

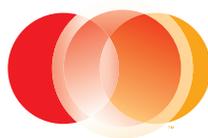
Key Payment Terms



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An Explanation of Terms Commonly Used at MasterCard

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MasterCard
Worldwide

Key Payment Terms



Acquirer (the merchant's bank) – The bank or institution responsible for receiving, processing and/or switching transactions on behalf of a merchant.

Authorization – Authorization refers to the process in which a merchant requests approval for a transaction.

Bank Identification Number (BIN) – A BIN or issuer identification number (IIN) is a six-digit number assigned in association with an ICA number and typically used to identify an issuing or acquiring portfolio for transaction authorization and clearing purposes.

Cirrus – Cirrus is the brand name that stands for the global MasterCard/Cirrus ATM Network—among the largest ATM networks in the world. The Cirrus brand represents immediate deposit account access convenience at more than 800,000 cash machine locations worldwide.

Clearing and Settlement – Clearing and settlement is the process in which MasterCard determines the amount due between issuers and acquirers for payment transactions and associated fees. First, the transaction is cleared by transferring the transaction details among issuers, acquirers or their designated third-party processors. Then MasterCard settles or exchanges the related funds among the issuers and acquirers. Settlement for credit, offline debit and online debit transactions is provided through the MasterCard Network.

Cross-Border Transaction – Any transaction on a MasterCard® credit or Debit MasterCard® card, Cirrus® card or Maestro® card processed through the Global Clearing Management System (GCMS) or the Single Message System in which the country code of the merchant differs from the country code of the cardholder.

Cross-Border Volume Fees – Cross-border volume fees are charged to issuers and acquirers based on the volume of activity on MasterCard-branded cards where the merchant country and cardholder country are different. Cross-border volume fees also include fees, charged to issuers, for performing currency conversion services and fees charged to U.S. acquirers, for accepting transactions from cardholders with non-U.S. issuers.

Domestic Assessments – Domestic assessments are fees charged to issuers and acquirers based on the volume of activity on MasterCard-branded cards where the merchant country and cardholder country are the same. In addition, domestic assessments include card assessments, which are fees charged on the number of cards issued or assessments for specific purposes, such as acceptance development or market development programs. Acceptance development fees are charged primarily to U.S. issuers based on components of volume, and support our focus on developing merchant relationships and promoting acceptance at the point of sale.

EMV (Chip and PIN) – EMV® is a global standard for credit and debit payment cards based on chip card technology. EMV chip-based payment cards, also known as smart cards, contain an embedded microprocessor, which is a type of small computer. The microprocessor chip contains the information needed to use the card for payment, and is protected by various security features.

Four-Party System – A typical transaction processed over MasterCard’s network involves four parties in addition to MasterCard: the cardholder, the merchant, the issuer (the cardholder’s bank) and the acquirer (the merchant’s bank). Consequently, the payment system MasterCard operates is often referred to as a “four-party” payment system.

Gross Dollar Volume (GDV) – This figure represents the aggregated dollar amount of purchases made and cash disbursements obtained with MasterCard-branded cards and the impact of balance transfers and convenience checks.

Interchange – Interchange, part of the merchant discount fee, is a fee paid by a merchant’s bank (also known as the acquiring bank) to the cardholder’s bank (the issuing bank) to compensate the issuing bank for a portion of the risks and costs it incurs. MasterCard does not earn revenues from interchange fees. Interchange fees represent a sharing of a portion of payment system costs among financial institutions participating in a four-party payment card system.

Issuer – The bank or institution responsible for issuing the cardholder their card (debit, credit, prepaid) and PIN. The cardholder’s primary relationship is with the issuer, the entity which also extends credit, and sets the fees, rates and rewards.

MasterCard Network – MasterCard facilitates the authorization, clearing and settlement of transactions (e.g., credit, signature and PIN debit, prepaid) through the MasterCard Network, our proprietary, global telecommunications network. The MasterCard Network links issuers and acquirers around the globe for transaction processing services and, through them, permits MasterCard cardholders to use their cards at millions of merchants worldwide.

Maestro – Maestro is MasterCard’s global online debit program for PIN-based debit cards, which has a leading position among PIN debit brands in many markets throughout the world, particularly in Europe. (See “PIN-based debit card” and “Signature-based debit card” below.)

PIN-based Debit – PIN-based debit cards are cards with which cardholders generally enter a personal identification number (PIN) at a POS terminal for validation. The MasterCard brand functions as a PIN-based debit brand in the United States and in other countries around the world, and the Maestro brand does so globally.

Processing – MasterCard provides the network and technology that serve as a critical link among financial institutions, merchants and consumers in more than 210 countries and territories. The core component of our processing services is switching, which includes:

- ❖ **Authorization** – ensuring the transaction is valid
- ❖ **Clearing** – ensuring availability of funds
- ❖ **Settlement** – ensuring accounts are credited and debited appropriately

Purchase Transactions – This represents the number of transactions using a MasterCard-branded card to make a purchase at a retail or service point-of-sale or virtually (e.g., e-commerce).

Purchase Volume – This figure represents the aggregate dollar amount of purchases made with MasterCard-branded cards.

Revenue – We generate revenue by charging fees to our customers for providing transaction processing and other payment-related services and by assessing our customers based primarily on the dollar volume of activity, or gross dollar volume (“GDV”), on the cards and other devices that carry our brands.

Signature-based Debit – Signature-based debit cards are cards where the primary means of cardholder validation at the point of sale is for the cardholder to sign a sales receipt (other than circumstances where an actual signature is not necessary).

Transaction Switching – Authorization, clearing and settlement.

Transaction Volume – The number of transactions conducted using a MasterCard-branded card. ■