



Understanding Payment Transactions

Visa payment transactions take place every minute of every day in every corner of the world. Consumers, businesses and merchants increasingly rely on the Visa system to conduct safe and convenient commerce.

The Two Stages of a Typical Visa Transaction

A typical Visa transaction that flows through VisaNet involves two stages – authorization, and clearing and settlement.

Authorization is the process of approving or declining a transaction before a purchase is finalized or cash is disbursed.

Clearing is the process of delivering final transaction data from an acquirer to an issuer for posting to the cardholder's account, the calculation of certain fees and charges that apply to the issuer and acquirer involved in the transaction, and the conversion of transaction amounts to the appropriate settlement currencies. Settlement is the process of calculating, determining and reporting the net financial position of our issuers and acquirers for all transactions that are cleared.

How a Visa Transaction Is Completed

Authorization

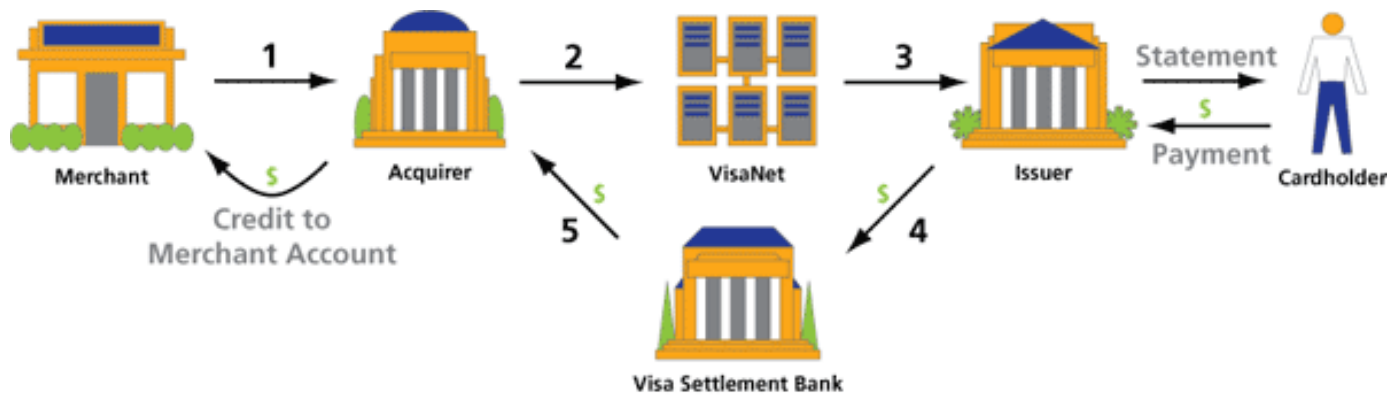
A Visa transaction begins when the cardholder presents his or her Visa card to a merchant as payment for goods or services. The transaction information is then transmitted electronically to the issuer for authorization. In certain cases, Visa may authorize the transaction on behalf of the issuer through a service known as stand-in processing, based on parameters established by the issuer. The following diagram illustrates the processing steps involved in a typical transaction authorized through our network.



1. The cardholder presents the merchant with a Visa card for payment. The merchant point-of-sale terminal reads the account number and other data encoded on the card's magnetic stripe or chip.
2. The merchant terminal transmits the card information and transaction amount to the acquirer.
3. The acquiring bank or its third-party processor combines the transaction information into an authorization request message and transmits it to Visa.
4. Visa routes the authorization request to the issuer for review. In certain circumstances, such as when the issuer's systems are unavailable, Visa may perform stand-in processing and review and authorize or deny the transaction.
5. The issuing bank or its third-party processor sends to Visa an authorization response message either approving or denying the transaction.
6. Visa routes the authorization response to the acquirer.
7. The acquirer transmits the result of the authorization request to the merchant terminal.

Clearing and Settlement

Clearing occurs at the time of the authorization for single-message transactions, or in a single daily batch message containing all transactions reported by the acquirer for dual-message transactions. Settlement occurs on each business day and is conducted on a net basis for all transactions submitted during the previous settlement cycle. The following diagram illustrates the clearing and settlement process between the issuer and acquirer for a typical transaction processed through our system.



Clearing

1. The merchant transmits sales draft information for the transaction, including account numbers and transaction amounts, to the acquirer.
2. The acquiring bank or its third-party processor formats this information into a clearing message, which it transmits to Visa.
3. Visa routes the clearing message to the card issuer and calculates the settlement obligation of the issuer and the amount due to the acquirer, net of certain applicable fees and charges.

Settlement

4. The issuer sends funds to Visa's designated settlement bank in the amount of its settlement obligation.
5. The settlement bank, at the direction of Visa, transfers funds due to the acquirer.

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