INNOVATIVE PAYMENTS ASSOCIATION

U.S. FINTECH GLOSSARY

(January 2021)

INTRODUCTION:

This glossary is designed to give an overview of the most common terms used by the Fintech industry. It includes definitions of the types of services, common transaction terms, and high-level definitions of several regulatory concepts. (Note: Nothing in this document constitutes legal advice. All regulatory compliance and other legal questions should be addressed to competent counsel.)

The Innovative Payments Association hopes that this serves as a value tool for both people in the industry and those who want to learn more about it. The IPA hopes this will enable a better understanding of the benefits that Fintech products can provide to individuals, businesses, and government agencies.

Please feel free to reach out to the IPA if you have any questions about the material contained in this guide or about the prepaid industry.

Acknowledgements:

This glossary would not have been possible without the contributions of several experts from the Fintech industry. The Innovative Payments Association would like to thank the following people from our member companies who provided their input to this document:

- Lori Breitzke, Vice President – Product Management, Prepaid & EBT, Commercial & Data Products, FIS
- Don Becker, VP Prepaid Card Partnerships, CommercePayments, Commerce Bank
- Liz Nutting, Executive Relationship Manager, Prepaid Business Development, Discover Global Network
- Eli Rosenberg, Banking and Fintech Lawyer, Baird Holm LLP

Any omissions, mistakes, or inaccuracies are solely the responsibility of the IPA Staff who compiled and finalized this guide.

Abandoned Property: Property that is apparently given up or unclaimed by the owner(s). Funds left on account with a Fintech product for a period of time may be considered Abandoned Property, subject to a state's Escheatment laws. Also referred to Unclaimed Property.

Acceptance Mark: A graphic symbol (typically that of a network, i.e., American Express, Discover, Mastercard, Visa, or a debit network) that indicates where a Payment Card or other Access Device may be used. The mark can be on a merchant's door, terminal, or Web site. The Acceptance Mark also may be displayed on the front or back of the Access Device. The acceptance mark could also refer to acceptance of payment tools like Apple Pay and Google Pay.

Access Device: A card (virtual or plastic), code, or other device or Form Factor that facilitates access to prepaid funds, enabling an Account Holder to obtain goods, services, or cash from a Merchant.

Account Fees: The fees Account Holders pay associated with their Accounts. The types and amounts of Account Holder Fees (if any) may include a purchase fee, monthly maintenance fee(s), Reload and/or ATM use fee(s), among others. Any Account Holder Fees incurred directly by the Account Holder should be disclosed clearly using an appropriate communications channel, enabling the Account Holder to ascertain material fees before a purchase/card acceptance decision is made. With the exception of purchase fees, most Account Holder Fees are deducted from the Available Balance. Disclosure of Account Holder Fees is governed by the Consumer Financial Protection Bureau's (CFPB) Prepaid Account Rule that specifies that Account Holders receive a short form that explains the most commonly charged fees, and a long form that explains all possible fees, before they acquire the prepaid account, with limited exceptions.

Account Holder: An individual who is issued, given and / or authorized to use a transaction account. They may be the owner of the account or the user of a subaccount to a larger account.

Account Number: A unique number, which may incorporate codes for the Card Brand (Payment Network), the Issuer's bank identification number, the Account Holder's specific identifier, and a check digit. The Account Number is embossed or printed on a Payment Card, stored in a mobile wallet, or associated with another Form Factor and may be used to make transactions. Also called Primary Account Number and Card Number.

Account-to-Account Transfer: A transaction that moves funds directly from one account to another. See also P-to-P.

Acquirer: A company or financial institution that contracts with Merchants to accept electronic payments and directly or indirectly enters the resulting transaction receipt into Interchange.

Activation: The process, initiated by the Account Holder, that establishes an access device as “live” and ready for use (i.e., able to be used for purchases, etc.) on the Issuer’s system. Typically, Activation is conducted online or using an IVR system, but Activation also may be conducted at an ATM, POS terminal, in-person or as part of an event (such as a load).

Anti-Money Laundering (AML): The legal controls that require financial institutions and other regulated entities to prevent and/or report Money Laundering.

The BSA authorizes the Secretary of the Treasury to issue regulations requiring Financial institutions to keep records and file reports that “have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings, or in the conduct of intelligence or counterintelligence matters, including analysis to protect against international terrorism.” The Secretary delegated this authority to the Director of FinCEN by Treasury Order in 2002. FinCEN has since issued BSA-implementing regulations that appear at 31 C.F.R. Chapter X.

A bank, for example, must perform due diligence by verifying a customer’s identity and monitoring transactions for suspicious activity. U.S. federal law related to money laundering is implemented under the Bank Secrecy Act (BSA) of 1970 as amended by anti-money laundering acts up to the present. Under the BSA, financial institutions must file a Suspicious Activity Reports (SARs) to the Financial Crimes Enforcement Network (FinCEN) whenever they think a transaction may be associated with criminal activity or terrorist financing, or if the transaction exceeds certain thresholds defined by law.

The Innovative Payments Association has compiled a document entitled “Recommended Practices for Anti- Money Laundering Compliance for U.S.-Based Prepaid Access Programs” that can be found at its Web site.

Application Programming Interface (API): An Application Programming Interface is code that allows software systems to communicate with one another. APIs can be used to facilitate transactions, share data, or provide additional functionality to a program or system.

Artificial Intelligence (AI): Artificial Intelligence is the ability of computers to do tasks commonly associated with humans, including learning from examples, recognizing patterns, responding to language, and making decisions. In financial services, AI has been deployed for purposes such as like customer service, fraud detection, and making financial recommendations.

Authorization: An Issuing Bank's approval of a transaction in a specific amount. In the U.S., the majority of transactions are authorized online in real time (even though Settlement may be handled later). The Issuing Bank indicates its Authorization by returning a code (proof of Authorization) in an electronic message to the Merchant's POS Terminal. If a Merchant complies with Card Brand rules in obtaining an Authorization, payment to the Merchant is guaranteed.

Authorization Hold: A temporary freeze on funds associated with a purchase transaction, reducing the balance available. For some purchases (e.g., for gasoline or transactions involving a gratuity), an Authorization Hold may be greater than the purchase amount. Authorization Holds are released following settlement of the transaction or automatically after an elapsed period of time to avoid customer service issues.

Auto Adjudication: A process associated with health care claims using payment cards in the United States to access funds in Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), and Health Reimbursement Arrangements (HRAs). Using a rules-based system, Auto Adjudication verifies Account Holder eligibility, checks deductibles and co-pays, authorizes the provider, checks pre-authorization requirements, reviews claim history for impact, and performs cross checks before determining the appropriate resolution of each claim.

Automated Clearing House (ACH): An electronic payment network typically used to process batch debit and credit transfers between financial institutions. ACH transactions function like electronic checks that are settled (paid) within one or two business days, using procedures that are similar to paper check settlement.

Available Balance: Also referred to as "open-to-buy," this is the amount of funds that may be accessed and used by the Account holder. The Available Balance excludes Authorization Holds.

Balance Inquiry: A transaction used to determine the Available Balance in an account. Accountholders typically can conduct a Balance Inquiry online, by telephone via an IVR, through text messaging, or through a mobile app.

See Also: Point-of-Sale Balance Return.

Balance Notification via Text (SMS): A feature that sends an account's Available Balance to a cell phone. SMS text messages also are used in some programs to notify Accountholders of activity on their account.

Bank: See **Financial Institution**.

Banking as a Service (BaaS): Banking as a Service refers to a process by which financial services companies use application programming interfaces (APIs) to connect to banks in order to make use of their capabilities for licensed banking services such as deposit taking or lending. This may be provided directly by a bank or by a third party who has contracts with both the bank and the third-party provider.

Bank Identification Number (BIN): As used in the major payment networks, the first six digits in an Account Number. As of April 2022, BINs will be eight digits long, when the networks adopt the International Standards Organization (ISO) 8-digit BIN Standard. The digits are Card Brand and program specific and identify the settling financial institution for acquiring and issuing transactions. The BIN is established by the International Standards Organization and the American Bankers Association. Also known as the Interbank Card Association Number, Issuer Identification Number, or Institution Identification Number.

Bank Secrecy Act (BSA): Enacted in 1970 as the Currency and Foreign Transactions Reporting Act but commonly known as the Bank Secrecy Act (BSA). The BSA establishes requirements for reporting and recordkeeping by private individuals, banks and other financial institutions, and facilitates identifying the source, volume and movement of currency and other monetary instruments transported or transmitted into or out of the United States. Through the BSA's reporting and recordkeeping requirements, regulators, law enforcement and other officials can (a) identify persons conducting transactions, and (b) maintain records to assist in investigations of criminal, tax, and regulatory violations, as well as provide evidence useful in prosecuting money laundering, terrorist financing and other financial crime. The BSA includes anti-money laundering requirements. Financial Services are covered by the BSA and Issuers are required to comply with its provisions including AML provisions such as filing Suspicious Activity Reports (SARs).

Batch Load: The addition of funds to accounts through processing a batch (or offline) file, typically occurring daily, weekly, or monthly.

BIN Sponsor: A financial institution that acts as an Issuer for Payment Cards (physical or virtual) on behalf of another financial institution or Program Manager and, in doing so, assumes responsibility for the issued cards. The BIN Sponsor also has responsibility for the activities of the program manager, other financial institutions, and Third-Party Service Providers.

Bitcoin: A type of cryptocurrency, created in 2009, that operates independently of a central bank and instead uses a public distributed ledger to distribute units, and verify and record transactions.

Block: Digital packets of information that contain records of individuals transactions (date, amount, payor, payee, etc.). Blocks are digitally strung together to create a blockchain. They are generally generated by an algorithm.

Blockchain: A decentralized, distributed public ledger that uses a network of computers to verify and record transactions.

Breakage: The unused and unclaimed Available Balance remaining in an account that is deemed as unlikely to ever be used by the Accountholder. Whether or not a card is registered can affect the treatment of breakage. Under state Escheatment laws, these funds may need to be turned over to state treasurers in some jurisdictions. Breakage most often occurs in gift card and incentive programs.

Call Center (IVR) Creation/Registration: A telephone-based process in which an automated system (Interactive Voice Response) interacts with the prospective accountholder and captures information to create an account and register certain personal details about the applicant. IVR systems also are employed to enable Account Holders to check balances, report lost or stolen cards, and make inquiries.

Call Center Agent Creation/Registration: A telephone-based process in which a person interacts with the prospective Accountholder and captures information into an application to create an account and register certain personal details about the Applicant.

Card Account Number: See **Account Number.**

Card Brand: Typically, American Express, Discover, Mastercard, Visa, or the ATM/EFT Networks – collectively the "Card Brands." (Also referred to as Brand or Card Organization/ Association.) These are also known as Networks.

Card Not Present (CNP): A transaction that occurs when neither the card nor the Account Holder is present at the point of sale to conduct the transaction in person. Card Not Present transactions include online shopping/ecommerce transactions, telephone order, and sometimes mail-order transactions. For example, with telephone orders, merchants may manually enter the Card Number, Valid Thru Date, and other relevant information in a Payment Terminal, rather than swiping the card through the terminal. In online shopping/ecommerce transactions, the Account Holder enters the Card Number, Valid Thru Date, and other relevant information. In Card Not Present Transactions, the Merchant may request additional information from the Account Holder, such as the Account Holder address on record with the Card Issuer and the CVV/CVC/CID, to permit the Merchant to perform fraud checks.

After the adoption of EMV cards the liability for fraudulent transactions made in person shifted to the merchant if the merchant did not use the EMV chip to authorize the transaction. This liability shift did not occur for Card Not Present Transactions.

Card Number: See **Account Number.**

Card Transaction Report: A record generated by an Issuer Processor, identifying each transaction processed during a defined period.

Card Verification Value (CVV)/Card Verification Code (CVC)/Card Identification Number (CID):

(Please note: Visa uses the term CVV; Mastercard, CVC; Discover, CVV for the number encoded on the card and CID for the number printed on the card; and American Express, CID or 4DBC.)

(Card Verification Value)

A unique check value encoded on the Magnetic Stripe or encoded in the chip of a card to validate card information during the Authorization process. The Card Verification Value is calculated, using a secure cryptographic process, from the data encoded on the Magnetic Stripe.

(Card Verification Value 2)

A unique check value printed on the back of a payments card. It is generated using a secure cryptographic process. The number can help Issuers determine if a card is valid and reduce incidences of card/card data alteration. It is particularly useful in Card Not Present transactions, such as mail order/telephone order and e-commerce, because the number suggests that the Account Holder has the payments card in hand.

CVV3 – a dynamic CVV generated through an EMV cryptogram.

Cardholder Agreement: The written agreement between the Issuer and an Account Holder, together with any amendments, modifications or supplements, that sets forth all rules, fees, terms, limitations, and conditions of use of the Access Device. The Account Holder Agreement is typically available in print, as part of the card packaging and/or online, as appropriate for the card type. The terms contained in the Account Holder Agreement will vary, depending on the Card Issuer, the intended use of the account, and the venue in which it is obtained. Under the Prepaid Account Rule, Account Holder agreements must be delivered in addition to a Short Form and a Long Form disclosure that also explains fees to Account Holders. This can also be known as the Account Agreement or Terms and Conditions.

Cash Access: A feature of some digital accounts that enables an Account Holder to use the card to access cash, typically via an ATM, cash over at the point of sale, or at participating Financial Institutions.

Cash Management/Wealth Management App: Hybrid accounts that combine the features of savings/checking accounts and investment accounts.

Cash-Out Transaction: A transaction that reduces the Available Balance to $0. This transaction represents functionality required in certain states to satisfy an Account Holder's request to reduce a low Available Balance (such as less than $5) to $0. For any card, cardholders can get the remaining balance on their cards at bank branches from banks within the network on their cards.

California Consumer Privacy Act (CCPA): A consumer privacy law that went into effect in California in January of 2020. The law applies to all companies with over $25 million in revenue, that hold data on over 50,000 users, or earn 50% or more of their revenue from selling data. Categories of financial data that are subject to the federal Gramm-Leach-Bliley Act are exempt. The law requires that companies disclose the uses of individual users' data, the categories of data being collected, and that they provide consumers with greater ability to control their data and its uses.

Challenger Bank/Digital Bank: Financial technology providers who offer online-only retail bank accounts which typically feature low or no cost accounts, debit cards with access to ATM networks, and low or no fee overdraft. In the United States, these organizations typically partner with chartered banks to store customer funds and provide access to deposit insurance.

Chargeback: A payments network procedure initiated when an Account Holder disputes a purchase. A charge back may also occur when a Merchant fails to get proper authorization, fails to obtain a physical or electronic card imprint, or accepts an expired card. The Issuer and Acquirer research the facts to determine which party is responsible for the transaction. As a result of the investigation, the purchase may be reversed or credited. The rules of the Card Brands provide important protections to Account Holders to dispute transactions and to initiate Chargebacks to obtain the return of funds. Examples include non-delivery of products, non-performance of services, or fraudulent or unauthorized transactions made using the card. The CFPB Prepaid Account Rule requires Regulation E protections for Account Holders in regard to chargebacks.

Chargeback Right: The right, under Card Brand rules, of holders of Cards to dispute transactions made using their cards. Examples include non-delivery of products, non-performance of services, or fraudulent or unauthorized transactions, made using the Card or other access device. Account Holders may be protected under banking or money service business regulations, such as Regulation E or Regulation Z, but not as chargebacks.

Charter: A charter refers to the license granted by a government agency to an organization in order to provide financial services. While a charter is not necessary for all types of financial services companies, it does allow for access to deposit insurance, exemptions from state banking and money service business regulations in the case of a national charter and gives the chartered entity the ability to make loans. Being a chartered institution carries certain requirements including, but not limited to, capital adequacy requirements, risk management procedures, and compliance with consumer protection laws.

The types of charters include: National Bank Charter (issued by the Office of the comptroller of the Currency, State Banking Charters (issued by their respective state banking agencies), National Credit Union Charters (issued by the National Credit Union Administration), and state credit union charters (issued by their respective state agencies).

Networks may allow entities who meet network requirements to issue cards without a Financial Institution charter, most often for specialized programs.

Checkless Checking: This refers to a Demand Deposit Account (DDA) that does not provide paper checks to account holders. These are typically used as entry level accounts for low-balance customers. They have a debit card and offer online and mobile banking services.

Consumer Financial Protection Bureau (CFPB): The CFPB was created under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010. The purpose of the CFPB is to promote fairness and transparency for mortgages, credit cards, and other consumer financial products and services.

Contactless Payment Card/Device/ Transaction: A radio frequency-enabled card, mobile device, or other form factor that includes a microcontroller and communicates with a POS Terminal without physical contact between the form factor and the terminal.

Credit Union: A not-for-profit member-owned financial cooperative that offers banking services to its members. Credit unions generally aim to return profits to members in the form of lower cost products and services.

Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act): The Credit Card Accountability Responsibility and Disclosure Act, was signed into law on May 22, 2009. Title V of the CARD Act includes an amendment to the Electronic Fund Transfer Act, which offers protections for consumers, primarily Gift Card buyers and recipients, and includes restrictions on both Network Branded and Closed-Loop Prepaid Cards, as well as other devices, codes or promises redeemable for goods or services.

Cryptocurrency: A digital currency that operates independently of a central bank and instead uses a public distributed ledger to disseminate units and verify and record transactions. Bitcoin is the most well-known Cryptocurrency.

Currency or Monetary Instruments Reporting (CMIR): A provision of the Bank Secrecy Act (BSA) that requires each person (including a bank) who physically transports, mails or ships currency or monetary instruments in excess of $10,000 at one time out of or into the United States (and each person who causes such transportation, mailing or shipment) to file a report (FinCEN Form 10) with the appropriate Bureau of Customs and Border Protection officer or with the commissioner of Customs at the time of entry into or departure from the United States. When a person receives currency or monetary instruments in an amount exceeding $10,000 at one time that have been shipped from any place outside the United States, a CMIR must be filed with the appropriate Bureau of Customs and Border Protection officer or with the Commissioner of Customs within 15 days of receipt of the instruments (unless a report has already been filed). The report is to be completed by or on behalf of the person requesting transfer of the currency or monetary instruments. However, banks are not required to report these items if they are mailed or shipped through the postal service or by common carrier.

Currency Transaction Report (CTR): A currency transaction report (CTR) is a report that U.S. financial institutions are required to file for each deposit, withdrawal, exchange of currency or other payment or transfer, by, through, or to the financial institution that involves a transaction in currency of more than $10,000. Used in this context, currency means the coin and/or paper money of any country that is designated as legal tender by the country of issuance. Currency also includes U.S. silver certificates, U.S. notes, Federal Reserve notes, and official foreign bank notes.

An IRS Form 8300 must be filed by persons engaged in a trade or business who, in the course of that trade or business, receives more than $10,000 in cash in one transaction or two or more related transactions within a 12-month period.

Customer Identification Program (CIP): In the United States, an established process used by financial institutions to establish a reasonable belief that they know the true identity of their customers. A CIP must include new account opening procedures that specify the identifying information (such as name, address, date of birth, taxpayer ID number or Social Security Number for individuals, or other government-issued ID) that will be obtained from each customer and reasonable and practical risk-based procedures for verifying their identities. CIP is required by the USA PATRIOT Act. The law, implemented by regulation in 2003, requires financial institutions to develop a CIP appropriate to the size and type of its business. The CIP must be incorporated into the financial institution's BSA/AML compliance program, which is subject to approval by the financial institution's board of directors. See: **Know Your Customer.**

CVV/CVC: See **Card Verification Value/Card Verification Code/Card Identification Data**.

Debit Card: A plastic card, embossed or printed with the Account Holder's name, which is used by the Account Holder to access funds held by a financial institution in a demand deposit (checking, share draft or current), savings, or other asset account established individually for or by the Account Holder. Debit Cards that display a Card Brand Acceptance Mark "ride the rails" of the card networks and, therefore, require a signature for card-present purchases. Debit Cards that display an EFT Network brand (such as NYCE, Star, PULSE, Interlink or Maestro) ride the rails of the ATM Networks and, therefore, require a PIN for card present purchases.

DeFi (Decentralized Finance): This refers to using blockchains to offer financial services and banking functions beyond virtual currency without a central authority or bank. These can be any product that might require a ledger, such as contracts, money transfers, and peer-to-peer lending. Many of these functions are built on the Ethereum platform, which is an alternative to the Bitcoin blockchain.

Direct Deposit: An electronically originated (non-check) deposit to an account that is typically processed through the ACH. Employers often pay their employees by Direct Deposit, and many government benefit programs use Direct Deposit.

Distributor: A third-party Agent responsible for the packaging, storing and/or shipping pre-manufactured, commercially ready Prepaid Cards.

Digital Wallet: This refers to a digital account that is held online or on a mobile device that can store one or a combination of the following: balances, payment credentials, identification, and other information like loyalty cards. The wallet may enable access through NFC, QR or bar codes, and in-app access.

Dodd–Frank Wall Street Reform and Consumer Protection Act: A U.S. federal statue signed into law on July 21, 2010, commonly referred to as the Doff-Frank Act. The act was a major shift in the American financial regulatory environment, impacting all Federal financial regulatory agencies and affecting almost every aspect of the nation's financial services industry. It created the Consumer Financial Protection Bureau (CFPB) and gave the Bureau the power to regulate consumer financial products.

Dual-Message transaction: A transaction in which the Authorization request and financial settlement are handled in separate messages. The Authorization segment of the Transaction is typically conducted online and in real time, but these may occur offline in some instances. The financial settlement segment may not be complete until 24 to 48 hours after the Transaction is authorized. For example, a purchase initiated with a Network Branded Prepaid Card is typically a Dual-Message Transaction, and in a card-present transaction, the Account Holder's identity is authenticated by his/her signature.

Dual Routing Requirement: Under the regulations enacting the Durbin Amendment to the Dodd-Frank Act, debit and prepaid cards are required to offer merchants the choice of at least two unaffiliated networks for transaction routing. This enables the merchant to make choices about the cost of the transaction. The networks must be displayed on the card.

Dynamic Card Verification Value (DCVV): An encrypted calculated value in the track data generated by a Contactless Payment Device during Authorization and transmitted to the Issuer as part of the Authorization request.

Dynamic Currency Conversion (DCC): The conversion of the purchase price of goods or services from one currency to another, as agreed to by the Account Holder and Merchant. That currency becomes the transaction currency, regardless of the Merchant's local currency.

Dynamic Physical Expiration: System functionality that determines the Expiration Date for a payments card based on a formula from the date of creation (such as 12 months + month of creation). Based on Card Brand rules, this date is embossed or printed on the card, encoded on the Magnetic Stripe, and stored on the Host System.

Early Wage Access: Services that offer employees access to their earned but unpaid wages before the payday scheduled by their employer. These services are typically offered in a direct-to-consumer model that charges a fee to the customer and determines the amount a worker is eligible to receive as an advance by reporting of hours, tracking a cell phone, or basing the advance on a percentage of previously earned wages.

Earned Wage Access: Services that allow employees access to their earned but unpaid wages before the payday scheduled by their employer that connect to the employer's payroll system in order to determine the amount an employee is eligible to receive. These services may charge a fee directly to the worker or may charge the employer to offer the service as an employment benefit.

Electronic Funds Transfer (EFT) Network: Networks — such as NYCE, Star, PULSE, Interlink and Maestro — that provide switching and support services for online or Single Message ATM and/or POS purchase transactions.

Electronic Benefits Transfer (EBT): The electronic delivery of government benefits using payment cards including Prepaid Cards. The Food Stamp program (now called Supplemental Nutrition Assistance Program) has been delivered exclusively by Prepaid Cards since the late 1990s. Other types of government benefits that use Prepaid Cards to distribute funds include child support, workers compensation, and Social Security. The Prepaid Card is positioned as an option, in place of receiving a check, for unbanked recipients. The EBT system for delivering food SNAP benefits is a closed-loop system.

Electronic Fund Transfer Act (EFTA): Consumer protection law that establishes the rights of consumers who use electronic means to access consumer asset accounts and the responsibilities, including disclosure and error resolution procedures, of organizations that provide electronic access to such accounts. The Electronic Fund Transfer Act, passed in 1978, is the basis for the Federal Reserve Board's Regulation E.

Electronic Statement: A record of transaction activity and other information, such as balances and fees charged, available online. An Electronic Statement, also referred to as an e-statement, is a functional alternative to a traditional paper statement because it provides current information and may be accessed at any time by the Account Holder.

EMV PIN Transaction: A Chip Card-initiated Transaction (excluding ATM Transactions) verified by using online or offline PIN Verification.

Encoding: Data encoded/embedded in the Magnetic Stripe or chip of a payment card. The information encoded is unique to the card and required to facilitate electronic transactions.

Escheat/Escheatment: The process of transferring unclaimed or Abandoned Property to a state or federal authority. The requirements for escheat vary among regulatory authorities. In the United States, escheat laws are controlled by and vary by state.

Ethereum: An open software platform that uses a blockchain to offer financial tools including a cryptocurrency, smart contracts, and other financial services. It is the underlying technology for many DeFi applications.

Europay, Mastercard, Visa Standard (EMV): Technical specifications developed jointly by Europay International, Mastercard, and Visa to provide standards for processing transactions, enabling global interoperability of Chip technology in the payments industry.

Expiration/Expiry Date: Date after which an access device can no longer be used. It is a security element that is checked as part of the Transaction Authorization process. Note that the expiration date of the cards does not necessarily mean that the Account Holder no longer has access to the funds underlying the card, just that the access device needs to be replaced.

Federal Deposit Insurance Corporation (FDIC): In the United States, federal insurance that protects consumers from losing money deposited in insured depository institutions. In Nov. 2008, the FDIC General Counsel (General Counsel Opinion #8) determined that funds underlying Network Branded Prepaid Cards qualify as deposits covered by FDIC insurance to the extent they have been placed at an insured depository institution. This means that the funds are subject to assessments and insured up to the insurance limit.

In applying the insurance limit to a pooled custodial account, the FDIC will recognize holders of access mechanisms as owners of the deposits if the FDIC's standard requirements for pass-through insurance coverage have been satisfied. Otherwise, the card distributor or other name accountholder will be recognized as the owner. The treatment of the funds underlying stored value products does not differ from the treatment set forth in the FDIC's proposed rule published in August 2005.

The National Credit Union Association provides this insurance for credit unions.

Federal Preemption: Federal Preemption refers to the ability of a nationally chartered financial institution to default to federal banking laws and regulations when they are in conflict with banking laws and regulations of individual U.S. states. Federal Preemption is significant in the U.S. payments environment because it is the basis for Federally Chartered Financial Issuers being subject to a single federal standard rather than the laws. Preemption is not always guaranteed by the presence of a federal law. Some federal legislation has specified that state laws that are deemed to be more protective of the consumer take precedence.

Federally Chartered Financial Institution: Financial institutions holding a federal or national charter and regulated by the Office of the Comptroller of the Currency or the National Credit Union Administration.

Filtered Card: See **Restricted Authorization Network Card.**

Financial Crimes Enforcement Network (FinCEN): A bureau of the U.S. Department of Treasury established in 1990 to provide a government-wide, multisource financial intelligence and analysis network. FinCEN is principally charged with administering and interpreting the Bank Secrecy Act (BSA), which combats Money Laundering, terrorist financing, and financial crime. In this capacity, FinCEN issues regulations and interpretative guidance, provides outreach to BSA-regulated industries and organizations, supports the examination functions performed by federal banking agencies and pursues civil enforcement actions when warranted. FinCEN also supports the law enforcement and intelligence communities, as well as federal and state regulatory and supervisory agencies by providing investigative case support and by sharing and analyzing data to identify financial crime trends.

Financial Institution: A business that provides monetary and financial transaction services, such as deposit taking, lending, payments processing, investment services, and money transmission, and has received some type of banking charter or money services business license by a national or state regulatory agency.

FinTech: A financial services company that uses technological platforms to deliver financial services.

Fintech Charter: A special-purpose national financial institution charter proposed by the Office of the Comptroller of the Currency (OCC) that would allow non-depository financial technology companies to begin engaging in traditional banking activities like deposit taking, lending, and payments processing. The Fintech Charter would provide chartered institutions exemptions from state usury laws and money transmitter licensing requirements and bring them under the supervision of the OCC.

Fintech Debit: This refers to digital financial services that use a card as the primary transaction method. The products are offered by a program manager that contracts with a third-party bank to issue the cards and hold funds. The accounts are individually owned demand deposit accounts in contrast to pooled accounts that underlie prepaid cards.

Flexible Spending Account (FSA): A program administered by an employer, in accordance with the IRS requirements, that permits employees to set aside pre-tax dollars to pay qualified out-of- pocket medical expenses not covered by the employer's health care plan.

Floor Limit: A maximum monetary amount at or above which the Merchant must obtain Authorization before completing a transaction. Floor Limit values are assigned according to transaction type and geographical locations. Card Brands establish Floor Limit values as guidelines for Issuers to follow in their Authorization process. Floor Limits vary worldwide by region, country, product, Merchant Category Code, and fraud experience.

Form Factor: The vehicle or form used to deliver a payments product. A plastic card is an example of a Form Factor, as is a mobile phone, or a watch that is used to initiate a prepaid transaction. **See: Access Device.**

Funding Load: See **Load.**

Funding Source: There are three basic funding sources for accounts: consumer (typically via cash, check, bank transfer, credit, or debit card); corporate/business (typically via corporate check or ACH transfer); and government (typically via ACH transfer). The Funding Source often is considered an element in the risk associated with a payments card.

General Data Protection Regulation (GDPR): A data privacy and security regulation in the European Union (EU). GDPR provides a single data privacy and security framework across all EU member-states that layouts how individuals' data can be used, how much and what kinds of data can be collected, and data protection standards. GDPR also requires that individuals can learn what data is collected and have greater control over their data.

General Purpose Reloadable Prepaid Card (GPR): A type of Consumer-Funded Prepaid Card, purchased by a consumer for his/her personal use, to use to pay for purchases, pay bills and/or access cash at ATMs. GPR Cards often are purchased by those who do not want or do not qualify for a bank checking account or a credit card. GPR Cards may be purchased online and in retail locations from a variety of providers. Reloads (the addition of funds to the Prepaid Card) may be accomplished through Reload Networks sponsored by the Card Brands and Program Managers or via Direct Deposit from by employers or government. Consumers may pay various fees for GPR Cards, typically including an upfront purchase fee, monthly fees, and transaction fees (for ATM transactions, for example).

Genesis Block: The first block in a blockchain that serves as prototype for all other blocks that come after it and is the foundation that other blocks are built on.

Health Reimbursement Account (HRA): An employer-funded program that reimburses employees, in accordance with the IRS regulations, for qualified out-of-pocket medical expenses not covered by the employer's health care plan.

Health Savings Account (HSA): A program operated in accordance with the IRS regulations that enable participants of a qualified high-deductible health plan (HDHP) to access funds contributed by an employee, employer, or both, for qualified out-of-pocket health care expenses.

High Intensity Drug Trafficking Area (HIDTA): Designated areas within the United States that exhibit significant drug trafficking problems and harmfully impact other areas of the country, as identified by the Director of Office of National Drug Control Policy. Issuers and Program Managers need to take HIDTA areas into consideration in undertaking BSA risk assessments and in BSA programs including implementing AML controls when assessing its customer base in terms of geography.

High Intensity Financial Crime Area (HIFCA): Designated areas within the United States in which money laundering and related financial crimes are extensive or present a substantial risk. These high-risk areas were first announced in the 1999 National Money Laundering Strategy and were conceived in the Money Laundering and Financial Crimes Strategy Act of 1998 as a means of concentrating law enforcement efforts at the federal, state, and local levels in high intensity money laundering zones.

High Risk Merchant Category Code (MCC): Designation used to represent Merchant Category Codes that have higher than normal patterns of fraud, abuse, or loss for Issuers. Processors may, under certain approved circumstances, decline or refer transactions originating from these MCCs.

Host System/Host Based: A Merchant Authorization system supported by a central computer. The Host System typically houses or has access to real-time balances and "sees" all activity related to the card. When an Authorization request is forwarded to the host, it determines whether there are sufficient funds to honor the transaction, reviews other parameters (such as velocity limits), and may check the Hot Card file. If the card passes all relevant tests, the host sends an Authorization message to the terminal to allow the transaction to be completed. In a Dual-Message Transaction, the financial settlement occurs separately.

Hot Card: A card that has been reported lost, stolen, or is otherwise in jeopardy of being used fraudulently. Hot Cards are typically included on an electronic Hot Card file, which prevents transactions from being authorized online.

Incubator: An organization that seeks to help early-stage start-ups build their business and typically provides office space, networking opportunities, training and mentoring opportunities, and assistance in accessing growth funding.

Initial Coin Offering: A fundraising method whereby a new digital currency is offered to the public in exchange for an existing and more established digital currency or fiat currency.

Interactive Voice Response (IVR): Technology that allows a computer to detect voice and keypad inputs. IVR systems are used to enable Account Holders to service their own inquiries.

Interchange (Reimbursement) Fee: A fee paid from one financial institution to the other financial institution participant in a transaction. Typically, it is a fee assessed by a Card Brand, which requires the Acquiring (Merchant) Bank to pay the Issuing (Account Holder) Bank. Fees vary by Card Brand, transaction category, and payment instrument type.

Inventory Information Approval Systems (IIAS): A process to limit the use of health care payment cards linked to FSAs and HRAs to eligible health care expenses as defined by the IRS. Under this process, when an employee uses the health care card, the merchant's system collects information about the items purchased using the inventory control information (e.g., SKUs). The system compares the inventory control information for the items purchased against a list of items that qualify as IRS-eligible health care expenses. The eligible expenses are totaled, and the merchant's or payment card processor's system approves the use of the card only for the amount of the eligible expenses if accessing an FSA or HRA. If the transaction is only partially approved, the employee is required to tender the balance using an alternate payment method.

Issuer: For Network Branded Cards in the United States, the regulated financial institution that has a relationship with a Card Brand and, as part of that relationship, is authorized to issue payment cards or access devices under its licensing agreement with the Card Brand. The Issuer is responsible for all elements of a program for which it acts as the issuer. It is also known in the United States as the Issuing Bank, Issuing Financial Institution.

Issuer Processor: An Agent of the Issuer that has entered into an Issuer Processor agreement with a Card Brand and that has been certified by the Card Brand to perform Authorizations, settlements, or other processes.

Issuing Bank/Issuing Financial Institution: See **Issuer**.

Key: Security code used as part of the process to encrypt the Magnetic Stripe on the back of a Prepaid Card.

Key Fob: A key fob is a type of security token: a small hardware device with built-in authentication mechanisms. The mechanisms in the key fob control access to network services and information. The key fob (and similar devices, such as smart cards) provide two-factor authentication: the user has a personal identification number (PIN), which authenticates them as the device's owner; after the user correctly enters their PIN, the device displays a number which allows them to log on to the network. Because a key fob is a physical object, it is easy for the owner to know if it has been stolen. In comparison, a password can be stolen (or guessed) and used for an extended period before—if ever — the theft is detected.

Know Your Customer (KYC): Principles employed by organizations subject to the BSA to assist in risk-based analysis regarding the level of due diligence and monitoring that should be applied to the transactional activities of their Prepaid Card customers. Regulations require that the institution gather and verify the account applicant's name, date of birth, address, and social security or tax identification number.

Limit Controls: Use of a specific amount or a percentage that limits the amount or number of transactions/ Loads that can occur within specific time periods; often used as controls to reduce risk.

Load: Funds added to an account to establish or increase the balance available to the Account Holder. Depending on the type of account and the Issuer's terms and conditions, a Load may be made in a variety of ways such as cash, ACH load/direct deposit, bank account transfer or transfer from debit/credit card. Also known as a Load transaction or Funding Load.

Load Fee: A fee charged when an account is reloaded with money. (Initial load fees are generally considered purchase fees.)

Load Limit: The maximum value that may be loaded to an account.

Load Network: A network of retail business locations that have established a secure electronic facility with an Issuer to accept cash, cash equivalents, credit and/or debit transactions to add value to an account.

Logical Expiration Date: A secondary Card Expiration Date based on a specific event (such as Activation) rather than the creation date of the card. This secondary Expiration Date is maintained only on the Host System. This date likely is different than the Expiration Date encoded on the Magnetic Stripe.

Long Form Disclosure: Under the CFPB's Prepaid Accounts Rule, prepaid account providers must have two disclosure forms: a short form and a long form. The long form is designed to provide Account Holders with a comprehensive list of fees on the prepaid account and information on how the fees are assessed. It also has requirements on content, form, and formatting but is overall less prescriptive than the short form disclosure.

Machine Learning: This refers to a division of Artificial Intelligence in which computers use data that it receives to improve its programming for specific tasks and complete them more accurately.

Magnetic Stripe: A strip of magnetic tape affixed to a payments card onto which identifying data, such as the account number, PIN offset, and other information needed to process transactions electronically, are encoded.

Merchant: A business that has entered into a Merchant Services Agreement (and/or a cash advance participation agreement) with a Card Brand or an Acquirer, or that has entered into an agreement similar to a Merchant Services Agreement with a third party that provides the terms and conditions governing the acceptance and settlement of card transactions accepted at the specific outlet.

Merchant Category Code (MCC): A four-digit number assigned to a business by the Card Brands to classify the business by the type of goods or services it provides.

Merchant Services Agreement: A contract between a Merchant and an Acquirer containing their respective rights, duties, and obligations for participation in the Acquirer's Network branded card program(s).

Mobile Payments: Point-of-sale payments made using a mobile device as the Form Factor. The transaction could be made through a QR code, bar code, through an NFC message, or some other means of access via the mobile device.

Money Laundering: The practice of engaging in financial transactions to conceal the identity, source, or destination of illegally gained money.

Money Services Business (MSB): Non-bank financial institution as designated by FinCEN, including currency dealers or exchangers, check cashers, issuers of travelers' checks, money orders, money transmitters and sellers or redeemers of travelers' checks, money orders or stored value cards. MSBs are frequently involved in the process of marketing and Loading of Prepaid Cards.

Monthly Fee: A periodic fee deducted from the balance of an account once per month.

Multiple Purses/Multi- Purse Prepaid Cards: A Host System feature that enables multiple balances to be associated with a Primary Account Number. Typically, each purse has different restrictions associated with the usage of the funds in the purse.

Nationally Chartered Bank: See **Federally Chartered Financial Institution**

Near Field Communication (NFC): A two-way communication protocol that is based on RFID and is often referred to as contactless technology. NFC technology is used in a wide array of applications including quick-serve restaurants, fast payment at gas stations and supermarkets, transit payments and more. See also contactless.

Neobank: See **Challenger Bank**.

Network: See **Card Brand**.

Nonbank Financial Institution: A nonbank financial institution generally means a financial institution which is non-depository (e.g., it does not accept deposits). Included within the definition of nonbank financial institutions are entities described as "money service businesses" in 31 C.F.R. § 1010.100(ff).

Non-Financial Transaction Fee: A fee assessed for a non-financial activity such as a balance inquiry.

Office of Foreign Assets Control (OFAC): The U.S. Treasury Department's Office of the Foreign Asset Control oversees enforcement of economic sanctions based on U.S. foreign policy and national security goals. Includes specific procedures and reporting requirements for Financial Institutions to match customer names to the specially designated nationals and blocked persons list.

Office of the Controller of the Currency (OCC): The OCC charters, regulates, and supervises all national Banks. It also supervises the federal branches and agencies of foreign Banks. Headquartered in Washington, D.C., the OCC has four district offices plus an office in London to supervise the international activities of national Banks.

Offline Transaction: See **Dual-Message Transaction.**

Online Transaction: See **Single-Message Transaction.**

Open Banking: The digital sharing of financial or banking information through application programming interfaces (APIs) to third party platforms or service providers.

Partial Authorization: A service that supports Authorization of a portion of the amount of a purchase.

Partial Authorization makes it easier for an Account Holder to use multiple forms of tender to pay for a purchase via a "split transaction," usually when there is not a sufficient Available Balance in an account to pay the full purchase amount.

Partial Authorization: This refers to a digital wallet that does not store value, but instead serves as a way to store payment credentials from other issuers.

Patriot Act: Enacted in 2003, the USA PATRIOT Act (also known as the "Patriot Act") amends the BSA by, among other things, criminalizing financing of terrorism and by enhancing existing BSA regimes through:

(a) Expanding AML program requirements to certain delineated financial institutions;

(b) Strengthening customer identification procedures;

(c) Prohibiting financial institutions from engaging in business with foreign shell Banks;

(d) Requiring financial institutions to have due diligence procedures and, where appropriate, enhanced due diligence procedures for foreign correspondent and private banking accounts; and

(e) Improving information sharing between financial institutions and the U.S. government.

Payment Service Directive 2 (PSD2): A regulation that provides a legal framework and set standards for payments in the European Economic Area.

Platform Lending: Platform lending refers to lending conducted over digital platforms where individuals and investors can lend directly to both consumer and business borrowers. In most cases, the platform collects the principal and interest payments for lender minus a fee for administering the loan. It also can be called peer-to-peer lending or marketplace lending.

Peer to-Peer or Person-to-Person Transfers (p-to-p or P2P): These refer to electronic transfers between individuals using an app or platform that allows them to send money either from account to account or from a prefunded wallet to another wallet. This could also include 'me-to-me' transactions where accountholders transfers money between two accounts they own themselves.

Personal Financial Management (PFM): This refers to software that helps consumers budget their money. These can be integrated in an account or provided by a third party that pulls information from a user's other accounts using screen scraping or open-banking APIs.

Personal Identification Number (PIN): A four-to-six-digit code used to authenticate the identity of an Account Holder for point-of-sale or ATM transactions.

PIN-Based Transaction: See **Single-Message Transaction.**

Point of Sale (POS): A physical location, such as a store, restaurant, or gas pump, where an access device is used by an Account Holder to pay for a purchase.

Point-of-Sale Balance Return: An Authorization Response in which an Issuer provides the Available Balance to the participating Merchants, usually for printing on the Transaction Receipt.

Point of Sale Lending: This refers to installment loans offered to consumers as a payment option at the time that they are making a purchase as a payment option. The loans may or may not charge interest or finance fees. The loans are offered in both brick-and-mortar and online stores.

Pooled Account: A single account used by an Issuer to hold funds associated with a portfolio of Prepaid Cards. Balances for each Prepaid Card account are maintained in the system of record (generally by the Processor).

POS Terminal or Device: An electronic point-of-sale device, cash register or terminal, including a customer activated terminal, located at the physical premises of a Merchant, load Merchant and/or Website software. This terminal or device is capable of capturing data from cards (physical or virtual) and receiving electronic evidence of Authorization responses and may also be capable of transmitting electronic evidence of sales data.

Preemption: In payments discussions preemption generally refers to the displacing effect that federal law will have on a conflicting or inconsistent state law.

Prepaid Access: The Financial Crimes Enforcement Network defines prepaid access as an "electronic device or vehicle, such as a card, plate, code, number, electronic serial number, mobile identification number, personal identification number, or other instrument that provides a portal to funds or the value of funds that have been paid in advance and can be retrievable and transferable at some point in the future."

Prepaid Account Rule: On October 5, 2016, the Consumer Financial Protection Bureau (CFPB) issued a final rule amending Regulations E and Z to create comprehensive consumer protections for prepaid financial products. The Prepaid Rule adds the term "prepaid account" to the definition of "account" in Regulation E. The rule became effective on April 1, 2019. Among its provisions were requirements on disclosures, error resolutions and credit associated with prepaid accounts as defined in the rule.

The text of the rule, compliance guides, and other information can be found at: https://www.consumerfinance.gov/policy-compliance/guidance/prepaid-rule/

Prepaid Card: A card used to access funds in a prepaid account.

There are two general categories of Prepaid Cards. Closed-loop cards are redeemable only at the issuer's locations. Examples include gift cards redeemable only at a particular store, or transit cards that can only be used with in a transit system.

Open-loop cards, which are also called Network Branded cards, are redeemable wherever the network that appears on the card is accepted.

Some consider Restricted Authorization Network (RAN) Cards a third category of Prepaid Cards. These cards typically are accepted for payment at multiple retailers (such as those in a mall or a certain geographic location) but are not universally accepted like Network Branded Prepaid Cards. Often, RAN Cards "run" on the rails of the Card Brands, meaning they make use of the Card Brand processing and financial settlement infrastructure but do not include a Card Brand Acceptance Mark.

Prepaid Cards may be Consumer Funded, Corporate Funded, or Government Funded.

Primary Account Number (PAN): A numbering system used to represent an account within the Host System. The PAN may or may not be related to the card number. The Host System generally will not change the PAN, even if card numbers are changed (such as for replacements or renewals).

Privacy: This refers to the right and ability of consumers and businesses to keep financial information from being revealed to unauthorized people and to only be used for purposes to which they consent.

Under the Gramm-Leach-Bliley Act of 1999 financial institutions must disclose the kinds of personal information they intend to share and how the customer can opt out of the sharing.

The law covers banks, securities firms, insurance companies, and other financial services companies.

In addition to the federal law, several states have implemented their own privacy laws that offer additional protections and tie online privacy and financial privacy.

Processor: An entity providing services on behalf of a Merchant or Financial Institution. Processing services may include Authorization, card production, dispute processing, customer care, routing and/or settlement of transactions.

Program Manager: The entity responsible for day-to-day operations in support of a Payments Card and/or Account Program such as marketing, customer acquisition, back-office support, interfacing with processor systems to ensure accurate account setup, individual card account maintenance, balancing and reconciling, chargeback, and dispute resolution, lost and stolen card reporting, fraud reporting, customer service and any other management of the program.

Radio Frequency Identification (RFID): A particular use of contactless short-range radio frequency in which an identifier is transmitted from a tag to a reader.

Regulation E (REG E): A consumer protection banking regulation that implements the Electronic Fund Transfer Act and establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer and remittance transfer services such as direct deposit, payments cards and ATMs. It also defines the responsibilities for financial institutions or other persons that offer these services to consumers. Regulation E protections apply to prepaid cards and some types of Fintech services under the CFPB's Prepaid Account Rule.

The full text of the regulation can be found at: 12 CFR §§ 1005.1 et seq. | Consumer Financial Protection Bureau (consumerfinance.gov)

Regulation Z (REG Z): Implements the Truth in Lending Act and covers consumer lending including closed-end credit (such as home mortgages), open-end credit (such as credit cards), student loans, and installment loans. It provides rules in several areas including annual percentage rates, credit card disclosures, periodic statements, mortgage loan disclosures, and other lending requirements.

The full text of the regulation can be found at: 12 CFR §§ 1026.1 et seq. | Consumer Financial Protection Bureau (consumerfinance.gov)

Regulation DD (REG DD): Implements the Truth in Savings Act and covers savings accounts, checking accounts, money market accounts, certificates of deposits, and other consumer deposit accounts. It provides rules in several areas including: annual percentage yield, interest rates, minimum balances, and account opening disclosures.

The full text of the regulation can be found at: 12 CFR §§ 1030.1 et seq. | Consumer Financial Protection Bureau (consumerfinance.gov)

Reissue: The creation and issuance of a new Payments Card with the same Card Number and Expiration Date as the previous card.

Reload: A transaction that places additional funds into an already active Account based on the card type and minimum/maximum parameters.

Reload Network: See **Load Network.**

Reseller: See **Distributor.**

Sandbox: A process that allows a new financial product and service, where no existing regulatory or legal framework exists, to be tested on the market under the supervision of a regulator.

Screen Scraping: A method of gathering customer information that happens when a customer provides the login details for an account to a third party, who then logs into the account as the customer and gathers information about that customer's account (balances, transaction, etc.) and uses it to provide a service.

Secondary Card: A second card, with a different card number, issued to the same Primary Account Number.

Settlement: The process by which funds are transferred after a transaction is authorized. The settlement can be completed by bank transfer, electronic funds transfer, or fee entries.

Short Form Disclosure: Under the CFPB's Prepaid Accounts Rule, prepaid card providers must have two disclosure forms: a short form and a long form. The short form is designed to help the consumer understand the key terms and fees of the account and to facilitate comparison shopping. A guide to preparing short form disclosures can be found at: https://files.consumerfinance.gov/f/documents/cfpb_prepaid_guide-to-short-form-disclosure.pdf

A sample short form:

Monthly fee	Per purchase	ATM withdrawal	Cash reload
$5.99†	**$0**	**$0** in-network **$1.99** out-of-network	**$3.99***

ATM balance inquiry (in-network or out-of-network)	$0 or $0.50
Customer service (automated or live agent)	$0 or $0.50* per call
Inactivity (after 12 months with no transactions)	$1.00 per month
We charge 4 other types of fees. Here are some of them:	
[Additional fee type]	$0.50 or $1.00
[Additional fee type]	$3.00

† No monthly fee with direct deposit or 30 transactions per month.
* This fee can be lower depending on how and where this card is used.

You may be offered overdraft/credit after 30 days. Fees would apply.
Register your card for FDIC insurance eligibility and other protections.

For general information about prepaid accounts, visit *cfpb.gov/prepaid*.
Find details and conditions for all fees and services inside the package, or call **800-234-5678** or visit ***xyz.com/prepaid***.

Signature-Based Transaction: See **Dual-Message Transaction**.

Single-Message Transaction: A form of online transaction processing that passes the Authorization request/response and financial settlement messages in one transaction. A Single-Message Transaction can involve a PIN; therefore, all ATM transactions are Single-Message Transactions. Pinless debit transactions are also single message transactions, but most Network Branded Prepaid Card purchases are Dual-Message, not Single-Message, Transactions.

Software as a Service (SaaS): This refers to software that users subscribe to rather than own and access via the Internet. It can be used to offer features and functions on a platform without needing to implement a new suite of software.

Spend: Technically, funds used to pay for purchases. Sometimes, however, Spend is used as a catch-all for all disbursements (e.g., fees or ATM withdrawals) from payments instruments.

Split Tender: A purchase transaction using two or more different forms of payment. If the Available Balance in an account is insufficient to pay for the purchase, the consumer must offer another form of payment (e.g., cash) to cover the difference.

To successfully complete a Split Tender transaction, the Merchant must ascertain the Available Balance using the Card Brand's balance inquiry feature or rely on the Account Holder's indication of the Available Balance. In the latter, if the Account Holder provides an incorrect balance that is more than the Available Balance, the Merchant will receive a transaction decline.

Stablecoins: Digital currencies that seek to minimize price volatility by backing the currency with an asset or group of assets, or pegging it to another digital currency, fiat currency, or commodity.

Stand-In Processing: Authorization of a transaction when the Host is unavailable to provide online, real-time authorization. Stand-In Processing may be planned but also may be unplanned in the event of unexpected downtime by a Host or a disruption in telecommunications.

Typically, an Issuer will designate a dollar amount below which it will permit Stand-In Processing when the Host is unavailable (and unable to verify that sufficient funds are available). Once communication is restored with the Host, the transactions authorized in stand-in are uploaded to the host for processing. The benefit of Stand-in Processing is that Account Holders are not inconvenienced by an authorization turndown in the event that the Host is unavailable, or telecommunications are down. The liability of Stand-In Processing is that transactions may be authorized for more than an Account's Available Balance. Stand-In Processing is typically not permitted on gift cards unless specified in contract or program documents.

State Bank: A bank chartered and regulated by a state. The distinction between State and Federally Chartered Banks may impact the application of certain state consumer protection laws. This distinction may be less important under the 2010 Dodd-Frank financial reform.

Statement: see **Transaction History**.

Status: An indicator that can be associated with a personal account number, card, purse, or Account Holder that provides an authorization parameter used by the host system to either approve or decline an authorization transaction. Examples of card/account status are open, closed, inactive, and lost.

Suspicious Activity Report (SAR): Form used by all U.S. financial institutions to report a known or suspected criminal violation of federal law or a suspicious transaction of $5,000 or more. Filing of SARs is mandated by the BSA.

Third-Party Administrator (TPA): An organization that processes insurance/health care claims for another entity, typically the insurance provider. TPAs assist in administering prepaid health care/employee benefits cards.

Third-Party Processor (TPP): See **Processor**.

Third Party Service Provider: An entity that acts as a Processor, a Third Party, or both, for a Fintech, providing payment-related services, directly or indirectly, such as:

- Storing, processing, or transmitting Account Holder data, transaction data or Account Numbers;
- Conducting marketing activities, Account Holder solicitation, account application processing services or customer service;
- Conducting Merchant solicitation, sales, customer service, Merchant transaction solicitation or Merchant training;
- Performing transaction-related or back office-related functions;
- Providing ATM and/or point-of-transaction deployment or operational support;
- Soliciting other entities to sell, distribute, activate, or load accounts on behalf of an Issuer.

These organizations are sometimes referred to as "Third Party Agents."

Tolerance Factor: A fixed or percentage-based increase in the transaction Authorization amount to ensure that funds are available at settlement to cover the amount of a purchase plus a customary markup, such as tips in restaurants, or an additional charge such as shipping for an online purchase.

Transaction Fees: Fees assessed for various activities related to a consumer's use of an account. Examples of transaction fees include fees for ATM use, purchases, or balance inquiries. The types and amounts of Transaction Fees vary from card to card and Issuer to Issuer. Transaction Fees must be disclosed in multiple forms according to the CFPB's Prepaid Account Rule. The most common fees must be disclosed in the Short Form Disclosure, while all fees must be disclosed in the Long form disclosure.

Transaction History: A written or electronic record of the activity in an account. Depending on the account type, this may include cash withdrawals, purchases, balance inquiries, deposits, and any other transactions/activity. The Transaction History typically includes the time, date, location, and amount of the activity. With proper legal authority, the Transaction History may sometimes be used identify illicit activity.

Transaction Monitoring: A detection system that reviews transactions to identify suspicious activity that may relate to fraud, money laundering, terrorist financing, drug trafficking or other illicit activities.

Two-Factor Authentication: This refers to when an Account Holder uses two independent means to authenticate their access to an account such a combination of a password and text message or value from a physical token to increase the assurance that the holder has been authorized to access secure systems.

Unbanked/ Underbanked Consumers: Individuals who have no or limited access to financial services at Banks and other mainstream Financial Institutions. People may have stopped using banks by choice or been forced out due to mismanagement of accounts.

Value Chain: The entities that play a role in making financial services products available. Typically: Issuer/Issuing Bank, Acquirer, Program Manager, Processor, Distributor/Third-Party

Seller or Reseller and Card Brand. Some entities fill more than one link in the Value Chain and the roles and responsibilities associated with each are not necessarily hard and fast.

Virtual Currency: This refers to a digital medium of exchange that typically runs on a blockchain. Virtual currencies can be decentralized and operated on an open source blockchain or they can be operated by a centralized issuing authority including a corporation, government, or central bank.

Zero Liability: Mandatory Card Brand rule that protects consumers against financial losses related to unauthorized signature-based transactions involving their lost or stolen cards. Typically, Brand zero-liability rules apply only to consumer transactions, however, some Brands may extend their zero-liability policies to non-consumer transactions depending on the circumstances.