface: A software component of the VisaNet Copy Request and Fulfillment Service that enhances ImagExpress capabilities by allowing electronic transmission of images into the member's host image system or the acquirer's microfilm image system, as appropriate.

VisaNet Integrated Payment System: See **V.I.P. System**.

VisaNet Interchange Center: A Visa facility that operates the VisaNet data processing systems and support networks.

VisaNet Settlement Service: The VisaNet system that provides settlement reporting and funds transfer services to BASE II and single-message system clearing processors.

VLAN: See **Virtual Local Area Network**.

Voice Authorization: The process of obtaining an authorization by phone, typically a back-up procedure when the authorization cannot be completed online. An authorization code identifies the transaction as voice-authorized.

Voice Response Unit (VRU): An automated authorization support system for touch-tone telephones.

Void: The process of reversing a transaction, either immediately following a sale, if the customer has decided not to purchase, or during the merchant end-of-day balancing and reconciliation, to correct errors. The transaction is still logged but is not cleared or settled.

VPN: See **Virtual Private Network**.

VRU: See **Voice Response Unit**.

VSDC (Visa Smart Debit/Credit): See **Visa Smart Payment**.

W

W-2: The Internal Revenue Service Wage and Tax Statement, the form given to employees of a company containing information for their income tax returns. This term is used to distinguish commission-only sales personnel from actual employees of a company, who are salaried with benefits.

W-9: Internal Revenue Service Request for Taxpayer Identification Number and Certification, the form is used by some sponsoring members as a requirement for new agents or affiliates.

WAP: See **Wireless Application Protocol**.

Warehousing: Electronic storage of debit or credit transactions by a data processing system until their effective date.

WAN: See **Wide Area Network**.

Wang: A stand-alone system developed by First Data to handle chargeback processing, also called the Chargeback Image Processing System (CIPS).

Warning: Visa notification to an acquirer when its merchant's suspect transaction or fraud activity level is disproportionately high, as specified in the Risk Identification Service.

Warning Bulletin: An antiquated way to monitor fraudulent or lost/stolen card numbers. A list of invalid account numbers maintained in the card company's computer system. This list is now accessed electronically, updated daily and called the Exception File.

Warning Signs of Fraud: Key warning signs are sudden increases in: transaction volume, average ticket size, number of transactions per day, and frequency of submissions. Other signs include: account number used excessively in a short period of time, a large number of transactions just below the floor limit, and a high percentage of authorizations denied.

Warranty: A specific promise by a party as to the truth of a fact.

Watch Merchants: The MasterCard category for merchants with more than 8 percent fraud transactions in two nonconsecutive months.

WATS: See **Wide-Area Telephone Service**.

WCDMA: See **Wideband Code Division Multiple Access**.

WEB: See **Internet-Initiated Entries**.

Web Browser: A user interface (usually graphical) to hypertext information on the World Wide Web. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Web Design: This represents the tools for web site creation including text, graphics and any animation. There are simple off the shelf products that a merchant can purchase to set up an individual web site.

Web Theft: Fraud schemes perpetrated via the Internet. The three kinds of web theft are: product theft (virtual shoplifting), identity theft (hacking/carding), and cash theft (account takeover). Also called *e-fraud*.

Welcome Kit: A packet of information given to merchants upon the approval of the application. Usually contains procedures, instructions, decals, signage, and terms and conditions. See **Start-up Kit**.

Welfare Reform Act: A federal law enacted in 1996 to mandate that all states must switch to EBT issuance by 2002 and that all federal benefits eventually must be deposited into an account held by a financial institution.

White Plastic Fraud: Merchant fraud committed when legitimate account numbers (such as those obtained from discarded sales drafts) are embossed on blank, white, or altered cards. Fraudulent transactions are then generated with the cards, usually by a fraudulent merchant.

WIC: See **Women, Infants, and Children**.

Wide-Area Network (WAN): A physical or logical network that provides data communications to a larger number of independent users than are usually served by a local area network (LAN); usually spread over a larger geographic area than that of a LAN. A metropolitan area network (MAN) is a wide-area

network that serves all users in a metropolitan area. WANs may be nationwide or worldwide. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Wide-Area Telephone Service (WATS): A toll service offering for customer dial type telecommunications between a given customer station and stations within specified geographic rate areas employing a single access line between the customer location and the serving central office. Each access line may be arranged for either outward (OUT-WATS) or inward (IN-WATS) service or both. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Wideband Code Division Multiple Access (WCDMA): A third-generation technology for wireless systems.

Wiegand Technology: The technology widely used for physical access applications. It includes an interface, a signal, a 26-bit format, an electromagnetic effect, and a card technology. A Wiegand strip is the implementation of Wiegand on an ID credential. (Source: Smart Card Alliance)

Window: The time span within which an entity may send items for processing and delivery to various endpoints.

Window Discount: The process by which a merchant takes the cardholder drafts to a physical bank for deposit. This term applies to the credit given to the merchant as immediate credit and includes the charge for float.

Windows-Based: A family of operating systems for personal computers. Microsoft Windows dominates the personal computer world, running, by some estimates, on 90 percent of all personal computers.

Wireless: Descriptive of a network or terminal that uses electromagnetic waves (including RF, infrared, laser, visible light, and acoustic energy) rather than wire conductors for telecommunications. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Wireless Access: Terminal access to the network that uses wireless technology.

Wireless Access Points: Physical points where wireless terminals connect to the network.

Wireless Application Protocol (WAP): The standard for wireless usage.

Wireless Markup Language (WML): A subset of HTML for use on wireless devices.

Wireless Services Provider: A company that provides wireless telecommunication service to customers, such as cellular service providers, radio common carriers, and paging companies.

Wireless Terminal: Any mobile terminal, mobile station, personal station, or personal terminal using nonfixed access to the network (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Wire Transfer: A generic term for large-dollar, instantaneous electronic funds transfer.

Wire Transfer Money Order: A check or money order purchased by a cardholder from a wire transfer money order merchant.

Wire Transfer Money Order Merchant: A merchant that sells money orders by electronic funds transfer.

Wire Transfer Money Order Transaction: A Transaction representing the sale of a check or money order for transfer to a payee (who may or may not be the Cardholder) by electronic funds transfer.

Wired Logic: A contactless card with an electronic circuit designed for a specific function, such as security or authentication, without an embedded microcontroller. (Source: Smart Card Alliance)

WML: See **Wireless Markup Language**.

Wordmark: A mark consisting entirely of a word.

World MasterCard Card: The card with no preset spending limit and many enhancements, including insurance coverage for rental vehicles and newly

purchased items; travel assistance; roadside service; medical insurance for travelers; and assistance with business arrangements, travel, and entertainment.

World Wide Web: Also called *Web*, *WWW*, *W3*. A global, virtual network-based hypertext information system that uses the Internet as its transport mechanism to display computer screens (or Web pages) of graphical, video, textual, and audio information. In a hypertext system, the user navigates by clicking hyperlinks, which display another document that also contains hyperlinks. In Web navigation, the next document seen could be housed on a computer next door or halfway around the world. Created in 1989 at a research institute in Switzerland, the Web relies upon browsers and the hypertext transport protocol (HTTP), an Internet standard that specifies how an application can locate and acquire resources stored on another computer on the Internet. Most Web documents are created using hypertext markup language (HTML), a coding system for WWW documents. Incorporating hypermedia (graphics, sounds, animations, and video), the Web has become a popular medium for publishing information on the Internet. With the development of secured server protocol (HTTPS), the Web is now a commercial medium in which consumers can browse online catalogues and purchase merchandise using secure, encrypted credit card information that is protected from interception. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

Working Key: A key generated by the constructive process. Usually used in the generation of encryption keys and PINs.

Women, Infants, and Children (WIC): A program administered by the U.S. Department of Agriculture Food and Nutrition Service that provides certain benefits to low-income women, infants, and children, including cash payments and allowances for certain types of food and grocery-related products. The Electronic Benefits Transfer Act mandates the automation of this program. Participating terminals must have the capability of discriminating between eligible and noneligible products.

Write-Off: The process of removing a bad debt or uncollectible loan from the balance sheet.

X

XML: Abbreviation for *eXensible Markup Language*. A trimmed specification or version of the Standard Generalized Markup Language that allows Web developers to create customized tags for additional functionality. (Source: Federal Standard 1037C, *Telecommunications: Glossary of Telecommunication Terms*)

XMS (eXpense Management Solution): A tool from American Express on Amexweb that allows users to complete expense reports online. (Source: American Express)

Y

Yield: The annual rate of return on all investments, such as the return on an issuer's cardholder portfolio or an acquirer's merchant portfolio.

Z

ZAR: See **Zero Administrative Returns**.

Zero Administrative Returns: A process that allows billers to outsource back-office processing.

Zero Balance: In a credit card account, no outstanding balances or unpaid transactions and with no new activity.

Zero Dollar Item: A nondollar item typically generated in the context of an ongoing payment relationship between two trading partners, where the originator lets the receiver know that no money is owed for that particular billing period.

Zero Floor Limit: A policy stating that all transactions must receive an authorization regardless of dollar amount.

Zero Liability: Visa and MasterCard's policy that virtually eliminates consumer liability in cases of card fraud for all transactions, including online purchases, processed through the card companies' network.

Zone Transaction: A zone begins at a device that encrypts the PIN in the zone's DES keys and continues through the communications facilities used to transmit the transaction. A zone ends when the encrypted PIN is decrypted using the same DES keys.

0-9

3DES: See **Triple DES**.

3G: Abbreviation for *third generation*, a term for advanced telecommunications systems allowing operators to combine voice, data, and multimedia over the same channels.

7 Stages of Processing: See **Stages of Processing**.

"1099": See **Commission-Only Sales**.

Acronyms – Cross Reference

A

A2A: Account-to-Account

AAV: Accountholder Authentication Value

ABA: American Bankers Association

ACH: Automated Clearing House

ACH: Automatic Check Handling

ADA: Americans with Disabilities Act

ADC: Account Data Compromises

ADSL: Asymmetric Digital Subscriber Line

ADV: Automated Accounting Device

AES: Advanced Encryption Standard

AF: Audio Frequency

AFC: Automatic Fare Collection System

AFDC: Aid for Dependent Children

AFP: Association for Financial Professionals

AMEX: American Express

AML: Anti-Money Laundering

ANSI: American National Standards Institute

A/P: Accounts Payable

API: Application Program Interface

APP: Application

APR: Annual Percentage Rate

APTA: American Public Transportation Association

A/R: Accounts Receivable

ARC: Account Receivable Entry

ARN: Acquirer's Reference Number

ARU: Audio Response Unit

ASCII: American Standard Code for Information Interchange

ASP: Application Service Provider

ATM: Automated Teller Machine

ATM: Asynchronous Transfer Mode

AUTH: Authorization

AVS: Address Verification Service

B

B2B: Business to Business

B2C: Business to Consumer

BAI: Bank Administration Institute

BASE I: Bankcard System Experiment I

BASE II: Bankcard System Experiment II

BATS: Batch Transaction Authorization System

BBS: Bulletin Board System

BD: Baud

BEA: Bureau of Economic Analysis

BID: Business Identification

BIN: Bank Identification Number

BP: Basis Point

BPM: Business Process Management

BPP: Bill Payment Provider

BPSP: Bill Payment Service Provider

BSA: Bank Secrecy Act

BSP: Bill Service Provider

BW: Bandwidth

C

CA: Certification Authority/Certificate Authority

CAP: Central Affiliated Property

CAS: Card Authorization System

CAV: Cardholder Authentication Value

CAVV: Cardholder Authentication Verification Value

CBT: Computer-Based Training

CCD: Cash Concentration/Disbursement

CDMA: Code-Division Multiple Access

CDPD: Cellular Digital Packet Data

CD-ROM: Compact Disk Read-Only Memory

CE: Connection Endpoint

CEBP: Council for Electronic Billing and Payment

CFR: Code of Federal Regulation

Check 21: Check Truncation Act for the 21st Century

CHIPS: Clearing House Interbank Payments System

CIE: Customer-Initiated Entry

CIF: Cards in Force

CIF: Central Information File

CIP: Customer Identification Program

CISP: Cardholder Information Security Program

CLM: Client Management

CMIA: Cash Management Improvement Act of 1990

CNP: Card Not Present

COGS: Cost of Goods Sold

COR: Automated Notification of Change

COT: Consumer-Operated Terminal

CPC: Corporate Purchasing Card

CPP: Customer Payment Provider

CPS: Custom Payment Service

CPU: Central Processing Unit

CRM: Customer Relationship Management

CSP: Customer Service Provider

CTMF: Combined Terminated Merchant File

CTO: Corporate Travel Online

CTX: Corporate Trade Exchange

CV: Charge Volume

CVC: Card Validation Code

CVV: Card Verification Value

CVC2: Card Validation Code 2

CVV2: Card Verification Value 2

CVV3: Card Verification Value 3

D

DBA: Doing Business As

DCC: Dynamic Currency Conversion

DDA: Demand Deposit Account (Checking Account)

DEK: Data Encryption Key

DES: Data Encryption Standard

DFI: Depository Financial Institution

DLL: Downline Load

DNE: Death Notification Entry

DNS: Domain Name System

DOJ: Department of Justice

DSA: Digital Signature Algorithm

DSE: Data Storage Entities

DSL: Digital Subscriber Line

DSO: Days Outstanding

DTC: Depository Transfer Check

DUKPT: Derived Unique Key per Transaction

D&B: Dun & Bradstreet

E

EBCDIC: Extended Binary Coded Decimal Interchange Code

EBIDS: Electronic Invoice Delivery Service

EBITDA: Earnings before Interest, Taxes, Depreciation, and Amortization

EBPP: Electronic Bill Presentment & Payment

EBT: Electronic Benefits Transfer

EC: Electronic Commerce

ECA: Electronic Check Acceptance

ECC: Electronic Check Conversion

ECC: Electronic Check Council

ECC: Elliptic Curve Cryptography

ECCHO: Electronic Check Clearing House Organization

ECI: Electronic Commerce Indicator

ECK: Electronic Check

ECOA: Equal Credit Opportunity Act

ECP: Electronic Check Presentment

ECR: Electronic Cash Register

EDC: Electronic Data Capture

EDC: Electronic Draft Capture

EDI: Electronic Data Interchange

EFS: Electronic Financial Services

EFT: Electronic Funds Transfer

EFTA: Electronic Funds Transfer Association

EFTPOS: Electronic Funds Transfer at the Point of Sale

EFTPS: Electronic Federal Tax Payment System

EFTS: Electronic Funds Transfer System

EIN: Employer Identification Number

EIP: Electronic Invoicing and Payment

EIPP: Electronic Invoice Presentment and Payment

EIRF: Electronic Interchange Reimbursement Fee

E-mail: Electronic Mail

EMS: Electronic Merchant Services

EMV: Europay International, MasterCard International, and Visa International

ENR: Automated Enrollment Entry

EOM: End-of-Month

E-Pay: Electronic Bill Payment

E-POP: Electronic Point-of-Purchase

EPP: Encrypting Pin Pad

EPS: Express Payment Service

ePurse: Electronic Purse

ERP: Enterprise Resource Program

ES: Establishment Services

ESA: External Sales Agent

ESSP: Encryption Support Service Provider

ETA: Electronic Transactions Association

ETA: Electronic Transfer Accounts

F

FAQ: Frequently Asked Questions

FAX: Facsimile

FCC: Federal Communications Commission

FCRA: Fair Credit Reporting Act

FDIC: Federal Deposit Insurance Corporation

FI: Financial Institution

FICA: Federal Insurance Contributions Act

FIFO: First-In/First-Out

FILO: First-In/Last-Out

FIPS: Federal Information Processing Standard

FIU: Financial Intelligence Unit

FMS: Financial Management System

FMV: Fair Market Value

FOIA: Freedom of Information Act (Privacy Act of 1974)

FPA: Federal Program Agency

FRB: Federal Reserve Bank

FSA: Flexible Spending Account

FSP: Full-Service Processor

FRS: Federal Reserve System

FTC: Federal Trade Commission

FTP: File Transfer Protocol

G

GAN: Global Area Network

GDI: Government-Designated Issuer

GDP: Gross Domestic Product

GLBA: Gramm-Leach-Bliley Act

GMAP: Global Merchant Audit Program Report

GMT: Greenwich Mean Time

GPR: General Purpose Reloadable

GPRS: General Packet Radio Service

GSA: General Services Administration

GSC-IS: Government Smart Card Interoperability Specification

GSM: Global System for Mobile Communication

GUI: Graphical User Interface

H

HCS: Host Capture System

HSA: Health Spending Account

HSM: Hardware Security Module

HTML: Hypertext Markup Language

HTTP: Hypertext Transfer Protocol

HTTPS: Hypertext Transfer Protocol Secured

I

IAB: Internet Architecture Board

IAFCI: International Association of Financial Crimes Investigators

IANA: Internet Assigned Number Authority

IBDP: Internet Bill Delivery and Payment

IC: Independent Contractor

IC: Integrated Circuit

ICA: Interbank Card Association

ICS: Issuers Clearinghouse

IDEA: International Data Encryption Standard

IDS: Intrusion Detection System

IEC: International Electrotechnical Commission

IFX: Interactive Financial Exchange

IIN: Institution Identification Number

INAS: Interbank Network for Authorization Services

INET: Interbank Network for Electronic Transfer

I/O: Input/Output

IP: Internet Protocol

IPS: Intrusion Prevention System

IRD: Image Replacement Document

ISA: Independent Sales Agent

ISDN: Integrated Services Digital Network

ISO: Independent Sales Organization

ISO: International Organization for Standardization

ISP: Industry Service Provider

IVR: Interactive Voice Response

J

JCB: Japan Credit Bureau

JPEG: Joint Photographic Experts Group

K

L

LAN: Local Area Network

LIBOR: London InterBank Offered Rate

LIF: Locations in Force

LOC: Letter of Credit

L&D: Loss Destruction

M

MAC: Message Authentication Code

MAI: Merchant Account Initiation

MAP: Master Affiliated Property

MAP: Merchant Account Provider

MAPP: MasterCard Automated Point-of-Sale Program

MATCH: Member Alert to Control High-Risk

MCC: Merchant Category Code

MCU: Microcontroller

MIC: Merchant Industry Code

MICR: Magnetic Information Character Recognition

MID: Merchant Identification Number

MIP: MasterCard Interface Processor

MLS: Merchant-Level Salesperson

MMF: Merchant Master File

Modem: Modulator Demodulator

MODS: MasterCard Open Data Storage

MO/TO: Mail Order/Telephone Order

MSP: Member Service Provider

MSP: Merchant Service Provider

MSR: Magnetic Stripe Reader

MSV: Magnetic Stripe Verification

N

NAC: Network Access Controller

NACHA: National Automated Clearing House Association

NAFTA: North American Free Trade Agreement

NAN: Network Access Node

NAOPP: Association of Payment Professionals

NAP: Network Access Point

NBER: National Bureau of Economic Research

NDX: Nondelivery Risk

NFC: Near Field Communications

NIST: National Institute of Standards and Technology

NOC: Notification of Change

NRF: National Retail Federation

NSF: Nonsufficient Funds

O

OCC: Office of the Comptroller of Currency

OCR: Optical Character Recognition

ODFI: Originating Depository Financial Institution

OFAC: Office of Foreign Asset Control

OFX: Open Financial Exchange

OMB: Office of Management and Budget

OMS: Online Merchant Services

P

P2P: Person-to-Person/Peer-to-Peer

P&L: Profit and Loss

PAN: Primary Account Number

PAT: Profit after Tax

PC: Personal Computer

P-Card: Purchasing Card

PCE: Personal Consumption Expenditure

PCI: Payment Card Industry

PCMIA: Personal Computer Memory Card Association

PCS: Personal Communications System/Service

PC/SC: Personal Computer Smart Card

PDA: Personal Digit Assistant

PDF: Portable Document Format

PED: PIN Entry Device

PFM: Personal Finance Management or Manager

PIG: Pay in Gross

PIN: Personal Identification Number

PIP: Plural Interface Processing

PKI: Public Key Infrastructure

POP: Point-of-Purchase

POS: Point-of-Sale

PSIRF: Payment Service Interchange Reimbursement Fee

PTI: Pretax Income

PVC: Polyvinyl Chloride

Q

QPS: Quick-Payment Service

QRC: Quick Reference Card

QRG: Quick-Reference Guide

QSR: Quick-Service Restaurant

R

RAM: Random-Access Memory

RAMP: Risk Assessment Management Program

RCK: Re-presented Check Entry

RDFI: Receiving Depository Financial Institution

RED: Re-Engineering Disputes

RF: Radio Frequency

RFC: Request for Copy

RFID: Radio Frequency Identification

RIS: Risk Identification Service

ROC: Record of Change

ROC: Report on Compliance

ROI: Return on Investment

ROM: Read-Only Memory

RPPS: Remote Payment Processing System

RTN: Routing/Transit Number

S

SAR: Suspicious Activity Report

SBA: Small Business Administration

SCORE: Service Corps of Retired Executives

SDLC: Synchronous Data Link Control

SDP: Site Data Protection

SE: Service Establishment/Entitlement

SEC: Securities and Exchange Commission

SET: Secure Electronic Transaction

S-F: Store-and-Forward

S-HTTP: Secure Hypertext Transfer Protocol

SIA: Securities Industry Association

SIC: Standard Industry Code/Standard Industrial Classification

SIIP: Service Industries Incentive Program

SIM: Subscriber Identification Module

SKU: Stockkeeping Unit

SLA: Service-Level Agreement

SMBS: Small- to Medium-sized businesses

SME: Subject-Matter Expert

SMS: Short-Message Service

SMSA: Standard Metropolitan Statistical Area

SNA: Synchronous Network Access

SPA: Secure Payment Application

SPO: Stop-Payment Order

SSA: Social Security Administration

SSI: Supplemental Security Income

SSL: Secure Sockets Layer

SSN: Social Security Number

STP: Straight-Through Processing

SWIFT: Society for Worldwide Interbank Financial
Telecommunications

T

T&E: Travel and Entertainment

TCP: Transmission Control Protocol

TCP/IP: Transmission Control/Internet Protocol

TCS: Terminal Capture System

TDEA: Triple Data Encryption Algorithm

TDES: Triple Data Encryption Algorithm (Triple DES)

TDMA: Time Division Multiple Access

TEL: Telephone-Initiated Entry

TID: Terminal Identification Number

TILA: Truth in Lending Act

TIN: Taxpayer Identification Number

TMF: Terminated Merchant File

TIPS: Travel Industries Premier Service

TPP: Third-Party Processor

TRN: Transit Routing Number

TSR: Telemarketing Sales Rule

U

UCAF: Universal Cardholder Authentication Field

UCC: Uniform Commercial Codes

UL: Underwriters Laboratories

UMTS: Universal Mobile Telecommunications System

URL: Uniform Resource Locator

USB: Universal Serial Bus

USC: United States Code

USDA: U.S. Department of Agriculture

UTFS: Universal Transit Farecard Standards

V

VAN: Value-Added Network

VAP: Value-Added Product

VAP: VisaNet Access Point

VAR: Value-Added Reseller

VAT: Value-Added Tax

VbV: Verified by Visa

VCRFS: VisaNet Copy Request and Fulfillment Service

V.I.P.: VisaNet Integrated Payment System

VIS: Visa Integrated Circuit Card Specifications

VLAN: Virtual Local Area Network

VPN: Virtual Private Network

VRU: Voice Response Unit

VSDC: Visa Smart Debit/Credit

W

WAP: Wireless Application Protocol

WAN: Wide-Area Network

WATS: Wide-Area Telephone Service

WCDMA: Wideband Code Division Multiple Access

WEB: Internet-Initiated Entries

WIC: Women, Infants, and Children

WML: Wireless Markup Language

WWW: World Wide Web

X

XML: eXensible Markup Language

XMS: eXpense Management Solution

Y

Z

ZAR: Zero Administrative Returns

0-9

3DES: Triple Data Encryption Standard