**Understand the Industry**

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

In Brazil, the money flow and the information flow in the acquirer market happens in a few steps. First, the acquirer receives a payment request from the merchant. Then, the acquirer sends the request to the card brand, who will forward it to the issuing bank for approval. So, the issuing bank makes a risk analysis and check if the costumer has funds to pay for the transaction. If everything is good with the issuing bank’s side, it sends an approval back trough the payment chain. When the transaction is approved, the money is deposited into the merchant’s account. In case of dispute or report from the costumer, the issuer is the one who decides whether to proceed with a refund or not.

The main players involved in the transaction flow are the Acquirer Bank, an institution that has authorization to process card transactions, they manage communication between credit associations and business, transaction security and take responsibility for compromised transactions in case of fraud or data breach. The next player, the Issuing Bank, is a financial institution that provides credit and debit cards to costumer on behalf of big card companies (Visa, Mastercard), in payments by card, the funds are transferred from the issuer to the acquirer. They work in the communication between the consumer and the card network, and are also responsible for costumer authentication, checking if the costumer has enough funds to pay for the transaction, for approving or denying credit card applications and providing costumer support. The other two players are the Consumer, who is the card holder starting a transaction and the Merchant, who has a contract with the Acquirer to process credit and debit transactions.

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

An Acquirer is a company specialized in processing debit and credit cards payments on behalf of a merchant. They enable, through their network, for a store to offer different payment conditions to its customers. Examples of acquires are CloudWalk and Stone.

A Sub-Acquirer is a type of intermediary player between acquirer and store. They have a similar role to that of an acquirer, of processing payments and transmitting data to the other players involved in the transaction flow, but they can’t replace an acquirer due to the lack of autonomy to perform all the functionalities of an acquirer. Examples of sub-acquirer are PagSeguro and Paypal.

The payment gateway is the system that transmits data from purchases made in a store at checkout. They are responsible to send this information to the acquirers, card brands and issuing banks, from who they receive a response confirming if the payment was approved or not. The gateway acts as a terminal, integrating all the transactions between the players in a single place.

1. **Explain what KYC (Know Your Costumer) is and how it’s important to the company and the entire payment industry.**

KYC is an element used by financial institutions to fight against financial crime and money laundering. It is the mandatory process of identifying and verifying the client’s identity when they open an account and periodically over time. It involves several steps to establish customer identity, understand the nature of the costumers’ activities, check if the sources of funds are legitimate and assess money laundering risks associated with costumers.

The KYC process is very important because they help to identify and prevent money laundering, terrorism financing and other illegal activities. Financial institutions must comply with KYC regulations, and in case of failure, heavy penalties can be applied by the regulators.