

HOW CREDIT CARD TRANSACTIONS WORK

To the customer, a credit card transaction process seems simple. You either swipe, tap or chip in and the system approves or declines the transaction. Behind the scenes, there are several components working in nanoseconds to complete a credit card transaction.



As a customer or business owner, it is important to have valuable insight into the workings of typical credit card transaction.

Issuer: is the financial institution that issued the credit card involved in the transaction. The issuer receives the payment authorization request from the credit card network and either approves or declines the transaction.

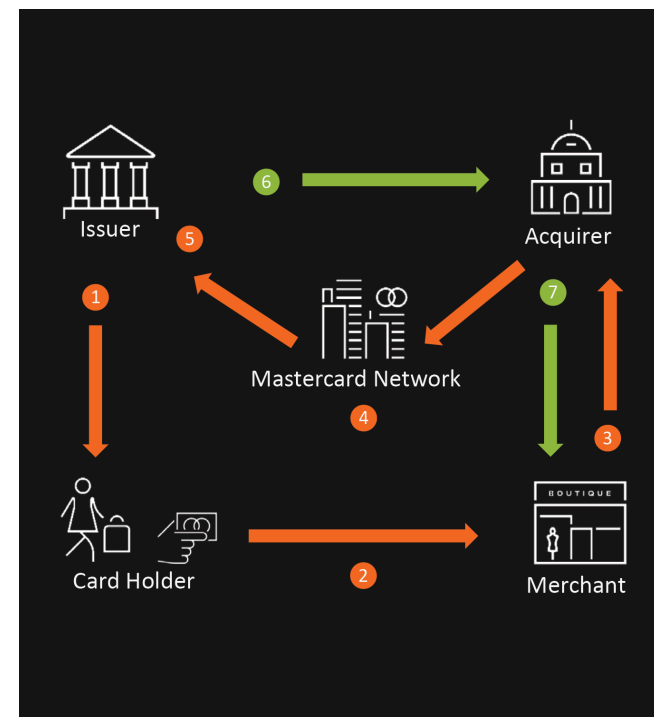
Cardholder: the person who was issued the credit card.

Merchant: is the store or vendor who sells goods or services to the cardholder.

Acquirer: known as a merchant's bank, an acquirer receives a payment authorization requests from the merchant and sends it to the issuing bank.

Mastercard Network: Mastercard is neither an issuer nor an acquirer. Receives the credit card payment details from the acquirer, then sends payment authorization request to the issuing bank.

- ✓ **Step 1: The customer pays with Mastercard**
The customer purchases goods/services from a merchant.
- ✓ **Step 2: The payment is authenticated**
The merchant point-of-sale system captures the customer's account information and securely sends it to the acquirer.
- ✓ **Step 3: The transaction is submitted**
The merchant's acquirer asks Mastercard to get an authorization from the customer's issuing bank.
- ✓ **Step 4: Authorization is requested**
Mastercard submits the transaction to the issuer for authorization.
- ✓ **Step 5: Authorization response**
The issuing bank authorizes the transaction or declines the transaction and routes the response back to the merchant.
- ✓ **Step 6: Merchant payment**
The issuing bank routes the payment to the merchant's acquirer who deposits the payment into the merchant's account.



About Master Your Card:

Master Your Card is a community empowerment education program sponsored by Mastercard, that works with committed partners nationwide to bring information about the benefits of electronic payments technology for underserved communities to build brighter financial futures. The program has facilitated presentations and workshops in numerous cities around the country, provided financial education to tens of thousands of students and reached millions through partners' initiatives and education materials.