

## ELECTRONIC VALUE TRANSFER CONTRACT (EVT)

### GLOSSARY OF TERMS

The following information was prepared to assist you in understanding potential Electronic Value Transfer terminology.

<b>Term</b>	<b>Description</b>
ACH	Automated Clearing House is a payment network for inter-bank clearing and settlement. The ACH system is governed by the National Automated Clearing House Association (NACHA).
ACH Credit	An ACH transaction in which an agency's customer initiates the transfer of funds through their financial institution. The customer provides their financial institution with the amount to be transferred and the agency's depository bank account information. The customer's financial institution then initiates an electronic transaction through the ACH network which debits the customer's bank account and credits the agency's bank account.
ACH Debit	An ACH transaction in which an agency's customer provides their bank account information and the amount owed to the agency to which they owe money. The agency then instructs its financial services provider to initiate an electronic transaction through the ACH network which debits the customer's bank account and credits the agency's account.
ACH Network	A nationwide electronic funds transfer system governed by the ACH Operating Rules and Guidelines, which processes electronically originated credit and debit transfers for participating financial institutions.
ACH Transaction	Automated Clearing House transactions include both ACH Credit and ACH Debit which utilize the ACH network for the electronic payments of funds.
Address Verification	A service associated with credit card authorization which verifies the cardholder's address. Primarily used for non-face-to-face transactions.
Association Rules	The rules, regulations, releases, interpretations and other requirements imposed or adopted by the Visa or MasterCard associations.
Authorization	The process which verifies that a cardholder account is valid, that they are not above any credit limit, and which reserves the credit amount on the account.
Authorization Approval Code	A number provided to the agency by their financial services provider confirming the authorization for a credit or debit card transaction.
Authorization Request	An electronic message sent from the agency to their financial services provider to request an authorization code for a credit or debit card transaction. This message is forwarded by the financial services provider to the appropriate card issuing entity.
Authorization Response	An electronic response sent by a card issuing entity to a financial services provider in response to an authorization request. This response is forwarded by the financial services provider to the agency. Responses include approvals, declines and referrals (soft declines).
Authorized User	State agencies and departments, public authorities, political subdivisions and other entities authorized by statute to utilize Office of General Services contracts.
Backdrop Contracts	State centralized contracts established by the Office of General Services which use pre-qualified contractors to provide products and obtain computer consulting, systems integration and other computer related services.
Batch Authorization	An off-line authorization process used for a large number of transactions, which are batched and transmitted to a financial services provider on a scheduled basis. Batch authorization is best suited for non-face-to-face transactions.
Batch Processing	A group of credit card transactions made by an agency during a specific period of time, usually one business day. Batches may include transactions awaiting settlement or authorization and settlement.
Blended Rates/ Bundled Fees	Credit card processing fees that combine Visa and MasterCard interchange and assessment rates (Blended Rates) and financial services provider's fees (Bundled Fees) into a single rate.
Cardholder	The person to whom a credit card is issued. The cardholder uses a payment card that has been granted by an issuer.

Card Issuer	The entity which issues the credit or debit card to the cardholder. American Express and Discover directly issue cards to their cardholders. Visa and MasterCard cards are issued by financial institutions (issuing banks) which are members of the Visa and/or MasterCard association. Debit cards are issued to cardholders by the financial institutions in which they maintain their account.
Card Present Transactions	Face-to-face transactions in which the credit card is present and the card information is captured from the magnetic strip by swiping the card into a point-of-sale device or, by entering the card information into the agency's payment device.
Card Not Present Transactions	A transaction made without the presence of a credit card. Examples include: telephone order, mail order, or Internet order
Chargeback	Dispute procedure that occurs when a cardholder or card issuer questions the validity of a previously settled transaction. When the dispute is found in favor of the cardholder or card issuer, Chargeback also refers to the reversal of a charge by which the cardholder is credited for the amount of the disputed transactions and the agency is invoiced for the amount.
Chargeback Percentage	The percentage of chargebacks calculated by dividing the agency's total monthly chargeback items by the number of the agency's total monthly transactions.
CHIPS	Clearing House Interbank Payment System - an electronic payment system developed by the New York Clearing House that transfers funds and settles transactions in U.S. dollars among the world. The central clearing system in the United States for international transactions.
Class A Certified	Point-of-sale terminals or software which KMS has certified for use on its network and which is supported by KMS through its help desk services.
Class B Certified	Point-of-sale terminals or software which KMS has certified for use on its network but is not supported by KMS through its help desk services.
Convenience Fee	A payment mechanism by which, at the direction of and through fees imposed by an agency, a service provider (e.g., Internet or Interactive Voice Response service provider) or the agency is reimbursed indirectly by cardholders for costs associated with providing such services.
Credit	A refund or price adjustment given for a previous purchase transaction.
Credit Card	An electronic payment card issued either by a bank (in the case of Visa or MasterCard) or a proprietary entity (in the case of American Express or Discover) that enables the cardholder to purchase goods or services which may be payable over a period of time.
Credit Limit	The credit line set by the card issuer for the cardholder's account.
CVC2	Card Validation Code matches a three digit code which is printed on a credit card, but which is not a part of the account number, against values on file with MasterCard's processing system. See CVV2 below.
CVV2	Credit Card Verification Value 2 matches a three or four digit code which is printed on a credit card, but which is not a part of the account number, against values on file with Visa and American Express' and Discover's processing system. See CVC2 above.
Debit Cards, Off-line	An electronic payment card issued by a bank and bearing the Visa or MasterCard logo. These cards are processed like a credit card except that rather than being billed monthly by their card issuer; funds are debited from their checking account. Off-line debit cards are sometimes referred to as check cards. Throughout the EVT Guidelines, the term credit card is inclusive of off-line debit cards.
Debit Cards, On-line	An electronic payment card, such as an ATM card, issued by a bank which may also be used for the purchase of goods or services in a face-to-face environment with funds being directly debited from the cardholder's account. Entry of a PIN number is required to process an on-line debit card. Throughout the EVT Guidelines, the term debit card refers to on-line debit cards.
Dial-Up Terminal	Processing equipment which dials a financial services provider for authorization and settlement of credit and debit cards (e.g., point-of-sale terminal).
Discount Rate	The per transaction rate charged to agencies by American Express.
Downgraded Transactions	Higher Interchange and Assessment rates will apply to transactions which do not qualify for the best available rate. Transactions which would be downgraded include when a transaction is not settled within 3 days of authorization or where a credit card number is

	manually keyed into a POS device rather than swiped in a face-to-face transaction.
Electronic Funds Transfer	Any transfer of funds initiated through an electronic terminal, telephone, computer, or magnetic tape. The term includes, but is not limited to, credit card payments, Automated Clearing House transfers, Fedwire transfers, and transfers made at automated teller machines and point-of-sale terminals.
Electronic Value Transfer	Any transfer of funds, which is initiated by the use of an electronic value transfer device so as to order, instruct or authorize a financing agency, device issuer or processor to initiate a transaction in any manner which results in a payment to a state agency.
Electronic Value Transfer Administrator	Designated as the New York State Department of Taxation and Finance.
Electronic Value Transfer Device	A credit card, debit card, electronic fund transfer or other electronic value transfer device.
Encryption	A process used in Internet transactions whereby credit card information and transaction information is encoded so that the information has no logical meaning making it difficult or impossible to steal.
Face-to-Face Transaction	A transaction where the cardholder is physically present for a card-swiped transaction; conversely a "Non-Face-to-Face" transaction is when a cardholder is not physically present for a transaction so the card is not swiped.
Fedwire	An electronic payment system owned and operated by the Federal Reserve Banks that act as an intermediary in funds transfer for Fedwire participants.
Financial Services Provider	A processor of the four nationally recognized credit cards (MasterCard, Visa, Discover and American Express branded cards), on-line and off-line debit cards, Automated Clearing House credit and debit transactions, Fedwire, CHIPS and SWIFT and/or other future forms of electronic payments. KMS is a financial services provider.
Form EVTA-1, Program Plan Application	A document prepared by State agency seeking to implement an Electronic Value Transfer program or a non-State entity seeking to utilized any of the EVT Contracts.
Form EVTA-2, Work Order	A document mutually agreed upon by the authorized user and the EVT Contractor. The Work Order must be consistent with the Form EVTA-1, Program Plan Application, and shall contain the program specifications, design requirements and development timeframes for each Authorized Users' electronic payment application. There are separate EVTA-2 forms for each EVT Contract.
Hexagon	A software product available to agencies for obtaining transaction and payment information from their Interim Working Account.
Host Capture	The process by which a batch credit card settlement file is created on the financial services providers system, which capture's the necessary payment information for authorized transactions.
Imprinter	A manual or electronic device used to physically imprint the agency's name and ID number as well as the cardholder's name and card number on a sales draft.
Interchange and Assessment	Transaction fees set by the Visa and MasterCard that are passed through to the agency by their financial services provider.
Interim Working Account	An account owned by KMS at Key Bank, which is used to deposit all funds fronted by KMS for MasterCard and Visa transactions. It may also be used for receipt of funds from ACH, Fedwire, CHIPS and SWIFT transactions.
ISDN	Integrated Services Digital Network, a system of digital phone connections, which has been available for over a decade. The system allows data to be transmitted simultaneously across the world using end-to-end digital connectivity.
Issuing Bank	A financial institution which issues Visa and/or MasterCard credit cards or on-line debit card to cardholder.
IVR	Interactive Voice Response - a system that enables a caller to use a touch-tone phone to enter information (e.g., credit card numbers, dollar amounts, invoice numbers) in order to conduct a transaction.
Merchant	The party which offers goods for sale or provides services in exchange for payment. A merchant that accepts payment cards must have a relationship with a financial services provider. Agencies which accept credit cards for payments are "merchants".

Merchant Connect	A web based transaction information tool for use by agencies in obtaining transaction and payment information from KMS.
Merchant Number	A number that numerically identifies each agency, or each payment program within an agency, to the financial services provider for accounting and billing purposes.
Merchant Initiated Settlement	The process by which an agency settles the stored transactions on their financial services providers system by transmitting the transaction totals (number of items and net dollar amount) to the provider.
NACHA	National Automated Clearing House Association, a not-for-profit banking trade association that promulgates the operating rules and guidelines for the ACH network.
Non-Face-to-Face Transaction	A transaction where the cardholder is not physically present and the card is not swiped during the transaction (e.g. Interactive Voice Response, Internet transactions, etc.); conversely a "Face-to-Face Transaction" is where the cardholder is physically present for a card-swiped transaction. Non-Face-to-Face transactions have a higher interchange rate due to a higher associated risk factor.
OFT Request for Funding Application	A document prepared by a State agency seeking central funding to support the development and implementation of e-Commerce/e-Government Initiatives which may include an EVT component.
ODFI	Originating Depository Financial Institution - financial institutions participating in the ACH network that are qualified to originate ACH entries at the request of and by agreements with its device users. HSBC is an ODFI.
Open-to-Buy	Applies to credit cards with limits, and is the amount of the credit limit minus the amount of the credit limit used and the amount of authorized transactions.
Payment Gateway	An entity logically located between an agency's Internet payment application and their financial services provider which supports the encryption of data transmitted over the Internet.
Payment Program	Any payment collection program which is authorized by law to be collected by means of currency, a credit card card, debit card or other electronic value transfer device. For state agencies these payment programs include, for example: fines, fees, rates, charges, taxes, interest, penalties, special assessments, revenue, financial obligations or other amounts. For local governments these payment programs additionally include, for example: civil penalties, rents, special assessments, or interest owed to local governments.
Personal Identification Number (PIN)	A number, usually related to an on-line debit card, which must be entered along with the card to initiate any transaction. The PIN is the equivalent in function to a password in that a user cannot use the card without providing the PIN.
Peripheral Devices	Devices such as PIN pads or printers that attach to point-of-sale terminals.
Plural Interface Processing (PIP)	The process that routes (via an American Express terminal or software) Visa, MasterCard and Discover card transactions to a financial services provider and American Express transactions directly to American Express for both authorization and settlement. See also <i>Reverse PIP</i> and <i>Split Dial</i>
Point-of-Sale Terminals	Processing equipment placed in an agency's location which is connected to their financial services provider's system via telephone lines for authorizing and settling credit and debit card transactions.
Preauthorized Payments	A transaction where a customer authorizes an agency to make one or more future charges to such customer's credit card account or to initiate ACH Debit transactions at a future date.
Pre-Funding	A service provided by KMS whereby an agency is provided with expedited settlement funds for Visa and MasterCard transactions.
Processing Fee	A fee charged by financial services providers to agencies for processing services.
RDFI	Receiving Depository Financial Institution - financial institutions participating in the ACH network that are qualified to receive ACH entries. Key Bank is a RDFI.
Rebuttal	A written reply to a chargeback that provides documentation proving that the transaction was valid and the proper procedures were followed.
Recurring Payments	An arrangement in which a customer agrees to allow an agency to bill against a specific account at predetermined time intervals for a predetermined amount using credit cards or ACH Debit transactions.
Referral (Soft Decline)	An authorization response message requesting the agency to call to the card issuer's voice authorization center.

Real-time (On-line) Authorization	A process of transmitting credit card information on-line to the agency's financial services provider to receive approval that the cardholder's account is open, and has the appropriate credit limit to allow authorization of the transaction.
Reconciliation	A process of verifying that all funds for authorized transactions batched and submitted for settlement, were received by the agency's bank.
Research Fee	A fee charged by financial services providers to the agency for chargebacks that require extraordinary research.
Retrieval Request	A retrieval request occurs when a card issuer requests a copy of the transaction information document (e.g., charge slip) for a transaction. The request may be the result of a cardholder inquiry, or it may be required to initiate a chargeback or for use in investigating a credit or fraud problem.
Reverse PIP	The process that routes (via a non-American Express terminal or software) Visa, MasterCard and Discover transactions to a financial services provider and American Express transactions directly to American Express for both authorization and settlement. See also <i>Plural Interface Processing (PIP)</i> and <i>Split Dial</i> .
Roll Printer	A dot matrix printer connected to a point-of-sale terminal used to print receipts and reports on carbonless roll paper (not an imprinter).
Routing Number	A nine digit number (eight digits and one check digit) that uniquely identifies a financial institution. The routing number is printed on checks, deposit slips, etc. and is used to route all financial transactions (e.g., ACH Debits) to the appropriate bank.
Sales Draft	Evidence of a purchase of goods or services by a cardholder from an agency using a credit card, regardless of whether the form of such evidence is in paper, electronic or otherwise.
Secure Sockets Layer	An Internet protocol used to securely transmit confidential information, such as credit card numbers.
Settlement	A process in which an electronic sale transaction is settled financially between the agency, their financial services provider, and the customer and their card issuing entity.
Settlement Account	An account at a financial institution designated by the agency as the account to be credited for payment transactions.
Smart Cards	Credit card sized micro-processors, which can be programmed to perform multiple functions. Many of the smart card based systems currently being developed will use smart cards as "stored value" cards or "electronic purses". These cards will carry electronic money as a substitute for cash, which can be used for small retail purchases, telephone calls, travel on public transport and a host of other small value transactions. Smart cards can store identification information about the owners (e.g., health care information).
Soft Decline (Referral)	An authorization response message requesting the agency to call to the card issuers voice authorization center.
Split Dial	A routing process (via a terminal or software) which has the capability of sending authorization requests directly to American Express for their cards and to a financial services provider for Visa, MasterCard, and Discover transactions. Split dial does not support direct settlement with American Express, batch settlement files containing American Express transactions are routed through a financial services provider. See also <i>Plural Interface Processing (PIP)</i> and <i>Reverse PIP</i> .
Submission	The process of electronically submitting batch settlement files to the financial services provider.
SWIFT	Society for Worldwide Interbank Financial Telecommunications - a bank-owned global financial telecommunications payment network utilized by customer financial institutions.
Terminal Capture	The process by which a credit card settlement file is created on the agency's payment device or third party processors device (such as an Internet payment gateway), which captures the payment information for all authorized transactions.
Time Initiated Settlement	The process by which a financial services provider automatically closes a settlement batch at a predetermined time.
Voice Authorization	Credit card authorization obtained by telephoning an operator.