Payments Technology

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Generated: 2026-06-20 20:16

What is EMV

EMV stands for Europay, MasterCard, and Visa. It is a global standard for credit and debit card payments that uses chip technology to enhance security. EMV cards contain a microchip that generates a unique transaction code for each purchase, making it harder for fraudsters to clone cards. EMV technology is widely used to reduce card-present fraud and improve transaction security at point-of-sale terminals.

How did the credit card networks get merchants to adopt EMV?

Credit card networks encouraged merchants to adopt EMV by highlighting the increased security it offers against fraud. They provided incentives such as lower transaction fees, marketing support, and assistance with the transition to EMV-compatible systems. Additionally, networks set deadlines for compliance, making it necessary for merchants to upgrade to avoid liability for fraudulent transactions. Education on the benefits of EMV technology also played a crucial role in convincing merchants to

What is NFC?

NFC, or Near Field Communication, is a technology that enables short-range wireless communication between devices. It allows two devices, like smartphones or payment terminals, to exchange data when they are close together, typically within a few centimeters. NFC is commonly used for contactless payments, allowing users to make transactions by simply tapping their device on a payment terminal. It can also be used for sharing information, pairing devices, and accessing services.

What is peer-to-peer payments?

Peer-to-peer (P2P) payments allow individuals to send money directly to each other using digital platforms or apps, bypassing traditional banks. Users can transfer funds using their smartphones or computers, often linked to their bank accounts or credit cards. P2P payments are commonly used for splitting bills, sending gifts, or paying for services. Popular P2P payment services include Venmo, PayPal, and Cash App. These transactions are usually quick and convenient, often with minimal fees.

Are banks used in a Venmo transaction?

Yes, banks are involved in Venmo transactions. When you send or receive money on Venmo, it connects to your bank account or debit card. The funds are transferred through the ACH (Automated Clearing House) network, which banks use to process electronic payments. Venmo holds the money in its own balance until you transfer it to your bank, but the initial funding sources are typically bank accounts.

What is ACH?

ACH stands for Automated Clearing House. It is a network that enables electronic payments and money transfers between banks in the U.S. ACH is commonly used for direct deposits, bill payments, and other transactions. It allows for the efficient transfer of funds without the need for paper checks, making transactions faster and more secure.

How is ACH different from wire transfer?

ACH (Automated Clearing House) and wire transfers are both methods of transferring funds, but they differ in several ways. ACH is typically used for recurring payments like payroll and bills, processing transactions in batches, which can take one to three business days. Wire transfers are faster, often completed within hours, and are used for one-time, high-value transactions. Additionally, wire transfers usually incur higher fees compared to ACH transactions.

Do debit cards and credit cards charge merchants the same fees?

No, debit cards and credit cards do not typically incur the same fees for merchants. Credit card transactions usually involve higher interchange fees due to the risk and benefits associated with credit. Debit card fees are generally lower since they are linked directly to a bank account. Merchants may also face different processing fees based on the payment network (Visa, Mastercard, etc.) and the type of transaction.

What is the Fed Now system in the US?

The FedNow system is a real-time payment service launched by the Federal Reserve in the U.S. It enables instant money transfers between banks, allowing individuals and businesses to send and receive payments 24/7. This system aims to improve the speed, efficiency, and accessibility of payment processing, reducing the time it takes for funds to be available. It supports various payment types and is designed to enhance the overall payment infrastructure in the U.S.

What is a stored value card?

A stored value card is a prepaid card that holds a specific amount of money. Users can load funds onto the card and use it for purchases until the balance is depleted. These cards can be used at various retailers, online, or for specific services. They are often used for budgeting, gifting, or as an alternative to cash. Examples include gift cards and prepaid debit cards.