

Appendix B

Glossary

Term	Definition for the purpose of this document
Account-to-account payments	Account-to-account (A2A) payments move money directly from a payer's bank account to a payee's bank account without the need for intermediaries, such as credit or debit cards.
Acquirer	A bank or other licensed payment service provider that contracts with one or more merchants to provide card-acquiring services for card payment systems.
Alternative payment methods	Non-card payment methods.
API (application programming interface)	A software interface that allows two or more pieces of software to communicate with each other.
Behavioural fees	Fees that a card scheme operator charges to disincentivise specific behaviours from acquirers, issuers, or merchants, or to incentivise them to adopt specific technical solutions.
Blended pricing	Pricing offered by acquirers to merchants for card-acquiring services, whereby for any given transaction the acquirer does not automatically pass through at cost the interchange fee applicable to the transaction.
BNPL	Buy now, pay later. BNPL solutions allow buyers to pay a purchase in instalments, often with zero interest rate.
Bps	Basis points (one hundredth of 1 percent).
BRC	British Retail Consortium.
B2B	Business-to-business.
CAMR	Card acquiring market review.
Card-acquiring services	Services to accept and process card transactions on behalf of a merchant, resulting in a transfer of funds to the merchant.
Cardholder	A person who is issued a payment card and authorised to use that payment card.
Card-not-present ('CNP') transaction	A transaction that is completed online, by phone or by post, so a card (be it physical or tokenised) is not present when the merchant is taking payment.

Term	Definition for the purpose of this document
Card payment system	A payment system that enables a holder of a payment card to make a payment.
Card payment system operator	Organisations that manage the 'scheme rules' on card payments and set the terms on which issuers, acquirers, merchants, cardholders and other parties participate in the card payment system.
Card-present ('CP') transaction	A card transaction in which the cardholder is present at the outlet and presents the payment card.
Card schemes	Operators of card payment systems (such as Visa and Mastercard). These are organisations that license issuers and acquirers to recruit cardholders and merchants, respectively. They manage the 'scheme rules' that govern how card payments are made and set the basis on which issuers, acquirers, merchants, cardholders and other parties participate in the card payment system.
Card transaction	A transaction carried out under a card payment system that results in the transfer of funds between a cardholder and a merchant. This includes purchase transactions, refunds and transactions related to the chargeback process.
CBDC	Central Bank Digital Currency.
Co-badged card	A card supporting two or more payment networks.
Co-branded card	A card branded by both a card issuer and a merchant (e.g., an airline or retailer).
Core processing fees	Fees charged for core processing services.
Core processing services	Services that an acquirer or issuer must pay as a condition for processing transactions through a processor (i.e., authorisation, clearing and settlement).
Core scheme fees	Fees charged for core scheme services.
Core scheme services	Services that an acquirer or an issuer must buy from a card scheme operator as a condition of participation in a card payment system
CMA	The Competition and Markets Authority.

Term	Definition for the purpose of this document
Credit card	A card whose holder has been granted a revolving line of credit. It enables the holder to make purchases and/or withdraw cash up to a prearranged ceiling; the credit granted can be settled in full by the end of a specified period or can be settled in part, with the balance taken as extended credit. Interest may be charged on the transaction amounts from the date of each transaction or on the outstanding balance where it has not been settled in full.
Cross-border transactions	Card transactions where the issuer and the acquirer are located in different countries or where the card was issued by an issuer located in a different country from that of the point-of-sale location (the merchant location).
Cryptoassets	A digital representation of ownership or contractual rights that can be transferred, stored or traded electronically, and which typically use cryptography, distributed ledger technology (DLT) or similar technology.
C2B	Consumer-to-business.
C2P	Click to Pay.
Debit card	A card enabling the holder to have their purchases directly charged to funds in their account.
Digital wallet	An application on an electronic device that stores payment details, which allows the holder to securely make payments without the physical card.
DLT	Distributed ledger technology.
EBIT	Earnings before interest and tax.
Faster Payments	Real-time payments between bank accounts provided by the Faster Payments Scheme.
Four-party card scheme/system	A card system in which the operator (such as Mastercard or Visa) licenses third-party issuers and acquirers to recruit cardholders and merchants, respectively.
FSBRA	The Financial Services (Banking Reform) Act 2013.
Fully loaded UK P&L accounts	Accounts provided by Mastercard and Visa in response to our s81 request from November 2022, which provide each scheme's view of revenues and expenses on a fully allocated cost basis for the relevant UK operations.
FX	Foreign exchange.

Term	Definition for the purpose of this document
FY	Financial year.
HMT	His Majesty's Treasury.
Honour All Cards (HAC) rule	A twofold obligation imposed by issuers and payment card schemes for payees to accept all the cards of the same brand, irrespective of the different costs of these cards and irrespective of the individual issuing bank which has issued the card.
IC++ pricing	Pricing offered by acquirers to merchants for card-acquiring services, whereby for any given transaction the acquirer automatically passes on at cost the interchange fee and scheme fees applicable to the transaction.
IFR	The EU Interchange Fee Regulation 2015, Regulation (EU)2015 / 751 of the European Parliament and Council as retained and incorporated into UK law by the European Union (Withdrawal) Act 2018 and as amended by The Interchange Fee (Amendment) (EU Exit) Regulations 2019 (SI 2019/284
Interchange fee (IF)	A fee that acquirers pay to issuers each time a card is used to buy goods or services. This is a per-transaction fee and is usually levied as a percentage of the transaction value. The IF charged can vary depending on transaction and IF type.
Issuer	Banks or other organisations licensed by card payment system operators to provide cards to cardholders. The issuer pays an acquirer the money a merchant is owed for the transaction (retaining IFs) and debits a cardholder's account.
'On-us' transactions	Card transactions where the same entity operates both as issuer and as acquirer.
Open banking	A system which facilitates the secure sharing of customer financial information using application programming interfaces (APIs). Open Banking enables consumers and small and medium-sized enterprises (SMEs) to share their bank and credit card transaction data securely with trusted third parties, who are then able to provide them with applications and services. It also enables consumers and SMEs to initiate payments directly from their payment accounts to the bank account of their payee, without the use of cards.
Optional fees	Fees levied on optional services.
Optional services	Services that are complementary to the core scheme and processing services and that an acquirer, issuer or merchant does not have to buy as a condition of participation in a card payment system, nor as a condition for processing transactions through a processor.

Term	Definition for the purpose of this document
Merchant	An organisation that accepts card payments.
MSP	Merchant service provider.
MIF	Multilateral interchange fee.
MSC	Merchant service charge, which is the total amount merchants pay to acquirers for card-acquiring services. This comprises interchange fees, scheme and processing fees and acquirer net revenue.
Payment facilitator	A payment service provider (PSP) that enables merchants to accept card payments via a payment gateway. The payment facilitator contracts with an acquirer who retains responsibility for allowing merchants to access the card payment systems. The acquirer is also liable for the merchant's and the payment facilitator's compliance with the rules set by the card scheme operator.
Payment system	A system that is operated by one or more persons in the course of business for the purpose of enabling persons to make transfers of funds.
PIS	Payment Initiation Service. An online service that initiates a payment order at the request of a payment service user from a payment account held at another payment service provider. This is done with the user's consent and authentication.
PISP	Payment Initiation Service (PIS) Provider.
POS	Point of sale (in-person).
POS terminal	Point of sale terminal used to accept in-person payments.
Processing fees	Fees charged by processing entities to their customers (issuers and acquirers) for the provision of processing services.
Processing services	Authorisation, clearing, settlement of card payments, and ancillary services.
Processor	Provider of processing services.
PSD2	Payment Services Directive 2.
PSP	Payment Service Provider.
PSR	Payment Systems Regulator.
PSRs 2017	The Payment Services Regulations 2017.
P&L account	Profit and loss account.

Term	Definition for the purpose of this document
P2P	Peer-to-peer / person-to-person.
P2M	Person-to-merchant, same as C2B, consumer-to-business.
RTP	Real-time payments.
Relevant UK Operations	The scheme and processing services provided by Mastercard and Visa in the UK that are in scope of our market review.
Retail transaction	A transaction between a consumer and a merchant.
RFR	Regulatory financial reporting.
ROCE	Return on Capital Employed. Operating profit (measured as earnings before interest and tax) divided by capital employed.
Scheme fees	Fees charged for the provision of scheme services.
Scheme rules	All rules, policies, procedures, regulations and standards that relate to the operation and administration of a card payment system (whether published or not).
Scheme services	Services provided by a card payment system operator that relate to participation in the card system.
Section 81 (S81) notice	An information notice issued by the PSR pursuant to section 81 of FSBRA.
Strong Customer Authentication (SCA)	An authentication process that validates the identity of the user of a payment service or of the payment transaction. SCA indicates whether the use of a payment instrument is authorised.
Tokenisation	The process of replacing a card's primary account number (PAN) – the 16-digit number on the plastic card – with a unique alternative card number, or 'token'. Tokens can be used for mobile point-of-sale transactions, in-app purchases or online purchases.
TPP	Third Party Providers. Organisations that use APIs to access customer's accounts, in order to provide account information services and/or to initiate payments. In the context of payments, the main role of a TPP is as Payment Initiation Service Provider (PISP).
UKI / UK&I	UK and Ireland.
UK merchant	A merchant with at least one UK outlet.

Term	Definition for the purpose of this document
Virtual recurring payment (VRP)	A mechanism to make one or more payments over a period of time using open banking. Sweeping payments are made between accounts controlled by the same account holder. Non-sweeping VRP refers therefore to recurring payments between accounts with different account holders and can therefore be used to pay for goods or services.
WACC	Weighted average cost of capital. The rate that a company is expected to pay on average to all its security holders, both debt and equity, to finance its assets.
