

**frontstream**<sup>TM</sup>  
payments

**Transaction  
Processing**

# Credit card processing glossary

- ▶ Authorization - The process by which a transaction is approved by the customers' Card Issuing Bank. Permission is given to accept a specific transaction or denied it.
- ▶ Batch - A grouping of Credit Card transactions processed by the Merchant and submitted to the Bank for settlement and funding. A batch is usually the day's credit card activity. This usually happens automatically overnight.
- ▶ Chip Card - A credit or debit card embedded with a computer chip for better authentication of the cardholder.

## Credit card processing glossary cont.

- ▶ Chargeback - A dispute initiated by the cardholder and/or the card Issuer.
- ▶ PCI -DSS - Payment Card Industry Data Security Standards. These standards are data security rules and regulations for merchants and organizations that handle, receive, transmit or store the credit card information.
- ▶ Settlement - The process by which merchant and Card-Issuing Banks exchange financial data and funds resulting from credit card transactions and credits.

## Credit card processing glossary cont.

- ▶ Payment Processor - A Payment Processor is a company appointed by a merchant to handle credit and debit card transactions for the merchant's Bank.
- ▶ Issuing Bank - An Issuing Bank is a bank that offers card association credit cards directly to consumers.
- ▶ Interchange Fees - Transaction fees that the merchant's bank account must pay whenever a customer uses a credit/debit card to make a purchase.

# Authorizations

- ▶ The cardholder presents his or her payment details to the merchant in exchange for goods or services.
- ▶ The merchant sends a request for payment authorization to their payment processor. Authorization request may originate from a credit card terminal, Point of Sale system, an eCommerce website gateway, mobile payment, or by other methods.
- ▶ The payment processor submits transactions to the card association, eventually reaching the issuing bank.

## Authorizations cont.

- ▶ The issuing bank approves or declines the transaction based on the current status of the cardholder's account, available credit or debit funds, and other factors. The issuing bank then sends the approval status back along the line to the card association, the merchant bank, and eventually to the merchant.



# Settlement and funding

Merchants send batches of authorized transactions to their payment processor.

The payment processor passes the transactions to the appropriate credit card associations, who forward to the issuing banks.

The issuing bank charges or credits the cardholder's account for the amount of the transactions.

The issuing bank transfers the transactions funds to the merchant's bank, minus interchange fees.

The merchant's bank deposits funds into the merchant's account.