

Annex 6

Glossary

This glossary sets out terms, expressions and abbreviations used frequently in this interim report

Express or abbreviation	Definition
Acquirer	A payment service provider that is licensed as an acquirer by the operator of a card payment system to recruit merchants to accept card payments. Acquirers contract with one or more merchants to provide card-acquiring services . Acquirers may also provide card acceptance products and value-added services to merchants.
Acquirer net revenue	The costs the acquirer incurs (other than interchange fees and scheme fees) to provide card-acquiring services , plus the acquirer's margin.
Card	A device that can be used by a cardholder to pay for goods and services from a merchant . Examples of cards include: <ul style="list-style-type: none">• Traditional plastic cards containing magnetic signature strips, chips and/or contactless (near-field communication) technology• Contactless fobs, stickers, and any other wearables containing contactless technology (e.g. wristbands, jewellery) etc.• Non-physical 'virtual' cards (consisting of the Bank Identification Number and other card details which would otherwise be printed or embossed on a plastic card)• Cards or card details stored by any means on mobile or other personal devices, including loaded in to 'virtual wallets', or stored remotely in any database or information storage system (or 'cloud') associated with such devices whereby a card transaction can be effected by contactless technology, by tokenisation, through the use of applications ('apps') or by other technological processes.

Cardholder	A person or business to whom a card is issued and who is authorised to use that card to buy goods and services.
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Card acceptance devices	An electronic device that a merchant uses to accept a card in a card-present transaction .
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Card acceptance products	Goods or services that a merchant uses, in addition to card-acquiring services , to accept card transactions , specifically POS terminals, card readers and payment gateways .
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Card-acquiring services	<p>Services to accept and process card transactions on behalf of a merchant resulting in a transfer of funds to the merchant. For the purposes of this report, card-acquiring services comprises all of the following activities:</p> <ul style="list-style-type: none">• onboarding merchants to accept card transactions under one or more card payment systems• underwriting merchants – that is, taking the credit risk of merchant failure in respect of card transactions• supporting merchants with the authentication, authorisation, clearing and settlement of card transactions through the card payment system• settling with merchants – that is, transferring them the funds for the card transactions they accept (less any applicable fees)• facilitating the administration of chargebacks and refunds for merchants (this excludes services to help merchants manage chargebacks or reduce the number of chargebacks they have)• monitoring merchants' compliance with scheme rules including PCI DSS and other standards, and• terminating the relationship with merchants for card-acquiring services. <p>Performing one or more, but not all, of the above activities would not constitute supply of card-acquiring services. A firm is considered to be supplying card-acquiring services even if it outsources performance of one or more of the activities to another party.</p>
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Card-not-present transaction	Any card transaction that is not a card-present transaction such as e-commerce transactions and mail order and telephone order transactions.
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Card payment system	A payment system that enables a cardholder to effect a payment.
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Card-present transaction	A card transaction in which the cardholder is present at the outlet of the merchant and presents the card to the merchant .
Card reader	An electronic device that a merchant uses to accept a card in a card-present transaction that must be connected to an app on a smartphone or tablet to operate.
Card transaction	A transaction carried out under a card payment system that results in the transfer of funds between a cardholder and merchant . This includes purchase transactions, refunds and transactions attributable to the chargeback process.
Chargeback	A dispute raised by an issuer on behalf of a cardholder in relation to a purchase transaction .
Chargeback process	The process for managing chargebacks as set out in scheme rules .
Clearing	The exchanging of data on card transactions between issuers and acquirers and the establishment of final positions for settlement .
Consumer Credit Act 1974 (CCA)	Legislation relating to consumer credit within the United Kingdom.
Credit card	A card that meets the definition of a credit card set out in Article 2(34) of the Interchange Fee Regulation .
Debit card	A card that meets the definition of a debit card set out in Article 2(33) of the Interchange Fee Regulation .
E-commerce platform	Organisations that allow merchants to build a website and sell online. An e-commerce platform is an example of an ISV .
Electronic point of sale (EPOS) system	Combination of hardware and software that helps merchants selling face-to-face run their businesses by supporting, for example, inventory management, payroll and management information reporting.
Fixed pricing	Any pricing option whereby the merchant pays a fixed, periodic fee for card-acquiring services (the amount of which does not depend on the volume or value of transactions it accepts or the characteristics of these transactions, within specified limits).
IC+ pricing	Interchange fee plus pricing, whereby for any given transaction, the acquirer automatically passes through at cost the interchange fee applicable to that transaction.
IC++ pricing	Interchange fee plus plus pricing, whereby for any given transaction, the acquirer automatically passes through at cost the interchange fee and scheme fees applicable to that transaction.

	The acquirer may also pass through at cost scheme fees that are not directly attributable to transactions.
Independent sales organisation (ISO)	An organisation that sells card-acquiring services to merchants on the acquirer's behalf (alongside card acceptance products and value-added services) but does not itself contract with merchants for card-acquiring services . An ISO must be registered as such by an acquirer with the operator of a card payment system .
Independent software vendor (ISV)	A business that specialises in offering software (and in some cases, complimentary hardware) that helps merchants run their businesses. E-commerce platforms and providers of EPOS systems are examples of ISVs.
Interchange fee	A fee that acquirers pay to issuers each time a card is used to buy goods or services.
Interchange Fee Regulation (IFR)	Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions.
Issuer	A payment service provider that is licensed by an operator of a card payment system to provide cards to individuals and businesses. An issuer contracts with a cardholder to enable the latter to initiate a card transaction under a card payment system .
Merchant	A seller of goods or services that accepts payment by card .
Merchant Service Charge (MSC)	The total amount merchants pay to acquirers for card-acquiring services . The MSC comprises interchange fees , scheme fees and acquirer net revenue .
Non-UK outlet	An outlet that the acquirer reported as being outside the UK in accordance with the scheme rules of the relevant card payment system .
Operator of a card payment system	In relation to a card payment system , any person with responsibility under a card payment system for managing or operating it; and any reference to the operation of a card payment system includes a reference to its management. An operator of a card payment system licences issuers and acquirers to recruit cardholders and merchants respectively. They manage the scheme rules and may also provide processing services that manage the movement of funds between issuers and acquirers .
Outlet	The location at which a card transaction is completed. The location of an outlet could be, for example, the location of a shop. For an e-commerce transaction, it is generally the principal place of business of the merchant.

Payment Card Industry Data Security Standard (PCI DSS)	A set of standards designed to protect the security of card transactions and reduce fraud.
Payment facilitator	A payment service provider that contracts with one or more merchants to provide card-acquiring services . Payment facilitators are intermediaries between acquirers and merchants – typically there is no direct contractual relationship between their merchants and acquirers , and they have no direct contractual relationship with the operator of a card payment system . A payment facilitator must be registered as such by an acquirer with an operator of a card payment system . Payment facilitators also provide card acceptance products and value-added services to merchants .
Payment gateway	Software that helps a merchant accept cards through a website by capturing the card details and translating them into a message that can be sent to and understood by the acquirer's systems.
Payment service provider	A body referred to in Article 1(1) of PSD2 or a natural or legal person benefiting from an exemption pursuant to Article 32 or 33 of that directive.
Payment system	A system which is operated by one or more persons in the course of business for the purpose of enabling persons to make transfers of funds.
POS (point-of-sale) terminal	An electronic device that a merchant uses to accept a card in a card-present transaction without the need to connect to a smartphone or tablet.
PSD2	<p>Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC, published in the Official Journal of the EU on 23 December 2015.</p> <p>The second Payment Services Directive (PSD2) replaced the first Payment Services Directive (PSD1) and was implemented into UK law by the Payment Services Regulations 2017.</p>
Purchase transaction	A card transaction that results in the transfer of funds from a cardholder to a merchant . This includes any transfer of funds as a result of the purchase of cash.
Refund	A card transaction that results in a transfer of funds from a merchant to a cardholder and is not the result of a transaction attributable to the chargeback process .

Scheme fees	Fees paid by acquirers (and issuers) to the operator of a card payment system including fees for scheme services and fees for processing 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 rules govern how card transactions are made and set the basis on which issuers, acquirers, merchants, cardholders and other parties participate in the card payment system .
Settlement	The completion of a card transaction or process to discharge obligations and settle claims and liabilities that arise between issuers and acquirers .
Standard pricing	Pricing option for card-acquiring services , whereby for any given transaction the acquirer does not automatically pass through at cost the interchange fee applicable to that transaction and the pricing option does not satisfy the criteria for IC+ pricing, IC++ pricing or fixed pricing .
UK merchant	A merchant with at least one UK outlet .
UK outlet	An outlet that the acquirer reports as being in the UK in accordance with the scheme rules of the relevant card payment system .
Value-added services	Goods and services offered to merchants by acquirers, ISOs and payment facilitators that are not card-acquiring services or card acceptance products .

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