

LITTLE & CO.'S
PAYMENTS
DICTIONARY



205 WORDS WORTH KNOWING



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4 TERMS TO PUT ON YOUR RADAR

CARD-NOT-PRESENT (CNP)

Transaction in which a merchant honors the account number associated with a card account and does not see or swipe a physical card or obtain the account holder's signature

CUSTOMER LIFETIME VALUE

Prediction of the net profit attributed to the entire future relationship with a customer

OMNICOMMERCE

Retailing strategy concentrated on a seamless consumer experience through all available shopping channels

Download this white paper that explores consumers' increasing demand for integrated and consistent "omni-channel" shopping experiences online, in-store, and through mobile devices.

PAYMENTS INTELLIGENCE

The ability to better know and understand customers through data and information uncovered from the way they choose to pay

How can you extend the power of your payments program using payments intelligence? **Download our eBook: 3 Steps to Get Smart about Payments.**



32 CARD ACCEPTANCE TERMS

ACCEPTANCE MARKS

Signifies which payment brands are accepted at a merchant location; provides the cardholder with information on where his or her card can be used

ACCOUNT HOLDER

Person to whom a credit and/or debit account is issued or who is authorized by such person to use the account

ACCOUNT ISSUER

Bank that offers card brand (Visa®, MasterCard®, etc.) payment cards directly to consumers

ACCOUNT NUMBER

The unique identifier (typically a number) that an account issuer, as part of providing a credit or debit account, issues to an account holder

AMERICAN EXPRESS®

Multinational financial services corporation best known for its credit card, charge card, and Travelers Cheques business

ASSOCIATION

Group of card-issuing banks or organizations that set common transaction terms for merchants, issuers, and acquirers

CARD ACCEPTOR BUSINESS CODE

A 4-digit numerical representation of the type of business in which the card acceptor (merchant) engages

CARD BRANDS

Member-based corporations that connect consumers, businesses, and banks to transact through electronic payments instead of cash and check; also establish and enforce rules amongst members and promote the brands (popular card brands include Visa and MasterCard)

CARD ISSUER

Any association member financial institution, bank, credit union, or company that issues (or causes to be issued) plastic cards to cardholders

CARDHOLDER

Person or entity that receives an account from a card company or issuer

CREDIT CARD NUMBER

Unique number assigned to a credit card account

DISCOVER®

Major credit card, issued primarily in the United States; most cards with the **Discover brand** are issued by Discover Bank; payment transactions are processed through the Discover Network

EXPIRATION DATE

The date embossed on a credit or debit card beyond which it becomes invalid

“HONOR ALL CARDS” RULE

Requires merchants that accept one of a major card network’s cards accept all of the network’s cards regardless of card issuer or specific card program

MASTER MERCHANT

Payment Facilitator that becomes the “Merchant of Record” on behalf of a network of smaller merchants (sub-merchants) or billing companies that regularly collect payments; key markets for Master Merchant networks include government, education, utilities, and non-profits

MASTERCARD

American multinational financial services corporation; its principal business is to process payments between the banks of merchants and the card issuing banks or credit unions of the purchasers who use MasterCard debit, credit, and prepaid cards to make purchases; a publicly traded company since 2006

MERCHANT

A commercial entity or person authorized to accept cards and access devices when properly presented; an organization that uses credit cards to receive payments from its customers pursuant to agreement with card brands

MERCHANT AGREEMENT

A written agreement between a merchant and a bank that contains their respective rights, duties, and warranties with respect to acceptance of payment cards and matters related to card activity

MERCHANT BANK

Bank that has an agreement with a merchant to accept (acquire) deposits generated by card transactions

MERCHANT CATEGORY CODE (MCC)

Means by which MasterCard identifies a merchant according to type of processing, authorization, and settlement; Visa identifies merchants using Standard Industry Codes (SIC)

PAYMENT FACILITATOR

A merchant registered by an acquirer to facilitate transactions on behalf of sub-merchants

PAYMENT GATEWAY

Facilitates the transfer of information between a payment portal and the front-end processor or acquiring bank

PAYMENT PROCESSOR

Company appointed by merchants to handle card transactions for merchant acquiring banks

PAYMENT SYSTEM

An operational network governed by laws, rules, and standards that links bank accounts and provides the functionality for monetary exchange using bank deposits

PRIMARY ACCOUNT NUMBER (PAN)

The number that is embossed and/or encoded on a plastic card that identifies the issuer and the cardholder account

RECURRING SERVICES MERCHANT

A merchant that provides services of an ongoing nature to a cardholder (club membership, magazine subscription, etc.) and uses recurring transactions to bill the cardholder for these services

STANDARD INDUSTRY CODE (SIC)

The means by which Visa identifies merchants according to type of processing, authorization, and settlement; MasterCard uses Merchant Category Codes (MCC)

SUB-MERCHANT

A merchant that, pursuant to an agreement with a Payment Facilitator, is authorized to accept cards when properly presented

THIRD PARTY PRESENTER AGREEMENT

Separate agreement between an acquirer and a presenter authorizing the presenter to act as an agent of a merchant; presenter agrees to comply with the applicable terms of this agreement

THIRD PARTY PROCESSOR

Entity that contracts with a member to provide processing services such as authorization clearing and settlement services

THIRD PARTY SETTLEMENT

Service where payment is made to a third party according to instructions from a merchant as described by a separate, three-way agreement between the merchant, the third party, and the processor

VISA

An American multinational financial services corporation facilitating electronic funds transfers throughout the world, most commonly through Visa-branded credit, debit, and prepaid cards; **Visa-branded payments** products are processed on VisaNet, the world's largest retail electronic payments processing network



11 CHARGEBACK TERMS

ARBITRATION

A process where the card brand determines financial liability between members for interchange transactions that are presented and charged back

ARBITRATION COMMITTEE

Committee that resolves disputes between members that arise from chargebacks

CHARGEBACK

Return of funds to a consumer, forcibly by the issuing bank of the instrument used by a consumer to settle a debt; reversal of a prior outbound transfer of funds from a consumer's bank account, line of credit, or credit card

Our **chargeback monitoring systems** automatically track both the absolute number of chargebacks by division as well as the percentage of chargebacks incurred by unique reason code. By carefully tracking and analyzing your chargeback data, we can identify ways to lower your chargeback rates.

CHARGEBACK ADJUDICATION SERVICES

Where processor i) receives chargebacks; ii) displays them to merchant via its online user interface; iii) counsels merchant, when needed, about regulations, information requirements, and appropriate responses; iv) collects the relevant information from processor's files and, if necessary, from merchant and other sources; v) forwards properly formatted re-presentation data to the initiator for disputed chargebacks; vii) acts as liaison between merchant and the initiator for any subsequent dispute resolution procedures such as arbitration; vi) transfers chargeback liability from merchant back to the initiator for disputed chargebacks resolved in merchant's favor (a "reversed chargeback")

CHARGEBACK ADVICE

A form that notifies the issuer that a chargeback has passed certain validations and has been forwarded to the acquirer

CHARGEBACK PERIOD

The number of calendar days from the endorsement date of a transaction receipt (or processing date, as applicable) during which time the issuer may exercise a chargeback right

CHARGEBACK REDUCTION SERVICE

Service that screens presentments and chargebacks; returns certain invalid items to the acquirer or issuer, as appropriate

DIRECT ARBITRATION

A process whereby the card brand assigns financial liability for a transaction when either the chargeback reduction service rejects a presentment because it cannot verify authorization or the acquirer claims that the rejected transaction was authorized

PRESENTMENT

A clearing record that an acquirer presents to an issuer through interchange, either initially (a first presentment) or after a chargeback (a re-presentment)

RE-PRESENTMENT

Process by which a merchant can dispute a chargeback with an issuing bank; allows merchant to present evidence to prove the chargeback is not warranted

REVERSED CHARGEBACK

Chargeback that a processor resolves in the merchant's favor by transferring the chargeback liability back to the account issuer

Fraud Chargeback Prevention Service

compiles data from issuers and card brands that identifies fraud-related chargebacks and reports them to our merchants daily. Predicting and confirming fraudulent transactions can help you identify where proactive refunding might avoid the risks and costs associated with chargebacks.



7 CURRENCY TERMS

BILLING CURRENCY

The currency in which an issuer bills a cardholder for transactions

CROSS-BORDER FEES

Fees associated with cross-border transactions

DOMICILE

The region where a merchant is located

DYNAMIC CURRENCY CONVERSION

Conversion of the purchase price of goods or services from one currency to another, as agreed to by the cardholder and merchant; that currency becomes the transaction currency, regardless of the merchant's local currency

FOREIGN CURRENCY

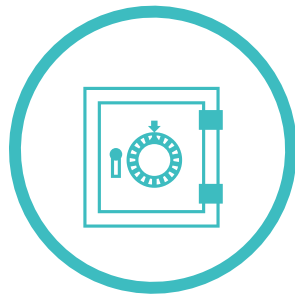
A currency other than local currency

LOCAL PAYMENTS

Payment types that are offered in a specific geographic location (most commonly within a region or country) that are not accepted outside of that region; for example, Interac[®] is a local payment type specific to Canada, iDEAL is local to the Netherlands

MULTI-CURRENCY

The merchant's ability to offer goods and services to cardholders in different currencies



22 FRAUD & SECURITY TERMS

3-D SECURE

XML-based protocol designed as an additional security layer for online credit and debit card transactions; initially developed by Visa, the protocol has been adopted by MasterCard, American Express, and other card brands

ADDRESS VERIFICATION SERVICE (AVS)

The process of validating a cardholder's given address against the issuer's records to determine accuracy and deter fraud; a code is returned with the authorization result that indicates the accuracy of the address match

AUTHENTICATION

The process of assuring that data has come from its claimed source, or a process of corroborating the claimed identity of a communicating party

CARD IDENTIFICATION DIGITS (CID)

Card security feature on Discover and American Express cards designed to deter fraud for card transactions

CARD SECURITY CODE

Security feature designed to deter fraud for card transactions

CARD VERIFICATION CODE 2

Numeric security code printed on the back of MasterCard cards designed to deter fraud for card transactions

CARD VERIFICATION VALUE

A unique check value encoded on the magnetic stripe of a card to validate card information during the authorization process; calculated from the data encoded on the magnetic stripe using a secure cryptographic process

CARD VERIFICATION VALUE 2

Three-digit security number that is printed on the back of most Visa cards; security feature designed to deter fraud for card transactions

CHECK VERIFICATION

Process that screens checks and check writers against a "negative database" at the point-of-sale (POS) when the customer presents a check as payment

DATA BREACH

Unintentional release of secure information to an untrusted environment

DUPLICATE CHECKING

The policy and procedures that prevent identical sales records from being processed

EMV

Stands for **Europay, MasterCard, and Visa**; global standard for inter-operation of integrated circuit cards (chip cards) and integrated circuit card capable point-of-sale terminals and ATMs, for authenticating credit and debit card transactions

Did you know?

Vantiv® was the first US acquirer to complete **MasterCard** and **Visa** requirements to process EMV transactions.

ENCRYPTION

The process of encoding personal information for secure transmission across the internet

END-TO-END ENCRYPTION (E2EE)

Uninterrupted protection of the confidentiality and integrity of transmitted data by encoding it at its starting point and decoding it at its destination

FRIENDLY FRAUD

When a consumer makes a purchase with their own credit card and then issues a chargeback through the card provider (after receiving the goods or services) to cancel the transaction and refund the money

MASTERCARD SECURE CODE

Version of 3-D Secure, an online authentication process used to decrease online fraud and increase consumer confidence

PCI-DSS (PAYMENT CARD INDUSTRY DATA SECURITY STANDARD)

Set of requirements designed to ensure all companies that process, store, and/or transmit card information maintain a secure environment

PIN (PERSONAL IDENTIFICATION NUMBER)

A sequence of digits used to verify the identity of the holder of a token; a type of password

TOKENIZATION

Replacement of sensitive data with a unique identifier that cannot be reversed mathematically; commonly used in payments to replace card data

Protect your business **by tokenizing your card** or eCheck account numbers with Litle Vault. You can take this a step further with PayPage, which eliminates card numbers from ever entering your systems.

TRUNCATION

When only some digits of a customer's card number appear on a sales draft or receipt to provide better security while still enabling identification (for the cardholder) of the card used; it's required by federal law (since 2006) that no more than the last five digits of a card may be shown on a receipt

VELOCITY CHECKS

The number of times an account number is processed over a predetermined amount of time; rejects multiple transactions against the same credit card during a specified time to help prevent double clicking by cardholder, fraud, and internal merchant processing issues

VIRTUAL ACCOUNT NUMBER

An alias for a card number, generated through either a web application or a specialized client program, that interacts with the card issuer's

computer and is linked to the actual card number; typically has a limit and an expiration date between two and twelve months from the use date chosen by the account owner; the user's real card number is never revealed to the merchant

Determine if a customer is using a limited-use account number or VAN at the point-of-authorization with **Litle's VAN indicator**.



10 MOBILE PAYMENT TERMS

CONTACTLESS PAYMENTS

Devices that use radio-frequency identification for making secure payments; embedded chip and antenna enable consumers to wave a device over a reader at the point-of-sale

DONGLE

Provides electronic copy protection and content protection which, when attached to a computer or other electronic appliance (such as a mobile phone), unlocks software functionality or decodes content; commonly used with mobile phones to accept payments

Vantiv's Mobile Accept is a simple-to-use mobile app that combines with a card reader to quickly and securely swipe any credit, debit, or prepaid card for processing on a smartphone or tablet.

IN-APP PAYMENTS

The ability to sell digital content in mobile applications

MERCHANT CUSTOMER EXCHANGE (MCX)

Company created by a collaboration of **leading US retail companies** looking to offer a new platform for smartphone-based transactions

MOBILE COMMERCE

Business that is conducted on the internet with cell phones or other wireless, handheld electronic devices

MOBILE PAYMENT

Payment services operated under financial regulation and performed from or via a mobile device in a face-to-face transaction environment

MOBILE PAYMENT ACCEPTANCE

Ability for merchants to accept payments via a mobile device in a face-to-face transaction environment

MOBILE WALLET

An electronic account dominated in a currency and held on a mobile phone that can be used to store and transfer value

Vantiv Mobile Wallet is a QR-code, cloud-based payment and offer redemption platform, that allows you to adopt a mobile payment solution quickly, support any payment type, speed up the checkout process, and more.

NEAR FIELD COMMUNICATION (NFC)

Set of standards for smartphones and similar devices to establish radio communication with each other by touching them together or bringing them into proximity (usually no more than a few inches)

QUICK RESPONSE (QR) CODE

Matrix barcode readable by QR scanners, mobile phones with a camera, and smartphones; can be used to make mobile payments



29 PAYMENT TYPES

AFFINITY CARD

A card offered by two organizations, one a card issuer and the other a non-financial group such as a university, sports franchise, or nonprofit organization; cardholders typically receive special discounts or deals for using their cards issued in partnership with a major bank

ALTERNATIVE PAYMENTS

Payment methods that are used as a substitute to traditional card payment; these third party payment brands use the traditional payment systems of Visa, MasterCard, ACH, etc. for settlement of transactions and are typically used in the eCommerce environment

We can help you capture new customer and revenue opportunities by offering **alternative payments** relevant to your sales channels and target customers.

BILL ME LATER[®]

A **proprietary payment method** that offers consumers a line of revolving credit through WebBank; allows purchases to be made online without using a credit card

BIOMETRIC PAYMENT

The identification of humans by their characteristics or traits; in payments, a point-of-sale technology that uses biometric authentication to identify the user and authorize the payment

BITCOIN

A **decentralized digital currency**

CHARGE CARD

A type of payment card; charges to these cards must be paid in full each month that a statement is issued

CHECK GUARANTEE

Program in which the merchant is guaranteed payment on a check; fee is charged to the merchant in exchange for the service of paying the merchant on any checks that are returned

CHIP CARD

A card with an embedded EMV-compliant chip containing memory and interactive capabilities used to identify and store additional data about a cardholder, the cardholder's account, or both

CLOSED LOOP GIFT CARD

Prepaid gift card only accepted by the merchant who issued the card

CO-BRANDED CARD

A co-branded card is sponsored by both the issuing bank and a retail organization, such as a department store or an airline; cardholders may get benefits from the sponsoring merchant, such as discounts or free merchandise, based on account usage and terms

COMMERCIAL CARD

General name for cards typically issued for business use; may include corporate, purchase, business, travel, and entertainment cards

CORPORATE CARD

Credit card typically issued to corporate executives or business owners to keep business expenses separate from personal charges

CREDIT CARD

A plastic payment card that is accepted by merchants and can be read at the point-of-sale with an encoded magnetic stripe on the back; offers card members the ability to pay balances over time by applying an interest rate to outstanding balances

DEBIT CARD

Plastic payment card that provides the cardholder electronic access to his or her bank account at a financial institution; payments using a debit card are immediately transferred from the cardholder's designated bank account

ECHECK

Electronic version of a paper check, used to conduct transactions over the internet

GIFT CARD

Type of stored-value payment card commonly issued by retailers and banks

OFFLINE DEBIT

MasterCard or Visa card that is linked to a consumer checking or savings account; transaction is processed in the same manner as any other MasterCard or Visa card

ONLINE DEBIT

Card account tied to a consumer's checking or savings account; transaction is processed in a single online message and a PIN is required for authentication; clearing and settlement happens simultaneously

OPEN LOOP GIFT CARD

Prepaid gift card issued by banks or credit card companies; can be redeemed at different establishments

PAYMENT CARD

Financial tools that allow customers to make purchases without having cash-on-hand; includes credit, charge, debit, and prepaid cards

PAYMENT TYPE

Method of payment that a merchant, either now or in the future, honors from account holders as payment for their purchases; payment types may include, but are not limited to, credit, debit, or prepaid cards

PAYPAL®

Payment processing service that allows payments and money transfers to be made through the internet, via a mobile device, and in-store

Take your business to the next level with a dynamic and secure **gift card program**

PEER-TO-PEER PAYMENT

Online technology that allows customers to transfer funds from their bank account or credit card to another individual's account via the internet or a mobile phone

PREPAID CREDIT CARD

A type of secured credit card that is tied to a previously deposited cash balance, where purchases are checked for approval against existing funds; essentially a stored-value card that usually carries major card brand logos

REWARD CARD

A credit card carrying an incentive or "reward" for use, typically involving cash back, merchandise points, or frequent flier points

SECURED CREDIT CARD

Credit cards that require collateral (such as a house, car, or deposit of money) for approval; generally designed for people with no credit or poor credit who are trying to build or rebuild their credit history

SMART CARD

Plastic card containing a computer chip with memory capabilities; may be used for identification or to store information, financial amounts, or other forms of data; also called an integrated circuit card or a chip card

STORED-VALUE CARD

Credit card-sized device implanted with a computer chip that contains stored money value; a reloadable stored-value card can be reused by transferring a dollar value to it from an automated teller machine or other device; however, a disposable card cannot be reloaded

WIRE TRANSFER

Method of electronic funds transfers from one person or institution to another; funds typically transfer on the same bank day the wire transfer is initiated



48 PAYMENT PROCESSING TERMS

ACCOUNT UPDATER

Card brand product, available through a payment processor, that provides updated account numbers, expiration dates, account status, and cardholder contact information to merchants

ACQUIRER

Bank or financial institution that processes credit and/or debit card payments for a merchant

ASSESSMENTS

Fees paid directly to the card brand networks to offset the brands' costs to operate and regulate the networks; these fees are passed along in some form to the merchant

AUTHORIZATION

Verification of the validity of a credit card and the balance allowable on the purchaser's credit line

AUTHORIZATION CODES

Codes that an issuer or its authorizing processor provides to indicate approval or denial for an authorization request

AUTHORIZATION RECYCLING

The process of retrying previously failed authorization attempts to receive an authorization approval

AUTHORIZATION REQUEST

A merchant's request for an authorization to accept a cardholder's sales transaction; can occur electronically via a credit card processing terminal or via telephone as a voice authorization

Our **Recovery solution** helps optimize approvals after initial declines, minimize attrition, and increase customer lifetime value by combining account updating and authorization recycling.

AUTHORIZATION RESPONSE

The issuer's reply to an authorization request

AUTOMATED ACCOUNT UPDATER

Visa and MasterCard product, available through a payment processor, that automatically provides updated account numbers, expiration dates, account status, and cardholder contact information to merchants

AUTOMATED CLEARING HOUSE (ACH)

A system of the US Federal Reserve Bank that provides electronic funds transfer (EFT) between banks; used for transfer of funds transactions,

including direct deposit of paychecks and monthly debits for routine payments to vendors

BATCH PROCESSING

A type of data processing and data communications transmission in which related transactions are grouped together and transmitted for processing, usually by the same computer and under the same application

BILLING DESCRIPTOR

Description of the sale or refund transaction that appears on the account holder's account statement

CLEARING

Process through which a card issuing bank exchanges transaction information with the merchant acquiring bank

DEPOSIT

The submission of a transaction receipt by a merchant or a Payment Facilitator to an acquirer, resulting in a credit or debit to the merchant's or Payment Facilitator's account

DEPOSITORY ACCOUNT

Account owned by a merchant into which funds due to the merchant are deposited

DISCOUNT RATE

Fee paid by merchants to credit card processors associated with accepting general-use credit cards (like Visa, MasterCard, etc.); all applicable fees are bundled into a single, percentage rate which typically includes interchange, assessments, and processor fees

DOWNGRADE FEES

Surcharges added to the discount rate of the total processing fee for each transaction; can be assessed

on a merchant for reasons including type of card used, the bank that issued it, and how the transaction was entered

ENHANCED DATA

Transaction-level data required for select interchange programs, card products, or merchant categories; examples include airline itinerary data, fuel transaction data, and itemized purchase data

FINES

Fees levied by the card brands on merchants for violations of network regulations

HARD DECLINE

A decline response on a credit card due to reasons including account closed or card stolen

INDEPENDENT SALES ORGANIZATION (ISO)

Third-party company that is contracted by a card member bank to procure new merchant relationships; also process online card transactions for small businesses, usually in exchange for a fee or percentage of sales

INTERCHANGE

Fee paid between banks for the acceptance of card-based transactions; typically a fee that the merchant's bank (acquiring bank) pays to a customer's bank (issuing bank); fees are set by the card networks and are usually the largest component of the various fees most merchants pay for card acceptance

INTERCHANGE RATE

Amount paid by acquirers to issuers to compensate for the processing and maintenance of the transaction and cardholder

INTERCHANGE SYSTEM

The computer hardware and software operated by and on behalf of the card brands for the routing, processing, and settlement of transactions

ISSUER

Any association member financial institution, bank, credit union, or company that issues (or causes to be issued) plastic cards to cardholders

LEVEL I DATA

Information provided by the card brands for all purchases; includes account number, transaction date, purchase amount, supplier, category code, supplier name, city, state, and ZIP code

LEVEL II DATA

Data provided by the card brands along with Level I data on some purchases; includes customer code, sales tax amount, sales tax indicator, purchase ID, and purchase ID format

MATCH FILE

Database that identifies specific merchants who have been terminated for cause by other acquirers

MEMBER INFORMATION PROCESSOR (MIP)

MasterCard's electronic interface for members and processors to facilitate authorizations, clearing, and messaging between members

NACHA

Manages the development, administration, and governance of the [ACH Network](#), the backbone for the electronic movement of money and data

ORIGINATING DEPOSITORY FINANCIAL INSTITUTION (ODFI)

Acts as the interface between the Federal Reserve or ACH network and the originator of the transaction

PARTIAL AUTHORIZATION

An authorization response sent by an issuer approving an amount less than the merchant's requested amount; the merchant must participate in the partial authorization service to be eligible

PASS-THROUGH PRICING

Form of card processing pricing that allows the actual cost of processing (interchange, assessment, and processor fees) to be passed directly to the merchant; benefits of this pricing model include transparency and potentially lower costs when compared to discount rates

PAYMENT INDICATORS

Codes returned in authorization responses that specify certain attributes associated with the card used; may include affluence, prepaid, corporate, and/or international

Insights can help you facilitate positive, reliable, and revenue-generating outcomes by returning data you can use to segment customers.

PROCESSING FEES

Fees charged to a merchant for services agreed upon between the merchant and the payment processor

PURCHASED

Settlement service where an acquirer i) provides authorizations; ii) facilitates acquirer settlement transaction purchases; iii) provides chargeback adjudication services on behalf of the merchant; and iv) initiates funds transfers

RECEIVING DEPOSITORY FINANCIAL INSTITUTION

Financial institution qualified to receive ACH entries

RECONCILIATION

Process by which two entities become in balance: i) merchants reconcile their accounts with their processor via financial reporting; ii) merchants balance the number and dollar value of the transactions they sent to their processor with the amount that their processor settled into their local checking account; iii) payment processor reconciles with the acquiring bank; iv) processor confirms the number and amount of transactions sent to the networks with the amount that was settled into their account and then distributed to the merchant accounts

REFERENCE NUMBER

Assigned number to each monetary transaction in a descriptive billing system; each reference number is printed on the monthly statement to aid in retrieval of the document, should it be questioned by the cardholder

RETRIEVAL REQUEST SERVICES

Where a processor: i) receives retrieval requests; ii) displays them to the merchant via its online user interface; iii) counsels the merchant, when needed, about the information requirements and appropriate responses; iv) collects the relevant

information from the merchant, the processor, and other sources; v) forwards properly formatted response data to the requestor; and vi) acts as a liaison between the merchant and the requestor during the time that such retrieval request is outstanding

REVERSAL

Authorization message that reverses a previous authorization by a merchant; can be the full or partial amount but cannot exceed the original authorization amount

SETTLEMENT

Buying and selling of transactions among merchants, processors, acquirers, and card-issuing entities; begins when the merchant submits a transaction to their processor and ends with the transfer of related funds to a depository or liability account

SETTLEMENT BANK

Bank that holds liability accounts and executes funds transfers among these and the depository accounts

SOFT BILLING DESCRIPTORS

Billing descriptors that change within a reporting entity; these changes can help clarify the sale or refund transaction description

SOFT DECLINE

A decline response on a valid card due to reasons including the credit card already exceeds the credit line, the issuer is unavailable, etc.

UNIVERSAL CARDHOLDER AUTHENTICATION FIELD (UCAF)

A standard, global method of collecting cardholder authentication data at the point of interaction

across all channels, including the internet and mobile devices; used to communicate authentication information among cardholders, issuers, merchants, and acquirers

VALID AUTHORIZATION

Authorization for the correct amount of a sale and obtained within a specified number of days before the sale transaction is submitted

VOICE AUTHORIZATION

An approval response obtained through interactive communication between an issuer and an acquirer or the International Automated Referral Service via telephone, facsimile, or telex communications



20 REGULATORY & FINANCIAL TERMS

BANK IDENTIFICATION NUMBER (BIN)

The first four to six digits of a card that identifies the institution issuing the card

CREDIT LIMIT

The amount established by the issuer that a cardholder may carry as a balance

DURBIN AMENDMENT

Part of the Dodd Frank Wall Street Reform and Consumer Protection Act (introduced in 2010) that limits transaction fees imposed upon merchants by debit card issuers

FEDERAL TRADE COMMISSION (FTC)

Independent agency of the US federal government that maintains fair and free competition and enforces federal antitrust laws; also educates the public about identity theft

FISCAL PERIOD

Accounting period designation by a person or corporation that may be a variation from the calendar equivalent

FTC REGULATIONS

Rules or guidelines of the FTC (including the Mail or Telephone Order Merchandise Trade Regulation Rule) that govern the shipment of products and charges/refunds related to consumer orders

FUNDS DELIVERY DATE

The date that funds are deposited via ACH or wire in a merchant's designated depository account

FUNDS TRANSFER

ACH transfer of funds between accounts, unless a merchant has specifically requested to have all of its funds transfers delivered by wire

INTERCHANGE SETTLEMENT

On 27 November 2012, US District Judge John Gleeson entered an order granting preliminary approval to a proposed settlement of *In re Payment Card Interchange Fee and Merchant-Discount Antitrust Litigation*

KNOW YOUR CUSTOMER (KYC)

Due diligence activities that financial institutions and other regulated companies must perform to ascertain relevant information from their clients for the purpose of doing business with them

MARKETPLACE FAIRNESS ACT

Proposed legislation pending in the US Congress that would enable state governments to collect sales and use taxes from remote retailers (i.e. online and catalog retailers) with no physical presence in their state

NON-REGULATED (EXEMPT)

A card issuing bank with assets less than \$10 billion that is exempt from the limits set forth by the Durbin Amendment

REGULATED (NONEXEMPT)

A card issuing bank with assets greater than \$10 billion; maximum interchange fee an issuer may receive for an electronic debit transaction is \$0.21 per transaction plus 5 basis points

REGULATED WITH FRAUD

An additional \$0.01 adjustment toward an issuer's debit card fee if the issuer develops and implements policies and procedures designed to achieve fraud-prevention standards; debit with fraud adjustment is \$0.22 per transaction plus 5 basis points for regulated transactions under the Durbin Amendment

REGULATION E

Federal regulation governing all electronic funds transfers

REGULATION Z

Under Regulation Z, credit card issuers are required to disclose the terms and conditions to potential and existing cardholders at the point of account opening and at regular intervals; upon soliciting and opening new credit card accounts, credit card issuers must generally disclose key information relevant to the costs of using the card, including the applicable interest rate that will be assessed on any outstanding balances and several key fees or other charges that may apply, such as the fee for making a late payment; in addition, issuers must provide consumers with an initial disclosure statement, which is usually a

component of the issuer's cardholder agreement, before the first transaction is made with a card

REGULATIONS

Rules, applicable law, operating procedures, etc., that govern the operations of merchants, processors, acquirers, account issuers, and account holders with respect to a payment type; determined by the related acquirer, FTC, or other relevant administrative or governmental body

RESERVE

Amount in a liability account owned by the acquirer at the settlement bank; it is funded by the merchant and used by the processor, through directions to the settlement bank, to satisfy liabilities and any potential losses attributed to the merchant

ROLLING RESERVE

Reserve funding method that transfers a specific percentage of a fiscal day's gross purchased sales into a reserve liability account; after a specified period of time, the remaining fiscal day's original transfer amount after appropriate adjustments is automatically reversed by a transfer from a liability account to the then-current fiscal day's daily proceeds as a reserve surplus

TRUTH IN LENDING ACT (TILA)

US federal law designed to ensure more accurate disclosure of credit terms so that consumers can: i) compare the various credit terms available in the credit marketplace; ii) avoid the uninformed use of credit; iii) protect themselves against inaccurate and unfair credit billing and credit card practices; regulation that implements TILA's requirements is Regulation Z, which is administered by the Federal Reserve



22 TRANSACTION TERMS

AUTOMATIC BILL PAYMENT

An arrangement between a merchant or service provider and a customer that allows recurring automatic charges for a service to an agreed-upon card account

CARD READER

A device that is capable of reading the encoding on plastic cards

CROSS-BORDER TRANSACTION

A transaction that originates via a point-of-interaction terminal located in a different country from the country where the card was issued

DEFERRED BILLING

A transaction completed in a card-not-present environment for which the cardholder is billed once no more than 90 days after the first shipment of merchandise

ECOMMERCE TRANSACTION

Transaction between a merchant and a cardholder over the internet and other networks using a cardholder access device

ELECTRONIC FUNDS TRANSFER

Any transfer of funds that is initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering,

instructing, or authorizing a financial institution to debit or credit a consumer's account

IMPRINT

An impression of a customer's card made on the draft; proves that the card was present when the sale was made; imprint can be created electronically by using a magnetic stripe-reading terminal that includes the correct point-of-sale (POS) entry code

IMPRINT MACHINE

A manual credit card impression machine that creates multiple receipts by sliding a handle to record the raised numbers on the front of a card onto carbon paper copies

INSTALLMENT TRANSACTION

The single purchase of goods or services billed to an account in multiple segments over a period of time agreed to between a cardholder and a merchant

MAGNETIC STRIPE

A stripe of magnetic information affixed to the back of a plastic card; contains customer and account information that is required to complete electronic financial transactions

MAIL ORDER/TELEPHONE ORDER TRANSACTION (MO/TO)

Transaction where a cardholder orders goods or services from a merchant by telephone, mail, or other means of telecommunications; neither the card nor the cardholder is present at the merchant

ONLINE BILL PRESENTMENT AND PAYMENT

Process that allows consumers to receive, view, and pay certain bills online by transferring money from their checking accounts or charging bills to their credit card

POINT-OF-INTERACTION (POI)

A hardware and/or software component in point-of-sale equipment (e.g. a magnetic stripe reader) that enables a card purchase at a retailer (can be attended or unattended); the new generation of POI systems allows devices other than credit cards to make payments (i.e. mobile phones)

POINT-OF-SALE (POS)

Location in a merchant establishment at which the sale is consummated by payment for goods or services received

Vantiv's POS terminal solutions provide a quick and easy way to accept electronic payments at the point-of-sale, providing the latest in secure POS terminal technology including dial, high-speed, Wi-Fi, and mobile payment solutions.

RECEIPT

A hard copy document that records when a transaction took place at the point-of-sale; the receipt contains a description of the transaction, which usually includes the date, the merchant name/location, a portion of the primary account number, the amount, and the reference number

RECURRING TRANSACTION

Charge to the cardholder (with prior permission) on a periodic basis for goods and services (health club memberships, book-of-the-month clubs, etc.)

REFUND

The creation of a credit to a cardholder account, usually due to a product return or to correct an error

REMOTE TRANSACTION

A non-face-to-face transaction performed partially or wholly by means of electronic communication (phone, internet, text messaging, facsimile, etc.)

SALE

Transaction of products made by a merchant to a customer that is facilitated by the use of a supported payment type; a sale relating to the shipment of goods does not occur until the product is shipped to the account holder; the merchant is solely responsible for the accuracy of the information presented for processing

SALE DATE

The date that: i) goods are shipped for a sale that requires the shipment of goods, or ii) the card account holder expects to be charged based on the terms of a service sale; an installment or recurring payment occurs on a sale date (after an interval of time from a prior sale date) where the interval is understood and agreed to by the account holder

SALES DRAFT

A paper record that evidences the purchase of goods or services by a cardholder

TRANSACTION

Submission to a processor seeking payment under a supported payment type



ABOUT LITLE & CO.

Litle & Co., a Vantiv company, powers the payment processing for companies that sell direct to consumers through internet retail, online services, direct response marketing, and multichannel retail. As the leading authority in card-not-present (CNP) commerce, we offer intelligent processing solutions that help contain costs, generate revenue, and manage risk.

Our fully-integrated payment processing solution is built on a foundation of agile, best-of-breed technology. Through constant innovation, we provide the most efficient, and reliable set of products and consultative merchant services available. From robust core processing and payments acceptance to value-added solutions, we help our clients optimize revenue streams while addressing security concerns and combating fraud. Whether you offer one-time ticket or recurring payment options to your customers, donors, or members, we offer comprehensive solutions tailored to fit your unique business needs.

Learn how we can help your business drive lasting and profitable customer relationships at www.litle.com

TO LEARN MORE ABOUT PROCESSING CNP PAYMENTS

DOWNLOAD OUR FREE EBOOK:

[HTTPS://WWW.LITLE.COM/RESOURCES/PRACTICAL-PAYMENTS](https://www.litle.com/resources/practical-payments)

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