

LIFE CYCLE OF A TRANSACTION

Every credit card transaction involves multiple parties. The following definitions will give you a good understanding of who's who in the transaction process.



CARDHOLDER
an authorized credit card user/holder.



ISSUER
a financial institution that issues credit cards and maintains a contract with cardholders for repayment. Example: Fifth Third Bank



MERCHANT
an authorized acceptor of credit cards for the payment of goods and services. Example: Macys



ACQUIRER
the acquirer (financial institution or merchant bank) that contracts with the merchant for card acceptance and enables credit card payments from customers. Example: Worldpay from FIS



NETWORKS
the consumer payment systems, whose members are the financial institutions that issue credit cards. Example: Visa



ISO
third party sales partner who signs merchants to accept payments without additional risk to the acquirer/bank.



PLATFORM
an advanced network that acts as an authorization service for credit card transactions, as well as a clearing and settlement service to transfer payment information between parties.

The flow of information and money between these parties—always through the card networks—is known as **the interchange**, and it consists of a few steps:

1 AUTHORIZATION
The cardholder pays for the purchase and the merchant submits the transaction to the acquirer. The acquirer verifies with the issuer—almost instantly—that the card number and transaction amount are both valid, and then processes the transaction for the cardholder.

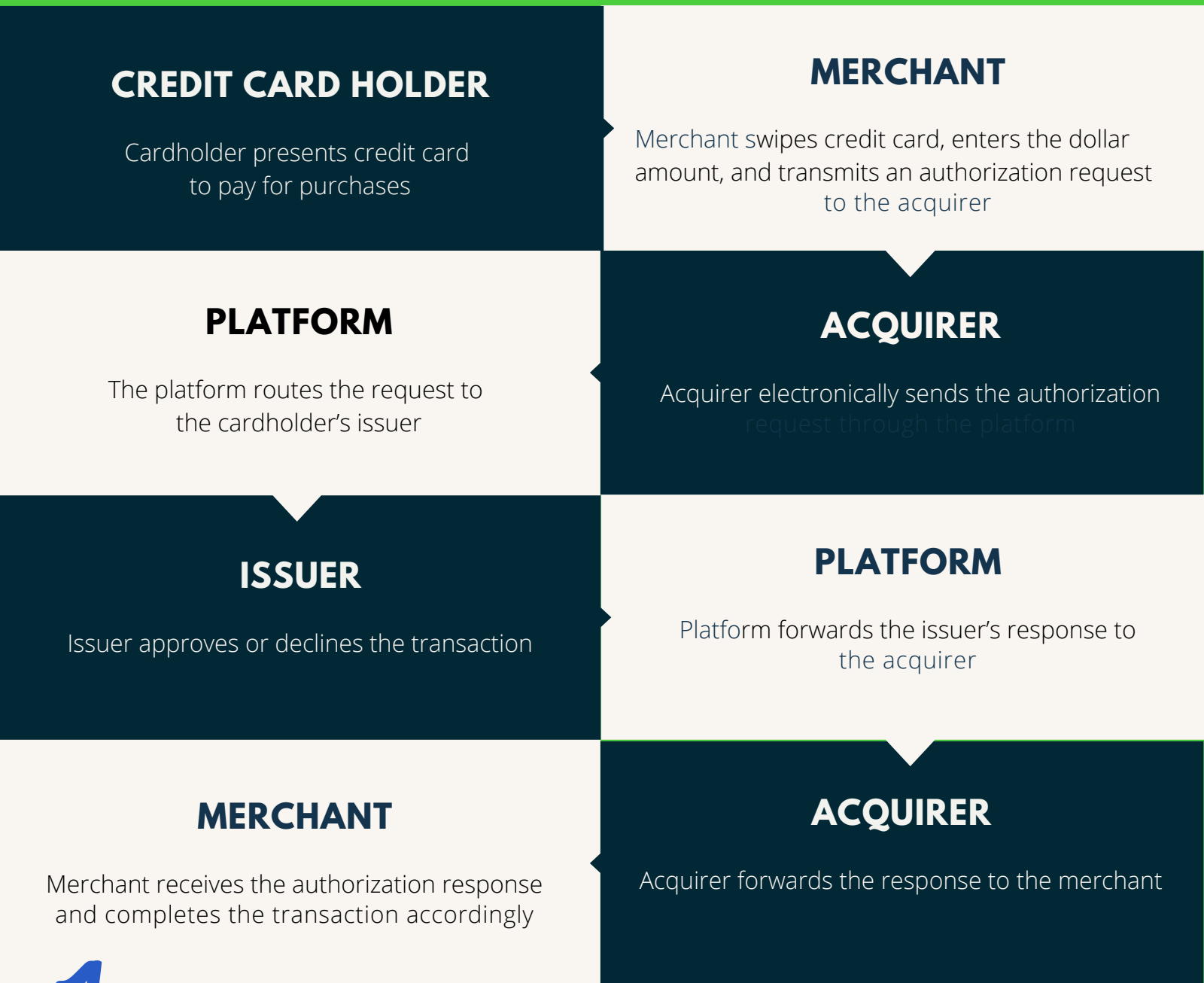
2 BATCHING
After the transaction is authorized it is then stored in a batch, which the merchant sends to the acquirer later to receive payment (usually at the end of the day).

3 CLEARING & SETTLEMENT
The acquirer sends the transactions in the batch through the card association, which debits the issuers for payment and credits the acquirer. In effect, the issuers pay the acquirer for the transactions.

4 CLEARING & SETTLEMENT
Once the acquirer has been paid, the merchant receives payment. The amount the merchant receives is equal to the transaction amount minus the discount rate, which is the fee the merchant pays the acquirer for processing the transaction. The entire process, from authorization to funding, usually takes about 3 days.

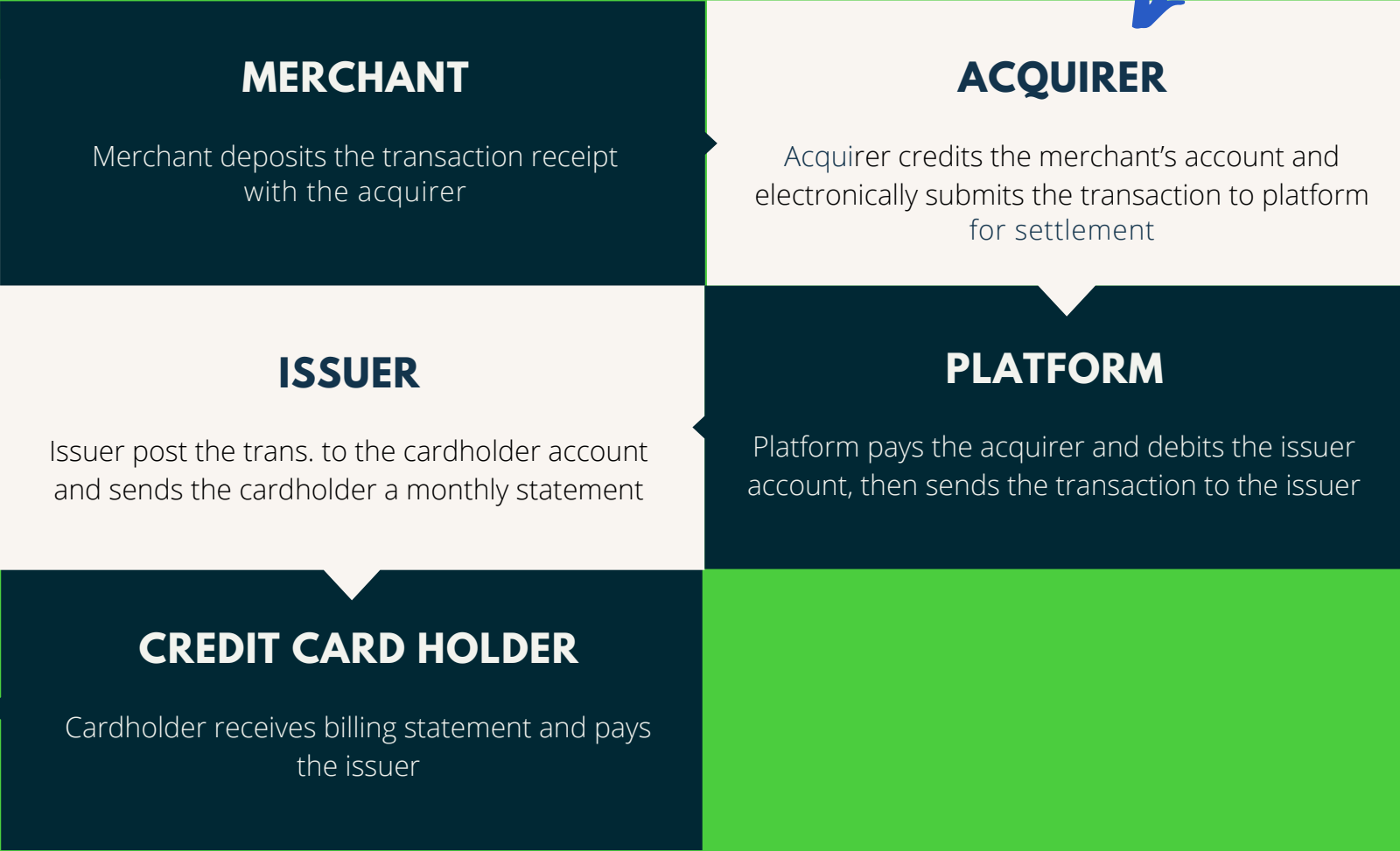
AUTHORIZATION TO SETTLEMENT TRANSACTION FLOW

Merchants, cardholders, and financial institutions are all connected through advanced networks, offering the merchant and cardholders the flexibility, assurance of secure transactions and timely payments. You might not be aware of this but once you use your credit card at any merchant the authorization process is a key part of our business. So what does exactly happen from the moment you make a credit card transaction to the time you receive payment?



Processing a credit card transaction involves three stages:

- 1 Authorization**, where an electronic request is sent through various parties to either approve or decline the transaction
- 2 Clearing** and
- 3 Settlement**, where all parties settle their accounts and get paid



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