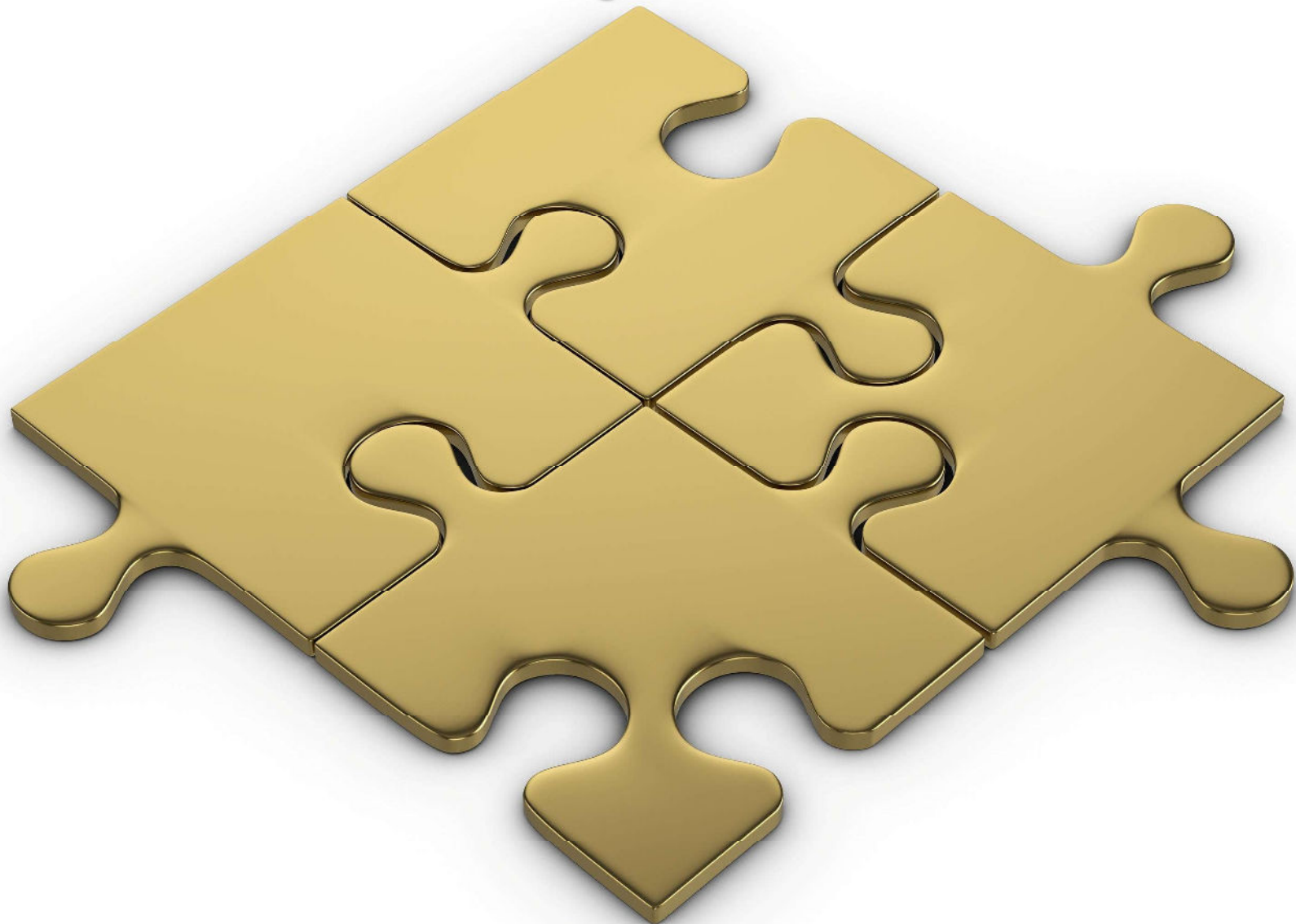


# International Gaming Standards Association



## *Payments Dictionary*

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Payments Committee

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## Challenges

While there is broad agreement that payments are a critical function with the operation of both land-based and online gaming, the payments ecosystem has a litany of terms and processes, many of which are new to gaming regulators worldwide. Much of this is attributable to the fact that there are many different terms used to describe steps in the payments process and these terms are often defined and used differently.

A meaningful guide is required to list the terms and create standard definitions. One that suppliers, service providers, operators, and regulatory authorities could use as the basis for discussing payment processing. This guide should provide a list of all the terms commonly used in gaming related payments, identify an agreed-to standard definition, and be used to modify and update existing regulations and other documents to eliminate the fragmentation and confusion non-standard terms and definitions are creating.

## Recommendations

This Standard Payments Dictionary should be the only one used in the industry. This document is intended to be a “living document” with input from the industry welcome and modifications and additions a key benefit of thoughtful input.

## Target Audience

While these definitions are designed for legislators, regulatory authorities, and payments providers, the entire gaming industry ecosystem will benefit from understanding them and their intent, and from working together to utilize them.

## Contributions

The International Gaming Standards Association (IGSA) would like to express its appreciation to all members of the Payments Committee, past and present, for their significant contribution and dedication to the creation of this document. The viewpoints and insights of the Payments committee, comprising card brands, card issuers, payment processors, identity verification providers, and system suppliers were critical in creating this work. The IGSA also wishes to express its appreciation to all IGSA members, committees, and regulatory bodies who provided valuable input and support in the creation of this document.

# Standard Payment Processing Dictionary

The following payments terms are grouped into five categories:

1. **Banking:** Terms relating to bank accounts, checking systems, and regulation thereof.
2. **Cards:** Terms relating to all type of card related activities, including issuance, acceptance, processing, and reconciliation.
3. **Payments:** Terms relating to the movement of money, which include all form factors including banking, cards, alternative payment methods including cryptocurrency, and cash.
4. **Security:** Terms relating to the security of payments systems and processes.
5. **International:** Terms relating to non-US payment terms commonly used in Europe and Asia.

## 1. Banking

**ACH (Automated Clearing House):** the electronic network for processing credit and debit transactions between participating financial institutions operated by one of the two ACH operators, the United States Federal Reserve, and the Clearing House.

**Bank Account:** a financial account maintained by a bank or other financial institution in which the financial transactions between the bank and a customer are recorded. There are many types of bank accounts including DDA (demand deposit account), i.e. checking and savings, CDs, money market, etc.

**DDA (Demand Deposit Account):** a type of bank account that allows funds to be withdrawn at any time without prior notice. The most common types of DDAs are checking and savings accounts that allow for direct withdrawals, transfers, and payments.

**FDIC (Federal Deposit Insurance Corporation):** is an independent agency of the United States government that insures deposits in banks and savings institutions. Protects depositors' money in the event of a bank failure. The FDIC insures deposits up to \$250,000 per depositor, per insured bank, for each account ownership category.

**Financial Crimes Enforcement Network (FinCEN):** A bureau within the US Department of Treasury that collects and analyzes information about financial transactions to combat domestic and international money laundering, terrorist financing, and other financial crimes.

**NACHA:** A non-profit association that governs the ACH Network.

## 2. Cards

**Acquirer (aka acquiring bank or merchant acquirer):** A financial institution that processes debit and credit transactions on behalf of a business. Acts as an intermediary between merchants, card payment networks, and the cardholders bank (the issuing bank).

**BIN (Bank Identification Number):** represents the first four to six digits on a payment card. The first four to six digits identify the financial institution that issued the card. Tip: first digit of the BIN designates the payment network (3= American Express, 4= Visa, 5= Mastercard, 6= Discover).

**BIN Sponsor:** an organization, such as a card issuer, that, as a member of one of the major card networks (Mastercard, Visa, American Express, Discover), can offer services to their clients, usually fintech businesses that want to offer payments solutions such as branded card.

**Card:** Issued by financial institutions, such as banks, to their customers, allows a cardholder to access funds in their bank account or credit account, and make payments electronically. Credit and Debit Cards are both examples. A card can be virtual or physical. Physical cards can have a magstripe only (think swapping at a payment device. This technology is becoming less common at this point), EMV which has a chip embedded in it that stores cardholder information (think inserting card into a payment device). EMV cards are more secure than traditional magnetic stripe cards because the chip can only be authenticated by special readers, or Contactless, which means the card can be tapped against a POS terminal or waved in front of it to make a payment.

**Cardholder:** the person who is authorized to use the debit or credit card. Cardholder name is usually printed or embossed on the front or back of the card.

**Cardholder Account:** the financial account associated with a Card where a cardholder is responsible for managing transactions and making payment on the card. A Cardholder Account includes the record of debits and credits with respect to transactions originated by the Cardholder.

**Card Issuers:** financial institutions that provide and manage cards for their customers. Depending on account type, Issuers could be responsible for confirming that the cardholder has the adequate funds or credit needed to cover the payment, setting the terms and conditions, managing accounts, transferring funds, reporting to credit bureaus and taking on financial risk.

**Card-Not-Present:** transactions where a customer is not physically present, such as mail order, telephone order, e-commerce (Internet/mobile) order.

**Card Network, Card Schemes or Card Association:** Essentially act as the backbone for card payments, allowing data exchange between the bank issuing the card (issuer) and the bank accepting the payment (acquirer). Card schemes allow cardholders to use their cards to make payments and withdrawals with third parties, like retailers and service providers. Associations determine interchange fees, which are non-negotiable and regularly adjusted. Examples Visa, Mastercard, Discover, American Express and UnionPay.

**Card-Present:** transactions in which the Card and Cardholder are present at Merchant location and Card is tapped, swiped through, or inserted into, a terminal, register or other point of sale device, capturing the Card information encoded on the card.

**Closed Loop Network:** refers to a system where transactions are restricted to a specific network or ecosystem, meaning payments can only be made within that particular group or merchants, unlike an "open loop" network which allows transactions across various providers like a standard credit card; essentially, both the sender and receiver need to be part of the same closed loop system to complete a transaction, with examples including store loyalty programs, gift card or transit system dedicated payment card. Cards that have access to this network will usually have the company's logo on it, indicating where it is accepted, but not the Association logo, i.e. Mastercard or Visa.

**Interchange:** a transaction fee paid by a merchant's acquiring bank to the cardholder's issuing bank when a customer uses a card to make a purchase. The fee is part of the total transaction amount and is set by the card network. Interchange fees compensate the issuing bank for the risk it takes on by guaranteeing payment and for the value it provides by issuing cards and maintaining accounts. The business then pays the interchange fee back as part of its card processing fees.

**Issuing Bank:** also known as card issuer is a financial institution that distributes debit or credit cards to consumers. Issuing Banks are members of card networks, like Visa and Mastercard. Issuing banks handle everything consumer related. From card maintenance to chargebacks.

**MCC (Merchant Category Code):** a four-digit number that is assigned to a business when it sets up its merchant account with a payment processor. The MCC classifies the type of goods or services a business offers. MCCs were originally developed for tax reporting purposes but are now a key piece of payments processing, including for risk assessment, chargebacks and more. MCCs also provide several other benefits to a merchant's card program, such as helping gather data to understand cardholders' spending.

**Open Loop Network:** provides wide acceptance and flexibility. Open Loop includes major networks like Visa and Mastercard, which are considered open loop systems. Unlike Closed Loop Network, it is payment system where transactions can be processed across different financial institutions and networks, allowing customers to use their payment method (like a credit or debit card) at various merchants regardless of which bank issued the card. A card issued on the open loop network will have the Association logo on it, i.e. Visa or Mastercard.

**Payment Processor:** a company that manages the financial transaction processing between a merchant and a customer, acting as a kind of mediator between the issuing bank and the merchant. The Payment Processor authorizes card transactions, verifies account authenticity, ensures payments comply with the rules and standards of where the business operates and facilitates the transfer of funds to ensure the merchant is paid on time. Put simply, the payment processor communicates information from the customer's card to the merchant bank and the customer's bank.

**Prepaid cards - Registered:** A card pre-loaded with funds that are registered to an individual and has been activated. If full KYC is performed these cards can be reloaded

**Prepaid cards - Unregistered:** A card pre-loaded with funds that are not registered to any individual person. These are often referred to as "gift cards" and cannot be reloaded.

**Processing Services:** those Services which are necessary to issue Cards and process Transactions in accordance with Applicable Law.

### 3. Payments

**APM (Alternative Payment Methods):** payment methods which can be used as an alternative to a Card payment. Examples of APM are Digital Wallets, Bank Transfers, BNPL, Apple Pay, Google Pay, Prepaid Cards, Virtual Cards, and Cryptocurrency.

**Authorization:** a process that verifies a customer has enough funds to cover a purchase and confirms that a transaction is legitimate.

**Bitcoin:** The first decentralized digital currency and the most widely known form of cryptocurrency.

**Blockchain:** A decentralized and immutable digital ledger that is distributed across an entire peer-to-peer (P2P) network using cryptography.

**CBDC (Central Bank Digital Currency):** A new form of money that exists only in digital form. Instead of printing money, the central bank issues widely accessible digital coins so that digital transactions and transfers become simple.

**Coin:** A cryptocurrency coin represents a store of value native to the blockchain. All coins are considered tokens, but not all tokens are considered cryptocurrency coins.

**Cold wallet:** An offline wallet used to store cryptocurrencies

**Hot wallet:** Tool that allows for storing cryptocurrency with a connection to the internet.

**Crypto Token:** A digital asset that can be assigned a price. It represents a tradeable or utility asset built on top of an existing blockchain network.

**Cryptocurrency:** A peer-to-peer (P2P) digital payment system that relies on cryptography and blockchain technology to verify transactions and maintain security.

**Cryptography:** Keeping information secure from malicious actors by transforming an original text into something only the intended reader can understand.

**Cashless Wagering System:** an electronic system that allows a gaming operator to offer its patrons a way of placing stakes and receiving winnings, without using cash or chips, by means of direct debiting and crediting of the patron account.

**Chargeback:** A reversal of a payment made to a debit or credit card when a customer disputes a charge.

**Consumer Financial Protection Bureau (CFPB):** An independent agency of the U.S. government responsible for consumer protection in the financial sector.

**DAO (Decentralized Autonomous Organization):** An entity designed to be fully autonomous and without a central point of control.

**DeFi (Decentralized Finance):** Software built on top of a blockchain that enables the creation of services much like traditional centralized financial services, with the added benefit of decentralization.

**E-wallet/Digital Wallet/Mobile Wallet:** a way to pay from financial accounts through a computer, smartphone, or a smart device. Users must link their cards or financial accounts to a Digital Wallet. Apple Pay, Google Pay and Samsung Pay are probably three of the most popular digital wallets.

**FedNow:** The U.S. Federal Reserve developed FedNow to make payments faster and more convenient. It's an instant payment infrastructure that's available 24/7, every day of the year. Banks and credit unions can sign up to offer FedNow services to their customers. They can then send and receive transactions within seconds.

**Federal Reserve Board Regulation E:** Provides a method of recourse for disputes of all transactions conducted within the United States.

**Fiat:** Form of currency backed solely by the government or central bank that issued it.

**Gateway Service:** a single access point that acts as a proxy for multiple services.

**Ledger:** A digital record containing bookkeeping entries. Used in payments to track credits and debits on accounts without having to move money each time a transaction occurs.

**Ledger Balance:** A balance computed by a bank at the end of each business day and includes all withdrawals and deposits to calculate the total amount of money in a bank account.

**Money Services Business (MSB):** A non-bank financial institution that transmits, converts, or exchanges money. Money services businesses generally do not hold consumer funds. MSBs must register with FinCEN and comply with the Bank Secrecy Act (BSA). This includes having an anti-money laundering (AML) program, performing KYC/KYB on customers, and complying with state licensing laws.

**Money transmitter:** Money transmitters are a subset of MSBs and primarily specialize in facilitating the transfer of funds. They offer a variety of methods for transferring money, including wire transfers, Other electronic funds transfers (EFTs), Mobile-based transfers, and Third-party payment processors. Money transmitters can and do hold consumer funds. Money transmitter license requirements vary by state, and states have not adopted a uniform definition of money transmission.

**Multi-signature wallet:** A type of digital wallet that requires multiple private keys to authorize a transaction.

**Net Settlement:** A routine resolution of the day's transactions at the end of the business day. This will include movement of money between accounts to account for credits and debits of payments throughout that day.

**Non-custodial wallet:** A digital wallet that allows individuals to securely store and manage their digital assets without relying on a third-party custodian.

**NFT (Non-Fungible Token):** A unique, irreplaceable asset that lives on a blockchain.

**Passkey:** A password or private key used to access a cryptocurrency wallet, sign transaction, or interact with blockchain-based applications.

**Point of Sale Device:** A device where retail transactions are made to process payments, i.e. cash register or card terminal.

**Real Time Payments (RTP):** are a type of financial transaction that can be initiated, cleared, and finalized in seconds. They are designed to be available 24/7, allowing customers to send or receive payments at any time.

**Settlement:** the final step in a financial transaction, where funds are transferred from the buyer to the seller.

**Stablecoin:** Cryptocurrencies designed to have a relatively stable price, which is typically achieved through pegging to an external asset, such as a commodity or fiat currency.

**System Bank:** a bank holding all the accounts of e-wallet users and participating merchants and is also potentially a card issuer, a card acquirer, and a BIN sponsor.

**Token:** a unique identifier that replaces sensitive payment data, like a credit card number, during a transaction. This process is known as payment tokenization, and it's a key security feature in the payment industry.

**Tokenized Identity:** Substitutes sensitive identifiers (e.g., a unique ID number or other personal identifiable information) with a non-sensitive equivalent, such as a token, that has no extrinsic or exploitable meaning or value.

**Tokenized Real-World Asset:** Blockchain based digital tokens that represent physical and traditional financial assets, such as cash, commodities, equities, bonds, credit, artwork, and intellectual property.

**Wager Account:** An account a customer creates with a licensed gaming operator to keep their funds in for the purpose of wagering.

## 4. Security

**API (Application Program Interface):** a set of rules that allows software programs to communicate with each other by transmitting data and services.

**ANI (Account Name Inquiry):** supported by Visa and Mastercard, ANI is an extra security layer designed to reduce card-not-present fraud. Allows online merchants to verify that the cardholder's name matches the name on file with the issuing bank.

**AVS (Address Verification System):** a fraud prevention tool used in card-not-present transactions, an AVS check compares the billing address used in the transaction with the issuing bank's address information on file for that cardholder. Depending on whether they match fully, partially, or not at all, the merchant can use that information in their decision on whether or not to accept or cancel the transaction.

**BSA/AML (Bank Secrecy Act/Anti-Money Laundering):** is a set of laws, policies, and regulations that aim to prevent financial crimes and illegal activity. AML measures include transaction monitoring, risk assessment, sanctions screening, customer identification program, large currency reporting, suspicious activities monitoring and reporting.

**Customer Identification Program (CIP):** is a process used by financial institutions to verify the identity of their customers by collecting and verifying specific identifying information like name, address, date of birth, and government-issued ID number, ensuring they are who they claim to be and preventing fraud and money laundering activities; it's a requirement under the USA Patriot Act in the United States.

**Customer Due Diligence (CDD):** a process that financial institutions use to evaluate the risk of a customer. The goal of CDD is to prevent financial crimes like money laundering and fraud, and to ensure that companies don't do business with suspicious individuals or clients from sanctioned countries. CDD is a legal requirement for financial institutions in the US and other countries, including the UK and EU. In the US, CDD is mandatory for compliance with the Bank Secrecy Act (BSA) and Anti Money Laundering (AML).

**CWV2:** a three or four-digit printed numeric security code typically found on the back of the Card often used in card not present transactions to verify that the Cardholder's possession of Card.

**Know Your Customer (KYC):** a process that financial institutions use to verify the identity and financial situation of their customers before doing business with them. KYC is a mandatory process for opening an account and is periodically repeated over time. To open a financial account, customers must provide proof of identity and address. This could include a driver's license, passport, or state-issued ID card.

KYC is important because it helps financial institutions protect themselves from doing business with people or organizations involved in illegal activity. It also helps financial institutions understand their customers' businesses, which can be valuable.

Some steps in the KYC process include Customer Identification Program (CIP), Customer Due Diligence (CDD), Enhanced Due Diligence, Continuous monitoring, and Reporting and compliance.

**PCI DSS (Payment Card Industry Data Security Standard):** a set of standards or rules companies must follow to be considered PCI DSS compliant. Meeting these standards allows them to do business with credit and debit card companies and process these companies' transactions.

Though it was established by companies rather than the government, PCI DSS has become the global standard of rules for credit and debit card transactions. In some places in the world, like a few states in the US, PCI DSS compliance is legally mandated. However, the PCI SSC has no legal authority to enforce its standards — only the ability to revoke a business's right to process debit and credit card transactions.

## 5. International

**E-money (Electronic money):** an electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer. The device acts as a prepaid bearer instrument which does not necessarily involve bank accounts in transactions. E-Money products can be hardware-based or software-based, depending on the technology used to store the monetary value.

**EMI (Electronic money institution):** a business entity holding a license to issue electronic money or e-money in the European Union. Only a competent supervisory authority in a particular country grants a license for such activities.

**PSD2:** a regulatory framework that ensures payments across the EU are secure, easy and efficient. The changes regulate entities that access or aggregate account information for electronic payments.