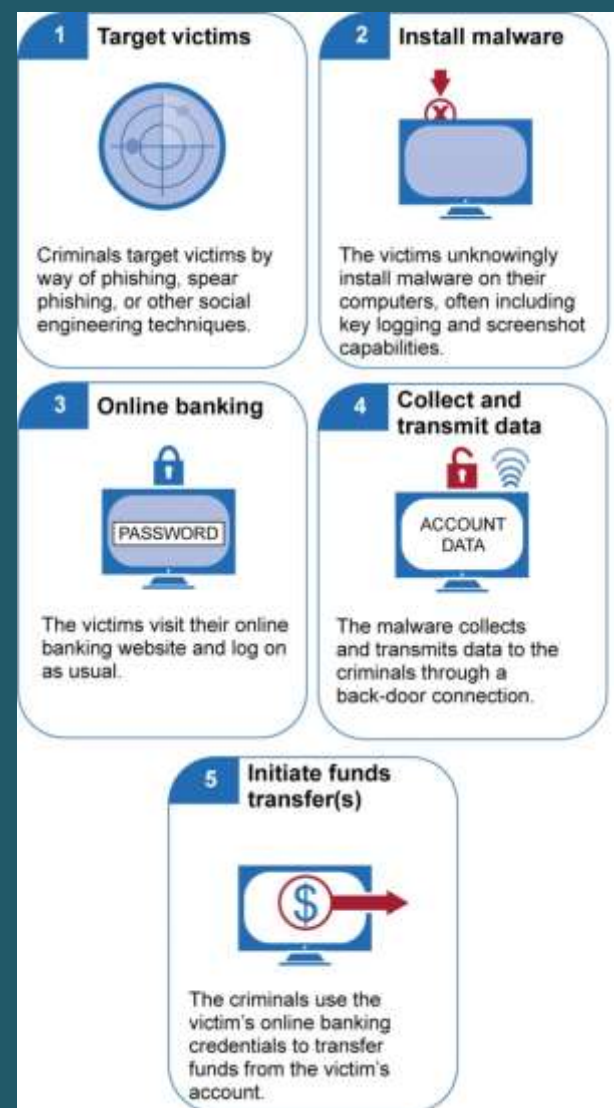


Global Payment Cards & Mobile Payment Industry: Introduction



(Source: U.S. Congress GAO July 2015)

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August 2015

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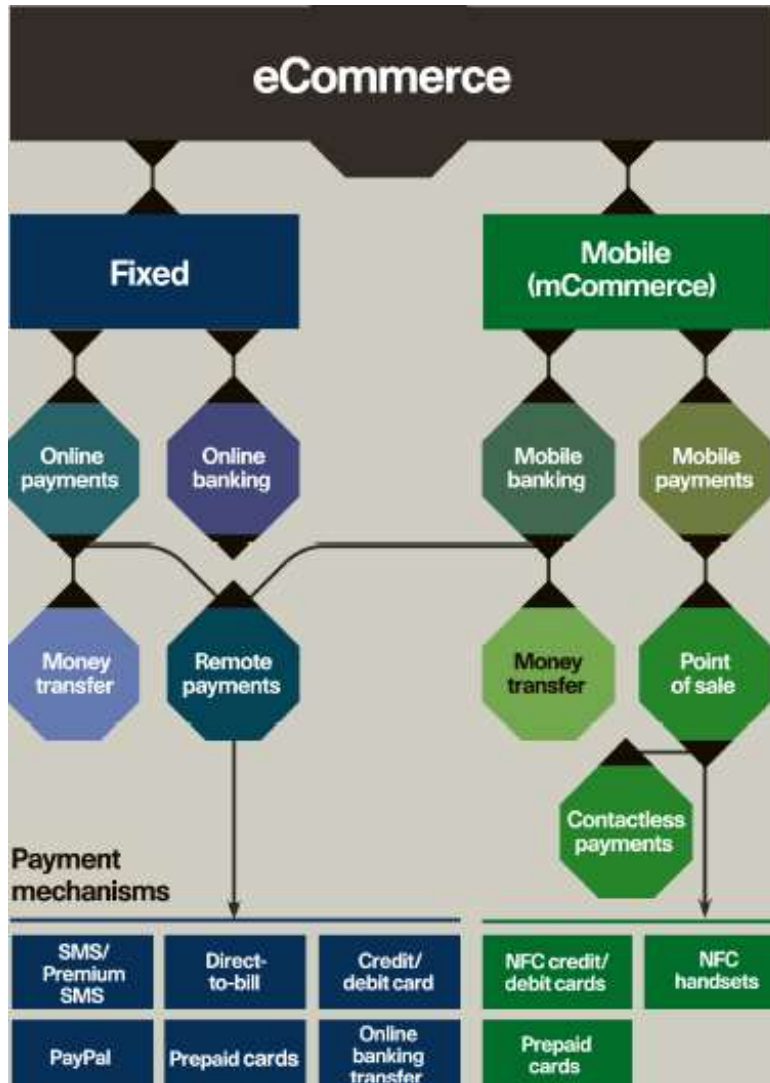
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1 The Global Banking & Financial Services Industry

1.1 Payment Cards & Mobile Payment Providers & Retailers

Figure 1 - E-Commerce Method Segmentation and Payment Mechanism Flow Chart



(Source: Theraconteur)

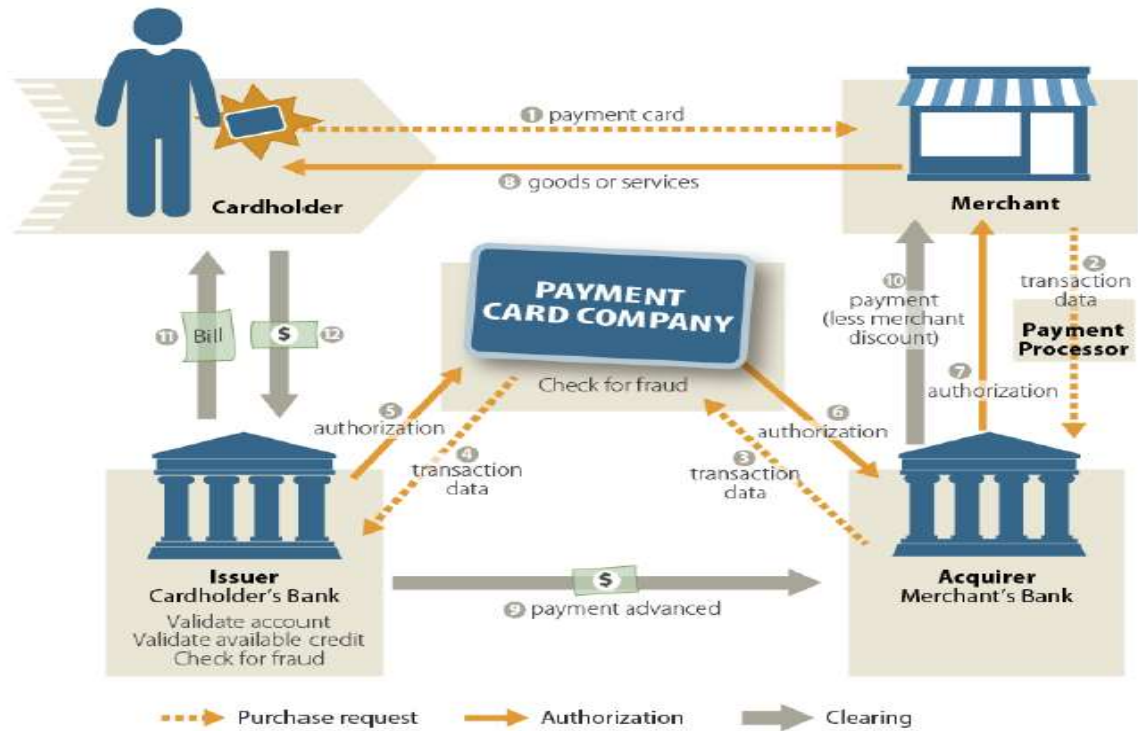
The two basic approaches to payment card systems differ in the number of parties to the transaction. The most common is the four-party system, which is used by MasterCard and Visa.

This system involves a merchant, an acquirer (the merchant's bank), the issuer (the customer's bank), and the cardholder. The alternative called the three-party system – used by companies such as Diners Club, Discover, and American Express – consists of the merchant, the payment card company, and the cardholder.

The figure below illustrates a typical purchase process using the four-party system.

1. A cardholder presents a payment card to a retailer to pay for merchandise. The card is “swiped” and information about the card and the purchases is sent to the retailer's computers in a secured room.
2. This transaction is transmitted to the acquirer (i.e., the retailer's bank).
3. The acquirer relays the transaction information to the payment card company, which may conduct an anti-fraud analysis.
4. The payment card sends this information to the issuer, the bank that issued the payment card. The issuer verifies that the account is valid, that the cardholder has available credit, and it may perform additional anti-fraud analysis.
5. The issuer notifies the payment card company of its decision to authorize (or not to authorize) the transaction.
6. The payment card company notifies the acquirer of the issuer's authorization decision.
7. The acquirer notifies the merchant of the issuer's authorization decision.
8. The cardholder leaves with their purchases.
9. The issuing financial institution (bank, credit union, etc.) pays the acquirer and posts the amount of the purchase to the cardholder's account. The acquirer receives the amount minus an interchange fee charged by the payment network.
10. The acquirer deducts a fee and credits the merchant with the balance.
11. The cardholder receives a monthly bill.
12. The cardholder makes a payment on the monthly bill.

Figure 2 - Payment Card Transaction Process



(Source: U.S. Congress CRS)

More information can be found at:
[U.S. Financial Services: Cybersecurity Systems & Services Market - 2016-2020](#)