



PAYMENTS TERMINOLOGY AND ACRONYMS



COMMON ACRONYMS

AML

Anti-Money Laundering

Anti-money laundering (AML) is a term mainly used in the legal and financial industries to describe a set of procedures, regulations, or legal controls designed to detect, prevent, and report the practice of generating a source of income through illegal actions (money laundering).

ACH

Automated Clearing House

An Automated Clearing House (ACH) is a network capable of handling and processing electronic payments in significant volume. Most countries have at least one ACH which provides a fully automated way of collecting and settling payments; effectively, the ACH provides a secure electronic network to allow banks and financial institutions exchange to information.

APM

Alternative Payment Method

Alternative Payment Methods (APM) relate to any electronic payment which is not made using a credit or debit card. This includes prepaid cards and e-vouchers, digital wallets, P2P solutions, mobile payments, and cryptocurrencies.

Bacs

Bacs provide the system for the clearing and settlement of UK automated payment methods, including Direct Debit and Bacs Direct Credit payments. Payments sent via this method take 3 working days to clear.

BIC

Bank Identifier Code

BIC stands for Bank Identifier Code. This is often referred to as a SWIFT code or SWIFT address as SWIFT owns and administers the BIC system.

CHAPS

Clearing House Automated Payment System

CHAPS is typically used for making high-value transactions where same day guaranteed payment is required. Payments are guaranteed to be processed same-day providing instructions are received by 2pm on a working day. Banks may charge up to £35 for CHAPS transfers and are only used to make bank-to-bank fund transfers in GBP.

CNP

Card Not Present

A card not present transaction (CNP) is a remote purchase whereby the card and cardholder are not physically present for visual examination at the merchant's point of sale, for example purchases which are made over the internet, telephone, or by mail, fax, or mail-order. CNP transactions can be a major route for card fraud, as it is difficult for a merchant to verify whether or not the cardholder is actually authorising a payment (compared to a card present transaction, whereby the payment card and cardholder are both present so the PIN and/or customer signature can be verified).

EFT

Electronic Funds Transfer

Electronic Funds Transfer (EFT) refers to any transfer of funds initiated electronically, including card payments, ATM withdrawals, point-of-sale (POS) and debit transfers without requiring the intervention of bank staff. These transactions can take place within the same organisation, or across accounts spread between one or more financial institutions in the banking network.

EMD

E-Money Directive

Electronic money (e-money) is currency that is digitised to be stored on, and used via, mobile phones, prepaid cards, or online accounts. The E-Money Directive is a set of regulations that exist to benefit businesses, customers, and the wider economy. The E-Money Directive aims to enable secure e-money services, provide market access to new organisations, and foster healthy competition between all participants.

EMV

Europay, MasterCard, and Visa

Europay, MasterCard, and Visa (EMV) is a worldwide technical standard for payment cards that provides global telecommunications between all cards and acceptance networks (payment terminals). The EMV standard also applies to mobile payment solutions including mobile EMV with NFC (Near-Field-Communication).

FX / Forex

Foreign Exchange

Foreign Exchange (FX) is the exchange, or conversion, of one currency into another currency. Foreign Exchange also refers to the global trading market whereby currencies are virtually exchanged around the clock, with the largest centres being based in London, New York, Tokyo, and Singapore. The term Foreign Exchange is frequently abbreviated to 'forex' as well as 'FX'.

HCE

Host Card Emulation

Host Card Emulation (HCE) is a specialist software that permits a mobile device to act as a card in order to perform a transaction on a Near Field Communication (NFC) enabled device without the need of a secure element.

IBAN

International Bank Account Number

An International Bank Account Number (IBAN) is an account number written in a standardised internationally recognised format which is used to identify an individual account, making it faster easier to process cross border transactions across Europe. An IBAN is made up of a code that identifies the country the account belongs to, the bank the account belongs to, followed by the account number.

KBA

Knowledge-Based Authentication

Knowledge-Based Authentication (KBA) is a security measure that seeks to prove the identity of a user who is attempting to access an online service, by asking them to answer at least one "secret" question. KBA is generally used as a component in multifactor authentication (MFA) and for self-served password retrieval.

KYC

Know Your Customer

Know Your Customer (KYC) is a mandatory banking regulation designed to protect the integrity of the banking system by reducing the likelihood of financial institutions becoming vehicles for money laundering, terrorist financing, and other unlawful activities. To mitigate risk, financial institutions perform KYC checks by obtaining sufficient information that can be used to develop a comprehensive profile of the customer, such as proof of address and photographic identification.

MiFIR / MiFID II Directive

Markets in Financial Instruments Directive

The Markets in Financial Instruments Directive (MiFID) is the EU legislation that regulates providers of services that are linked to 'financial instruments', such as shares, bonds, investment schemes and derivatives, and the venues where these instruments are traded. In April 2014, the European Parliament approved an updated version of the law, MiFID II, which is set to expand the scope of the rules to cover more companies and products.

NFC

Near-Field Communication

Near Field Communication (NFC) is a short range method of wireless data transfer that enables two electronic devices to establish communication without internet connection when they are in close proximity of one another. NFC chips are stored inside payment cards to enable contactless payments, and more recently, inside smartphones, stickers, and wearable devices.

PCI

Payment Card Industry

The Payment Card Industry (PCI) consists of all the organisations which store, process, and transmit cardholder data, including automated teller machines (ATMs), point of sale (POS) terminals and credit, debit, prepaid, and electronic money cards. PCI is governed by the Payment Card Industry Security Standards Council.

PCI DSS

Payment Card Industry Data Security Standard

The Payment Card Industry Data Security Standard (PCI DSS) is an information security standard for organisations that handle payment cards. This standard is governed by the Payment Card Industry Security Standards Council and exists to increase controls around cardholder data and to reduce credit card fraud. Compliance is validated on an annual basis, either by a qualified security assessor, or by self-assessment questionnaire, depending on the volume of transactions made by each organisation.

PSD

Directive on Payment Services (AKA Payment Service Directive)

Established in 2007, the Directive on Payment Services (PSD) is EU legislation that provides the legal foundation for the creation of a single market for payments across the Eurozone, and the necessary legal platform for the Single Euro Payments Area (SEPA). The introduction of PSD made cross-border payments easier and faster with SEPA payments being used to make transfers across the majority of Europe. Another key goal for the PSD is to improve competition by opening up payment markets to new entrants, providing greater efficiency and cost-reduction to end users.

PSD2

Revised Directive on Payment Services (AKA Payment Service Directive II)

The Revised Directive on Payment Services (PSD2) builds on the existing PSD, and has been developed to make certain provisions in PSD clearer, as well as putting emphasis on further opening up the payments industry for third party businesses and non-banks, to increase competition.

POS / mPOS

Point of Sale / Mobile Point of Sale

A Point of Sale (POS) is a cashier counter, or checkout, usually located within a retail shop, or an environment whereby transactions and purchases may occur. The term may also apply to the actual hardware and software including electronic cash registers, barcode scanners, touch screen displays receipt printers, and pole displays. In simpler terms, if something can be exchanged for monetary value, then this will happen at a Point of Sale. A Mobile Point of Sale (mPOS) is a tablet, smartphone, or wireless device that performs the functions of a regular POS terminal. Any device can be transformed into a mPOS with the use of a dedicated app.

PSP

Payment Service Provider

A Payment Service Provider (PSP) is a third party that facilitates payments on the behalf of merchants, typically by partnering with an acquirer (such as a bank). The PSP takes on the responsibility of ensuring that electronic payments are processed in a secure and reliable way. Some PSPs are able to provide merchants with a connection to multiple payment methods and networks, including cross border payments, digital wallets, P2P (peer-to-peer) transfers, and other alternative payment methods.

RTGS

Real-Time Gross Settlement Systems

Real-Time Gross Settlement Systems (RTGS) are fund transfer systems designed to move high-value and wholesale payments between banks instantly. RTGS are usually controlled by the central bank of a country. Payments made via a RTGS are settled as soon as they are processed, and once processed, payments are final and irrevocable. As these payments are high value, they do not need to be netted or bundled, meaning the transaction is settled on a one to one basis in real-time.

SEPA

Single Euro Payments Area

The Single Euro Payments Area (SEPA) is a European payment initiative which was introduced in order to establish a single payment market; making it simple and less costly for consumers and businesses to make and receive payments across Europe.

SEPA payments are available in 35 countries, and provide cross border bank transfer capabilities for businesses, merchants, and consumers in a way which is equivalent to making a domestic payment.

SWIFT

Society for Worldwide Interbank Financial Telecommunication

Founded in 1973, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) is a cooperative utility that was initially made up of 239 banks from 15 countries. Their goal was to develop standardised messaging and processing of transaction services for financial institutions globally; making global cross border transfers possible.

SWIFT is often considered to be the backbone of the international finance industry and now serves more than 200 countries and territories. SWIFT payments are a type of international transfer sent via the SWIFT network; however, SWIFT does not facilitate the transfer of funds. Instead, it sends payment orders via its secure and reliable network, which must be then settled by the correspondent accounts that institutions have with each other. When sending or receiving international payments, a SWIFT code is used to identify a specific bank.

TARGET2

Trans-European Automated Real-Time Gross Settlement Express Transfer System

The Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET2) is a real-time gross settlement system owned and operated by the Eurosystem.

TARGET2 handles mostly large-value central bank transactions across twenty euro area central banks (including the ECB), as well as five central banks from non-euro area countries which include Bulgaria, Croatia, Denmark, Poland and Romania, which are made instantly and with immediate finality.

ASSOCIATIONS/REGULATORY BODIES

BoE

Bank of England

<http://www.bankofengland.co.uk/Pages/home.aspx>

The Bank of England (BoE) is the central bank of the UK. The Bank of England is responsible for issuing banknotes and managing the currency with the objectives of maintaining monetary and financial stability for the benefit of British people.

EBA

European Banking Authority

<http://www.eba.europa.eu/>

The European Banking Authority (EBA) is a regulatory agency of the European Union which works to ensure effective regulation throughout the EU banking and financial sector. The overall objectives are to safeguard the orderly functioning of the banking sector, identify weaknesses, and to maintain stability.

ECB

European Central Bank

<https://www.ecb.europa.eu/home/html/index.en.html>

The European Central Bank (ECB) manages the euro and administers the implementation of policy within the Eurozone. The capital stock of the central bank is owned by the banks of all EU member states, and the role of the ECB is to keep prices stable, in order to support economic growth and job creation throughout these states.

EPA

Emerging Payments Association

<http://emergingpayments.org/>

The Emerging Payments Association (EPA) is an advocating community for progressive payments companies, supporting them to become influencers in the payments landscape. The EPA also works to improve access to all people within the market, including sellers, buyers, and partners.

EPC

European Payments Council

<http://www.europeanpaymentscouncil.eu/>

The European Payments Council (EPC) is a decision-making body for payments within the European banking industry. The key purpose of EPC is to represent payment service providers (PSPs), and to oversee the development of the Single Euro Payment Area (SEPA)

ESMA

European Securities and Markets Authority

<https://www.esma.europa.eu/>

The European Securities and Markets Authority (ESMA) is a regulatory financial institution which provides safeguarding to the European Union's financial system by guarding investors and promoting stability in the financial market.

FCA

Financial Conduct Authority

<https://www.fca.org.uk/>

The Financial Conduct Authority (FCA) is an independent financial regulatory body, focusing on the conduct of retail and wholesale financial service firms, responsible for providing services to consumers and protecting the integrity of the UK's financial markets. Previously known as the FSA, Financial Services Authority.

NACHA

National Automated Clearing House Association

<https://www.nacha.org/>

The National Automated Clearing House Association (NACHA) is the ACH in the United States and an organisation for the payments industry responsible for representing nearly 10,000 financial institutions via 12 Regional Payments Associations and Direct Membership.

In its capacity as an ACH network operator, NACHA is responsible for managing operating rules, enforcement and risk management, and network development.

As an industry trade organisation, NACHA provides education and accreditation, and acts as a knowledge hub for the financial industry, advising on electronic payments.

Payments UK

<http://www.paymentsuk.org.uk/>

Launched in June 2015, Payments UK is the payments industry's representative body. In addition to providing support and guidance to its members, Payments UK promotes payment innovation and strives to ensure that UK payments services remain world-class.

Payments UK engages with the industry, regulators, government, end users, and the media to discuss and advise on UK, European and Global payment issues.

PSR

Payment Systems Regulator

<https://www.psr.org.uk/>

The Payment Systems Regulator (PSR) was established in 2015. It exists to oversee the operations and development of payment systems and services in a way that effectively promotes the interests of the businesses and consumers that are using them.

UK Cards Association

<http://www.theukcardsassociation.org.uk/welcome/>

The UK Cards Association is a trade body for the card payment industry, representing card issuers and acquirers. It exists to promote development and cooperation between members, which includes the majority of credit and debit cards issued in the UK. Through engaging with partners and stakeholders, the association seeks to improve working procedures and relationships for the benefit of retailers and consumers.

TERMINOLOGY

Acquirer

An acquirer (sometimes referred to as an acquiring bank) is an organisation that manages the merchant's account and processes payments on behalf of a merchant by accepting payment from an issuing bank.

The acquirer is responsible for receiving the credit and debit card transaction details, which are then passed to the card issuer via the card scheme for authorisation. Once authorised, the acquirer completes the processing of the transaction by arranging for the transaction to be settled.

Cross Border Payments

Cross border payments are transactions that occur between accounts based in different countries (i.e. non-domestic payments). Typically, cross border payments are made via an incumbent correspondent banking network, which involves the money travelling between multiple organisations, resulting in the process being slow and costly.

Faster Payments

Faster Payments is a UK payment system which allows transactions to be made 24/7, 365 days a year. Originally the network was restricted to established incumbent banks, but this has recently begun to open up, allowing new entrants access to the network.

Foreign Exchange Fee / FX Fee

FX fees are typically charged as a mark up to the mid-market (AKA interbank) rate. The mid-point between the buy and the sell prices of the two currencies on the global currency markets determines this rate.

Providers that process FX payments often add a high commission to this rate in order to make a profit from the transaction. Fees may also be added when a transaction has to pass through multiple correspondent banks to reach the recipient.

Issuer

An issuer (sometimes referred to as an issuing bank) is a financial institution that issues cards on behalf of credit and debit card networks. An issuer assumes responsibility for paying the acquiring bank on behalf of the customer.

Interchange Fee

An interchange fee is a fee paid by a merchant bank (acquiring bank) to the card issuer for the acceptance of card-based transactions. The interchange fee charged is often higher for Card Not Present (CNP) transactions, where the risk of fraud is higher.

Merchant

A merchant is an individual or company that conducts business either to provide wholesale or retail products to end users.

Payment Gateway

A payment gateway is a secure application that automates a transaction, allowing a merchant to accept forms of electronic payment by facilitating communication between the issuer and acquirer.

The payment gateway acts as a mediator between the transactions that occur on a website and the payment processor, and is responsible for acquiring transaction authorisation and data encryption. Payment gateways usually charge merchants a per-transaction fee to process payments.

Transaction Fee

A transaction fee is a cost which is charged when sending and receiving money; typically when funds are being transferred internationally.