

Understanding the credit card transaction process

A credit card is a convenient method of payment providing many benefits to Canadian consumers and merchants.

When you pay via credit card in a store or online, you are using a sophisticated and reliable worldwide payment system.

Merchants pay a fee to access this system and to offer their customers the convenience of using their credit card. Credit cards are widely accepted across Canada and around the world because they are a valuable payment tool that makes doing business easier for merchants and their customers.

Step 1:

You present your credit card to merchant as payment.

Step 2:

Merchant accepts card and sends transaction details to payment processor.

Step 3:

Processor forwards transaction details to credit card company's network.

Step 4:

Card company routes transaction details to card issuer for authorization.

Step 5:

Issuer approves transaction and sends notification back through same channels.



Transactions generally take a few seconds.

Using your credit card

It's as easy as putting your card into a reader, and adding your signature or PIN. Depending on the technology being used, a consumer may not have to add a signature to validate the transaction.

Your credit card is a convenient, secure payment tool that is accepted worldwide, and may offer benefits and rewards. There is a choice of cards at a range of interest rates, with or without an annual fee.

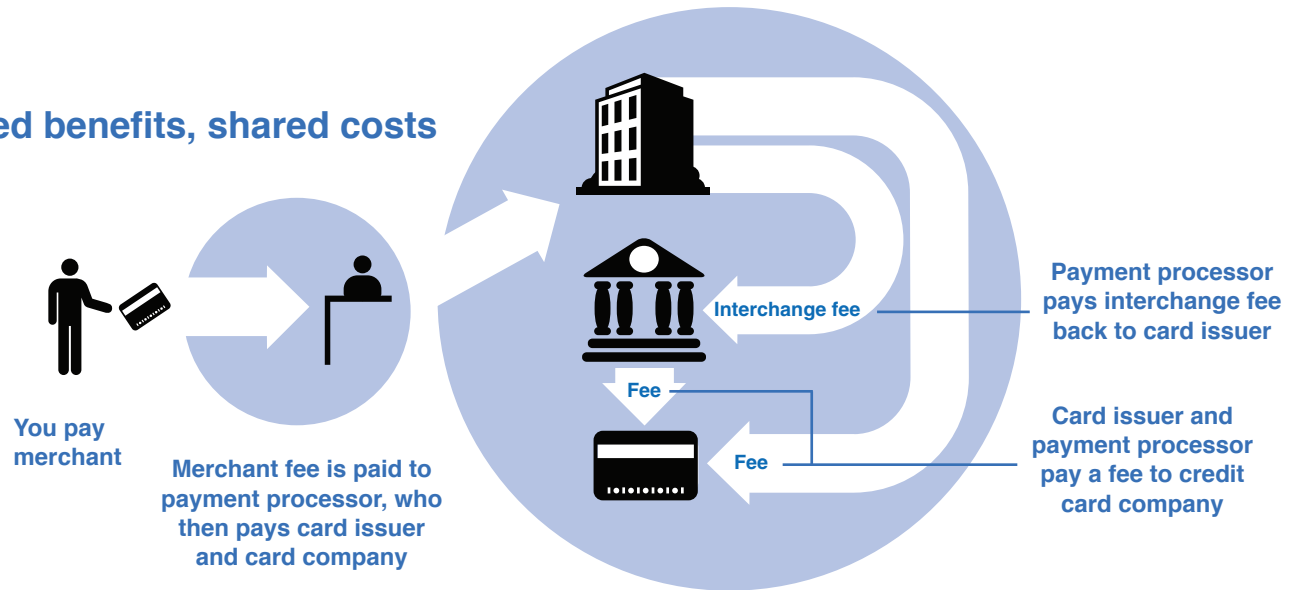
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Where do the fees go?

There are shared benefits and shared costs to maintaining the credit card system.

The merchant pays a percentage of the purchase amount to access the system through the payment processor. Of the merchant fee (often referred to as the “merchant discount rate”), part goes to the payment processor; part to the card issuer (bank or financial institution) and part to goes to the card company (e.g., Visa, MasterCard) as a transaction fee.

Shared benefits, shared costs



What is an interchange fee?

Embedded in the merchant fee is the interchange fee. It is a market-based fee set by the credit card company that covers part of the cost of accepting credit cards. Interchange can vary by credit card company (e.g., Visa, MasterCard), by retailer type, and by card type (regular, premium or commercial). Find out more about interchange fees at www.visa.ca and www.mastercard.ca.

Merchants benefit in many ways

Merchants get fast, guaranteed payment for their goods and services and increased sales by accepting credit cards. There's also a security benefit since card payments reduce the amount of cash on hand. Accepting credit cards also allows merchants to sell their products on-line and expand their customer base across Canada or even worldwide.

Merchants can shop around for the payment processor whose service best meets their needs, including the one with the best price.

Who does what?



The payment processor connects the merchant to the credit card company's network. Transactions are seamless. Merchants can accept cards with varying features and fees. The payment processor may also provide the equipment used at the checkout that allows merchants to accept different payment types (credit and debit cards). Payment processors include Global Payments, Chase Paymentech, Desjardins, Moneris Solutions and TD Merchant Services.



The card issuer is the bank, credit union, other financial institution or company that issued your credit card, sends your statements, offers you credit, and provides the card's rewards and benefits. The issuer is also responsible for card security, compensates customers for losses due to fraud, and absorbs losses when customers default.



The major card companies (e.g., Visa, MasterCard) operate the worldwide networks that process credit card payments.

To learn more about credit cards or other banking topics, please visit www.cba.ca