

# Course title: Innovation in FinTech

## Lectur: Processing payments

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***Master Your Card* is a community empowerment program from MasterCard that helps consumers, small businesses and governments learn how to get more from their money by using prepaid, debit and credit cards to access a financially empowering electronic payment network.**

# What we'll cover today



Get started  
accepting cards  
and electronic  
payment  
technology

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# Step one: Know your processors

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**You'll need to choose a partner who will process your card payments and possibly supply the hardware and software you need to accept those payments.**

# Who's who in card payment processing

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- Electronic payment networks

# Who's who in card payment processing

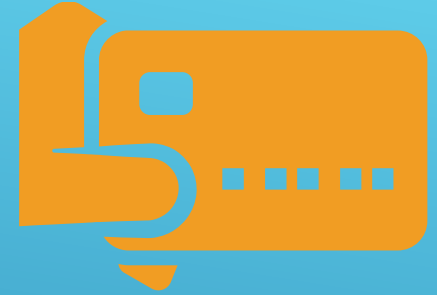
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- Acquiring banks

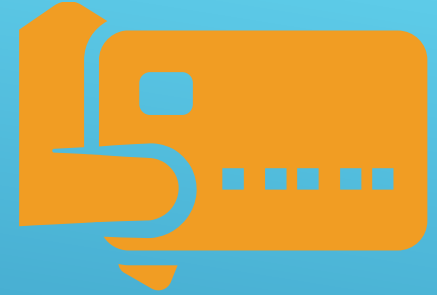
# Who's who in card payment processing

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- Third-party processors

# Who's who in card payment processing



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- Independent sales organizations

# Who's who in card payment processing

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- Internet payment service providers

# Who's who in card payment processing



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- Merchant services (via acquiring banks)

**ELECTRONIC  
PAYMENT NETWORK**



**ACQUIRING BANK**

Third-party  
processor

Independent sales  
organizations

Internet payment  
service provider

Merchant services  
(via acquiring banks)



**YOUR BUSINESS**  
(chooses one processor)

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**YOUR BUSINESS**  
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# Interchange

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- Interchange is the uniform fee businesses and their banks pay to the electronic payment network provider for processing the transaction.

# Interchange

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- This payment funds the maintenance and oversight of the electronic payment networks run by MasterCard, Visa, Discover, American Express, etc.

# Most common pricing models



# Bundled rate

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- All costs and fees combined into a single base rate for all transactions.

# Bundled rate

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- Bundle includes processors' costs and profit, so rates can vary across partners.

# Bundled rate



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- Watch for additional “surcharges” on transactions that are outside the defined parameters.

# Tiered rates

## TIER 1 Qualify rate

Best rate—given for card present transactions. Usually what processors advertise to show off low rates.

## TIER 2 Mid-qualify rate

More expensive—reward card, keyed in-store transactions. You pay qualify and mid-qualify rates for transactions.

## TIER 3 Non-qualify rate

Most expensive—corporate card, addresses don't match file, sales not submitted within 24-72 hours. Pay qualify + non-qualify rates for transactions.

# Interchange plus



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- All interchange rates and network fees are passed through at cost.

# Interchange plus



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- Processor then charges \$X per transaction or X basis points per transaction.

# Interchange plus



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- Most transparent pricing model.

# Interchange plus



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- Generally available to large customers only > \$1 million per annum in processing.

## Reference

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