Credit Card Processing
Terms You Need to Know

TSYS®

Every industry has its own language. Words and phrases that its participants need to know and understand to function easily within its mainstream. Credit card processing is no exception.

TSYS® wants our clients to be well-versed in the lingo associated with merchant accounts and payment card processing. This way they'll be able to make the right decisions regarding their businesses' unique needs. We have compiled a list of some of the most-used terms and acronyms that we think you should know.

A

ACH

The abbreviation for Automated Clearing House. This electronic network is part of the Federal Reserve Bank and connects banks, credit unions, other financial institutions and third-party processors to process electronic fund transfers (EFT), including credit and debit card, prepaid card and electronic benefits transfer (EBT) transactions.

Associations/Payment Brands/Networks

These terms all refer to Visa®, Mastercard®, American Express® and Discover®, whose familiar logos appear on the majority of credit and debit cards in the U.S. The associations regulate card acceptance rules and interchange for their member financial institutions.

Authorization

The process through which the credit card processor requests approval of a payment card transaction from the issuing bank. Authorization begins when the merchant accesses (also known as capturing) the card number and the data is transmitted to the processor, who directs it to the issuing bank. If the bank determines that adequate funds or credit are available, it authorizes the purchase and notifies the processor, who passes the authorization along to the merchant. The merchant issues a receipt to the customer and obtains their signature (if necessary) to complete the sale.

Authorization Code

The code supplied by the card-issuing bank to identify an approved credit card transaction. It is stored within a merchant's credit card terminal, gateway or processing software until it is sent back to the issuing bank during the settlement process at the end of the day.

Average Ticket Size

The average dollar amount of a credit card transaction a merchant processes. It is calculated by dividing the total dollar amount of all credit card transactions by the number of transactions.

AVS

The acronym for Address Verification System. This is an anti-fraud feature that's used in card-not-present transactions to confirm that the shipping address given by a customer matches the billing address on file with the issuing bank.

B

Batch/Batch Processing/Batch Settlement

Refers to a collection of transactions (usually all from the same day) that are closed (settled) in one batch. The merchant submits the batch to the processor, who acts on their behalf to settle all transactions with the issuing banks and deposits the proceeds into the merchant's bank account.

C

Capture

The process of acquiring account information from a payment card required for processing. This occurs at the point of sale be it in-person with card, card-not-present such as online and mobile pay, and keying in card number.

Card Present

A payment card transaction where the cardholder and payment card are both present. Sometimes referred to as a face-to-face transaction.

Card Not Present (CNP)

A payment card transaction where cardholder and/or card are not physically present. Examples are mobile pay, online purchases and MOTO (mail order/telephone order).

Chargeback

Occurs when a cardholder disputes a transaction with the card issuer. The issuer initiates a retrieval request against the merchant account and the disputed amount is withdrawn from the account until the matter is settled. The merchant has 10 days to dispute the chargeback with proof of purchase or delivery. The merchant account provider imposes a chargeback fee on the merchant to handle the process.

Credit Card

A payment card that is issued to an individual by a bank and can be used to purchase merchandise or services on credit.

Credit Card Imprinter

A very basic device used to create a receipt for a credit card transaction. Sometimes referred to as a "knuckle buster", these flatbed imprinters are increasingly replaced by printers linked to a credit card terminal.

Credit Card Processing

The complex electronic process of transacting and verifying a credit card transaction. Once authorized, the process initiates an ACH transfer of funds from the issuing bank to the credit card processor, who then deposits the transaction proceeds into the merchant's account.

Credit Card Processor

An entity that handles the electronic verification and initiation of Electronic Funds Transfers (EFT) in to the ACH system on behalf of clients. The term is used interchangeably with merchant services provider, merchant account provider or merchant acquirer.

D

Debit Card

A payment card that is linked electronically to the cardholder's bank account. A debit card requires that sufficient funds to cover a purchase are in the affiliated account for the transaction to be authorized. Unlike a credit card that is a line of credit with issuing bank.

Digital Wallet/E-wallet/Mobile Wallet/M-wallet

Secure digital storage of the owner's payment information such as credit, debit and loyalty cards. It is a necessity to make purchases using mobile pay.

Dip

When chip-enabled card, also known as EMV® or smartcard, is inserted into terminal.

Discount Fee

Fees charged by a merchant account provider to clients for processing services. It includes interchange and assessments paid directly to the credit card associations and issuing banks.

E

EBT

Electronic Benefits Transfer, an electronic system in the U.S. used by state governments to provide financial and material benefits (including unemployment and food benefits) via a plastic debit card.

Electronic Funds Transfer (EFT)

An automated transfer of funds using an electronic medium.

EMV

The global standard used to authenticate credit and debit card transactions with improved data security. Embedded-chip technology launched by EuroPay, Mastercard and Visa and adopted by all major card brands. Every EMV card (smartcard) has a secure microprocessor that creates a unique value for each transaction which helps prevent fraud.

Encryption

The process of translating data into secret code (encoding) to ensure secure transmission. An effective way to help ensure data security and also referred to as end-to-end encryption (E2EE).

I

Interchange

A fee that is set by the credit card associations and paid to their member banks. Interchange is charged to credit card processors, who pass it along to merchants as part of the discount fee. It makes up the largest portion of credit card processing fees.

Issuing Bank

A bank or financial institution that is a licensed member of a credit card network. It provides cardholders with a line of credit for purchases or cash advances. Is responsible for reimbursing an acquirer for purchases made by the cardholder. The issuing bank then bills the cardholder.

M

Merchant Account

The business arrangement between a merchant and a credit card processor that allows the merchant to accept payment cards from customers.

Merchant Account Provider/ Merchant Services Provider/ Merchant Acquirer

The entity that provides merchants with the products and services needed to process payment cards. The provider also acts as an intermediary between the merchants, issuing banks and credit card networks throughout the process. Responsible for depositing the transaction proceeds into the merchant's designated bank account.

Merchant Processing Agreement (MPA)

A contract between a merchant and their merchant account provider that outlines the responsibilities and warranties of all parties involved in credit card processing.

Mobile Credit Card Processing

Processing payment card transactions from a mobile device. With a provided app, a smartphone or tablet turns into an on-the-go terminal.

Monthly Minimum

The amount that a processor charges a merchant if their discount rate, transaction fees and other account fees do not collectively equal a pre-determined amount that's stated in the MPA.

Monthly Processing Limit

The amount of money that a merchant service provider will allow a merchant to process each month, as outlined in their MPA.

Monthly Processing Volume

Gross monthly payment card sales (in dollars) that a merchant processes. This figure is specified in the merchant application for card processing along with the average ticket size. Both are used to help determine processing fees.

MOTO

Abbreviation for mail order/telephone order.

mPOS

Mobile point-of-sale devices enable merchants to accept payment cards anytime and anywhere using an internet connection. A smartphone or tablet can become an mPOS with specific software.

O

Over-Limit Fee

A fee charged by the processor when a merchant exceeds their pre-determined processing volume.

P

Payment Cards

A collective term for credit, debit, prepaid and EBT cards.

Payment Gateway

Software on a third-party provider's server that handles the transmissions between a merchant and their processor. It is required to complete an electronic transaction.

PCI DSS

Stands for Payment Card Industry Data Security Standards. A set of requirements established by the credit card networks to protect cardholder information and reduce data theft. The standards apply to merchants, merchant account providers, issuing banks and the networks. Meeting these requirements is known as being PCI compliant.

PIN

The Personal Identification Number is the digital code that a cardholder enters at the terminal when making a purchase.

PIN Pad/Keypad

Hardware a cardholder uses to enter their PIN at the POS.

POS

It's the abbreviation for point of sale. This is the place where a customer makes payment. POS once referred specifically to credit card terminals at the cash register. Now its application includes mobile, wireless and virtual terminals.

POS Terminal

The electronic equipment used to capture, transmit and receive the information necessary for electronic payment card transactions.

R

Recurring Billing

A transaction charged to a cardholder by a merchant or service provider on a designated periodic basis (weekly, monthly, annually) in payment for products or services. Some examples of recurring billing are association dues, club memberships, charitable donations and subscriptions.

Real-Time Processing

The ability to approve or decline a payment card transaction in seconds while the customer waits.

Retrieval

The first step in the chargeback process. In a disputed transaction, the issuing bank requests a copy of the transaction's physical sales ticket from the merchant.

S

SSL

A Secure Socket Layer is a system for encrypting payment card data sent over the internet.

T

Terminated Merchant File/MATCH

This database is maintained by all third-party processors, banks and other financial institutions. It lists the names of merchants whose privileges to process credit cards and other electronic transactions have been terminated by an acquirer for violation of a merchant processing agreement.

V

Virtual Shopping Cart

A program that is integrated into a website and makes it possible for shoppers to keep a running tally of products and services they plan to purchase. At checkout, the shopping cart connects to a secure payment page where they can complete their purchase with a payment card.

Voice Authorization

A low-tech processing solution typically used by low-volume merchants that requires them to phone an authorization center to process a transaction and receive authorization.

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