

Glossary of Payment Processing Terms



Basis Point: One one-hundredth of 1 percent (0.01%). Example: A change from 1.43% to 1.50% is 7 basis points. 1 basis point on \$100 is \$0.01.

Batch: The accumulation of transactions from a point-of-sale system (POS) or terminal gathered, reconciled, and transmitted for clearing & settlement.

Chargeback: A procedure where a cardholder or the cardholder's bank disputes transactions to payment cards. A disputed card transaction is returned to the acquirer/ISO/MSP for reimbursement to the cardholder's account.

CP: Card Present. The cardholder and credit card are physically present during the transaction.

CNP: Card Not Present. A transaction where the card is not physically present and needs to be hand keyed or is entered by the consumer online.

EMV: Europay, Mastercard, Visa- acronym for chip cards.

Interchange Rate: Card brand fees. Individual rates to process each type of card, usually a percentage and per transaction fee set by the card networks (Visa, Mastercard, Discover, American Express). Over 400 different rates that are determined by type of card, where, & how that card is accepted.

ISO: Independent Sales Organization. A merchant services provider that sells and supports payment services.

Level 2 Data: Data needed when the card is not present for the best interchange rate (Billing Street #, Billing Zip Code, PO #).

Level 3 Data: Additional data that can be passed for lower interchange rates on some Business-to-Business cards.

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MCC: Merchant Category Code. A code designating the principal trade, profession, or line of business in which a merchant is engaged.

MSP: Merchant Services Provider. A company that enables and supports businesses to accept and process payments from customers.

NFC: Near Field Communication (tap to pay).

Net Effective Rate: Rate calculated by dividing the total fees charged by the net sales. This rate gives the merchant an idea of the rate they are paying when all the fees are taken into account.

Pac Fac: Payment Facilitator. A third-party merchant services business that sets up electronic payment and processing services for business owners so they can accept electronic payments online or in-person.

PCI: Payment Card Industry. A set of rules and guidelines that businesses must follow in order to protect cardholder data while supporting credit card transactions.

Qualification Rate: The number of transactions that are qualifying for the best interchange rate put forth by the card brands. Typically, billing street number, billing zip code, and in some cases a PO number need to be passed along by the merchant.

Virtual Terminal: An online portal used to process credit cards, primarily card not present transactions.

Terminal: A countertop device, connected via an IP connection or Wi-Fi to allow for swiping, inserting, or hand keying card information. Primarily used in a retail setting.

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Unnecessary Fees to Look Out for on Your Credit Card Processing Statement:

CE Suite: This product is not useful for 99% of businesses, business analytics tool that Global/Heartland/TSYS and others have added as an “opt out” fee.

Downgrades: Anytime it says Standard, Electronic, Non-Qualified, or EIRF, they did not pass the correct data along with the transaction and are paying a higher %.

Network Security & Compliance: Double dipping on this fee along with PC non-compliance.

PCI Non-Compliance: Fine for being non-compliant with the PCI standards.

Regulatory & Compliance Fee: Triple dipping on PCI, an additional fee for being non-compliant.

Risk Assessment Fee: Added to cover Global Payments risk on their entire portfolio.

Settlement Fee: Added to take the fees out monthly as opposed to daily.