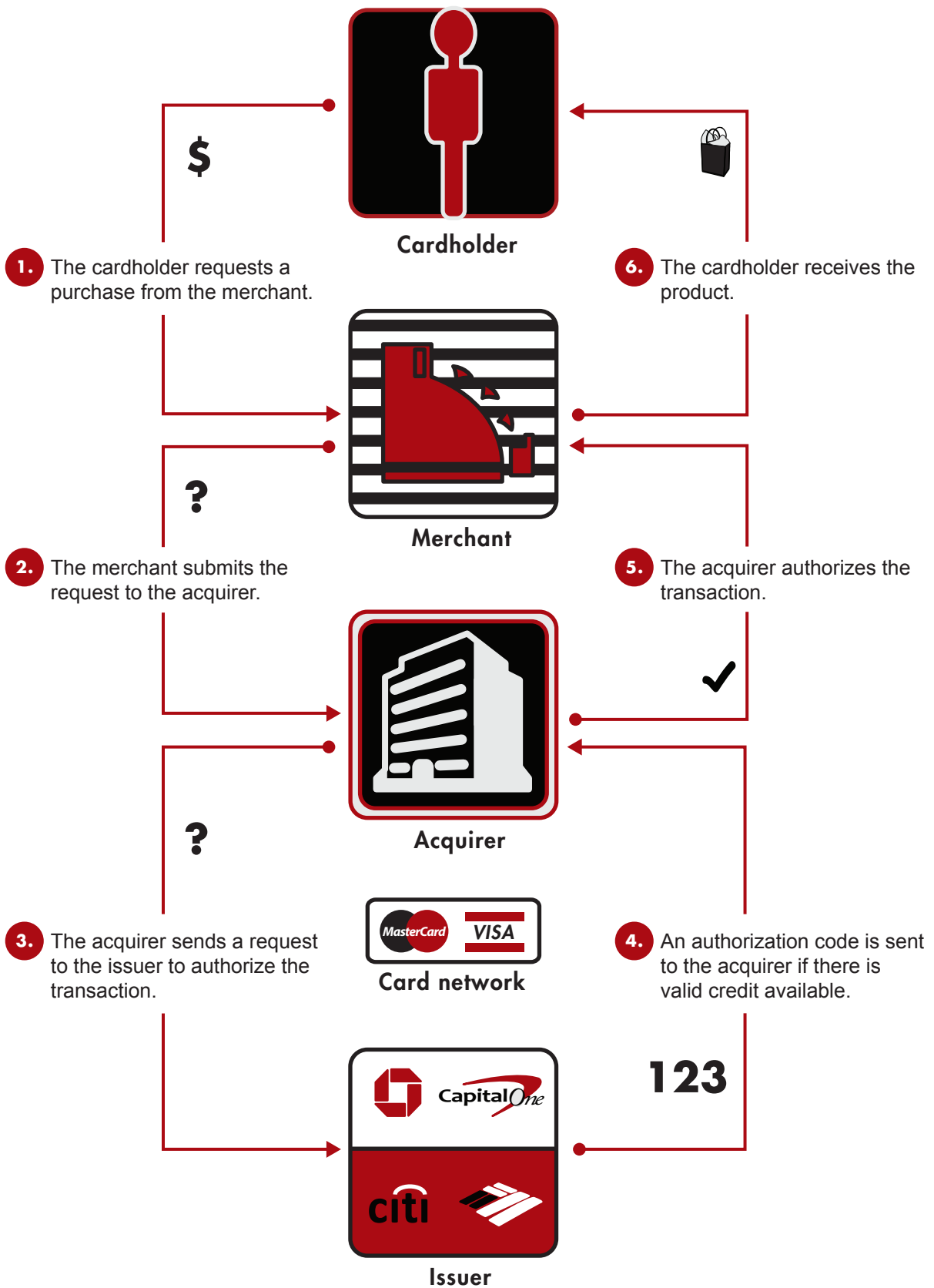


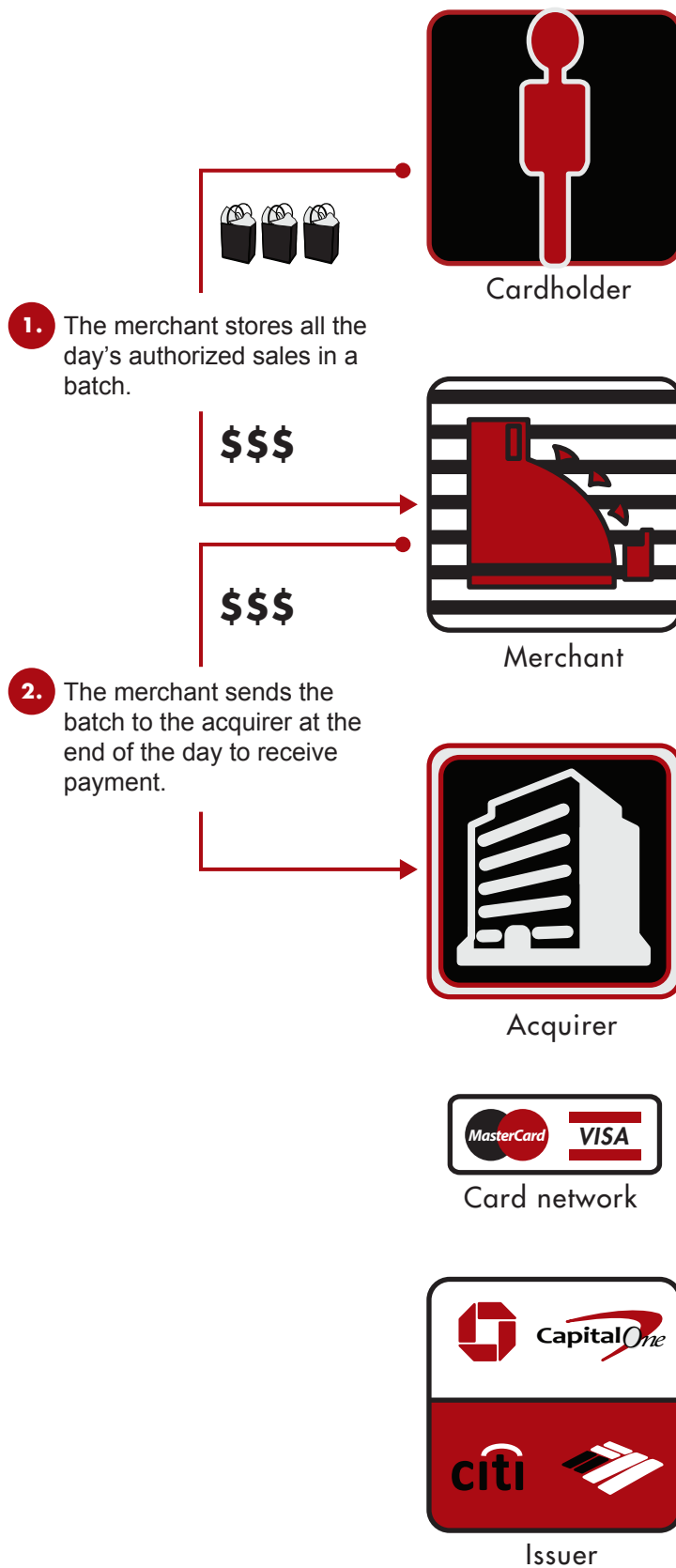
How a credit card is processed

Step 1, Authorization



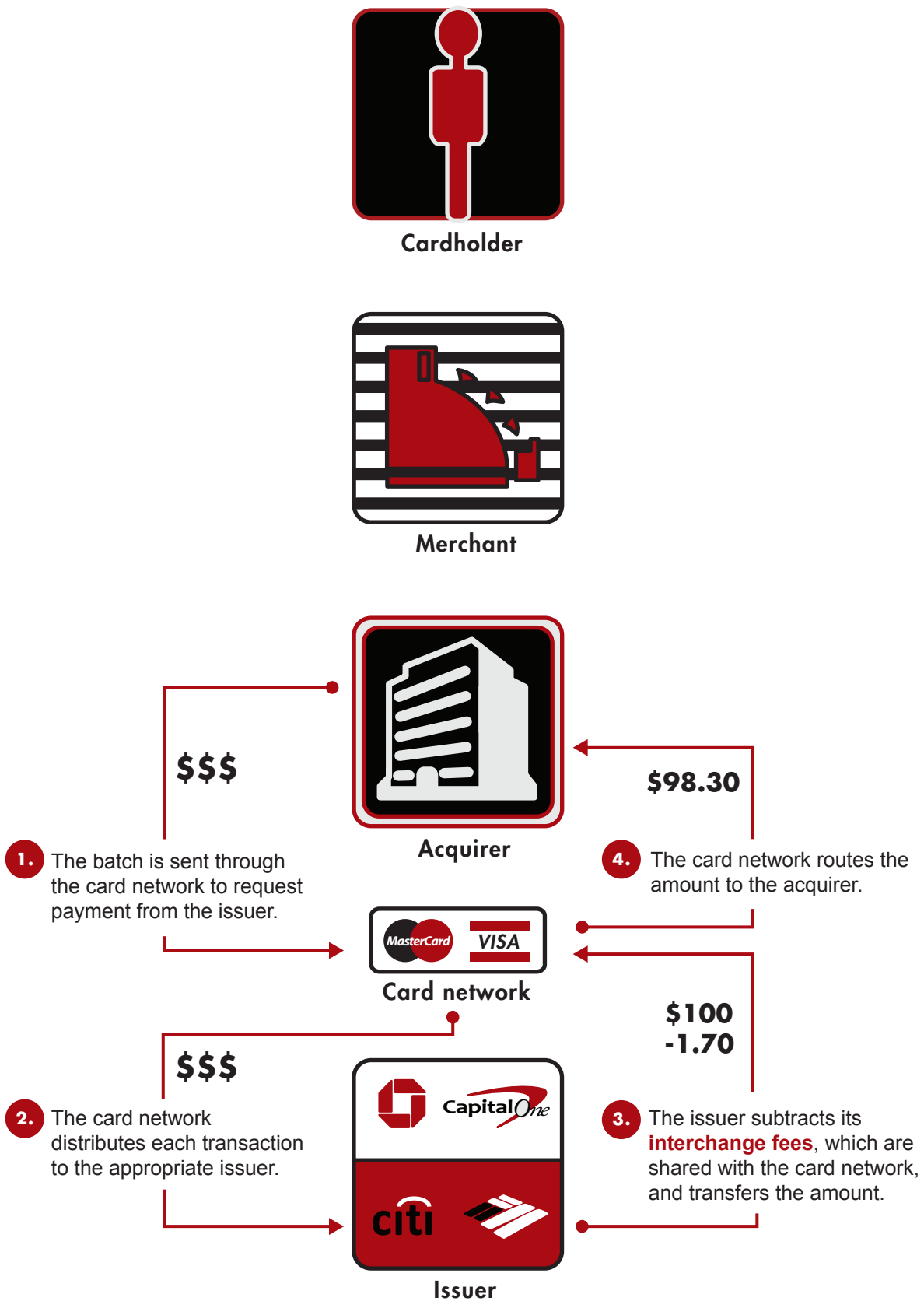
How a credit card is processed

Step 2, Batching



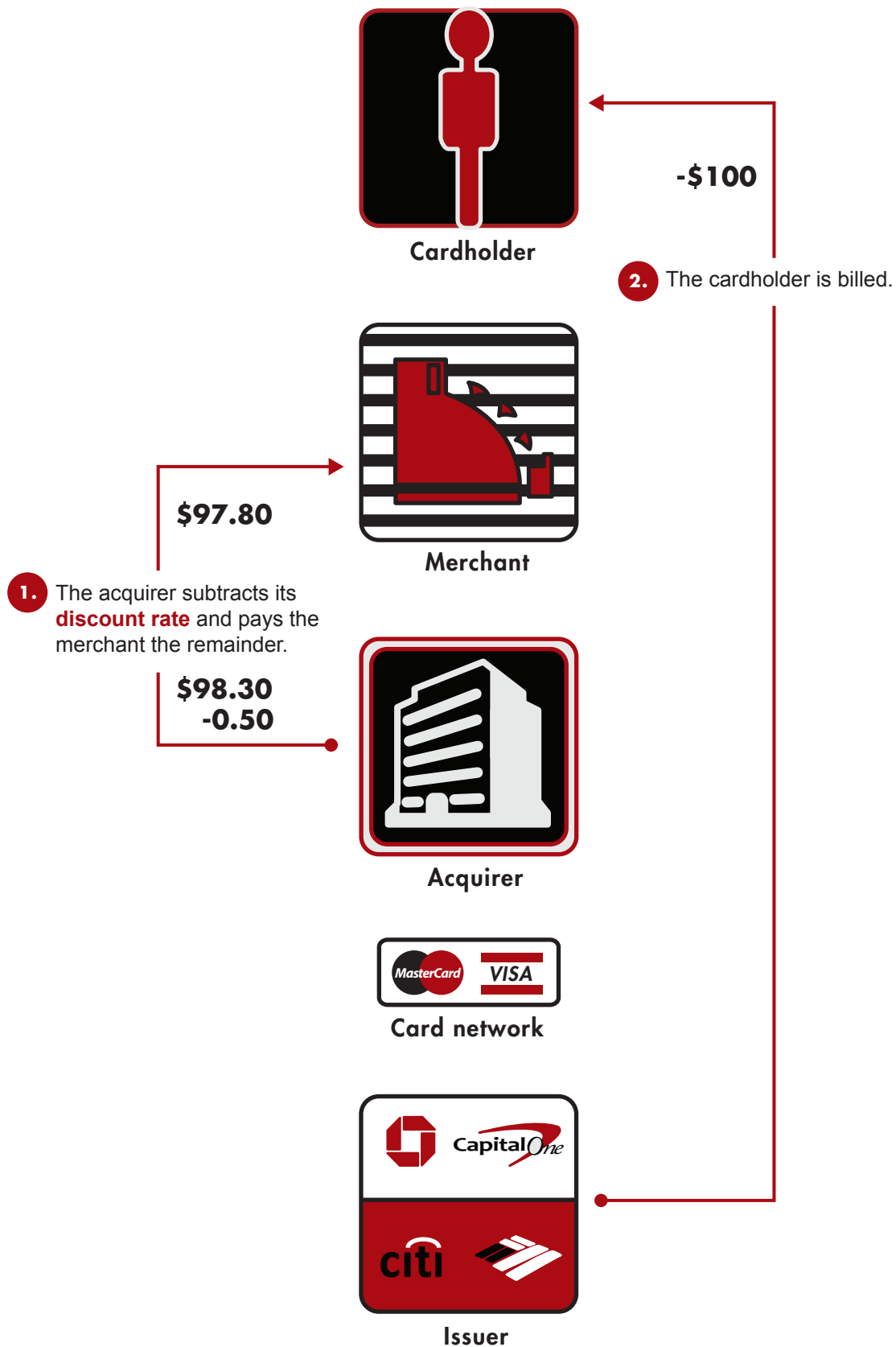
How a credit card is processed

Step 3, Clearing



How a credit card is processed

Step 4, Funding



How a credit card is processed

Glossary

- **Acquirer:** A bank that processes and settles a merchant's credit card transactions with the help of a card issuer.
- **Authorization:** The first step in processing a credit card. After a merchant swipes the card, the data is submitted to merchant's bank, called an acquirer, to request authorization for the sale. The acquirer then routes the request to the card-issuing bank, where it is authorized or denied, and the merchant is allowed to process the sale.
- **Batching:** The second step in processing a credit card. At the end of a day, the merchant reviews all the day's sales to ensure they were authorized and signed by the cardholder. It then transmits all the sales at once, called a batch, to the acquirer to receive payment.
- **Cardholder:** The owner of a card that is used to make credit card purchases.
- **Card network:** Visa, MasterCard or other networks that act as an intermediary between an acquirer and an issuer to authorize credit card transactions.
- **Clearing:** The third step in processing a credit card. After the acquirer receives the batch, it sends it through the card network, where each sale is routed to the appropriate issuing bank. The issuing bank then subtracts its interchange fees, which are shared with the card network, and transfers the remaining amount through the network back to the acquirer.
- **Discount fee:** A processing fee paid by merchants to acquirers to cover the cost of processing credit cards.
- **Funding:** The fourth and final step in processing a credit card. After receiving payment from the issuer, minus interchange fees, the acquirer subtracts its discount fee and sends the remainder to the merchant. The merchant is now paid for the transaction, and the cardholder is billed.
- **Interchange fee:** A charge paid by merchants to a credit card issuer and a card network as a fee for accepting credit cards. They generally range from 1 to 3 percent.
- **Issuer:** An financial institution, bank, credit union or company that issues or helps issue cards to cardholders.