

# What is a Merchant Account?

A **Merchant Account** is a type of business bank account that allows a business to accept and process electronic payment card transactions.

## The Acquirer Contract

The **Merchant Account** is established under an agreement between the **Merchant** and the **Acquiring Bank** for the settlement of payment card transaction.

The agreement typically covers what cards will be accepted, how much the Merchant will pay:

- Per Transaction type.
- Per Chargeback.

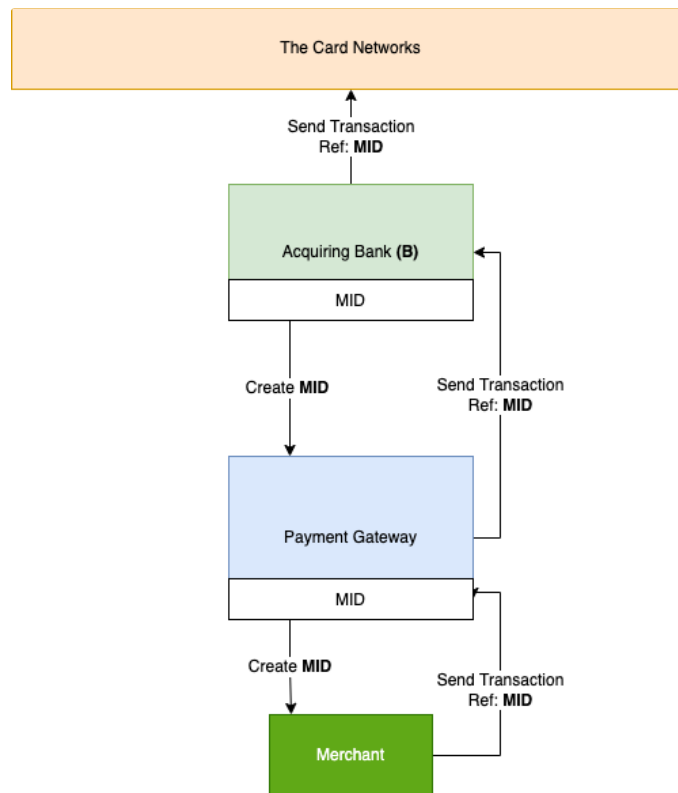
The agreement also covers:

- How frequently he will receives settlements.
- How much will be held in reserve to cover future chargebacks.
- What the maximum allowed chargeback percentage will be.

Once the agreement is signed and the compliance checks completed, the Acquiring bank will issue a **MID (Merchant Identification Number)** this a unique identifier for this Merchant Account, on the card networks.

The **Merchant Payment Gateway**, will then enter this MID into their system and create a local merchant account on their systems.

The **Merchant Payment Gateway**, will then give the **Merchant**, Payment Gateway credentials which he can use to establish the connection to the **Payment Gateway** and transact on this **MID**.



## Merchant Account Properties

A **Merchant Account** has several important properties.

### Cards Accepted

Visa, Mastercard, etc

### Currencies Accepted

The currencies the Merchant Account accepts, EUR, USD, etc.

### Countries Supported

The card issued countries, the Merchant Account supports.

This always references the country in which the card was issued (The country of the bank that issued the card, to the cardholder), not the customers billing address country or the IP country.

It would be the country that you find when entering your first 6-8 digits here: [Free BIN/IIN Lookup Web Service - binlist.net](#)

### Descriptor

The MID descriptor is set by the Acquiring Bank, and it is what appears on your card statement, once you complete a transaction with a Merchant.

For example, when you purchase something on Amazon, the descriptor will probably be “[Amazon.com](#)”.

Payment details	
Statement descriptor	WWW.AUEREHUUS.CH
Amount	CHF 10.00
Fee	CHF 0.59 ⓘ
Net	CHF 9.41
Status	Succeeded
Description	<a href="#">Edit</a>

**The purpose of the descriptor** is to make it easy for the customer to identify the Merchant, and recognize the payment, it plays a big role in reducing chargebacks.

#### Non-website Descriptor:

The descriptor does not have to be the name of the website, it is considered good practise to use a “**support website**” specifically dedicated to the purpose, as the descriptor is limited to 22 characters, so the merchant cannot use a long URL.

#### Not easily changeable:

A descriptor is not easily changeable once the Merchant Account is created, it typically requires multiple weeks, and a lot of paperwork.

#### Soft Descriptors:

There are cases where an Acquirer and a Payment Gateway allow for “**Soft Descriptors**”, which can make the second part of the descriptor dynamic and settable by the Merchant for a specific transaction context, e.g: “[Amazon.com](#) Order 12345”.

#### Ethoca Enrollment:

The descriptor is used when enrolling (registering) a Merchant Account with **Ethoca**, they use it as a **unique identifier** for the specific Merchant Account.

This is not great, as descriptors can be similar or clash, but when Ethoca was created they did not have access to the MID as it was purchased by MasterCard at a later point.

#### MCC (Merchant Category Code):

All Merchant Accounts are created with a single MCC code, the MCC is set by the Acquiring Bank, as they classify your business industry, prior to creating a Merchant Account.

CATEGORY	MCC
A/C, Refrigeration Repair ac_refrigeration_repair	7623
Accounting/Bookkeeping Services accounting_bookkeeping_services	8931
Advertising Services advertising_services	7311
Agricultural Cooperative agricultural_cooperative	0763
Airlines, Air Carriers	4411

The list is created and maintained by the card networks, and can be found here: [S Issuing merchant categories](#)

### MCC code plays a big role in:

- **Acceptance Rates:** The MCC code classifies a business as high-risk, or low risk, and is used by Issuer risk management when determining if they show approve or decline a transaction.
- **Transaction Blocking:** The MCC code is used by issuers, when they issue cards to block the customers ability to purchase certain items. In certain muslim countries, islamic banks issue cards that that will reject all payments with Merchants that are qualified under Gambling, or Alcohol MCC codes. This way the cardholder cannot use the card to pay for alcohol or gambling.
- **Acquiring Bank Pricing:** A Acquiring bank pricing scheme will typically depend on the MCC code the merchant is categorized with. In case of high-risk Merchants they might charge more for transactions and chargebacks, as the transactions carry a higher risk.
- **Verifi Pricing:** Verifi bases their pricing on the Merchant MCC code, the logic being that high-risk merchant would pay more, as their chargebacks are more expensive and their processing history worse, then low risk merchants.
- **Chargeback tolerance:** Visa & Mastercard have different chargeback tresholds for high-risk and low-risk merchant accounts.

### Read More:

You can find more information about MCC codes here: [S Merchant category codes \(MCCs\): Everything businesses need to know | Stripe](#)

### Card Acceptor ID (CAID):

A Card Acceptor ID, or CAID, is a unique identifier that's assigned to a merchant by a card association, like Visa or MasterCard, when they set up a merchant account to process credit card transactions. This identification number is used in transaction processing to identify the specific merchant accepting the payment.

A single Merchant Account has one CAID.

### Verifi Enrollment:

The CAID is used when enrolling a Merchant Account with Verifi.

### Acquirer BIN:

An Acquirer Bank Identification Number (BIN), also known as an Issuer Identification Number (IIN), is a unique number that's assigned by card networks like Visa and MasterCard to financial institutions (acquirers and issuers).

In the same way, that you card issuing bank can be identified by the first 6 digits, (the BIN), the Merchant Account Acquiring bank, can be identified by the a unique number, the Acquirer BIN.

A Acquiring bank typically has multiple BINs, which are split by Visa / Mastercard.

They typically choose to place certain industries on certain BINs to make it easier for issuers to distinguish incoming payment messages.

Note that while traditionally BINs were six digits, due to increasing demand for numbers, a move to an eight-digit IIN was scheduled to take place, as per an announcement by the International Organization for Standardization (ISO) and the American National Standards Institute (ANSI). This transition was expected to take place over the period up to 2022.

### Others:

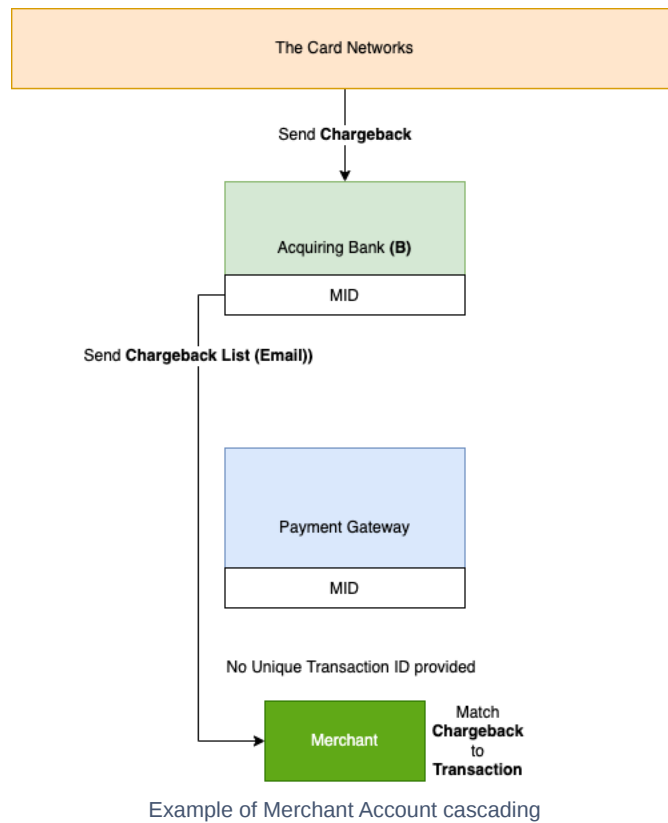
The Payment Gateway, can apply other risk related properties to a merchant account as well, such as:

- **Max ticket amount**
  - The maximum allowed single transaction amount.
- **Max card transaction count**
  - The maximum amount of times in a month the merchant is allowed to charge the same card.
- **And many more...**

## Multiple Merchant Accounts

A **Merchant** can have multiple **Merchant Accounts** with multiple **Acquiring Banks**, which is frequently the case, this is typically done in cases where:

- **Approval Optimization:** The Merchant wants to optimize his transaction approval rates, a local Merchant Account typically has a much higher transaction approval rate, then a foreign one. Approval rates can also be increased re-trying a transaction on another Merchant Account that belongs to the Merchant. Note that this typically also increases transaction costs for the Merchant.
- **Fee Optimization:** The Merchant finds an Acquiring bank that will issue a Merchant Account for him with lower fees on a specific card network, or in a specific country.
- **Increased Coverage:** His existing Merchant Account, does not support locally issued card or a local currency in a specific country.



## Cascading

Cascading payments involves **distributing transactions through multiple payment gateways or channels using smart routing**. If a transaction is declined through one channel, it's moved on to the next for approval. This gives each transaction a higher chance of approval.

## Read more about Merchant Accounts

You can read more about Merchant Accounts at any of the bellow resources, note that the specific sections above also contain "read more" links that cover specific properties.

- [S Merchant accounts: What merchants need to know | Stripe](#)