

**ABA Transit Routing Number**

An ABA routing transit number is nine-digit identification number which appears on the bottom of a negotiable instrument that is used to identify the financial institution or bank associated with a customer's bank account.

**ACH Fraud**

The malicious practice by fraudsters to use stolen bank account information to purchase merchandise, or by a legitimate account holder to purchase merchandise with the intention of returning it for a refund. ACH fraud also occurs when account holders falsely dispute transactions they authorized. Chargeback or Return fraud occurs with paper and electronic checks.

**ACH Transaction (or Entry)**

A payment transaction to or from a Receiver (the customer) processed via the ACH Network. The participants in an ACH Transaction are (1) the Originator (the merchant), (2) the Third-Party Processor, (3) the Originating Depository Financial Institution (ODFI), (4) the ACH Network, (5) the Receiving Depository Financial Institution (RDFI), and (6) the Receiver (the account holder).

Also see "Automated Clearing House (ACH) Network", "Originator", "Originating Depository Financial Institution", "Receiver", and "Receiving Depository Financial Institution", "Third-Party Processor".

**Accounts Receivable Conversion (ARC)**

A single-entry debit against a customer's checking account. ARC allows merchants to collect paper check payments received, and convert them to an electronic payment through the Automated Clearing House network. Payment authorization is obtained by posting required notices before accepting a customer's check.

**American Bankers Association (ABA)**

A national organization that represents American financial institutions, banks and other financial entities. Members are assigned an identification number, or ABA Transit Routing Number. Also see "ABA Transit Routing Number".

**Application Programming Interface (API)**

A computer communication protocol that facilitates the transfer of or access to information between various software or computer applications.

**Authorization for ACH**

An Authorization for ACH is a paper or electronic document or record "signed" by the customer that authorizes a merchant to submit a charge transaction against their bank account. Authorization may also be in the form of recorded phone conversations for TEL transactions.

**Automated Clearing House (ACH) Network**

The group of financial institutions and similar entities within the banking industry that work together to facilitate the processing, clearing, delivery and settlement services for electronic check transactions.

The ACH Network is governed by ACH Rules as defined by the National Automated Clearing House Association (NACHA).

**Automated Recurring Billing**

A Payliance solution that allows merchants to create a recurring billing schedule for the purchase of goods or services.

**Back Office Conversion (BOC)**

A one-time debit against a customer's checking account. BOC allows merchants to collect a check written at a point of sale and convert it to an ACH debit during back office processing. Payment authorization is obtained by posting required notices before accepting a customer's check.

**Bank Account Number**

The account number assigned by a bank to a checking or savings account holder. This information must be provided to a merchant by a customer in order to make an electronic check payment.

**Bank Account Type**

This indicates the type of bank account used for an electronic check transaction. For example: checking, business checking or savings.

**Batch Upload**

A process for submitting multiple transactions at once from a comma separated value (.csv) file or proprietary business application.

**Cash Concentration or Disbursement (CCD)**

A debit or credit transaction against a business checking account. One-time or recurring CCD transactions are fund transfers to or from a corporate entity and authorized by an agreement between two businesses.

**Return Reason Code**

A code provided to the merchant by the Receiving Depository Financial Institution (RDFI) that indicates the reason for the returned transaction.

**Check 21**

Refers to the Check Truncation Act of the 21st Century, a Federal Reserve Bank law that allows merchants to submit customers' check, or bank account, information for payment electronically instead of processing paper checks.

**Bank Account Verification**

A risk management process that validates consumer account information and reduces potential fraud and non-sufficient fund returns.

**Cut-Off Time**

The time of day that a merchant's payment transactions are batched and electronically picked up by the payment gateway for processing. The Payliance default payment cut-off time for RCC processing is 8:00 PM EST, for ACH processing is 8:30 pm EST.

**Depository Financial Institution (DFI)**

An Originating Depository Financial Institution (ODFI) or Receiving Depository Financial Institution (RDFI) (or in general terms, a bank) participating in the ACH Network.

**Discount Fee**

The percent of each transaction processed that is billed to the merchant by Payliance. The transaction types for which the discount fee is charged are: charges, refunds, voids and declines.

**Electronic Check**

Describes a check or bank account payment that is submitted and/or processed electronically.

**Electronic Funds Transfer Act**

The United States federal law that governs the use and administration of electronic funds transfer services.

**Electronic Signatures in Global and National Commerce Act (E-SIGN)**

A United States federal law that defines and governs the use of digital signatures and records in electronic commerce.

**Federal Reserve Bank (FRB)**

The governing financial institution of the United States of America.

**Independent Sales Organization (ISO)**

An organization that sells business products or services to merchants and/or acquires merchants on behalf of various types of merchant service providers.

**Internet-Initiated Entry (WEB)**

A single or recurring debit entry charge against a customer's checking or savings bank account. Payment authorization is obtained from the customer via the Internet.

**Mail Order/Telephone Order (MOTO)**

A business, or merchant, that sells merchandise or services to consumers via mail or telephone initiated orders. MOTO merchants operate from call or fulfillment centers.

**Manual Entry**

The submission of payment information for a transaction is obtained by keying the customer's payment information into a hardware or Virtual Terminal. Additionally, for online merchants a manual transaction might be considered any transaction that is not entered at their e-commerce Web site by a customer.

**Merchant**

The person or business entity that sells goods or services to a customer.

**Merchant Account Provider**

A financial institution, or bank, that provides a financial account to a merchant for-the-purpose- of collecting proceeds from consumer bank account.

**Merchant Identification Number (MID)**

An identification number assigned to each member merchant of an acquiring organization, such as a financial institution, Independent Sales Organization (ISO), Merchant Service Provider (MSP) or processor.

**Merchant Service Provider (MSP)**

A company or sales organization that provides transaction processing solutions to its merchant clients.

**Minimum Monthly Fee**

A monthly service fee charged by Payliance in-the-event that a merchant's transaction processing fees for the month do not exceed the monthly minimum fee amount. For example, if the merchant's minimum monthly fee is \$20.00, and the merchant's transaction processing fees (i.e., per-transaction fees and discount fees) for

the month total \$17.50, Payliance will charge the merchant a Minimum Monthly Fee of \$2.50 to make up the difference. If the merchant's transaction processing fees for the month exceed \$20.00, the fee is not charged.

### **National Automated Clearing House Association (NACHA)**

NACHA is the national trade association that establishes the rules, standards, and procedures governing the exchange of ACH transactions between participating banks (Originating Depository Financial Institutions and Receiving Depository Financial Institutions).

### **Not Sufficient Funds (NSF)**

A return indicating that a customer's bank account does not have sufficient funds to cover a specific transaction.

### **Notification of Change (NOC)**

Notification to a merchant from a customer's bank indicating that bank account information provided with a specific transaction needs to be updated to reflect current information.

### **Originating Depository Financial Institution (ODFI)**

The financial institution that originates the transaction into the ACH network on behalf of the originator (merchant) for clearing through the receiver (customer) account.

### **Originator**

The entity that has received authorization from a receiver (customer) to create a debit or credit their account.

### **Payment Gateway**

A system of technologies and processes that allow merchants to electronically submit payment transactions to the payment processing networks (i.e., the Credit Card Interchange and the ACH Network). Payment gateways also provide merchants with transaction management, reporting, and billing services.

### **Per-Transaction Fee**

The flat fee charged to a merchant by the payment gateway for each transaction and batch settlement processed. The transaction types for which the per-transaction fee is charged are: charges, refunds, voids and declines.

### **Point of Sale (POS)**

Refers to the physical location where a payment transaction takes place. POS is also used to describe payment acceptance systems that are designed for the place of sale, such as virtual terminals.

### **Point of Sale (POS) Device**

A piece of electronic equipment that is used by a merchant to submit payment information to the processing network. POS devices also include Personal Digital Assistants (PDAs), smartphones, and wireless electronic devices capable of transmitting payment information via wireless broadband connection.

### **Point of Sale (POS) Solutions Provider**

A POS device, system or software manufacturer or distributor that provides POS products or services to merchants.

**Prearranged Payment and Deposit Entry (PPD)**

A single or recurring debit/credit transaction against a customer's checking or savings account. PPD transactions may only be originated when payment and deposit terms between the merchant and the customer are prearranged and "signed" authorization has been provided by the customer.

**Receiver**

The person or corporate entity that has authorized a merchant to initiate a debit or credit transaction to their bank account. In a Payliance transaction, the customer is the "Receiver".

**Receiving Depository Financial Institution (RDFI)**

The customer's bank or credit union. The RDFI receives a request from the ACH Network to provide funds based on an authorization provided to a merchant for goods and/or services and processed by Payliance.

**Recurring Billing Transaction**

The submission of a transaction on a recurring basis, typically for ongoing billing or subscription-based payment activities requested and authorized by the receiver (customer).

**Reference Transaction ID**

The transaction ID that links, or associates, a subsequent transaction to a separate, original transaction.

**Regulation D**

Part of the Reserve Requirements of the Depository Institutions Act as established by the Federal Reserve Board. Regulation D defines the types of deposits handled by financial institutions, or banks.

**Regulation E**

Part of the Electronic Funds Transfer Act as established by the Federal Reserve Board. Regulation E defines electronic funds transfers and the protections provided to the consumer when processing ACH transactions.

**Reseller**

A Merchant Service Provider (MSP) or Independent Sales Organization (ISO) that acquires merchant customers for payment processing services.

**Return or Returned Item**

A transaction that could not be completely processed for reasons such as NSF, invalid account number, account closed or other rejection reason(s) provided by the customer's bank. A chargeback is a type of return. Also see "Chargeback".

**Settlement**

Occurs when monetary proceeds for a merchant's Payliance transactions are deposited to the merchant's bank account.

**Standard Entry Class (SEC) Codes**

A required code used in the ACH Network indicating how the receiver (customer) authorized a payment. Examples: WEB, TEL, PPD, CCD, BOC, POP, ARC, POP, POS, etc.

**Telephone-Initiated Entry (TEL)**

This transaction type is a one-time charge against a customer checking or savings account. TEL transactions may only be originated when a business relationship between the merchant and the customer already exists; or if no relationship exists, only when the customer initiates the telephone call to the merchant.

**Third-Party Provider**

An organization or business not directly associated or involved with transaction processing, or necessary for the exchange of a transaction between two parties, but that provides merchants with business enhancing services.

**Third-Party Solution**

A hardware or software manufacturer or distributor that provides transaction-enhancing products or processing solutions to merchants.

**Transaction**

The exchange of information, goods or services in which all participating parties benefit. Specifically, the exchange of a consumer's payment or payment information for merchandise or services provided by a business.

**Unauthorized Return**

An unauthorized return is a type of return that occurs when an account holder claims they did not authorize a transaction, when the account holder and the customer are not the same person (i.e., identity theft), when the authorization was not properly obtained from your customer or when your customer does not recognize a transaction.

**Underwriting**

The process of evaluating a service applicant's financial history and credit trustworthiness to determine whether to grant a service account.

**Virtual Terminal**

A Merchant Interface tool for manually keying in and submitting transactions.

**Void**

Transactions of this type are used to cancel original charge transactions that have not yet been submitted to the ACH Network. To cancel a transaction that has already submitted, a refund must be processed.