

Glossary of Terms A

ABA Routing Number

This 9-digit number is assigned by the American Banker's Association and is used to identify individual banks. When performing an ACH transfer from one bank account to another, this number is used to assist the electronic routing of funds.

Access Number

An access number is a telephone number used by the modem in a computer to communicate with an Internet Service Provider allowing for online access.

ACH (Automated Clearing House) is a paperless entry system controlled by the Federal Reserve. This system is networked with other banks in order to clear and settle debit and credit transactions without the use of physical checks.

Acquirer

Any bank, financial institution, and public or private company that maintains a merchants credit card processing relationship and receives all transactions from the merchant to be distributed to the credit cards issuing banks.

Address Verification Service (AVS)

AVS is a service that helps reduce chargebacks and fraud by verifying a cardholder's billing address with the credit card company before the transaction is approved. AVS is used to reduce the risk involved in Mail Order and Telephone Order transactions. The address verification is not a guarantee that a transaction is valid or will be posted to the merchants account.

Adjustment

A debit or credit to a cardholder or merchant account to correct a transaction error

Articles of Incorporation

This is a legal document that identifies the principals of a corporation and the terms under which a corporation was created.

Authorization

Approval of a card transaction by the cards issuing bank for a specified dollar amount. An authorization indicates only the availability of the card members credit limit at the time the authorization is requested. The authorization is not a guarantee that the funds will be posted to the merchants account.

Authorization Code

This code is given by the credit card issuer and authorizes a specific transaction. This number should be saved for future reference.

Authorization Fee

A communication charge for each transaction (Sale, Credit, Void), and each time a merchant closes a batch of transactions.

Authorize.Net

Authorize.Net is an internet payment gateway commonly used in e-commerce to verify credit card payment transactions. When coupled with shopping cart software, Authorize.Net works somewhat like a virtual terminal. This can also connect with Quickbooks Bookkeeping system.

Average Ticket Size (AVT)

This is the average Visa / MasterCard / Discover dollar amount that a merchant anticipates per sale.

Glossary of Terms B

Back-end Processor

A data processing company that contracts with acquirers to provide communication and processing systems that connect with the interchange systems for clearing and settlement services on behalf of the acquirers.

Basis Points

1/100th of a percentage point is a basis point. In merchant processing terms there are three categories: Qualified, Mid-Qualified, and Non-Qualified. Concerning the discount rate, there is an increase of basis points from Qualified to Mid-Qualified and an increase from Mid-Qualified to Non-Qualified.

Batch Processing

The credit card transactions remaining on a merchant's terminal are stored in an "open" batch. They will remain there unless the merchant "batches out". Once the merchant batches out, the daily sales are submitted for processing, and the batch is now "closed" or "settled".

BIN (Bank Identification Number) The 6 digit range of numbers assigned by the Federal Bureau of Standards and used by card companies to identify their financial transactions. See card ranges for each card type below:

Visa begins with 4 (4XXX XXXX XXXX XXXX)

MasterCard begins with 5 (5XXX XXXX XXXX XXXX)

Discover begins with 6 (6XXX XXXX XXXX XXXX)

American Express begins with 3 (3XXX XXXX XXXX XXX) Note American Express transactions have 1 less digit than Visa, MasterCard or Discover.

Business Financials

Business Financials are a set of reports including a: Profit and Loss Statement, Balance Statement, and Statement of Cash Flow.

Business Type

A merchant's business type is determined by the transactions are processed.

- Retail - Merchants in a face-to-face environment that sell tangible goods. These merchants use conventional terminals and most transactions are usually swiped.
- Service - Merchants in a face-to-face environment that sell services like automobile repair or plumbing. These merchants use conventional terminals and may either swipe transactions or key them in and take a manual imprint.
- Restaurant - Merchants in a face-to-face environment who sell prepared foods. These merchants use conventional terminals and most transactions are usually swiped.
- Hotel – Merchants in a face-to-face environment that sell lodging and hospitality services. These merchants use conventional terminals and either swipe or key in their transactions.
- Mail Order / Telephone Order (MOTO) - Merchants in a non-face-to-face environment that sell tangible goods through mail order or over the telephone. These merchants use software or conventional terminals and all transactions are keyed in.
- Internet - Merchants who process transactions over the internet. The cardholder types in their credit card information online and the transaction is processed in seconds.

Glossary of Terms C

Card

A valid credit card issued under license from Visa U.S.A, Visa International Inc., or MasterCard International, Inc. or any other valid credit card accepted by a merchant.

Card Association

Visa / MasterCard or any other card issuer that provides cards that are accepted by a merchant.

Card Not Present Transactions

Transactions that are processed without the card or the cardholder being present, e.g., phone or internet orders.

Card Present Transactions

Transactions in which the cardholder and the card are present.

Cardholder

The person who the credit card is issued to and whose name is embossed upon the face of the card.

Card Issuer

The financial institution or company that has provided a card to a cardholder.

Chargeback

A chargeback is a reversal of a previous sales transaction and is a dispute process that is initiated by the card issuer.

Chargeback fee

A fixed fee charged to the merchant when a chargeback occurs.

Credit

Transactions or money that have been returned to a card holder for a refund of services or merchandise previously purchased.

Contingent Liability

Contingent Liability refers to a situation created when a merchants processes transactions before the date a cardholder receives the goods or services purchased. Travel agencies and mail order / telephone order merchants pose contingent liability risks to the bank.

Corporate Resolution

A document used by a corporation that designates individuals to allow them to act as signers on behalf of the company.

Credit Report

A credit report is run on every signing principal on the merchant account application and is used to make approval decisions.

Credit Slip

A paper or electronic representation of credit that is issued to a cardholder on a prior credit card sale.

CVV2

A three digit security code that is printed on the back of most credit cards and is sometimes asked by the merchant along with the card information. This code helps aid in reducing fraud in a card-no-present environment and helps validate a genuine Visa / MasterCard credit card.

Glossary of Terms D – F

Debit Networks

A multitude of companies that honor card transactions by debiting the cardholder's checking account for the purchase amount. Debit Networks are smaller than their credit based counterparts and are more numerous.

Discount Rate

This is a percentage fee a merchant pays to Ballistic Merchant Services when a merchant processes a transaction. It is a quoted fee which discounts a percentage for each sale transaction.

Doing Business As (DBA)

The DBA is the business name displayed by the merchant, either with a sign in a physical store or on a website on the internet. Each merchant requires a separate application for each DBA.

Durbin Amendment: When you use your debit, credit or prepaid card at a store, the merchant has to pay an interchange, or "swipe," fee. The fees vary in proportion to perceived security risk, based on the card used, method of payment, and the type of merchant.

e-Commerce

e-Commerce stands for Electronic Commerce. E-Commerce is the process of buying or selling goods or services via the internet. This is most commonly done through a merchant's or service provider's website and usually involves an online catalog and shopping cart. Payments are processed with an online gateway such as Authorize.Net. eBay is another form of e-Commerce.

Electronic Ticket Capture (ETC)

With an ETC system, sales ticket information is "grabbed" electronically. The magnetic strip on the back of a credit card holds the buyer's information. When a card is swiped by the merchant through a terminal, the buyer information is read by the computer system and is merged with the sales information. The ticket is then processed in such a way that is the same as if the merchant made a manual deposit at a bank. This process is normally done in a batch of tickets at the end of the day.

Face-To-Face

In a face-to-face environment, transactions take place with the cardholder and merchant face-to-face. The cardholder either swipes the terminal or signs an imprinted sales draft. This type of transaction has the lowest discount rate as it is considered low risk.

Federal Tax ID Number

This is a 9-digit number assigned by the IRS and is used to track business taxes. All applications are required to specify their Federal Tax ID number. Some smaller merchants who are sole-proprietors may use their personal Social Security Number in place of a Federal Tax ID number.

Fees

Fees for screening and processing, maintenance of a merchant account. **Please see separate attachment for EPS Fees**

Glossary of Terms G - I

Gateway

Also referred to as a “payment gateway” or “electronic gateway”. A gateway is software that authorizes credit card or electronic check transactions over the internet. Authorize.Net is considered a gateway.

Guarantor

A personal guarantor is somewhat like a co-signer. The guarantor agrees to personally guarantee any processing losses Ballistic Merchant Services incurs as a result of doing business with the merchant. A personal credit report may be ordered for review by our underwriters.

Hypercom

Hypercom is a popular manufacture of processing hardware. Their most popular models include the T77, T7P, and T7Plus. They also manufacture a host of accessories such as printers and pin pads.

IC Verify

IC Verify is a type of payment software for PCs and is produced by First Data.

Imprinter

A slide-type device used to create an embossed image of the credit cards characters on to a transcription slip. It is a necessity for all merchants to have a manual imprinter for special case where a physical imprint may be needed.

Independent Contractor/Independent Sales Organization (IC/ISO)

This is an acronym for a registered sales representative, people that have been contracted by a company to sell its merchant processing services throughout the nation.

Integrated Point of Sale (IPOS)

Acronym for “smart” terminals. These are credit card terminals, owned by the same merchant that can be set-up to communicate with each other even if they are in different locations or have different merchant numbers.

Interchange network

An electronic network maintained by Visa, MasterCard, Discover, and American Express that exchanges data relating to the value of card sales and credits among issuers and acquirers.

Interchange Fees

Fees generally collected from acquirers on the Value of their card sales and paid to issuers

Issuing Bank

Any Visa or MasterCard member bank that has a contractual relationship with the cardholders that allows for them to issue cards.

Glossary of Terms K - P

Keyed

When transactions are "keyed" the information from a credit card is typed into the credit card processing equipment (like a terminal or a computer) manually. This allows the merchant to accept credit cards when the card is unavailable such as an over the phone transaction or if the magnetic strip on the back of the card is unreadable to the credit card terminal.

Member Alert to Control High-Risk Merchants (MATCH)

As a way to control high-risk Merchants, MATCH is an alert system that uses an electronic bulletin board to track businesses and people when their merchant account has been reported "terminated" by an acquiring bank.

Merchant Category Code (MCC)

See "SIC Code."

Merchant Identification Number (MID)

This is the number that the FDC assigns to a merchant to identify them along with the credit card processors that they use. It is not to be confused with a merchant processing account number or Terminal Identification Numbers (TIDs).

Monthly Volume (MV)

With Visa and MasterCard transactions, a merchant account is approved to process up to a maximum dollar volume. American Express, Discover, and any other card processing volumes are not included into the calculated monthly volume. This is a major consideration for the underwriter of the file and can determine the type of documentation that will be required for the file.

Payment Gateway

An internet-based service that transports credit card information from a computer terminal or website to a credit card processor.

Personal Identification Number (PIN)

This is the number that is assigned by the bank to cardholders for identification purposes. It can be used as an electronic signature so that ATM transactions and debit card transactions may take place without the card holder's written signature. PIN numbers are also used in online payment processing.

Pin Based Debit

Is a card with a 4 digit pin number attached to a checking or savings account. When the pin number is entered on the terminals pin pad, the merchant received a better qualified rate than just swiping the card alone.

Pin pads

This is a small box-type terminal attachment with a 10-key pad. They are used so that a cardholder may enter their PIN number and are commonly used for debit card transactions.

Point of Sale (POS)

Point of sale is the physical location where the sale is completed, normally referring to the POS terminal which is the credit card terminal equipment.

Purchase Cards

Government agencies or corporations may issue their employees Purchase Cards. A Purchase Card is a credit card, but unlike a regular credit card it can only be used at certain types of merchant locations.

Glossary of Terms Q - R**Qualified Discount Rate**

Discount rates are tiered as the following:

- When conditions are optimum a **Qualified Discount Rate** is given to the merchant. This means that retail transactions are card-swiped and the merchant does an electronic batch settlement (batches-out) at the end of everyday. For Keyed or Internet merchants to receive a Qualified Discount Rate they can obtain an AVS response and an order number. They also need to batch-out.
- **Mid-Qualified Discount Rates** are given to retail merchants when they key a transaction or they do not batch-out at the end of everyday.
- **Non-Qualified Discount Rates** are given when the merchant does key in transactions and they do not Batch-out at the end of everyday.

Refund Policy

Refund Policies depend on the merchant. The merchant decides how and to what extent they can guarantee their products or services to cardholders. Refund or return policies that are very liberal can do a lot to reduce the number of charge-backs that a merchant receives.

Re-presentment

The re-submission by an Acquirer of a previously charged back sale in an attempt to re-charge the Cardholder. Chargebacks require some form of additional documentation confirming the validity of the charge and disputing the chargeback reason.

Retail

See "Business Type"

Retrieval Request

A retrieval request occurs when your customer requests more information about a transaction that appears on the cardholders credit card statement.

Rolling reserve

While some merchants account will require deposits, sometimes substantial, others opt for a rolling reserve system to ensure chargebacks are covered. A rolling reserve is when a percentage of your transactions transfer to a reserve account. This amount is held by the Merchant service provider as a deposit.

Routing Number

See "ABA Routing Number"

Glossary of Terms S –T

Sales Draft

The paper or electronic evidence of a purchase

Settlement

The Process of transferring funds for sales and credits between acquirers and issuers, including the final debiting of a cardholders account and creating a sellers account.

Shopping Cart

When used for internet shopping, a customer can use a shopping cart as they would in a grocery store by placing items inside for eventual purchase. A shopping cart groups the chosen items so that only one online credit card transaction is needed to complete their purchases.

Standard Industry Code/Merchant Category Code (SIC/MCC Code)

These are four-digit, numeric codes that identify merchant business types. There are thousands of SIC codes and all of them are defined by VISA International in the Visa USA Merchant Data Manual.

Swipe

This is physical act of sliding a card through the credit card processing equipment. The machine then reads the magnetic strip on the back of the credit or debit card. An alternative way to accept the credit card, or debit card would be to manually key in the information. However, swiping a card is far more beneficial because it documents the physical presence of the card at the point of sale. All swiped transactions are face-to-face which lessens the chances of credit card fraud.

Terminal Identification Number (TID)

The Terminal Identification Number identifies specific serial-numbered pieces of equipment.

Test Transaction

After downloading a fresh terminal or changing it in some way a test transaction should be done by the merchant to make sure that the terminal is ready to accept a credit card. The following points should be remembered when asking the merchant to complete the test transaction:

- A test transaction should never exceed the amount of \$0.10.
- Make sure that the merchant voids the transaction immediately after it has been completed or at least before they batch out. It must be voided not to be confused with credited.
- A test transaction is the only time when a merchant is permitted to use their own credit card in their own terminal. The merchant should definitely be advised of this condition.

Trade Reference

Trade references are the businesses that extend credit or have business relationships with an applicant. These are needed to see if an applicant makes bill payments in a timely manner and also purchases goods and services from outside sources. Ballistic Merchant Services requests Trade References from all of our MOTO merchant accounts.

Travel and Entertainment (T&E)

This is the term is used when referring to cards like American Express credit cards (Amex) or Diners Club cards. The difference between this type of program and a pure credit card program is that the card holder would normally pay them off every month. Discover card is commonly considered to be a T&E card type but technically it is not.

Electronic Payment Systems Definition of Fees

Discount Visa, MasterCard and Discover This is a percentage fee a merchant pays to Electronic Payment Systems when a merchant processes a transaction. It is a quoted fee which discounts a percentage for each sale transaction. Discount % rate this amount is taken out of each transaction ran through the terminal. (ie retail discount rate of 1.99% on a \$100.00 transaction. Merchant would be charged \$1.99 for the discount rate)

Auth. Fee .25 retail .35 moto this fee is taken every time your terminal dials out for an approval number or batch out the terminal.

ACH Rejection Fee (Only when applies) \$25.00 This fee is charged when we attempt to make a withdraw on an account and the fees come back as unpaid.

Charge back fee (only when applies) \$25.00 This is charged when the card holder disputes charge and a charge back is done.

Cost plus Pricing This is the Visa, MasterCard and Discover cost of interchange plus the additional percentage and transaction fee charged by the processor.

Administration fee \$10.00 A monthly charge for 24/7 access to customer service and Tech support and to receive statement if processing is generated. This fee cannot be waived or altered.

Minimum discount fee (only when applies) \$25.00 A monthly charge (this fee goes down the more you process) If your discount rate is at 1.99% and you ran \$900.00 in sales you're the total amount of \$17.91 will be deducted from the minimum monthly fee leaving a balance owed of \$7.09. CALCULATION :

$$\text{\$900.00} \times 1.99\% = \text{\$17.91} - 25.00 = -7.09$$

Voice Auth. (only when applies) \$0.95 Will be charged each time you contact voice authorization for card issuer approval- you can also contact the number on the back of the card for voice authorization.

Retrieval fee (only when applies) \$12.00 Charged when customer calls in requesting information on a purchase.

Voice Auth. Set up \$4.95 one time charge to be set up in the voice authorization system. This fee is charged the first month of the active account.

Mobile Monthly Fee \$12.95 fee is charged each month to accept credit card transactions via your cellular device or tablet. This is a flat monthly fee, where a discount is charged but NO transaction fee applies.

Surcharges (only when applies)

Surcharges are decided by Visa, MasterCard and Discover depending on card type and how each transaction is ran

Annual fee (also under sec. 3.07 a) \$99.50 will be charged to all active terminals in December of each calendar year regardless of enrollment time.

PCI – DSS Compliance Payment Card Industry Security Standards Council, the standard was created to increase controls around cardholder data to reduce credit card fraud via its exposure. Validation of compliance is done annually and has the fee of \$99.50.

Wireless Fee \$25.00 is charged when you have an active wireless terminal.

Internet Gateway Fee this is a \$15.00 monthly charge depending on which gateway the merchant is connected with.

Warranty Program Covers your terminal(s) for the life of your merchant service account. This will ensure the merchant will have a working terminal sent out to the business within 24-48 hours if ever a replacement is needed. 1 terminal covered for \$9.95/mo 2 or more covered for \$14.95/mo.

EPS 90 Day Definition of Fees

Registration and Encryption fee: \$320.00 fee charged for registering a merchant for the EPS 90 Day program and encrypting the EPS Dejavoo Elite II and RDM check reader for the service. If this fee is charged to the merchant, the agent receives 100% charged. This fee can be lowered or waived by the agent.

Conversion with Guarantee % Per Check:

Single Check Conversion with Guarantee % Per Check:

This fee is similar to the Discount Percentage Rate for the card processing. This is a percentage fee a merchant pays to EPS 90 when the merchant processes a check series /transaction. It is a quoted fee which discounts a percentage for each check sale. The % per check rate is taken out of each check ran through the terminal. (ie % per check rate of 9.50% on a \$2500.00 transaction. Merchant would be charged \$237.50 for the % Per check rate)

Conversion Transaction Fee: \$1.00 this fee is taken every time your terminal/system dials out for an approval for a Conversion with Guarantee check. This fee is charged for each check that is ran. This fee applies for Conversion with Guarantee

Single Transaction Fee: \$0.25 this fee is taken every time your terminal/system dials out for an approval for a check. This fee is charged for each check that is ran. This fee applies for Single Check Conversion with Guarantee

Administration Fee: \$10.00 A monthly charge for 24/7 access to customer service and Tech support and to receive statement if processing is generated. This fee cannot be waived or altered.

Minimum discount fee (only when applies) \$25.00 A monthly charge (this fee goes down the more you process) If your discount rate is at 9.50% and you ran \$250.00 in check sales the merchant would not see this monthly fee.

Annual fee \$99.50 will be charged to all active terminals in December of each calendar year regardless of enrollment time. This fee cannot be waived or lowered.

Internet Gateway Fee this fee is \$19.95 monthly charge for using the EPS90 Online or EPS90 PC version.

This fee cannot be waived or lowered.

