

# Cloudwalk Project

## Understand the Industry

### **1 - Explain the money flow and the information flow in the acquirer market and the role of the main players.**

Since CloudWalk operates in the payment solutions and financial technologies sector, with an emphasis on innovations such as mobile payments, electronic transaction processing, and financial security, I will focus in that business situation.

In the financial sector, the flow of money involves five protagonists:

- Customer: who seeks a consumer good, being the holder of the money.
- Seller: who offers a good or service and receives payments in return.
- Acquirer, those who facilitate the process between financial institutions.
- Credit card issuing financial institution.
- Payment System: Encompasses card networks (such as Visa, Mastercard) and other infrastructures that facilitate communication between merchants, acquirers, and issuers.

### **2 - Explain the difference between acquirer, sub-acquirer and payment gateway and how the flow explained in question 1 changes for these players.**

Cloudwalk assumes a crucial role in the electronic payments sector, serving as a vital link connecting merchants with the global financial system. Operating similarly to a credentialing entity, Cloudwalk extensively handles credit and debit card transactions, facilitating efficient communication between stores and financial institutions for consumer data verification and purchase validation.

About the sub-acquirer topic, we can use Stone, as one illustration of a sub-acquirer. Serving as an intermediary between major acquirers, such as Cloudwalk, and merchants, Stone plays a pivotal role in broadening payment acceptance. This involves collaborating with major acquirers to expand the network of stores that accept electronic transactions.

In the domain of payment gateways, Cloudwalk's Infinity Pay and PayPal function as secure facilitators in the communication between store systems and acquirers. Infinity Pay, developed by Cloudwalk, acts as a tool providing an online credit card terminal for e-commerce, ensuring customers can securely input purchase data during the checkout process. On a global scale, PayPal also serves in this role, streamlining the process of completing online transactions with efficiency and security.

### **3 - Explain what chargebacks are, how they differ from cancellations and what is their connection with fraud in the acquiring world.**

Chargebacks serve as a consumer protection mechanism, affording individuals the opportunity to dispute transactions and seek reimbursement directly from their card issuer. This course of action becomes relevant when cardholders identify unauthorized or fraudulent transactions, encounter issues with delivered goods or services, or observe discrepancies in

transaction details. Chargebacks, therefore, function as a safeguard against potential financial losses.

In contrast, cancellations represent the deliberate termination of a transaction prior to its completion. Unlike chargebacks, cancellations are typically instigated either by the merchant or the customer, signifying a mutual agreement to annul the transaction. Motivations for cancellations may range from alterations in customer preferences to product unavailability or other circumstances warranting the termination of the transaction.

The nexus between chargebacks and fraud in the acquiring world is noteworthy due to the susceptibility of the chargeback process to exploitation. While chargebacks are instituted to protect consumers, unscrupulous actors may engage in fraudulent chargebacks, claiming illegitimacy to secure a refund. This poses a dual challenge for acquirers, requiring a delicate balance between consumer protection and the prevention of misuse within the chargeback system.