

Background and Description of Credit Card Processing

I. Introduction

The purpose of this document is to explain how credit card transactions are processed and settled. When a cardholder uses a credit card to purchase merchandise or obtain a cash advance, the transaction moves through a process that involves authorization, clearing and settlement. Each step of the process involves an exchange of transaction data and money that must be settled and balanced. This process ends when the cardholder pays for the merchandise or the cash advance listed on his/her monthly statement.

II. General Description of Credit Card Transactions

A. PARTIES INVOLVED IN TRADITIONAL CREDIT CARD TRANSACTIONS

In its simplest form, a credit card transaction involves four parties:

- the cardholder, the person who has been issued the credit card;
- the merchant, the entity where the shopping occurs;
- the credit card issuer, the bank that grants credit to the consumer and provides the credit card; and
- the acquiring bank, the bank that facilitates transaction clearing and funds movement on the merchant's behalf.



Cardholder

The person who has been issued the credit card.



Merchant

The entity where the shopping occurs.



Credit Card Issuer

The bank that grants credit to the consumer and provides the credit card.



Acquiring Bank

The bank that facilitates transaction clearing and funds movement on the merchant's behalf.

Background and Description of Credit Card Processing

B. CREDIT CARD TRANSACTIONS – A THREE-STEP PROCESS

All credit card transactions involve a three-step process: authorization, clearing and settlement. The actual transaction flow is outlined on the following pages.

1. Authorization

When a cardholder makes a purchase using a credit card, the merchant must obtain authorization for the purchase from the bank that issued the card. Authorization allows the cardholder to initiate a loan from the credit card issuer that will ultimately need to be repaid. The authorization is a request to make funds available to the merchant for the purchase.

To begin the process, the cardholder either: (i) presents the credit card to a sales clerk, (ii) provides the cardholder account number and expiration date to a clerk over the telephone, through a web site or by fax. The merchant either swipes the credit card in a credit card reader or manually keys the account number and expiration date into an electronic form (such as a merchant's web site).

The merchant transmits the authorization request to its acquiring bank who transmits the request to the credit card issuer.

If the authorization request meets the credit card issuer's requirements (e.g., within available credit limits), a reply is returned to the merchant, via the same electronic chain, indicating that the request has been approved. If the authorization request does not meet the credit card issuer's requirements, the merchant is informed that the requested transaction has been declined.

2. Clearing

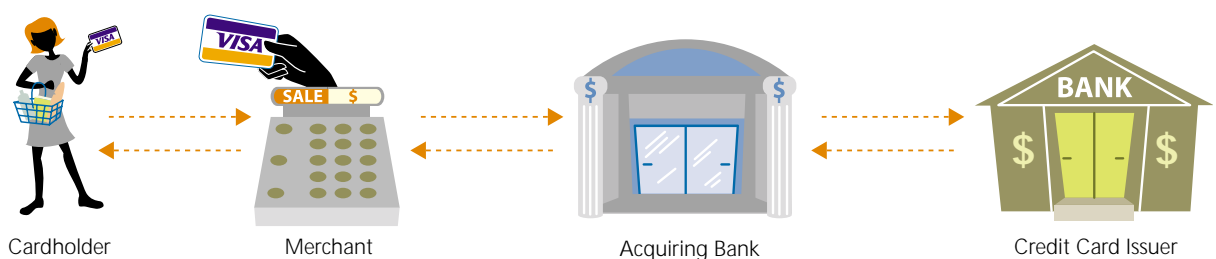
If the transaction is approved, the next step is "clearing." In this phase, the acquiring bank obtains basic transaction data from the merchant such as the amount, date and location of the purchase, and sends the information to the credit card issuer for posting to the monthly credit card statement.

3. Settlement

The final step is "settlement" in which funds are collected from the credit card issuer and transmitted to the merchant. When a consumer makes a purchase with a credit card, the merchant does not receive payment at the time of the purchase.

The credit card issuer electronically purchases the cardholder's transaction from the acquiring bank, relying on connections between the credit card issuer and the acquiring bank. The acquiring bank credits the merchant's checking account. The credit card issuer then sends payment to the acquiring bank. The cardholder receives a monthly statement and settles with the credit card issuer for purchases made using the credit card.

CREDIT CARD TRANSACTION FLOW



III. Credit Card Processing Evolves

As the credit card market evolved during the mid-1970's, Visa and MasterCard were formed to establish rules and regulations governing the process and to build brand-identification for wider acceptance of credit cards. During that same time period, third-party processors, both issuing and acquiring (e.g. First Data), were formed to provide back office support and transaction processing. This resulted in reduced costs and more financial institutions entering the market.

This section highlights the flow of credit card transactions when Visa and third party processors are also involved. The transactions now involve seven parties:

- the cardholder, the person who has been issued the credit card;
- the merchant, the entity where the shopping occurs;
- the acquiring bank, the bank that facilitates transaction clearing and funds movement on the merchant's behalf;
- the acquiring processor (e.g., First Data), which processes acquirers' credit card transactions through the financial network on behalf of the acquiring bank;
- Visa, a governing organization for Visa credit card transactions;
- the credit card issuer-processor (e.g., First Data) that processes the transaction for the credit card issuer; and
- the credit card issuer (a Visa member) that has issued the consumer's credit card



Cardholder

The person who has been issued the credit card.



A governing organization for Visa credit card transactions.



Merchant

The entity where the shopping occurs.



The processor that processes the transaction for the credit card issuer.



Acquiring Bank

The bank that facilitates transaction clearing and funds movement on the merchant's behalf.



Credit Card Issuer

The bank that grants credit to the consumer and provides the credit card.

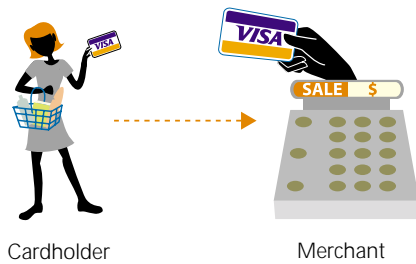


The processor which processes acquirers' credit card transactions through the financial network on behalf of the acquiring bank.

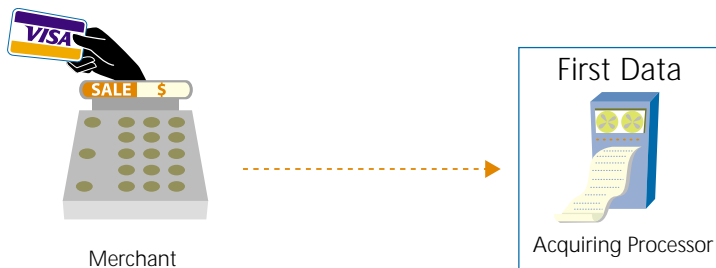
IV. Credit Card Transactions Involving Visa

A. THE AUTHORIZATION OF A CREDIT CARD TRANSACTION INVOLVES THE FOLLOWING STEPS:

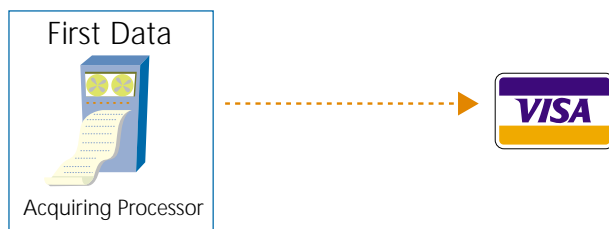
1. The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.



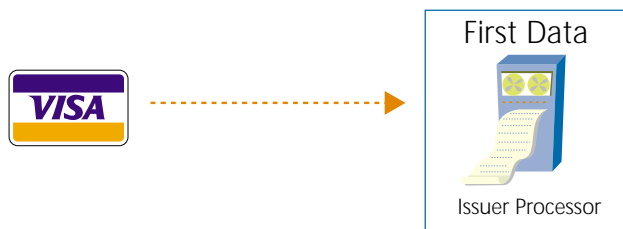
2. The merchant sends the authorization request, which includes card data and sales amount to the acquiring processor (e.g. First Data).



3. The acquiring processor (e.g. First Data) routes the authorization request to Visa.

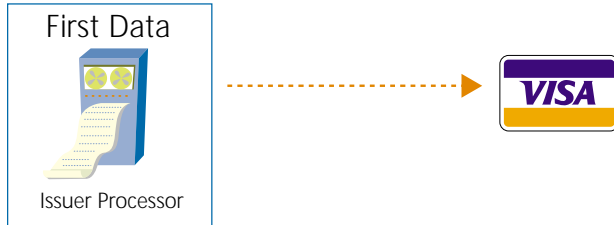


4. Visa routes the transaction to the credit card issuer processor (e.g. First Data)

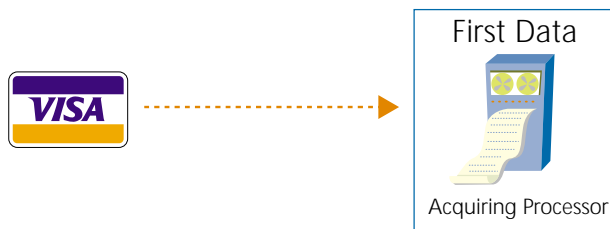


Background and Description of Credit Card Processing

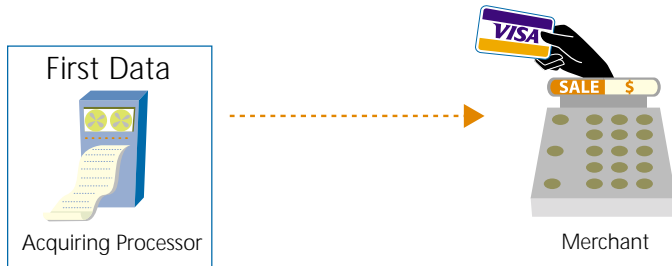
5. If the cardholder has sufficient unused credit and security data meets the criteria, the credit card issuer processor (e.g. First Data), on behalf of the credit card issuer, authorizes the transaction and sends the authorization approval to Visa.



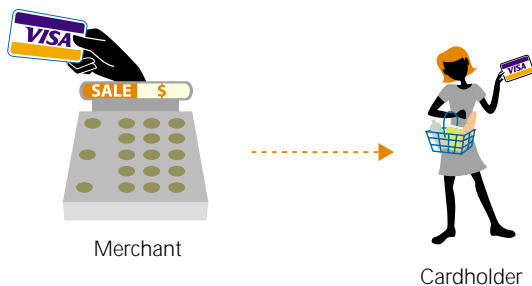
6. Visa then forwards the authorization response to the acquiring processor (e.g. First Data).



7. The acquiring processor (e.g. First Data) sends the approval (or decline) code to the merchant's point of sale terminal.



8. The merchant completes the transaction with the cardholder.

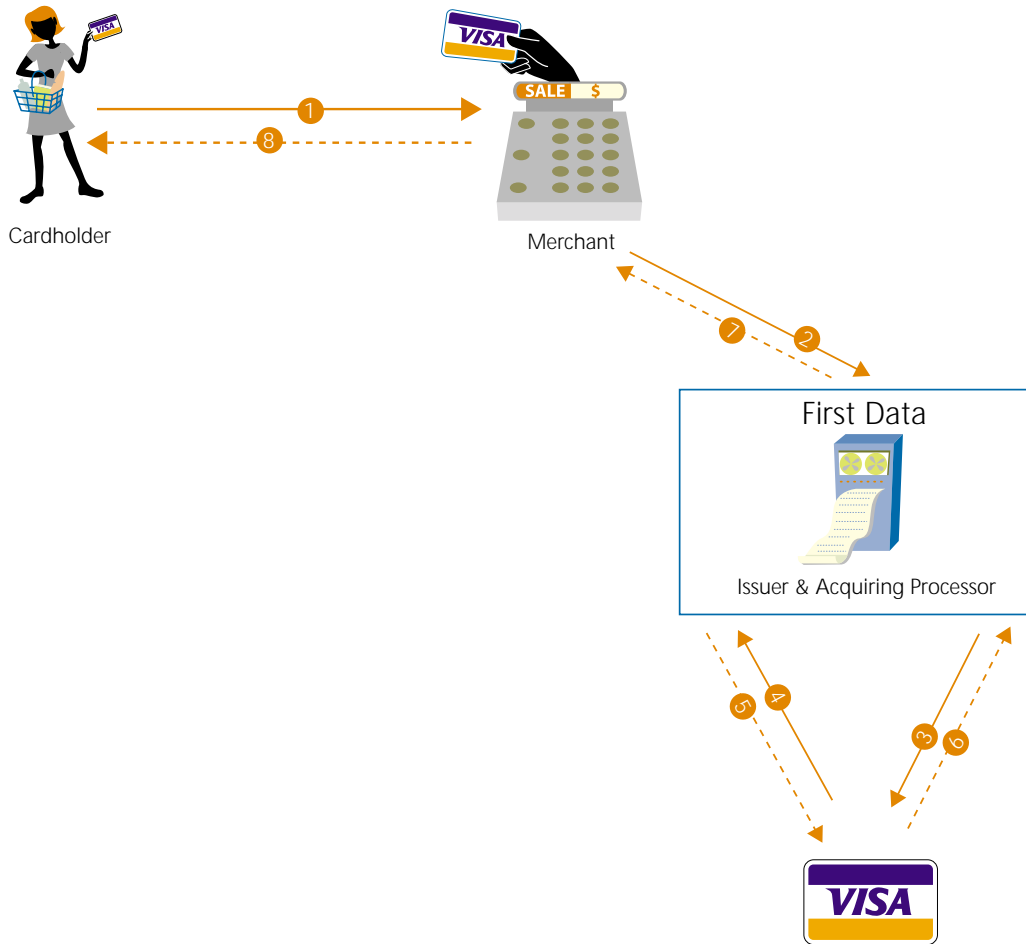


Background and Description of Credit Card Processing

The complete authorization flow is outlined below:

AUTHORIZATION FLOW

Diagram 1

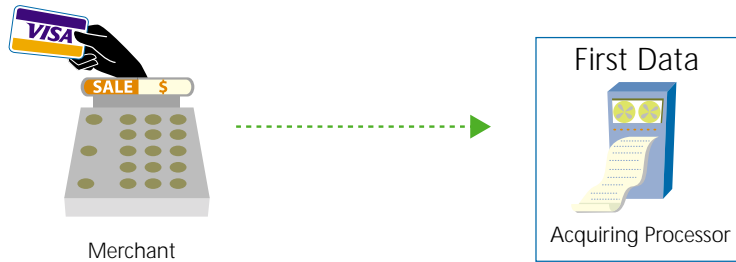


- 1 The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.
- 2 The merchant sends the authorization request, which includes card data and sales amount to the acquiring processor (e.g. First Data).
- 3 The acquiring processor (e.g. First Data) routes the authorization request to Visa.
- 4 Visa routes the transaction to the credit card issuer processor (e.g. First Data)
- 5 If the cardholder has sufficient unused credit and security data meets the criteria, the credit card issuer processor (e.g. First Data), on behalf of the credit card issuer, authorizes the transaction and sends the authorization approval to Visa.
- 6 Visa then forwards the authorization response to the acquiring processor (e.g. First Data).
- 7 The acquiring processor (e.g. First Data) sends the approval (or decline) code to the merchant's point of sale terminal.
- 8 The merchant completes the transaction with the cardholder.

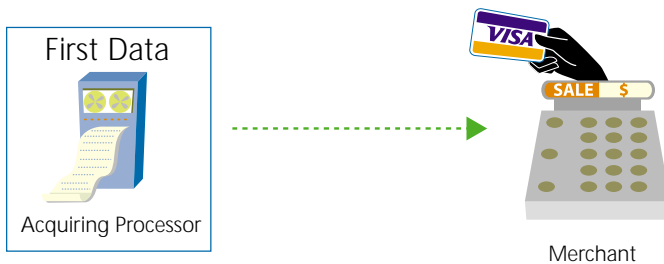
Background and Description of Credit Card Processing

B. THE CLEARING OF A CREDIT CARD TRANSACTION INVOLVES THE FOLLOWING STEPS:

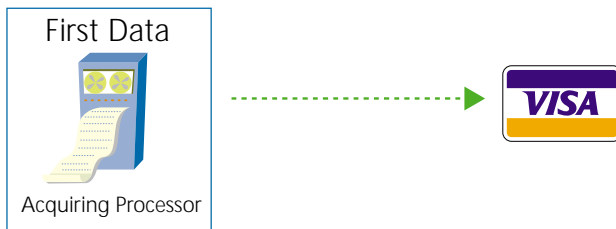
9. At the end of the business day, the merchant sends the sales transaction data to the acquiring processor (e.g. First Data).



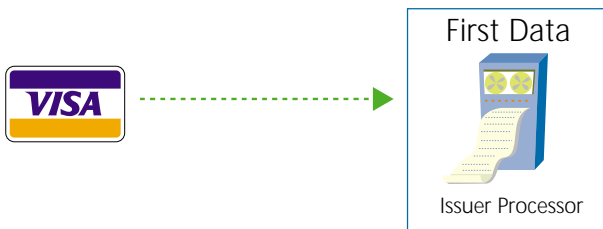
10. The acquiring processor (e.g. First Data) posts the sales transaction data to the merchant's account.



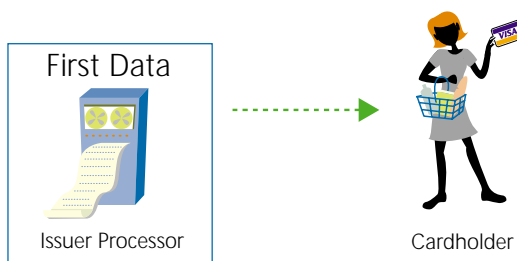
11. The acquiring processor (e.g. First Data) transmits the sales transaction data to Visa.



12. Visa transmits the sales transaction data to the credit card issuer processor (e.g. First Data).



13. The credit card issuer processor (e.g. First Data) posts the sales transaction data to the cardholder account.

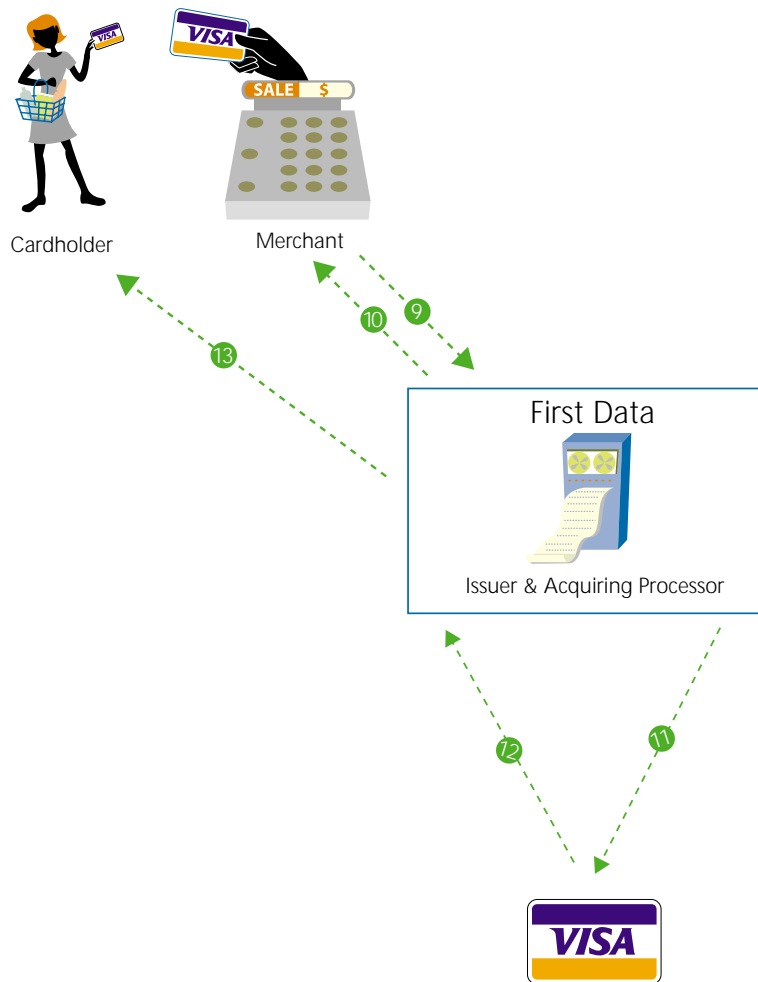


Background and Description of Credit Card Processing

The complete clearing transaction flow is outlined below:

CLEARING FLOW

Diagram 2

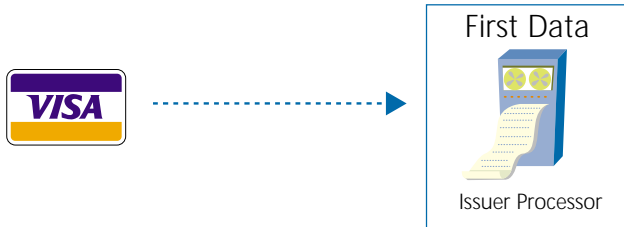


- 9 At the end of the business day, the merchant sends the sales transaction data to the acquiring processor (e.g. First Data).
- 10 The acquiring processor (e.g. First Data) posts the sales transaction data to the merchant's account.
- 11 The acquiring processor (e.g. First Data) transmits the sales transaction data to Visa.
- 12 Visa transmits the sales transaction data to the credit card issuer processor (e.g. First Data).
- 13 The credit card issuer processor (e.g. First Data) posts the sales transaction data to the cardholder account.

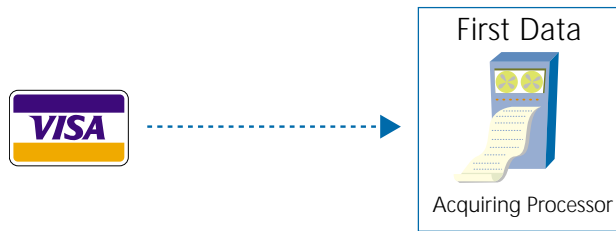
Background and Description of Credit Card Processing

C. THE SETTLEMENT OF A CREDIT CARD TRANSACTION INVOLVES THE FOLLOWING STEPS:

14. Visa transmits a net settlement amount (sales draft amount less a fee) to the credit card issuer processor (e.g. First Data).



15. Visa transmits the net settlement amount to the acquiring processor (e.g. First Data).



16. The credit card issuer processor (e.g. First Data) transmits the net settlement amount to the credit card issuer.



17. The acquiring processor (e.g. First Data) transmits the net settlement amount to the acquiring bank.



Background and Description of Credit Card Processing

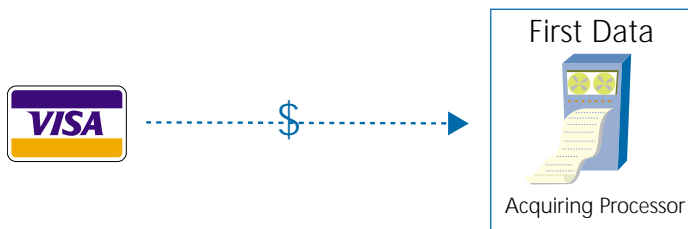
18. The credit card issuer processor (e.g. First Data) collects the requested amount from the credit card issuer.



19. The credit card issuer processor (e.g. First Data) pays Visa the requested amount.



20. Visa wires the payment to the acquiring processor (e.g. First Data).

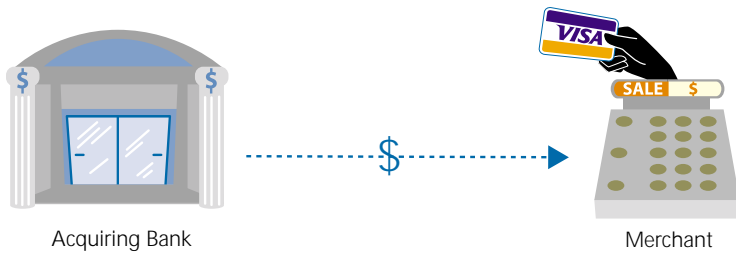


21. The acquiring processor (e.g. First Data) pays the acquiring bank.

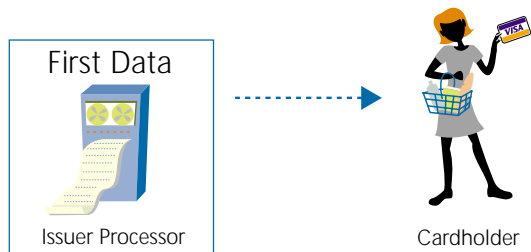


Background and Description of Credit Card Processing

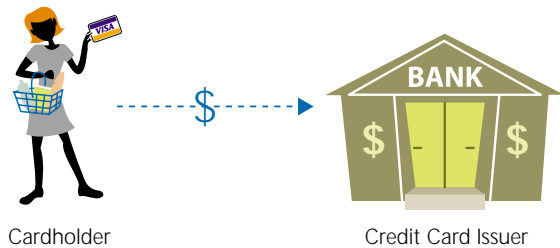
22. The acquiring bank deposits the payment into the merchant's account.



23. The credit card issuer processor (e.g. First Data) on behalf of the credit card issuer, sends a credit card statement to the cardholder.



24. The cardholder pays the credit card issuer.

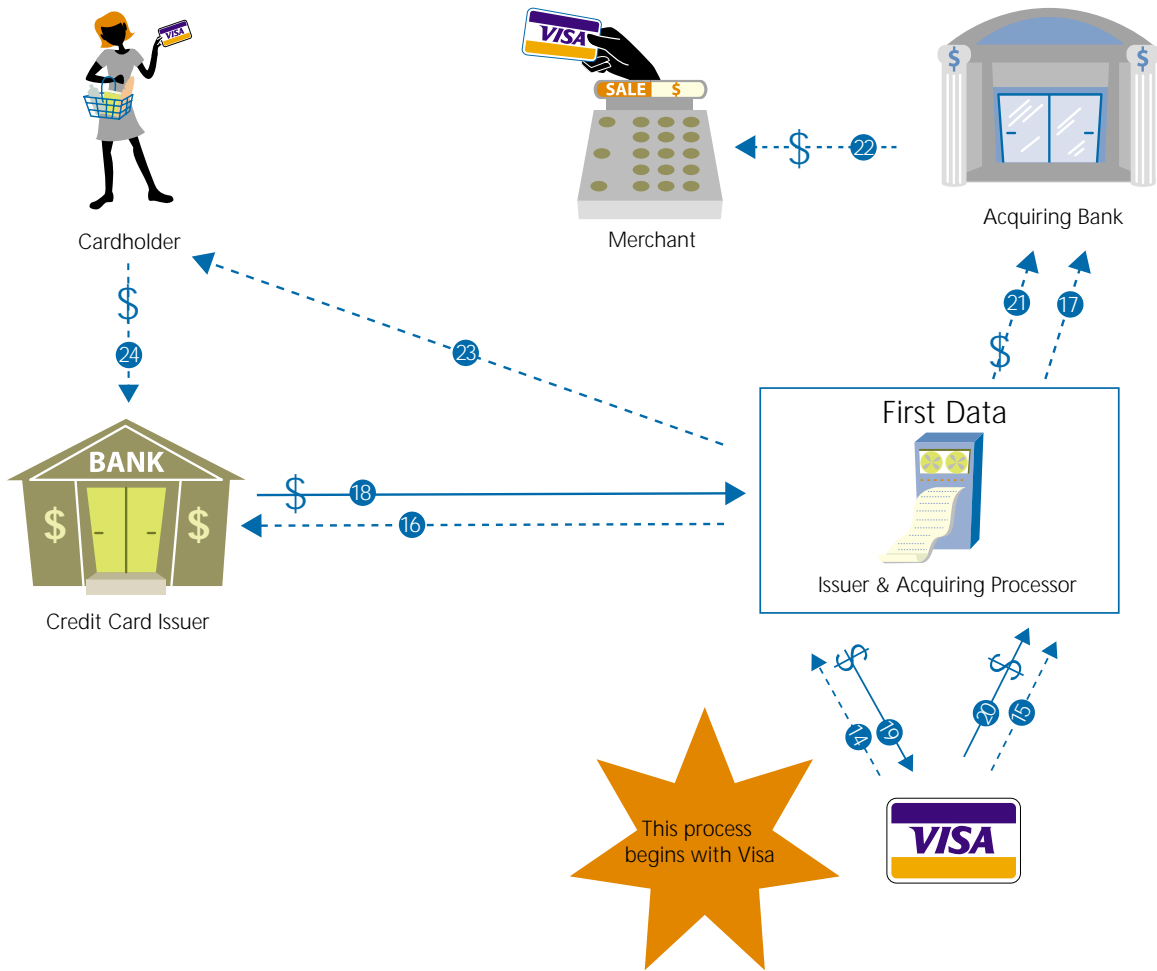


Background and Description of Credit Card Processing

The complete settlement flow is outlined below:

SETTLEMENT FLOW

Diagram 3



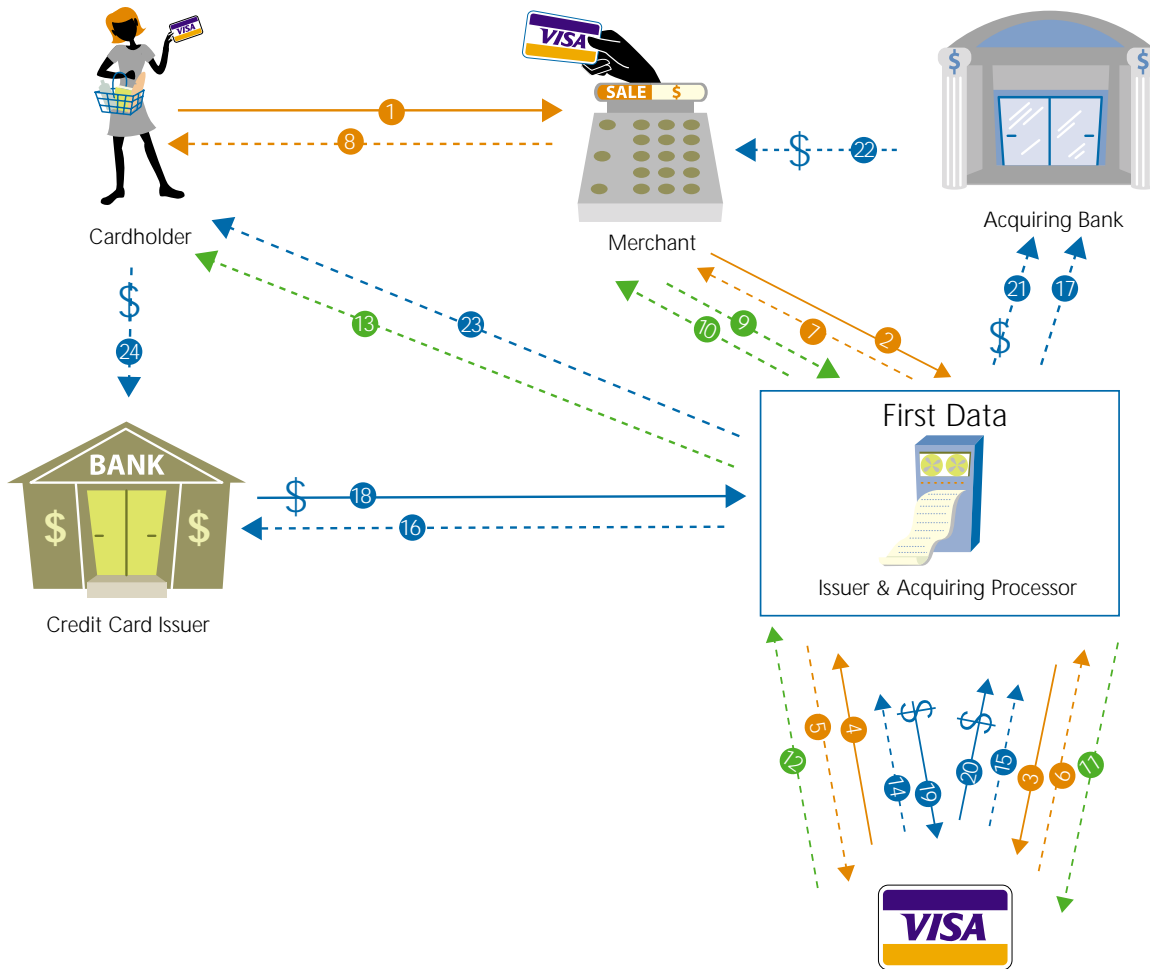
- 14 Visa transmits a net settlement amount (sales draft amount less a fee) to the credit card issuer processor (e.g. First Data).
- 15 Visa transmits the net settlement amount to the acquiring processor (e.g. First Data).
- 16 The credit card issuer processor (e.g. First Data) transmits the net settlement amount to the credit card issuer.
- 17 The acquiring processor (e.g. First Data) transmits the net settlement amount to the acquiring bank.
- 18 The credit card issuer processor (e.g. First Data) collects the requested amount from the credit card issuer.
- 19 The credit card issuer processor (e.g. First Data) pays Visa the requested amount.
- 20 Visa wires the payment to the acquiring processor (e.g. First Data).
- 21 The acquiring processor (e.g. First Data) pays the acquiring bank.
- 22 The acquiring bank deposits the payment into the merchant's account.
- 23 The credit card issuer processor (e.g. First Data) on behalf of the credit card issuer, sends a credit card statement to the cardholder.
- 24 The cardholder pays the credit card issuer.

Background and Description of Credit Card Processing

The entire transaction flow is shown below.

VISA PROCESSED TRANSACTIONS

Diagram 4



The transaction flow including Visa and third party processors involves 24 steps.

- authorization flow
- clearing flow
- settlement flow

Background and Description of Credit Card Processing

AUTHORIZATION FLOW

- 1 The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.
- 2 The merchant sends the authorization request, which includes card data and sales amount to the acquiring processor (e.g. First Data).
- 3 The acquiring processor (e.g. First Data) routes the authorization request to Visa.
- 4 Visa routes the transaction to the credit card issuer processor (e.g. First Data)
- 5 If the cardholder has sufficient unused credit and security data meets the criteria, the credit card issuer processor (e.g. First Data), on behalf of the credit card issuer, authorizes the transaction and sends the authorization approval to Visa.
- 6 Visa then forwards the authorization response to the acquiring processor (e.g. First Data).
- 7 The acquiring processor (e.g. First Data) sends the approval (or decline) code to the merchant's point of sale terminal.
- 8 The merchant completes the transaction with the cardholder.

CLEARING FLOW

- 9 At the end of the business day, the merchant sends the sales transaction data to the acquiring processor (e.g. First Data).
- 10 The acquiring processor (e.g. First Data) posts the sales transaction data to the merchant's account.
- 11 The acquiring processor (e.g. First Data) transmits the sales transaction data to Visa.
- 12 Visa transmits the sales transaction data to the credit card issuer processor (e.g. First Data).
- 13 The credit card issuer processor (e.g. First Data) posts the sales transaction data to the cardholder account.

SETTLEMENT FLOW

- 14 Visa transmits a net settlement amount (sales draft amount less a fee) to the credit card issuer processor (e.g. First Data).
- 15 Visa transmits the net settlement amount to the acquiring processor (e.g. First Data).
- 16 The credit card issuer processor (e.g. First Data) transmits the net settlement amount to the credit card issuer.
- 17 The acquiring processor (e.g. First Data) transmits the net settlement amount to the acquiring bank.
- 18 The credit card issuer processor (e.g. First Data) collects the requested amount from the credit card issuer.
- 19 The credit card issuer processor (e.g. First Data) pays Visa the requested amount.
- 20 Visa wires the payment to the acquiring processor (e.g. First Data).
- 21 The acquiring processor (e.g. First Data) pays the acquiring bank.
- 22 The acquiring bank deposits the payment into the merchant's account.
- 23 The credit card issuer processor (e.g. First Data) on behalf of the credit card issuer, sends a credit card statement to the cardholder.
- 24 The cardholder pays the credit card issuer.

D. VISA'S ROLE IN CREDIT CARD TRANSACTION PROCESSING

In the authorization, clearing and settlement process outlined above, each transaction passes through Visa's network, known as VisaNet. Visa is a "middleman" between the acquiring processor (e.g. First Data) and the credit card issuer processor (e.g. First Data). This occurs even when the processor is the same for the credit card issuer and acquirer.

Visa's original role was developed around building a universal brand and expanding acceptance of the credit card. Over the years, Visa has expanded its role and moved beyond brand recognition and expanded acceptance. Today, many of the products and services offered by Visa directly compete with offerings made by processors. This includes products such as: Verified by Visa, PLUS, Interlink, Visa Bucks, Vital, Inovant, Resolution On-Line, and Bank Money Transfers.

Visa charges various fees for its services, including a transaction-processing fee (broken out by authorization and clearing), a processing guarantee fee and a package of assessment fees. In addition, Visa sets the interchange fee charged by credit card issuers to acquiring banks.

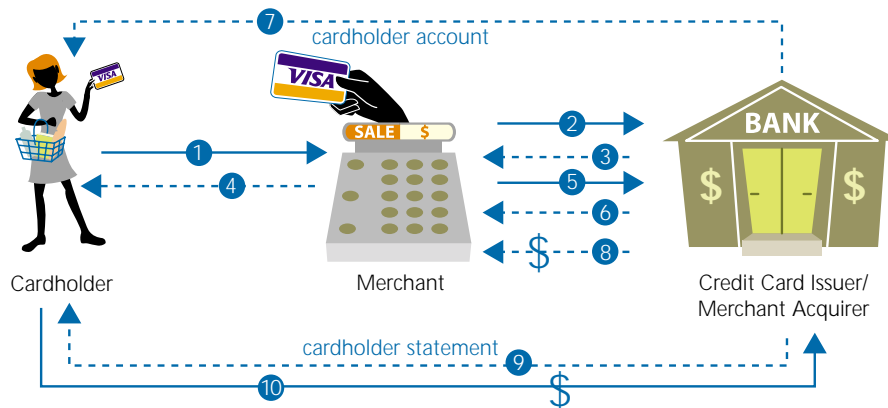
V. Transactions Not Involving Visa

In some instances, the transaction can be completed without involvement of the Visa network.

1. On-Us Transactions

A cardholder makes a purchase using a Visa credit card. In this case, the financial institution that issued the card also acquires and settles Visa transactions for the merchant making the sale. The purchase is commonly called an on-us transaction. On-us transactions can be settled within the financial institution itself, and are not required to go through the Visa network.

DIAGRAM 5



On-Us Transactions Involve 10 Steps

- 1 The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.
- 2 The merchant sends the authorization request, which includes card data and sales amount to the credit card issuer/acquiring bank.
- 3 If the cardholder has sufficient unused credit and security data meets the criteria, the credit card issuer/acquiring bank authorizes the transaction and sends the approval (or decline) code to the merchant's point of sale terminal.
- 4 The merchant completes the transaction with the cardholder.
- 5 At the end of the business day, the merchant sends the sales transaction data to the credit card issuer/acquiring bank.
- 6 The credit card issuer/acquiring bank posts the sales transaction data to the merchant's account.
- 7 The credit card issuer/acquiring bank posts the sales transaction data to the cardholder account.
- 8 The credit card issuer/acquiring bank deposits the payment into the merchant's account.
- 9 The credit card issuer/acquiring bank sends a credit card statement to the cardholder.
- 10 The cardholder pays the credit card issuer/acquiring bank.

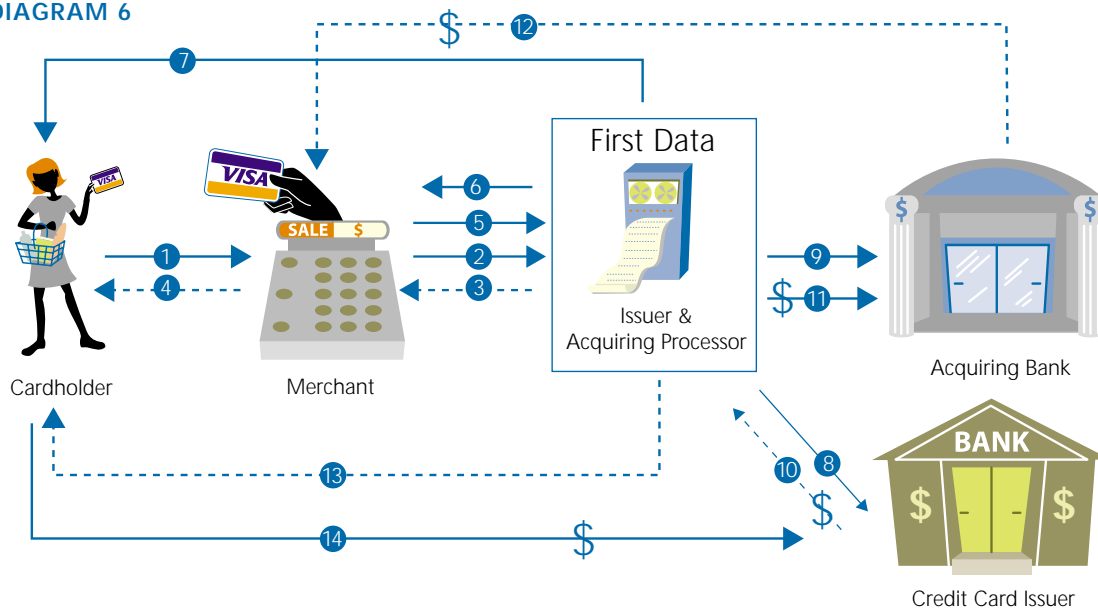
Background and Description of Credit Card Processing

2. Private Arrangements/Intra-Processing

Similarly, if an acquiring bank and credit card issuer use the same third party processor (e.g. First Data), the processor may have the capability to authorize, clear and settle the transaction directly, without re-routing the purchase through VisaNet. Visa refers to transactions that do not pass through VisaNet as private arrangements. Even though the transactions are not processed through VisaNet, a fee is assessed by Visa for these transactions. The transaction data is supplied to Visa via a standard daily transmission called collection only files to satisfy Visa's requirement to receive the transactions.

First Data calls its bypassing of VisaNet intra-processing. Intra-processing allows the transaction to be authorized, cleared and settled using the most direct routing path, eliminating extra steps in the process.

DIAGRAM 6



Transactions that go through a private arrangement/intra-processing involve 14 steps.

- 1 The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.
- 2 The merchant sends the authorization request, which includes card data and sales amount to the acquiring/issuer processor (e.g. First Data).
- 3 If the cardholder has sufficient unused credit and security data meets the criteria, the acquiring/issuer processor, on behalf of the credit card issuer, authorizes the transaction and sends the approval (or decline) code to the merchant's point of sale terminal.
- 4 The merchant completes the transaction with the cardholder.
- 5 At the end of the business day, the merchant sends the sales transaction data to the acquiring/issuer processor (e.g. First Data).
- 6 The acquiring/issuer processor (e.g. First Data) posts the sales transaction data to the merchant's account.
- 7 The acquiring/issuer processor (e.g. First Data) posts the sales transaction to the cardholder account.
- 8 The acquiring/issuer processor (e.g. First Data) transmits the net settlement amount (sales draft amount less a fee) to the credit card issuer.
- 9 The acquiring/issuer processor (e.g. First Data) transmits the net settlement amount to the acquiring bank.
- 10 The acquiring/issuer processor (e.g. First Data) collects the requested amount from the credit card issuer.
- 11 The acquiring/issuer processor (e.g. First Data) pays the acquiring bank.
- 12 The acquiring bank deposits the payment into the merchant's account.
- 13 The acquiring/issuer processor (e.g. First Data) on behalf of the credit card issuer sends a credit card statement to the cardholder.
- 14 The cardholder pays the credit card issuer.

3. Credit Card Transaction Overview

VISA PROCESSED TRANSACTIONS 24 STEP PROCESS

1. The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.
2. The merchant sends the authorization request, which includes card data and sales amount to the acquiring processor (e.g. First Data).
3. The acquiring processor (e.g. First Data) routes the authorization request to Visa.
4. Visa routes the transaction to the credit card issuer processor (e.g. First Data)
5. If the cardholder has sufficient unused credit and security data meets the criteria, the credit card issuer processor (e.g. First Data), on behalf of the credit card issuer, authorizes the transaction and sends the authorization approval to Visa.
6. Visa then forwards the authorization response to the acquiring processor (e.g. First Data).
7. The acquiring processor (e.g. First Data) sends the approval (or decline) code to the merchant's point of sale terminal.
8. The merchant completes the transaction with the cardholder.
9. At the end of the business day, the merchant sends the sales transaction data to the acquiring processor (e.g. First Data).
10. The acquiring processor (e.g. First Data) posts the sales transaction data to the merchant's account.
11. The acquiring processor (e.g. First Data) transmits the sales transaction data to Visa.
12. Visa transmits the sales transaction data to the credit card issuer processor (e.g. First Data).
13. The credit card issuer processor (e.g. First Data) posts the sales transaction data to the cardholder account.
14. Visa transmits a net settlement amount (sales draft amount less a fee) to the credit card issuer processor (e.g. First Data).
15. Visa transmits the net settlement amount to the acquiring processor (e.g. First Data).
16. The credit card issuer processor (e.g. First Data) transmits the net settlement amount to the credit card issuer.

17. The acquiring processor (e.g. First Data) transmits the net settlement amount to the acquiring bank.
18. The credit card issuer processor (e.g. First Data) collects the requested amount from the credit card issuer.
19. The credit card issuer processor (e.g. First Data) pays Visa the requested amount.
20. Visa wires the payment to the acquiring processor (e.g. First Data).
21. The acquiring processor (e.g. First Data) pays the acquiring bank.
22. The acquiring bank deposits the payment into the merchant's account.
23. The credit card issuer processor (e.g. First Data) on behalf of the credit card issuer, sends a credit card statement to the cardholder.
24. The cardholder pays the credit card issuer.

ON-US TRANSACTIONS 10 STEP PROCESS

1. The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.
2. The merchant sends the authorization request, which includes card data and sales amount to the credit card issuer/acquiring bank.
3. If the cardholder has sufficient unused credit and security data meets the criteria, the credit card issuer/acquiring bank authorizes the transaction and sends the approval (or decline) code to the merchant's point of sale terminal.
4. The merchant completes the transaction with the cardholder.
5. At the end of the business day, the merchant sends the sales transaction data to the credit card issuer/acquiring bank.
6. The credit card issuer/acquiring bank posts the sales transaction data to the merchant's account.
7. The credit card issuer/acquiring bank posts the sales transaction data to the cardholder account.
8. The credit card issuer/acquiring bank deposits the payment into the merchant's account.
9. The credit card issuer/acquiring bank sends a card statement to the cardholder.
10. The cardholder pays the credit card issuer/acquiring bank.

PRIVATE ARRANGEMENTS/ INTRA-PROCESSING 14 STEP PROCESS

1. The cardholder makes a purchase using a Visa credit card and the merchant (or customer) swipes the card through the point of sale unit.
2. The merchant sends the authorization request, which includes card data and sales amount to the acquiring/issuer processor (e.g. First Data).
3. If the cardholder has sufficient unused credit and security data meets the criteria, the acquiring/issuer processor, on behalf of the credit card issuer, authorizes the transaction and sends the approval (or decline) code to the merchant's point of sale terminal.
4. The merchant completes the transaction with the cardholder.
5. At the end of the business day, the merchant sends the sales transaction data to the acquiring/issuer processor (e.g. First Data).
6. The acquiring/issuer processor (e.g. First Data) posts the sales transaction data to the merchant's account.
7. The acquiring/issuer processor (e.g. First Data) posts the sales transaction data to the cardholder account.
8. The acquiring/issuer processor (e.g. First Data) transmits the net settlement amount (sales draft amount less a fee) to the credit card issuer.
9. The acquiring/issuer processor (e.g. First Data) transmits the net settlement amount to the acquiring bank.
10. The acquiring/issuer processor (e.g. First Data) transmits the net settlement amount to the acquiring bank.
11. The acquiring/issuer processor (e.g. First Data) pays the acquiring bank.
12. The acquiring bank deposits the payment into the merchant's account.
13. The acquiring/issuer processor (e.g. First Data) on behalf of the credit card issuer sends a credit card statement to the cardholder.
14. The cardholder pays the credit card issuer.

Glossary of Terms

Note: these definitions have been extracted from the Visa U.S.A. Inc. Operating Regulations Volume -General Rules dated November 15, 2002

ACQUIRER

A Member, as specified in the Visa U.S.A. Inc. By-Laws, Section 2.04, that signs a Merchant or disburses currency to a Cardholder in a Cash Disbursement, and directly or indirectly enters the resulting Transaction Receipt into Interchange.

AUTHORIZATION

A process, as specified in the Visa U.S.A. Inc. Operating Regulations, where a credit card issuer, an Authorizing Processor, or Stand-In Processing approves a Transaction.

AUTHORIZATION CODE

A code that an Credit card issuer, its Authorizing Processor, or Stand-In Processing provides to indicate approval of a Transaction. The code is returned in the Authorization Response message and is usually recorded on the Transaction Receipt as proof of Authorization.

AUTHORIZING PROCESSOR

A Member of Visa U.S.A. or its Processor that provides Authorization services for Merchants or other Members. This definition does not imply or confer membership rights as defined in the Visa U.S.A. Inc. By-Laws, Article II.

AUTHORIZATION REQUEST

A Merchant's or Acquirer's request for an Authorization.

AUTHORIZATION RESPONSE

A credit card issuer, Authorizing Processor, or Stand-In Processing reply to an Authorization Request or Account Number Verification. The Visa U.S.A. Inc. Operating Regulations refers to the following types of Authorization Response:

- Approval Response
- Decline Response
- Pickup Response
- Referral Response

CARDHOLDER

An individual to whom a Visa Card, Electron Card, Visa Electron Card, or Visa TravelMoney Card is issued, or who is authorized to use this Visa Card, Electron Card, Visa Electron Card, or Visa TravelMoney Card.

CLEARING

All of the functions necessary to collect a Clearing Record from an Acquirer in the Transaction Currency and deliver it to the Credit card issuer, or to reverse this transaction, or to process a Fee Collection.

CLEARING PROCESSOR

A Member or its Processor that provides Clearing and Settlement services for Merchants or other Members. This definition does not imply or confer membership rights as defined in the Visa U.S.A. Inc. By-Laws, Article II.

INTERCHANGE

The exchange of Clearing Records between Members. The Visa U.S.A. Inc. Operating Regulations refers to the following types of Interchange:

- Domestic Interchange
- International Interchange

CREDIT CARD ISSUER

A Member of Visa U.S.A., as defined under the Visa U.S.A. Inc. By-Laws, Section 2.03, that enters into the contractual relationship with the Cardholder for the issuance of one or more Cards or Visa TravelMoney Cards.

MERCHANT

An entity that contracts with an Acquirer to originate Transactions and that displays an Acceptance Mark that is a Visa-Owned Mark. The Visa U.S.A. Inc. Operating Regulations refers to the following types of Merchant:

- Airline
- Advance Payment Service Merchant
- Car Rental Company
- Cash Disbursement Merchant
- Cruise Line Merchant
- Direct-Connect Merchant
- Electronic Commerce Merchant
- Express Payment Service Merchant
- Health Care Merchant
- High-Risk Merchant
- High-Risk Telemarketing Merchant
- International Airline
- Lodging Merchant
- Mail/Phone Order Merchant
- Prepaid Card Merchant
- Quasi-Cash Merchant
- Recurring Services Merchant
- Retail Merchant
- T&E Merchant

Glossary of Terms

MERCHANT continued...

- Visa Merchant
- Wire Transfer Money Order Merchant

ON-US TRANSACTION

A Transaction where the Credit card issuer and the Acquirer are the same Member.

PICKUP RESPONSE

An Authorization Response where the Transaction is declined and confiscation of the Card is requested.

PRIVATE ARRANGEMENT

An agreement where Authorization Requests and Transactions involving two different Members are not processed through VisaNet. Private Arrangements include:

- Bilateral agreements between Clearing Processors
- Bilateral agreements between Credit card issuers and Acquirers
- Arrangements whereby an Authorizing Processor or a Clearing Processor provides processing services for more than one Member

Effective August 28, 2002, new Private Arrangements are prohibited.

PROCESSOR

A Member, or Visa, or a Visa-approved non-member acting as the agent of a Member, that provides Authorization, Clearing, or Settlement services for Merchants and Members. The Visa U.S.A. Inc. Operating Regulations refers to the following types of Processor:

- Authorizing Processor
- Clearing Processor
- V.I.P. System User

SETTLEMENT

The reporting and transfer of Settlement Amounts owed by one Member to another, or to Visa, as a result of Clearing.

STAND-IN PROCESSING

The V.I.P. System component that provides Authorization services on behalf of a credit card issuer when the Positive Cardholder Authorization System is used or when the credit card issuer or its Authorizing Processor is unavailable.

VISA

Visa International Service Association and all of its subsidiaries and affiliates.