

## THE ANATOMY OF A CREDIT CARD TRANSACTION

### ASSUME YOU ARE A SHOPPER

Customer (You) | Merchant | Merchant's Bank | Issuer (Your Bank) | Credit Card Company

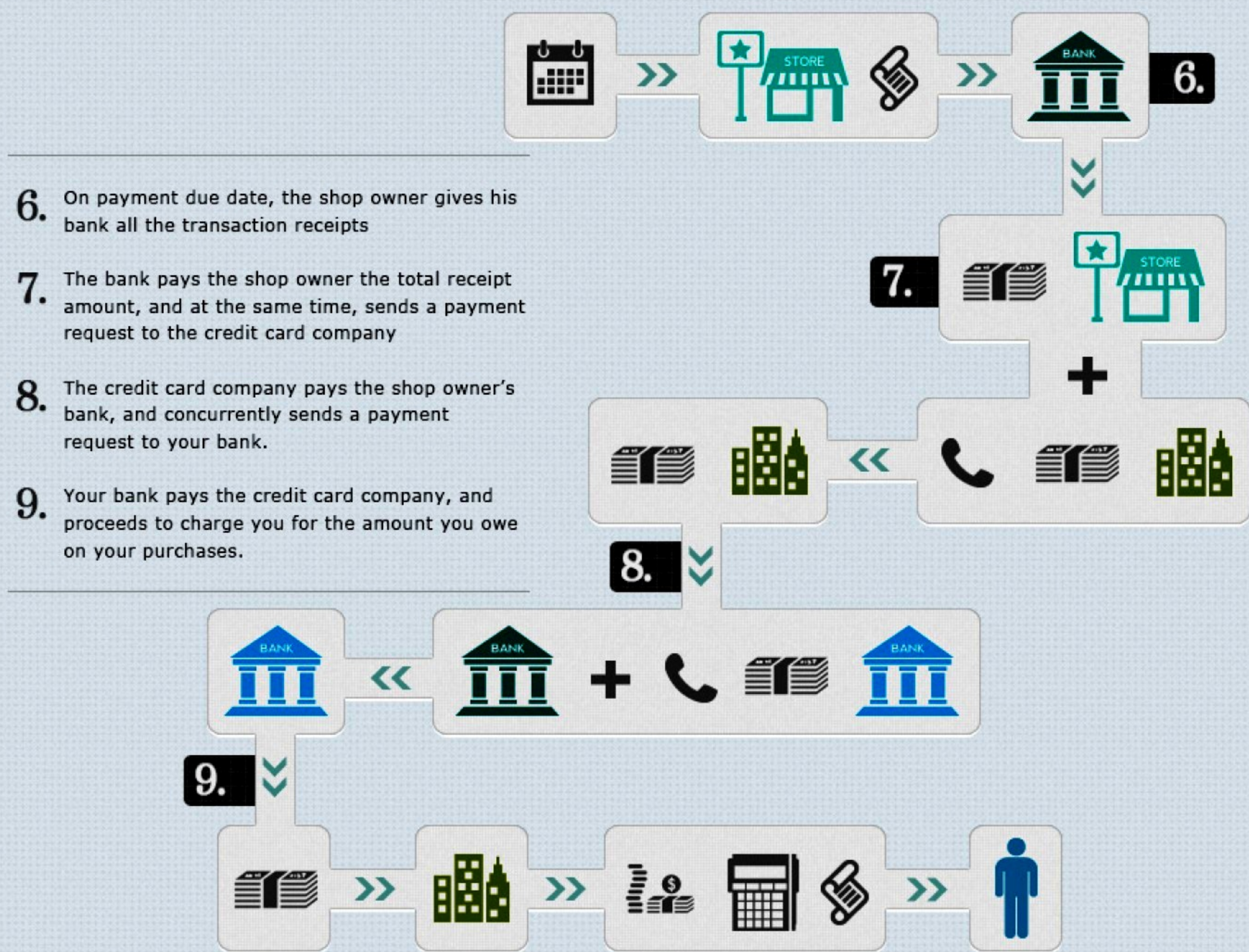


1. You swipe your card at the cashier
2. The credit card reader sends key information to the shop owner's bank (i.e. the merchant's bank).
3. The merchant's bank verifies the transaction, and sends the purchase information to the relevant credit card company.
4. The credit card company contacts your bank and validates that your card is valid.
5. Upon confirmation, the credit card company notifies the merchant's bank, which approves your transaction

All this happens in less than **10 Seconds** ⌚

### WHAT HAPPENS NEXT?

Customer (You) | Merchant | Merchant's Bank | Issuer (Your Bank) | Credit Card Company



6. On payment due date, the shop owner gives his bank all the transaction receipts
7. The bank pays the shop owner the total receipt amount, and at the same time, sends a payment request to the credit card company
8. The credit card company pays the shop owner's bank, and concurrently sends a payment request to your bank.
9. Your bank pays the credit card company, and proceeds to charge you for the amount you owe on your purchases.

### HOW BANKS & CREDIT CARD COMPANIES MAKE MONEY

1. **Fees**
  - a. Annual fee (S\$0 to S\$250)
  - b. Cash advance fee (5% to 8%)
  - c. Late payment fee (S\$55)
  - e. Fee for overseas transactions (1%)
2. **Interest on outstanding balance**
  - a. 20% to 24%
3. **Transaction fee (charged to merchants)**
  - a. 1% to 5%
4. **Customer list monetization (e.g. rent / sale of mailing list)**

### YOUR CREDIT CARD FEES HOW TO MINIMIZE

- 👍 **Shop around for the best deal**
- 👍 **Avoid cash advances**
- 👍 **Pay your debt by the due date**
- 👍 **Pay more than the minimum monthly payment**