CREDIT CARD TERMINOLOGY

Acquirer

The acquirer is the financial institution that processes credit card payments for products or services on behalf of a merchant. An acquirer is licensed as a member of Visa / MasterCard as an affiliated bank or processor.

Address Verification System (AVS)

This is a system used to verify the cardholders' billing address by checking for validity against information provided to the issuing bank. This verification system helps reduce instances of fraud and is supported by Visa, MasterCard, Discover and American Express.

Adjustment

This refers to a correction made in the case of a duplicate transaction or an incident where a cardholder disputes a transaction. The acquirer initiates the adjustment to rectify the processing error. Depending on the situation, either a debit or credit is applied to the merchant DDA account when an adjustment is made.

Average Sale

This is the total sales volume divided by the total number of sales for a given period of time. It is used to establish the merchant's average ticket amount in order to monitor for any irregularities.

Back End Processor

When a merchant submits a batch of payments, it goes to the front-end processor, which routes it to the back-end processor. A back-end processor accepts the settlement from the front-end processor and then moves the money from the issuing bank to the acquiring bank.

Bank Card

This refers to a Visa or MasterCard branded credit card issued by a financial institution. Other Card brands such as Amex, Discover, JCB etc. issue their cards directly and not through banks.

Batch

A batch is a collection of credit card transactions awaiting settlement. Settlement will result in the transfer of the 'batched' funds into the merchant's bank account.

Card Holder

This is the person who has obtained a credit card from a bank or other institution and uses it for the purchase of goods and services.

Card Issuer

The issuing bank or card issuer refers to the bank or financial institution that lends money to the cardholder. It can also be referred to as the cardholder's financial institution.

Card-Not-Present

Refers to transactions in which the actual credit card is not presented for payment. Instead, the credit card information is transmitted via internet, fax, mail or telephone. Because the card in not physically presented to the merchant for processing, these kinds of transactions are referred to as card-not-present transactions.

Chargeback

This is a situation where a buyer asks their credit card company to reverse a transaction that has already been approved. See our guide on how to stop chargeback's.

DBA

DBA stands for "doing business as" and is a legal term used in the United States and Canada, meaning that the trade name, or fictitious business name, under which the business or operation is conducted and presented to the world is not the legal name of the legal person (or persons) who actually own it and are responsible for it.

DCC

DCC stands for dynamic currency conversion and is a financial service in which a cardholder can have the cost of a transaction converted to their local currency when making a payment in a foreign currency.

DDA Account

The merchants demand deposit account is the bank account that the acquirer/processor credits or debits for deposits, fees, and adjustments.

Debit Card

This is a payment card which draws funds directly from the cardholder's bank account at the time of a purchase.

Deposit Correction Notice

Refers to the adjustments (debits or credits) made for an out-of-balance condition due to various problems in the transmittal. The correction is made by the merchant's acquirer at the time of capture prior to being sent out for interchange.

Discount Rate

This is the fee charged to the merchant for the settlement of the transactions by the acquiring bank.

E-Commerce

E-Commerce, or Electronic Commerce, refers to the buying and selling of products or services online via the Internet or using other electronic means.

EMV

EMV stands for Euro-pay, MasterCard and Visa, the original founders of the standard, but it now also includes American Express, JCB, Discover and UnionPay. It’s a global standard for credit and debit card processing that promotes better security by embedding a smart chip into payment cards. Also known as chip & sign or chip & PIN.

Front End Processor

The front-end processor handles the capture, authorization and settlement with the acquiring banks; has connectivity to all the card companies; and routes transactions to the appropriate network for authorization.

Interchange Rate

This is a fee that the acquiring bank pays to the issuing bank during a transaction (that uses the MasterCard or Visa network).

ISO

An ISO refers to an independent sales organization that has an agreement to sell the services of a Bank and is allowed to mark up the Fees and sign up merchants.

Interchange

This is the transfer rate exchanged between merchant acquirers and card issuers each time a Visa or MasterCard transaction is processed.

Issuing Bank

This is the bank or financial institution that extends credit to a cardholder through the issuance of a branded payment card for use in the payment of goods and services.

Merchant Account

An account opened by a business that wishes to accept credit card payments. It is opened through a bank or a credit processing company.

Merchant Identification Number

A Processor or acquirer generates a number for each merchant location and uses it to identify the merchant during the processing of daily transactions. This unique identifying number is known as the Merchant Identification Number.

MO/TO

Refers to Mail Order/Telephone Order, which are credit card transactions that take place via e-mail, fax, mail or telephone. These kinds of transactions where the customer's card is not physically presented for payments are referred to as "card-not-present" transactions.

Multi-Currency Processing

This is an electronic payment processing service which allows an online business to price goods in over 60 different currencies. Overseas customers then have the leisure of choosing to see items priced in a currency they understand, their own.

Payment Card Industry (PCI) Data Security Standard (DSS)

These are strict requirements set forth by the PCI council detailing measures that payment processing organizations must take to help prevent credit card fraud, hacking and other various security vulnerabilities and threats.

Point of Sale

This could be a retail store or other location where a cardholder presents their card for processing. The card is read magnetically, and the cardholder's signature is obtained as insurance against the transaction. This is the most secure form of credit card commerce.

Processor

A payment processor is a company (often a third party) that acts as an intermediary between the authorization request from a Point-of-Sale device and the card payment brands. A processor is appointed by a merchant to handle credit card transactions for merchant acquiring banks.

Real-Time Processing

This is a process where a customer's credit card is authorized and charged at the time of purchase.

Reserve

In some instances where risk is an issue, a merchant may be required to deposit funds in a reserve account held at the processors sponsoring bank. This process of mitigating risk is used by most ACH processors.

Retrieval Request

When a customer receives their credit card statement, they sometimes contact their bank to request additional information on particular transactions. This request for additional information is what is referred to as a retrieval request.

Secure Payment Gateway

This refers to a system that passes credit card data, authorization requests, and authorization responses over the internet using encryption technology.

Settlement

Settlement occurs when the credit cardholders' funds are transferred between the card issuing bank and merchant acquiring bank. Put simply, money is exchanged from the customer to the merchant, to complete a purchase transaction.

Shopping Cart

This is a virtual cart where customers can add or delete items they wish to purchase. It is a software solution that runs on a merchant web site or online store.

SSL (Secure Socket Layer)

SSL is a secure web protocol used for encrypting data between the web browser and web server so that a third-party cannot intercept the credit card information.

Value Added Reseller

This is a third-party vendor that enhances or modifies existing hardware or software, adding value to the services provided by the processor or acquirer.

Virtual Terminal

This is an application that allows merchants to manually key in customers' credit card information. The information is then securely transmitted and authorized by the payment gateway.

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