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SC Court of Appeals

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM THE ADMINISTRATIVE LAW COURT

Milton G. Kimpson, Administrative Law Judge

Case No. 20-ALJ-17-0008-CC

Appellate Case No. 2024-001252

Mastercard International Incorporated, Appellant,

v.

South Carolina Department of Revenue, Respondent.

RECORD ON APPEAL - VOLUME IX of XIV

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When a currency holiday is announced by the central bank, local monetary authority, or local settlement agent, MasterCard will exclude that currency's regional settlement service from a settlement cutoff. Therefore, when a currency holiday is declared or the local settlement agent observes a banking holiday, settlement advisements for the affected regional settlement service will not be delivered to the participating customers. In addition, those dates are excluded as good value date for that currency.

- Settlement will not be valued on any local currency holiday or U.S. Federal Reserve holidays.

NOTE:

For holiday rules specific to settlement services, refer to United States Dollar—US00000001, United States Dollar—RPPS—US00000002, United States Dollar—EU00000002, United States Dollar Processed Through the Single Message System—AP00000010, United States Dollar—Private Label—P00000001, and United States Dollar—EU00000018.

Holiday Calendar

The following tables provide an example of a calendar following these rules.

31 Dec	1 Jan	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Weekend	MasterCard Declared Holiday	Open	Local Holiday	Open	U.S. Holiday	Weekend

U.S. Holiday	4 Jan	5 Jan	6 Jan
Advisements Delivered	Y	Y	N
TFO Delivered	Y	Y	N
Good Value Date	Y	N	N
Local Holiday	2 Jan	3 Jan	4 Jan
Advisements Delivered	Y	N	Y
TFO Delivered	Y	N	Y
Good Value Date	Y	N	Y
MasterCard Declared Holiday	31 Dec	1 Jan	2 Jan
Advisements Delivered	N	N	Y
TFO Delivered	N	N	Y
Good Value Date	N	N	Y

MasterCard determines the holidays that regional settlement service participants will observe and may change at any time. When the transfer of funds is late, the computation of

compensation will include holidays occurring between the date that the transfer should have occurred and the date that the transfer took place. For a current MasterCard U.S. holiday schedule, refer to the *Quick Reference Booklet*. Regional holidays are published monthly, one month in advance, in the *Global Operations Bulletin*.

Intracurrency Settlement Service

Each customer has the option to use the MasterCard intracurrency settlement services in addition to its regional (U.S. dollar or local currency) settlement services.

All participating MasterCard customers in the specified arrangement settle their MasterCard activity through the MasterCard local intracurrency settlement agent in a common currency.

NOTE:

A customer must have a default regional settlement arrangement in place before participating in an intracurrency settlement arrangement.

Intracurrency Settlement Requirements

In establishing an intracurrency settlement relationship, the following must occur:

- MasterCard establishes an agreement with the local settlement bank and settlement holidays are defined.
- All participating customers complete an NSIF and complete customer testing.
- Customers agree on settlement currency.
- Each customer is responsible for contacting the settlement agent for the service in which they want to participate.
- Customers must ensure that they are compliant with the local rules and regulations of that country.
- All chargebacks for intracurrency settlement services must be settled in local currency.
- The participation requirements for each intracurrency settlement service vary by country.

The intracurrency settlement service has the following features:

- Customers in a single country or customers in multiple countries designate a single settlement currency for the arrangement. All qualified transactions occurring between participating customers will be settled in the designated currency.
- Settlement cutoff for intracurrency settlement service can occur after any one of the multiple clearing cycles if all customers participating in the service agree on the settlement cutoff time.
- Customers may use a local settlement bank as approved by MasterCard.
- Settlement advisements are provided in the currency of the intracurrency settlement arrangement.
- The service may reduce customer costs associated with foreign exchange risk.

Each customer that requests participation in an intracurrency settlement arrangement must complete an NSIF. This allows MasterCard to process local transactions that qualify for intracurrency settlement through the clearing system(s) for settlement in the designated

currency. For more information about the NSIF, refer to Net Settlement Information Form Instructions. Refer to the *Net Settlement Information Form* (Form 339).

Intracurrency settlement supports the settlement of transactions in a local currency common to the participating customers regardless of the transaction currency. It also supports local holiday schedules as provided by the local settlement bank. The clearing system and the Settlement Account Management (S.A.M.) system separate intracurrency settlement qualifying transactions from all other transactions. MasterCard settles all intracurrency settlement qualified transactions in the agreed upon currency of the arrangement.

Intracurrency settlement guarantees the same reliability and service levels that customers experience when sending non-intracurrency settlement transactions to the clearing system.

All participating customers must complete the required documentation before they can implement an intracurrency settlement program.

Intracurrency Participation Requirements

Intracurrency settlement is structured as a series of legal agreements between the following participants.

Participant	Responsibility
MasterCard Issuer	Agrees to participate in settling local transactions in the local settlement currency of the intracurrency arrangement.
MasterCard Acquirer	Agrees to participate in settling local transactions in the local settlement currency of the intracurrency arrangement.
Local Settlement Agent	Agrees to facilitate settlement for intracurrency participants.
This is any bank, agent, or other entity appointed to represent MasterCard to effect settlement in the local market.	
MasterCard International	Agrees to provide clearing, settlement, and MIS reporting services for intracurrency transactions.

For detailed information on each intracurrency settlement service, refer to Intracurrency Settlement Services for Customers Licensed in Regions other than Europe and Intracurrency Settlement Services for Customers Licensed in Europe.

NOTE:

Using the MasterCard systems to process intracurrency transactions involves the movement of financial information across country borders. Customers should contact local banking and legal experts before requesting intracurrency arrangements to ensure that the implementation may proceed without violating local banking regulations.

Intracurrency Funds Transfer

Intracurrency settlement provides customers the opportunity to process and settle their local transactions in the currency of the arrangement. The currency conversion process, if necessary, will convert the transaction currency amounts to the settlement currency amounts.

The MasterCard Global Settlement Operations Department will arrange a local banking relationship to effect payments for intracurrency settlement processing. MasterCard will designate a local settlement bank for this purpose. MasterCard will establish a net settlement account at the designated settlement bank when applicable. In addition, both MasterCard and a duly authorized agent of the settlement bank must sign a Settlement Services Agreement before intracurrency settlement can occur in a given settlement currency.

MasterCard may require customers to open settlement accounts at the designated settlement bank, though whenever possible, the local interbank payment process will be used.

Each intracurrency settlement arrangement will have its own unique funds transfer procedures. Generally, funds transfers will occur between the designated MasterCard settlement account and the accounts of customers located either at the settlement bank or at a designated transfer agent bank. Under the terms of the Settlement Services Agreement, MasterCard will notify customers as to the value dating custom, funds transfer process, and all applicable times and deadlines.

In all cases, the funds transfers must be made on the value date as instructed in the settlement advisement. The funds transferred must be in the currency of the arrangement.

Intracurrency Settlement Holidays

The following holiday rules apply to intracurrency settlement services for customers licensed in Europe and regions other than Europe:

- The local holiday calendar is observed.
When a currency holiday is announced by the central bank, local monetary authority, or local settlement agent, MasterCard will exclude that currency's intracurrency settlement service from a settlement cutoff. Therefore, when a currency holiday is declared or the local settlement agent observes a banking holiday, settlement advisements for the affected intracurrency settlement service will not be delivered to the participating customers. In addition, those dates are excluded as good value dates.
- Settlement will not occur and will not be valued on 1 January and 25 December.
- Settlement will not occur and will not be valued on any of the local country's banking holidays.

The net settlement process recognizes holidays that the local settlement bank in the intracurrency settlement arrangement designates. If a funds transfer for a customer in a net credit position cannot be accomplished because of a transfer agent bank holiday, even when the intracurrency settlement bank is open for business, and the customer has notified MasterCard in advance, the transfer will be accomplished on the next bank business day and no compensation will be due. Customers in a net debit position must prefund or make other arrangements with the settlement bank.

Customers involved in an intracurrency arrangement elect to settle their intracurrency activity based on the holiday schedule of their intracurrency settlement bank.

Monthly Customer Settlement Participation Fee

The Monthly Customer Settlement Participation Fees fee, charged per transfer agent ICA number, is USD 250, unless noted in the individual settlement services.

Transaction Processing Systems

MasterCard clearing systems provide files for input into the Settlement Account Management (S.A.M.) system.

These files provide summaries of all financial transactions processed for a clearing cycle. Each time a financial clearing message is exchanged, the transaction amount is paid to one customer (usually the sender of the message or the acquirer) and collected from the other customer (usually the receiver of the message or issuer). The processing and routing of these financial transactions between acquirer and issuer is through the MasterCard clearing systems, including the following:

- Global Clearing Management System (GCMS)
- Local Clearing Center (LCC)
- Integrated Processing Systems (IPS)
- RPPS®
- Single Message System
- MasterCard Consolidated Billing System (MCBS)

Settlement through the S.A.M. system is organized and reported by member IDs. When a participant's member ID is in a net debit position or net credit position with MasterCard, MasterCard will send an advisement of the settlement position. This notification is called a Net Settlement Advisement.

Global Clearing Management System (GCMS)

The Global Clearing Management System (GCMS) is a centralized facility, owned and operated by MasterCard International for the daily processing and routing of worldwide financial transactions between MasterCard International and its customers.

GCMS receives and balances financial information. The 24-hour clearing period is separated into six separate cut off cycles known as clearing cycles. A clearing cycle is a time window that is open for all MasterCard customers to submit clearing transactions. Settlement may occur following any of the six clearing cutoffs, if agreed to by MasterCard.

GCMS provides summarized settlement information to the S.A.M. system, which generates advisement messages and Transfer Funds Orders (TFOs). For more information about GCMS, refer to the *GCMS Reference Manual*.

RPPS

RPPS® is an electronic network of consumer bill payment and presentment providers for processing financial and non-financial transactions. RPPS is an electronic network designed to route, settle, and present financial transactions for participating customers. RPPS also processes data and payments for credit counseling agencies, walk-in payment service providers, and balance transfers between creditors.

RPPS uses the S.A.M. system to perform the funds movement associated with sending and receiving payments. After RPPS successfully completes its daily processing, it creates a settlement file for input to S.A.M. Before input to S.A.M., the RPPS settlement file must first be in proof, that is, all the received originator payment amounts less any rejected payment amounts must equal the payment amounts being sent to concentrators. This reconciliation helps ensure that payments are not lost or distorted during processing. For more information, refer to the *MasterCard RPPS—User Guide and Operating Rules* manual or contact New Business Development at 1-914-249-5574.

RPPS USD settlement service cutoff is 04:05 St. Louis time.

Single Message System

The Single Message System supports both regional and intracurrency settlement services. For more information regarding Single Message System settlement options, refer to Sections 1 and 2 of the *Single Message System Settlement and Reports* manual.

Effective with MDS Release 6.3, customers participating in regional settlement services may choose Single Message System multiple currency settlement. For details, refer to Section 7 of the *Single Message System Programs and Services* manual. A new NSIF must be completed for customers electing to use the Single Message System multiple currency option. Contact a Customer Services Specialist or your regional representative for information about how to participate in multiple currency settlement and reporting.

Customers selecting intracurrency settlement services cannot select the Single Message System multiple currency settlement option. The Single Message System multiple currency option is available only for regional settlement services.

For Single Message System end-of-day settlement cutoff times, refer to the *Single Message System Settlement and Reports* manual.

MasterCard Consolidated Billing System (MCBS)

The MasterCard Consolidated Billing System (MCBS) consolidates and centralizes charges billed by MasterCard International for products, programs, and services.

By centralizing the billing function, MCBS improves the following:

- Audit controls and balancing
 - Simplifying billing reconciliation

- Eliminating miscellaneous debits and credits
- Reducing the need for Fee Collection Messages for MasterCard billing purposes
- Reports, providing clear and concise information including billing event descriptions, billing rates, detailed affiliate reporting, and other detailed billing information

All customers must designate and use a single Automated Clearing House (ACH) account for all MasterCard (MCBS) collection activity other than settlement of interchange transactions. MasterCard will charge for each ACH returned item. Alternatively, customers may elect to settle billing activity through their regional settlement service in S.A.M. For additional details, refer to the *MasterCard Consolidated Billing System* regional documents.

Private Label

MasterCard Private Label programs enable MasterCard customers to leverage the existing MasterCard payment infrastructure to provide authorization, clearing, and settlement services for private label card transactions.

These services are provided exclusively for transactions originating from approved private label card portfolios of MasterCard issuers. For more information on private label programs contact their regional office and Customer Operations Services.

NOTE:

Settlement policies and procedures defined in the Settlement Manual apply to private label card transactions except as noted.

NOTE:

Customers processing private label card transactions will observe and comply with Private Label Rules.

Private Label Issuers

Issuers manage the settlement of private label card transactions.

Issuers must satisfy the following requirements to participate in private label processing:

- Identify on issued cards the private label account ranges. MasterCard profiles these account ranges with a Card Program Identifier of PVL on the Member Profile Extract (MPE).
- Participate in a private label settlement service for transactions processed through the clearing platform, GCMS.
- Notify MasterCard 30 days before the live date of new, changed, or deleted private label settlement instructions. The issuer notifies MasterCard by completing and submitting an NSIF.

Pre-funding and Daily Settlement

MasterCard does not intend to manage liquidity or credit risk for private label programs. To manage settlement risk on private label card transactions, MasterCard will evaluate and calculate the issuer's private label settlement obligations and require pre-funding to mitigate the exposure.

Issuers are expected to manage their settlement position for private label card transactions daily through completion of payment to the MasterCard settlement bank on the value date. Private label card transactions are excluded from Minimum Thresholds for Funds Transfer processing because of the pre-funding requirements.

If the issuer fails to fund the MasterCard settlement account for its daily settlement position on the value date by the time defined within the private label settlement service, MasterCard shall have the right, as necessary, to apply a portion of the pre-funding to cover the settlement positions for private label card transactions.

MasterCard requires pre-funding and any additional amounts to cover the issuer's obligations beyond the pre-funding to be replenished within the same day by the close of the MasterCard settlement bank on the value date. If the issuer fails to replenish the pre-funded amount by the close of the MasterCard settlement bank on the original failed value date, MasterCard has the discretion to begin blocking cardholder usage and assess the following fees:

- Two percent more than the overdraft rate charged to MasterCard by the MasterCard settlement bank. Compensation to MasterCard shall be paid for the period from the date the transfer was due through the date that the respective funds are transferred correctly to the MasterCard settlement account using the following formula:
$$\text{Compensation} = (\text{Principal} \times (\text{Settlement Bank Overdraft Rate} + 2\%) \times \text{Number of Overdraft Days}) / 360$$
- Any and all costs including, but not limited to interest, fees, taxes, compensation, assessments, or other costs paid by MasterCard to the MasterCard settlement bank or other person, entity, or local governing authority on account of such issuer's failure to comply with the pre-funding and daily settlement requirements. In addition to these costs, MasterCard may also charge administrative or noncompliance fees, interest, or other administrative charges for the collection of such fees related to the issuer's failure to comply with the pre-funding requirements.

Private Label Acquirers

Settlement of private label card transactions is managed within the existing MasterCard® card settlement services and follows the existing settlement service cutoffs, value dating, and payment timelines.

Settlement of private label card transactions offers the same guarantee as MasterCard® card transactions.

Settlement Processing

MasterCard provides acquirers with a net settlement position that includes both private label card and MasterCard® card transactions unless the acquirer chooses to have MasterCard

segregate the activity. For this to occur, an acquirer must submit an NSIF requesting that its transactions processed within GCMS have a customized settlement outcome. The settlement service selection criteria functionality that allows acquirers to customize their settlement outcome is defined in Settlement Service Selection Criteria.

Failure of Customer to Settle

At times, customers may be unable to receive funds transfers.

If a customer in a net credit settlement position is not ready and able to receive funds transfers from the MasterCard settlement bank, MasterCard can hold these funds until the customer requests that they be forwarded. When the customer is able to receive the funds, the customer must request in writing that MasterCard forward the funds. This request should include the principal's ID, a transfer agent bank account, an original signature from the principal, and the payee name, address, amount, and advisement date. When a change of account is requested, this must be submitted through the NSIF. The customer is not entitled to any compensation in this situation.

A customer in a net debit settlement position must transfer funds to the MasterCard settlement bank on the appropriate value date.

A customer is expected to have a business recovery plan in place such that the customer will be able to transfer funds in a timely manner in the event of a natural disaster or other force majeure at the customer's primary location(s). MasterCard has the option to terminate the customer's license if the customer is unable to transfer funds to the MasterCard settlement bank.

Additionally, the customer responsible for making the payment to MasterCard is subject to pay MasterCard interest compensation and a non-compliance fee, regardless of the reason for the settlement failure. As described in Supported Payment Process Flows, the customer responsible for paying MasterCard is the transfer agent. Therefore, the transfer agent is held accountable regardless of the use of a third party such as a Pay Thru bank. Assessments and Compensation describe the application of these issues.

Assessments

Assessments are noncompliance fees levied against any customer that fails to transfer funds by the specified value date to the MasterCard settlement bank.

Assessments are applied on the first day, and each subsequent day thereafter, that a customer fails to transfer funds in a timely manner and in agreement with proper settlement procedures.

If a customer affects settlement of another customer as a result of transaction submissions into the clearing system for erroneous amounts, the customer responsible for the submission of the erroneous amounts will also be subject to the assessments detailed in this section. In addition, MasterCard may impose interest compensation against the offending customer for unjust enrichment, as appropriate. For more information about the calculation of compensation, refer to Compensation.

Assessment Calculations

The following table contains the assessment schedule for:

- Customers participating in U.S. dollar regional settlement that fail to settle by 14:00 St. Louis time on the appropriate value date
- Customers participating in any regional or intracurrency settlement service that fail to settle on the appropriate value date

Settlement Amount	Assessment Per Day
USD 0.01 to USD 249,999.99	USD 250
USD 250,000 to USD 499,999.99	USD 500
USD 500,000 to USD 999,999.99	USD 1,000
USD 1,000,000 to USD 1,499,999.99	USD 2,500
USD 1,500,000 to USD 1,999,999.99	USD 5,000
USD 2,000,000 to USD 4,999,999.99	USD 7,500
USD 5,000,000 or more	USD 10,000

MasterCard will calculate the amount of compensation due by assessing 2 percent more than the overdraft rate charged to MasterCard by the MasterCard settlement bank. For more information, refer to Compensation.

An amount up to USD 5,000 is assessed for each failure after the second failure in a given calendar month, including when a customer fails the 14:00 St. Louis time cutoff deadline three or more times in one calendar month.

Compensation

Customers or MasterCard may be reimbursed regarding the use of funds during settlement.

Compensation means:

- Reimbursement to a customer from MasterCard if the customer has lost the use of funds.
- MasterCard computes compensation owed to a customer using the appropriate daily effective Settlement Bank Earnings Credit Rate in place during the failure period. All reimbursements to the membership are processed according to Disputes and Claims Procedures.
- Reimbursement to MasterCard from a customer if the customer had use of funds to which it was not entitled.
- MasterCard will calculate the amount of interest compensation due by assessing 2 percent more than the overdraft rate charged to MasterCard by the MasterCard settlement bank.

Compensation Calculations

Compensation paid to the membership shall be computed as follows:

Compensation	=	Principal	x	$\frac{\text{Settlement Bank Earnings Credit Rate}}{360}$	x	Number of Days

MasterCard remits compensation through the MasterCard Consolidated Billing System (MCBS).

Compensation to MasterCard shall be paid for the period from the date the transfer was due through the date that the respective funds are transferred correctly to the MasterCard net settlement account:

Compensation	=	Principal	x	$\frac{(\text{Settlement Bank Overdraft Rate} + 2 \text{ percent})}{360}$	x	Number of Days

MasterCard uses the MasterCard Consolidated Billing System (MCBS) to collect compensation due.

NOTE:

“Number of Days” includes the date a customer or MasterCard fails to make payment of funds owed and includes the date the customer or MasterCard pays funds owed, including weekends and MasterCard holidays.

Reimbursement of the MasterCard Settlement Bank and MasterCard Arising from Customer Failure

There may be fees assessed for customer settlement non-compliance.

MasterCard reserves the right to collect any costs related from a customer’s failure to comply with the *Settlement Manual* on behalf of the MasterCard settlement bank at the direction of the MasterCard settlement bank.

Each customer shall, at MasterCard or the MasterCard settlement bank’s demand, refund to MasterCard any and all costs including, but not limited to interest, fees, taxes, compensation, assessments, or other costs paid by MasterCard to the MasterCard settlement bank or other person, entity, or local governing authority on account of such customer’s failure to comply with the *Settlement Manual*. In addition to these costs, MasterCard may also charge administrative or noncompliance fees, interest, or other administrative charges for the collection of such fees related to a customer’s failure to comply with the *Settlement Manual*. Each customer shall indemnify and hold MasterCard and the MasterCard settlement bank harmless from and against any and all claims, losses, damages, liabilities, costs, and expenses, including reasonable attorneys’ fees incurred by MasterCard or the MasterCard settlement bank by way of suit, claim settlement, or otherwise, alleged or to arise out of, arising out of, or in connection with services provided by MasterCard or the MasterCard settlement bank in

connection with settlement. The MasterCard settlement bank shall be deemed to be a third party beneficiary of the preceding sentence with independent rights of enforcement.

Additional Administrative Fees Arising from Customer Failure

There may be administrative fees assessed for customer settlement non-compliance.

MasterCard reserves the right to charge the failing customer a two percent surcharge assessed on any amount MasterCard collects on behalf of the MasterCard settlement bank or other person, entity, or local governing authority on account of such customer's failure to comply with the *Settlement Manual*.

Disputes and Claims Procedures

Disputes and claims may occur during the settlement process.

If a customer disputes the amount of a net settlement credit or debit of which it has been advised and seeks compensation, the customer must, upon discovery and in writing within one business day, request of the Customer Operations Services team an investigation of the matter. In any event, the customer must effect the timely transfer of funds as reflected in the advisement to avoid settlement penalties unless notified otherwise by MasterCard. Upon request of MasterCard, the customer must provide relevant clearing records or other documentation as necessary to evidence the amount involved.

Bilateral Agreements

When two customers decide to settle directly between themselves, they enter into a bilateral agreement.

Both of the customers' principal contacts must send written notice of the bilateral agreement to the Head of Global Settlement Services (GSS) at least 30 days before they process the initial transactions through the clearing system. If MasterCard has no record of receiving such written notification of direct customer-to-customer settlement from both customers, the transactions will be rejected.

If customers choose to settle directly between themselves, the transaction will not be a part of the settlement positions processed through the Settlement Account Management system.

Settlement Service Fees

MasterCard uses a standard monthly billing schedule to assess fees to customers for facilitating settlement services.

MasterCard core services include the process of settlement (the movement of funds between customers), and preparation and delivery of settlement advisements. For more information, refer to the *MasterCard Consolidated Billing System* manual.

Settlement Liability

Parties involved during the settlement process can assume liability.

For settlement activity information, refer to section 3.3 of the *MasterCard Rules* manual and rule 4.11 in the Private Label Rules. MasterCard does not incur any financial or other responsibility, or other liability to any customer or other person for any loss, cost, or other damage arising out of the net settlement process described in this section (even if the loss, cost, or damage is caused by the failure of MasterCard to exercise ordinary care including, by way of example and not limitation, any error[s], delay[s] in effecting advisement[s] or funds transfers, or errors in transaction billing date transmissions) except due to an error by MasterCard that results in a transfer by MasterCard to a customer of an insufficient amount of funds or in a transfer from a customer of an excess amount of funds.

If MasterCard, in its sole discretion, accepts responsibility, the total maximum responsibility of MasterCard for the error(s) or delay(s), as the case may be, shall be the compensation defined in the "Compensation to Customers" subsection.

Payment of principal (or a portion thereof) and compensation by MasterCard shall be a customer's sole and exclusive remedy with respect to MasterCard for any and all damage incurred by it, directly or indirectly, as a result of its participation in the MasterCard net settlement program. In this respect, only a principal and not the transfer agent bank, if different, may recover compensation from MasterCard.

NOTE:

In no event shall MasterCard be responsible for any special, indirect, consequential, punitive, or other damages of any type.

NOTE:

MasterCard disclaims all warranties with respect to the S.A.M. system, both expressed and implied, including, but not limited to, any implied warranty of merchantability or fitness for a particular purpose.

Chapter 2 Regional Settlement Services for Customers Licensed in Regions other than Europe

This section describes guidelines for effecting settlement for each regional settlement service for customers licensed in regions other than Europe. Unless otherwise noted, the guidelines in Settlement Concepts apply to these services.

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Australian Dollar—AP00000002

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	AUD—036
MasterCard Settlement Bank	JPMorgan Chase, Sydney
Value Date Interval	2
Account Name	MasterCard International
Account Number	0010019311
SWIFT ID	CHASAU2XXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Australia that settles in Australian Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Australian Real Time Gross Settlement (RTGS) system, Australian Payments Clearing Associate (APCA), or direct entry through the Automated Clearing House (ACH) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Special Requirements for MasterCard	The customer must include the six-character Bank Branch Code, followed by the bank account number. Both of these need to be present when providing the “account number” on the Net Settlement Information Form (NSIF).

Australian Dollar Processed Through the Single Message System— AP00000008

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	AUD—036
MasterCard Settlement Bank	JPMorgan Chase, Sydney
Value Date Interval	0
Account Name	MasterCard International
Account Number	0010019311
SWIFT ID	CHASAU2XXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	09:30 during standard time 10:30 during daylight saving time
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Australia that settles in Australian Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	Debit transactions processed through the Single Message System
Special Requirements for MasterCard	The customer must include the six-character Bank Branch Code, followed by the bank account number. Both of these need to be present when providing the “account number” on the Net Settlement Information Form (NSIF).

Canadian Dollar—CA00000001

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	CAD—124
MasterCard Settlement Bank	JPMorgan Chase, Toronto, which has a correspondent banking relationship with Royal Bank of Canada, Toronto.
Value Date Interval	1
Account Name	MasterCard International
Account Number	0731753500
SWIFT ID	CHASCATTCTS
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Canada that settles in Canadian Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from JPMorgan Chase's correspondent bank, Royal Bank of Canada, through one of the following: • A participant of the Canadian Real Time Gross Settlement (RTGS) system, Canadian Payment Association (CPA) • SWIFT financial messages • On-U's transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)

Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Danish Krone—EU00000027

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	DKK—208
MasterCard Settlement Bank	JPMorgan Chase, London
Value Date Interval	2
Account Name	MasterCard International
Account Number	23097206
SWIFT ID	CHASGB2LXXX
IBAN Number	GB 54 CHAS 609242 23097206
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Denmark that settles in Danish Krone. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Danish Real Time Gross Settlement (RTGS) system, KRONOS • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Euro—EU00000007

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	EUR—978
MasterCard Settlement Bank	JPMorgan Chase, London
Value Date Interval	2
Account Name	MasterCard International
Account Number	23097201
SWIFT ID	CHASGB2LXXX
IBAN Number	GB 92 CHAS 609242 23097201
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Europe that settles in Euro. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant in the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) payment system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply. In addition , settlement will not occur nor be valued on any Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) holidays.

Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	- Global Clearing Management System (GCMS) - Single Message System

Hong Kong Dollar—AP00000001

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	HKD—344
MasterCard Settlement Bank	JPMorgan Chase, Hong Kong
Value Date Interval	2
Account Name	MasterCard International
Account Number	6839254304
SWIFT ID	CHASHKHHXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Hong Kong that settles in Hong Kong Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: - A participant of the Hong Kong Interbank Clearing Ltd. (HKICL) that transacts within the Clearing House Automated Transfer System (CHATS) - SWIFT financial messages - On-Us transactions through book transfers
Supported Payment Process Flows	- Standard Settlement (Two Party) - Consolidated Settlement (Two Party) - Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Japanese Yen—AP00000005

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	JPY—392
MasterCard Settlement Bank	JPMorgan Chase, Tokyo
Value Date Interval	2
Account Name	MasterCard International
Account Number	0110452612
SWIFT ID	CHASJPJTXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Japan that settles in Japanese Yen. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Japanese Real Time Gross Settlement (RTGS) system, Bank of Japan Financial Network System (BOJ-NET) • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Malaysian Ringitt—AP00000004

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	MYR—458
MasterCard Settlement Bank	JPMorgan Chase, Kuala Lumpur
Value Date Interval	2
Account Name	MasterCard International
Account Number	6870791925
SWIFT ID	CHASMYKXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Malaysia that settles in Malaysian Ringgit. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Malaysian Real Time Gross Settlement (RTGS) system, Real Time Transfer of Funds and Securities (RENTAS) • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	- Global Clearing Management System (GCMS) - Single Message System

Mexican Peso—LA00000002

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	MXN—484
MasterCard Settlement Bank	Banamex Bank
Value Date Interval	2
Account Name	MasterCard International
Account Number	0234755005
SWIFT ID	CITIUS33MER
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Mexico that settles in Mexican Peso. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: - A participant of the Mexican Real Time Gross Settlement (RTGS) system, Real Time Transfer of Funds and Securities (RENTAS) - SWIFT financial messages - On-Us transactions through book transfers
Supported Payment Process Flows	- Standard Settlement (Two Party) - Consolidated Settlement (Two Party) - Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System
Special Requirements for MasterCard	This Mexico regional settlement Service is for cross-border transactions only. Customers choosing to participate in this regional settlement service must have a Clave Bancaria Estandarizada (CLABE) Number: The CLABE is a standard for bank accounts in Mexico. The CLABE account code has 18 digits and replaces the old Mexican account-numbering scheme where the account number had 11 digits. Include the 18-digit CLABE Number in the Net Settlement Information Form (NSIF).

Myanmar United States Dollar—AP00084001

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
MasterCard Settlement Bank	United Overseas Bank, Singapore
Value Date Interval	1
Account Name	MasterCard International
Account Number	4509056093
SWIFT ID	UOVBSGSG
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	00:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Myanmar that settles in U.S. Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Myanmar Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers

Supported Payment Process Flows	- Standard Settlement (Two Party) - Consolidated Settlement (Two Party) - Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	- Global Clearing Management System (GCMS) - Single Message System

New Zealand Dollar—AP00000006

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	NZD—554
MasterCard Settlement Bank	Bank of New Zealand (BNZ) Banking Group, Wellington
Value Date Interval	2
Account Name	MasterCard International
Account Number	2454750000
SWIFT ID	BKNZNZ22XXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within New Zealand that settles in New Zealand Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: - A participant of the New Zealand Real Time Gross Settlement (RTGS) system, Exchange Settlement Account System (ESAS) - SWIFT financial messages - On-Us transactions through book transfers

Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System
Special Requirements for MasterCard	The customer must include the six-character Bank Branch Code, followed by the bank account number. Both of these need to be present when providing the “account number” on the Net Settlement Information Form (NSIF).

New Zealand Dollar Processed Through the Single Message System—AP00000009

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	NZD—554
MasterCard Settlement Bank	Bank of New Zealand (BNZ) Banking Group, Wellington
Value Date Interval	0
Account Name	MasterCard International
Account Number	2454750000
SWIFT ID	BKNZNZ22XXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	09:30 during standard time 10:30 during daylight saving time

Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within New Zealand that settles in New Zealand Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the New Zealand Real Time Gross Settlement (RTGS) system, Exchange Settlement Account System (ESAS) • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	Debit transactions processed through the Single Message System
Special Requirements for MasterCard	The customer must include the six-character Bank Branch Code, followed by the bank account number. Both of these need to be present when providing the "account number" on the Net Settlement Information Form (NSIF).

Norwegian Krone—EU00000028

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	NOK—578
MasterCard Settlement Bank	JPMorgan Chase, London
Value Date Interval	2
Account Name	MasterCard International
Account Number	23097207
SWIFT ID	CHASGB2LXXX
IBAN Number	GB 27 CHAS 609242 23097207

Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Norway that settles in Norwegian Krone. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Norwegian Real Time Gross Settlement (RTGS) system, Norges Bank's settlement system (NBO) • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Offshore Chinese Renminbi—AP00000014

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	CNH—157
Country	Hong Kong (outside of China)
MasterCard Settlement Bank	JPMorgan Chase, Hong Kong
Value Date Interval	2
Account Name	MasterCard International
Account Number	6847001465
SWIFT ID	CHASHKHH
IBAN Number	N/A

Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Hong Kong that settles in Offshore Chinese Renminbi. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Hong Kong Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Pound Sterling—EU00000003

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	GBP—826
MasterCard Settlement Bank	JPMorgan Chase, London
Value Date Interval	2
Account Name	MasterCard International
Account Number	11139342
SWIFT ID	CHASGB2LXXX
IBAN Number	GB 16 CHAS 609242 11139342
Settlement Service Cutoff in St. Louis Time	03:00

Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Great Britain that settles in Pound Sterling. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the United Kingdom Real Time Gross Settlement (RTGS) system, Clearing House Automated Payment System (CHAPS) • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Singapore Dollar—AP00000003

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	SGD—702
MasterCard Settlement Bank	JPMorgan Chase, Singapore
Value Date Interval	2
Account Name	MasterCard International
Account Number	0111867175
SWIFT ID	CHASSGSGXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00

Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Singapore that settles in Singapore Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Singapore Real Time Gross Settlement (RTGS) system, Monetary Authority of Singapore Electronic Payment System (MEPS) • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

South African Rand—ME00000001

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	ZAR—710
MasterCard Settlement Bank	JPMorgan Chase, London, which has a correspondent banking relationship with Standard Bank of South Africa.
Value Date Interval	2
Account Name	MasterCard International
Account Number	22105909
SWIFT ID	CHASGB2LXXX
IBAN Number	GB 57 CHAS 609242 22105909
Settlement Service Cutoff in St. Louis Time	08:00

Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within South Africa that settles in South African Rand. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from JPMorgan Chase's correspondent bank, Standard Bank of South Africa, through a participant of the South African Real Time Gross Settlement (RTGS) system, SAMOS.
Supported Payment Process Flows	• Standard Settlement (Three Party) • Consolidated Settlement (Three Party) • Pay Thru Settlement (Four Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Swedish Krona—EU00000029

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	SEK—752
MasterCard Settlement Bank	JPMorgan Chase, London
Value Date Interval	2
Account Name	MasterCard International
Account Number	23097208
SWIFT ID	CHASGB2LXXX
IBAN Number	GB 97 CHAS 609242 23097208
Settlement Service Cutoff in St. Louis Time	03:00

Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Sweden that settles in Swedish Krona. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Swedish Riksbank's Real Time Gross Settlement System (RTGS) system, RIX • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Swiss Franc—EU00000026

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	CHF—756
MasterCard Settlement Bank	JPMorgan Chase, London
Value Date Interval	2
Account Name	MasterCard International
Account Number	23097205
SWIFT ID	CHASGB2LXXX
IBAN Number	GB 81 CHAS 609242 23097205
Settlement Service Cutoff in St. Louis Time	03:00

Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within Switzerland that settles in Swiss Franc. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Swiss Real Time Gross Settlement system (RTGS) system, Swiss Interbank Clearing system (SIC) • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System
Special Requirements for Participating Customer Settlement Accounts	It is strongly recommended that participants in this service include their IBAN Number when completing the Net Settlement Information Form (NSIF). Including the IBAN Number will avoid delays, additional fees, or both when customers are to receive funds from MasterCard.

United States Dollar—US00000001

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
MasterCard Settlement Bank	JPMorgan Chase, New York
Value Date Interval	0
	Funds due to MasterCard must be paid by 14:00 St. Louis time on the same open business day as the settlement date
Account Name	MasterCard International
Account Number	014053007

SWIFT ID	021000021 (Routing and Transit Number)
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within the United States that settles in United States Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Federal Reserve payment system • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	Service-specific rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Settlement Holiday Rules for US00000001

Holidays can determine when settlement occurs and advisements and transfer funds orders (TFOs) are delivered.

Settlement will not occur nor be valued on U.S. Federal Reserve holidays.

Calendar Example

The following tables provide an example of a calendar for this type of settlement.

31 Dec	1 Jan	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Weekend	U.S. Holiday	Open	Open	Open	Open	Weekend

U.S. Holiday	31 Dec	1 Jan	2 Jan
Advisements Delivered	N	N	Y
TFO Delivered	N	N	Y

U.S. Holiday	31 Dec	1 Jan	2 Jan
Good Value Date	N	N	Y

United States Dollar—RPPS—US00000002

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
MasterCard Settlement Bank	JPMorgan Chase, New York
Value Date Interval	0
Account Name	MasterCard International
Account Number	014053007
SWIFT ID	021000021 (Routing and Transit Number)
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	04:05
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and correspondent bank have an account or a banking relationship within United States that settles in United States Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and correspondent bank's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Federal Reserve payment system • On-Us transactions through book transfers In addition, MasterCard supports settlement of RPPS® processed transactions through ACH for concentrators only. For more information on ACH settlement and reporting, contact New Business Development at 1-914-249-5574.
Supported Payment Process Flows	• Standard Settlement (Two Party) • Standard Settlement (Three Party)
Settlement Holiday Rules	Service-specific rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	RPPS
For more information, refer to the <i>MasterCard RPPS—User Guide and Operating Rules</i> .	

Settlement Holiday Rules for US00000002

Holidays can determine when settlement occurs and advisements and transfer funds orders (TFOs) are delivered.

Settlement will not occur nor be valued on U.S. Federal Reserve holidays.

Calendar Example

The following tables provide an example of a calendar for this type of settlement.

31 Dec	1 Jan	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Weekend	U.S. Holiday	Open	Open	Open	Open	Weekend

U.S. Holiday	31 Dec	1 Jan	2 Jan
Advisements Delivered	N	N	Y
TFO Delivered	N	N	Y
Good Value Date	N	N	Y

NSIF Instructions for Standard Settlement (Two Party) for US00000002

Customers must complete a Net Settlement Information Form (NSIF) for this method of settlement and settlement service.

Section/Field within NSIF	Information Required
Section I: RPPS Participant Information	
Participant Name	Name of the ICA owner
ICA #	ICA number issued to the participant
Participant Address	Participant's address
Participant Settlement Contact	Participant's settlement contact
Section II: Transfer Agent Information	
Transfer Agent Name (Owner of the account)	Name of the participant or the TPP's biller because it is the owner of the account

Section/Field within NSIF	Information Required
Transfer Agent Contact	Individual responsible for settlement
Transfer Agent Bank Name	Name of the bank where the account is maintained
Transfer Agent Bank Address	Address of the bank where the account is maintained
Routing Number	Route and Transit Number of the transfer agent bank
SWIFT ID	Not Applicable
Transfer Agent Account Number	Account number that is owned by the participant or the TPP's biller
Transfer Agent Account Currency	United States Dollar/840 ISO Currency Code
Section III: Correspondent Bank Information	
Correspondent Bank Name	Not Applicable
Correspondent Bank Address	Not Applicable
U.S. Federal Banking Routing Transit Number	Not Applicable
SWIFT ID	Not Applicable
Correspondent Bank Account Number	Not Applicable
Correspondent Bank Account Currency	Not Applicable
Section IV: Daily Net Settlement Advisement Transmission	
Transfer Agent Advisement Delivery Method and Destination	Should the participant choose to receive an advisement, the media type and destination are required
Participant Advisement Delivery Method and Destination	Not Applicable
Section V: Agreement and Contact Information	
Signature(s)	Authorized signature of participant contact

NSIF Instructions for Standard Settlement (Three Party) for US00000002

Customers must complete a Net Settlement Information Form (NSIF) for this method of settlement and settlement service.

Section/Field within NSIF	Information Required
Section I: RPPS Participant Information	

Section/Field within NSIF	Information Required
Participant Name	Name of the ICA owner
ICA #	ICA number issued to the participant
Participant Address	Participant's address
Participant Settlement Contact	Participant's settlement contact
Section II: Transfer Agent Information	
Transfer Agent Name (Owner of the account)	Name of the participant or the TPP's biller because it is the owner of the account
Transfer Agent Contact	Individual responsible for settlement
Transfer Agent Bank Name	Name of the bank where the account is maintained
Transfer Agent Bank Address	Address of the bank where the account is maintained
Routing Number	Route and Transit Number of the transfer agent bank
SWIFT ID	Not Applicable
Transfer Agent Account Number	Account number that is owned by the participant or the TPP's biller
Transfer Agent Account Currency	United States Dollar/840 ISO Currency Code
Section III: Correspondent Bank Information	
Correspondent Bank Name	Correspondent bank name that has the banking relationship with the transfer agent bank to move funds on behalf of the participant or the TPP's biller
Correspondent Bank Address	Correspondent bank address
U.S. Federal Banking Routing Transit Number	Route and Transit Number of the correspondent bank
SWIFT ID	Not Applicable
Correspondent Bank Account Number	The correspondent bank account number
Correspondent Bank Account Currency	United States Dollar/840 ISO Currency Code
Section IV: Daily Net Settlement Advisement Transmission	
Transfer Agent Advisement Delivery Method and Destination	Should the correspondent bank and the transfer agent choose to receive an advisement for the participant that the correspondent bank designated to move money on its behalf, the media type and destination are required

Section/Field within NSIF	Information Required
Participant Advisement Delivery Method and Destination	Not Applicable
Section V: Agreement and Contact Information	
Signature(s)	Authorized signature of participant contact

United States Dollar—EU000000002

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
MasterCard Settlement Bank	JPMorgan Chase, New York
Value Date Interval	0 Funds due to MasterCard must be paid by 14:00 St. Louis time on the same open business day as the settlement date
Account Name	MasterCard International
Account Number	014053007
SWIFT ID	021000021 (Routing and Transit Number)
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within the United States that settles in United States Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Federal Reserve payment system • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)

Settlement Holiday Rules	Service-specific rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	- Global Clearing Management System (GCMS) - Single Message System

Settlement Holiday Rules for EU000000002

Holidays can determine when settlement occurs and advisements and transfer funds orders (TFOs) are delivered.

Settlement will not occur nor be valued on U.S. Federal Reserve holidays.

Calendar Example

The following tables provide an example of a calendar for this type of settlement.

31 Dec	1 Jan	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Weekend	U.S. Holiday	Open	Open	Open	Open	Weekend

U.S. Holiday	31 Dec	1 Jan	2 Jan
Advisements Delivered	N	N	Y
TFO Delivered	N	N	Y
Good Value Date	N	N	Y

United States Dollar—Private Label—P000000001

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
MasterCard Settlement Bank	JPMorgan Chase, New York
Value Date Interval	0
	Funds due to MasterCard must be paid by 14:00 St. Louis time on the same open business day as the settlement date
Account Name	MasterCard International
Account Number	014053007

SWIFT ID	021000021 (Routing and Transit Number)
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	08:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within the United States that settles in United States Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Federal Reserve payment system • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	Service-specific rules apply.
Member ID Licensed Region	All regions except Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Settlement Holiday Rules for P00000001

Holidays can determine when settlement occurs and advisements and transfer funds orders (TFOs) are delivered.

Settlement will not occur nor be valued on U.S. Federal Reserve holidays.

Calendar Example

The following tables provide an example of a calendar for this type of settlement.

31 Dec	1 Jan	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Weekend	U.S. Holiday	Open	Open	Open	Open	Weekend

U.S. Holiday	31 Dec	1 Jan	2 Jan
Advisements Delivered	N	N	Y
TFO Delivered	N	N	Y

U.S. Holiday	31 Dec	1 Jan	2 Jan
Good Value Date	N	N	Y

United States Dollar Processed Through the Single Message System— AP00000010

This regional settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
MasterCard Settlement Bank	JPMorgan Chase, New York
Value Date Interval	0 Funds due to MasterCard must be paid by 14:00 St. Louis time on the same open business day as the settlement date
Account Name	MasterCard International
Account Number	014053007
SWIFT ID	021000021 (Routing and Transit Number)
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	09:30 during standard time 10:30 during daylight saving time
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent and pay thru have an account or a banking relationship within the United States that settles in United States Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's and pay thru's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the Federal Reserve payment system • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	Service-specific rules apply.
Member ID Licensed Region	All regions except Europe

Supported Clearing Systems	Debit transactions processed through the Single Message System

Settlement Holiday Rules for AP00000010

Holidays can determine when settlement occurs and advisements and transfer funds orders (TFOs) are delivered.

Settlement will not occur nor be valued on U.S. Federal Reserve holidays.

Calendar Example

The following tables provide an example of a calendar for this type of settlement.

31 Dec	1 Jan	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Weekend	U.S. Holiday	Open	Open	Open	Open	Weekend

U.S. Holiday	31 Dec	1 Jan	2 Jan
Advisements Delivered	N	N	Y
TFO Delivered	N	N	Y
Good Value Date	N	N	Y

Chapter 3 Regional Settlement Services for Customers Licensed in Europe

This section describes guidelines for effecting settlement for each regional settlement service for customers licensed in Europe. Unless otherwise noted, the guidelines in Settlement Concepts apply to these services.

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Australian Dollar—EU00000023

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	AUD—036
MasterCard Settlement Bank	Citibank Ltd., Sydney
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	232211008
SWIFT ID	CITIAU2XXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Australian Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System
Special Requirements for MasterCard	The customer must include the six-character Bank Branch Code, followed by the bank account number. Both of these need to be present when providing the "account number" on the Net Settlement Information Form (NSIF).

Canadian Dollar—EU00000020

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	CAD—124
MasterCard Settlement Bank	Citibank Canada, Toronto, which has a correspondent banking relationship with Royal Bank of Canada, Toronto (SWIFT ID ROYCCAT2XXX).
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	2016343005
SWIFT ID	CITICATXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Canadian Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Danish Krone—EU00000011

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	DKK—208
MasterCard Settlement Bank	Deutsche Bank, Frankfurt
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	0175388800
SWIFT ID	DEUTDEFFXXX
IBAN Number	DE 91 50070010 0175388800
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Danish Krone. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Euro—EU00000008

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	EUR—978
MasterCard Settlement Bank	Deutsche Bank, Frankfurt
Value Date Interval	0
Account Name	MasterCard Europe sprl
Account Number	0175388800
SWIFT ID	DEUTDEFF
IBAN Number	DE 91 50070010 0175388800
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Euro. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply. In addition , settlement will not occur nor be valued on any Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) holidays.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

GBP Private Label—PLGBP00001

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	GBP—826
MasterCard Settlement Bank	Deutsche Bank, London
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	29256000
SWIFT ID	DEUTGB2LXXX
IBAN Number	GB 05 DEUT 405081 29256000
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Pound Sterling. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Hong Kong Dollar—EU00000022

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	HKD—344
MasterCard Settlement Bank	Citibank N.A., Hong Kong
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	1142898019
SWIFT ID	CITIHKHXXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Hong Kong Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Hungarian Forint—EU00000024

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	HUF—348
MasterCard Settlement Bank	Deutsche Bank, Budapest
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	0400401690106418
SWIFT ID	DEUTHU2BXXX
IBAN Number	HU 35 16300000 0400401690106418
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Hungarian Forint. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Japanese Yen—EU00000014

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	JPY—392
MasterCard Settlement Bank	Citibank Japan Ltd., Tokyo
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	0-160320-419
SWIFT ID	CITIJPJXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Japanese Yen. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

New Zealand Dollar—EU00000021

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	NZD—554
MasterCard Settlement Bank	Citibank, N.A., Auckland
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	3255018
SWIFT ID	CITINZ2XXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in New Zealand Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System
Special Requirements for MasterCard	The customer must include the six-character Bank Branch Code, followed by the bank account number. Both of these need to be present when providing the "account number" on the Net Settlement Information Form (NSIF).

Norwegian Krone—EU00000016

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	NOK—578
MasterCard Settlement Bank	Danske Bank, Oslo
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	97600109573
SWIFT ID	DABANO22OSL
IBAN Number	NO 15 9760 0109573
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Norwegian Krone. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Polish Zloty—EU00000025

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	PLN—985
MasterCard Settlement Bank	Deutsche Bank, Warsaw
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	1150322000
SWIFT ID	DEUTPLPXXXX
IBAN Number	PL 24 18800009 000000 1150322000
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Polish Zloty. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Pound Sterling—EU00000012

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	GBP—826
MasterCard Settlement Bank	Deutsche Bank, London
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	29256000
SWIFT ID	DEUTGB2LXXX
IBAN Number	GB 05 DEUT 405081 29256000
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Pound Sterling. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Russian Ruble—EU000RUB34

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	RUB—643
Settlement Agent Bank	Citibank London
Contact Name	Alicia Fanning
Contact Email	Fiteam4.service@citi.com
Contact Phone	353-1-622-0602
Account Number	Refer to account payment requirements later in this table
Value Date Interval	2
Account Name	MasterCard International
SWIFT ID	CITIGB2L
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00
Transfer Agent and Pay Thru Payment Account Requirements and Payment Method	Pay RUB [amount] to Citibank Moscow (BIK Code 044525202, CITIRUMX) in favor Citibank London account number 30111810700400003069. For further credit to MasterCard Europe sprl, 13787389 at Citibank N.A. London (CITIGB2L).
Central Bank Requirements	Citibank Russia requires all bank account numbers to be 20 digits. When completing the Net Settlement Information Form (NSIF), ensure the bank account number that you provided is 20 digits long. Use the Comments field in the NSIF to provide the 20-digit account number. Customers must provide the last 15 digits of the account number in any field that requires an account number. Customers must establish their bank account with a financial institution that is also a member of the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

Special Requirements for MasterCard	Customers must provide MasterCard with their beneficiary INN (Tax Identification Code). The INN can be provided on the last page of the online NSIF under the section titled “Bank Code or Other.” The INN should be in the following format: INN1234567890. All customers must complete payment testing with MasterCard before going live with the service. Customers must send RUB 100 to the MasterCard account at Citibank London. After receiving it, MasterCard returns the same RUB 100 to the customer. Upon successful completion of the test payment transactions, customers can go live in the service.
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	This service follows the Russian Central Bank holiday calendar.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

South African Rand—EU00000019

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	ZAR—710
MasterCard Settlement Bank	Citibank South Africa, Standton
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	0201152003
SWIFT ID	CITIZAJXXXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00

Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in South African Rand. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Swedish Krona—EU00000017

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	SEK—752
MasterCard Settlement Bank	Danske Bank, Stockholm
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	0000012200127294
SWIFT ID	DABASESXSTO
IBAN Number	SE 67 1200 0000012200127294
Settlement Service Cutoff in St. Louis Time	03:00

Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Swedish Krona. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Swiss Franc—EU00000009

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	CHF—756
MasterCard Settlement Bank	Deutsche Bank, Zurich
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	03000306000
SWIFT ID	DEUTCHZZXXX
IBAN Number	CH 04 87801 003000306000
Settlement Service Cutoff in St. Louis Time	03:00

Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in Swiss Franc. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	General regional rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System
Special Requirements for Participating Customer Settlement Accounts	It is strongly recommended that participants in this service include their IBAN Number when completing the Net Settlement Information Form (NSIF). Including the IBAN Number will avoid delays, additional fees, or both when customers are to receive funds from MasterCard.

United States Dollar—EU00000018

This regional settlement service is available for customers licensed in the Europe region.

Currency Code	USD—840
MasterCard Settlement Bank	JPMorgan Chase, New York
Value Date Interval	2
Account Name	MasterCard Europe sprl
Account Number	780249504
SWIFT ID	CHASUS33XXX
IBAN Number	N/A
Settlement Service Cutoff in St. Louis Time	03:00

Transfer Agent Payment Account Requirements and Payment Method	MasterCard expects that the transfer agent has an account or a banking relationship that settles in United States Dollar. The transfer agent must have legal control of the account. In addition, the transfer agent's account or banking relationship should be able to process payments to and from the MasterCard settlement bank through one of the following: • A participant of the appropriate Real Time Gross Settlement (RTGS) system • SWIFT financial messages • On-Us transactions through book transfers
Supported Payment Process Flows	• Standard Settlement (Two Party) • Consolidated Settlement (Two Party) • Pay Thru Settlement (Three Party)
Settlement Holiday Rules	Service-specific rules apply.
Member ID Licensed Region	Europe
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System

Settlement Holiday Rules for EU00000018

This regional settlement service is available for customers licensed in the Europe region.

The following holiday rules apply to this settlement service:

- Settlement will not occur on any MasterCard declared holidays including 1 January and 25 December and settlement will not be valued on 1 January and 25 December.
- Settlement will not occur nor be valued on U.S. Federal Reserve holidays.

Calendar Example

The following tables provide an example of a calendar for this type of settlement.

31 Dec	1 Jan	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Weekend	MasterCard Declared Holiday	Open	Open	Open	U.S. Holiday	Weekend

U.S. Holiday	4 Jan	5 Jan	6 Jan
Advisements Delivered	Y	Y	N
TFO Delivered	Y	Y	N

U.S. Holiday	4 Jan	5 Jan	6 Jan
Good Value Date	Y	N	N
MasterCard Declared Holiday	31 Dec	1 Jan	2 Jan
Advisements Delivered	N	N	Y
TFO Delivered	N	N	Y
Good Value Date	N	N	Y

Chapter 4 Intracurrency Settlement Services for Customers Licensed in Regions other than Europe

This section describes guidelines for effecting settlement for each intracurrency settlement service for customers licensed in regions other than Europe.

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Argentine Peso—LA00003201

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	ARS—032
Country	Argentina
Settlement Agent	Compensadosa Electronica S.A. (COELSA)
Address 1	Avenida Leandro N. Alem 651 1st Floor
Address 2	Buenos Aires
Address 3	Argentina
Address 4	
Contact Name	Mr. Guillermo Gonzalez
Contact Title	Supervisor—Unidad de Control
Contact Phone	54-11-4314-2000
Contact Fax	54-11-4314-2000
Contact Email	ggonzalez@coelsa.com.ar
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	MasterCard® Credit, Debit MasterCard®
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	

Central Bank Requirements	Customers are required to deposit collateral with Banco Central de la Republica as reserves to fund settlement in the event of a customer fail. The settlement agent recalculates the collateral amount each month on the first business day of the month. The settlement agent advises each participating customer of the collateral amount needed. Participating customers are required to transfer such funds by 12 p.m. local time the next valid business day.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	COELSA forwards a collateral report each month to help ensure adequate funds are deposited with Banco Central de la Republica.
Special Rules for Settlement	

Argentine Peso—LA00003202

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	ARS—032
Country	Argentina
Settlement Agent	Compensadosa Electronica S.A. (COELSA)
Address 1	Avenida Leandro N. Alem 651 1st Floor
Address 2	Buenos Aires
Address 3	Argentina
Address 4	
Contact Name	Mr. Guillermo Gonzalez
Contact Title	Supervisor—Unidad de Control
Contact Phone	54-11-4314-2000
Contact Fax	54-11-4314-2000
Contact Email	ggonzalez@coelsa.com.ar
Value Date Interval	1

Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Debit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	Customers are required to deposit collateral with Banco Central de la Republica as reserves to fund settlement in the event of a customer fail. The settlement agent recalculates the collateral amount each month on the first business day of the month. The settlement agent advises each participating customer of the collateral amount needed. Participating customers are required to transfer such funds by 12 p.m. local time the next valid business day.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	COELSA forwards a collateral report each month to help ensure adequate funds are deposited with Banco Central de la Republica.
Special Rules for Settlement	

Australian Dollar—AP00003601

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	AUD—036

Country	Australia
Settlement Agent	Reserve Bank of Australia
Address 1	65 Martin Place
Address 2	Sydney, NSW 2000
Address 3	Australia
Address 4	
Contact Name	RITS Help Desk
Contact Title	
Contact Phone	1 800 659 360 (within Australia +612 2 9551 8930)
Contact Fax	(61) 2 8737 3233
Contact Email	rits@rba.gov.au
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	07:30
Designated Local Time for Credits	07:30
Domestic Interchange Available?	

Central Bank Requirements	Customers wanting to participate in this intracurrency settlement service must have bank account with Reserve Bank of Australia. Settlement is completed by the Reserve Bank of Australia. Therefore, participating customers in a net debit position are responsible in ensuring that there are sufficient funds in their Reserve Bank of Australia bank account to complete the daily settlement with MasterCard. The Reserve Bank of Australia requires customers with multiple ICAs to consolidate all their activity in a single ICA. Customers consolidating under a single ICA must indicate this when completing their New Settlement Information Form (NSIF). Customers are required to settle through their Exchange Settlement Account (ESA) with the Reserve Bank of Australia.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	New customers must provide MasterCard with their four-digit code issued by the Reserve Bank of Australia. The four-digit code can be provided on the last page of the online NSIF in the "Bank Code or Other" section.
Special Rules for Settlement	Allow 10 business days of implementation time for new or existing account changes as required by Reserve bank of Australia.

Bahamian Dollar—LA00004401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	BSD—044
Country	Bahamas
Settlement Agent	Scotiabank
Address 1	Scotiabank Building
Address 2	Rawson Square
Address 3	P.O. Box N7518
Address 4	Nassau, Bahamas

Contact Name	Claudette Bethel
Contact Title	
Contact Phone	242-356-1566
Contact Fax	
Contact Email	
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	17:00
Designated Local Time for Credits	17:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Participating customers must establish a bank account with Scotiabank for settlement purposes
Special Requirements for MasterCard	
Special Rules for Settlement	

Bangladeshi Taka—AP00005001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	BDT—050

Country	Bangladesh
Settlement Agent	Standard Chartered Bank
Address 1	2 Dilkusha C/A
Address 2	Hadi Mansion (5th Floor)
Address 3	Dhaka-1000
Address 4	Bangladesh
Contact Name	Debasish Sarker
Contact Title	Manager, Settlement and Disputes
Contact Phone	+88 02 7160524
Contact Fax	+88 02 9571978
Contact Email	debasish.sarker@bd.standardchartered.com
Value Date Interval	2
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. In addition , transactions occurring on Thursday and Sunday will settle on Monday except when Monday falls on a holiday. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	15:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Barbados Dollar—LA00005201

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	BBD—052
Country	Barbados
Settlement Agent	RBTT Financial Holdings Limited
Address 1	Lower Broadstreet
Address 2	P.O. Box 10007C
Address 3	RBTT Bank Barbados Limited
Address 4	Bridgetown, Barbados
Contact Name	Sonnica Squires
Contact Title	Assistant Manager—Card Centre
Contact Phone	(246) 431-2500, extension 2502
Contact Fax	(246) 431-2530
Contact Email	sonnica.squires@bb.rbtt.com
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	13:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed.
Special Requirements for MasterCard	
Special Rules for Settlement	

Brazilian Real—27 Value Date Interval—LA00098610

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Camara Interbancaria de Pagamentos (CIP) is the local clearing house in Brazil and is the MasterCard settlement agent.

Settlement Services	LA00098610
Currency Code	BRL—986
Country	Brazil
Settlement Agent	Camara Interbancária de Pagamentos (CIP)
Address 1	Avenida Brigadeiro Faria Lima, 1485
Address 2	Torre Norte—9º Andar
Address 3	Sao Paulo, Brazil 01452-002
Address 4	
Contact Name	Area de Monitoracao
Contact Title	
Contact Phone	55-11-3188-8439
Contact Fax	
Contact Email	operacoes@cip-bancos.org.br
Value Date Interval	27
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	MasterCard® Credit, Debit MasterCard®
Debit ISIS, Credit ISIS, or Both	Credit

Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	07:00–08:00
Designated Local Time for Credits	08:20
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	Customers use a Brazil Interbank Payments System (ISPB) code for settlement with Deferred Interbank Credit Order Transaction Settlement System (SILOC). Customers that do not have an ISPB code must consolidate under a customer that does have an ISPB code. Only transactions in Brazilian reals qualify to settle in this service.

Brazilian Real—Zero Value Date Interval—LA00098620

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Camara Interbancaria de Pagamentos (CIP) is the local clearing house in Brazil and is the MasterCard settlement agent.

Settlement Services	LA00098620
Currency Code	BRL—986
Country	Brazil
Settlement Agent	Camara Interbancária de Pagamentos (CIP)
Address 1	Avenida Brigadeiro Faria Lima, 1485
Address 2	Torre Norte—9º Andar
Address 3	Sao Paulo, Brazil 01452-002
Address 4	
Contact Name	Area de Monitoracao

Contact Title	
Contact Phone	55-11-3188-8439
Contact Fax	
Contact Email	operacoes@cip-bancos.org.br
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	• Global Clearing Management System (GCMS) • Single Message System
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Debit
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	07:00–07:30
Designated Local Time for Credits	07:00–07:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	For the products that settle at zero value date interval using the GCMS clearing system, the settlement is based on the first three clearing cycles for the day. The fourth, fifth, and sixth cycles are processed the following processing day.
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	Customers use a Brazil Interbank Payments System (ISPB) code for settlement with Deferred Interbank Credit Order Transaction Settlement System (SILOC). Customers that do not have an ISPB code must consolidate under a customer that does have an ISPB code. Only transactions in Brazilian reals qualify to settle in this service.

Brazilian Real—LA00098601

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Settlement Currency Codes	BRL—986
Country	Brazil
Settlement Agent	Redecard, S.A.
Address 1	Avenida Paulista, 302
Address 2	Sao Paulo
Address 3	SP 01310-000 Braxil
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	27
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	MasterCard® Credit, Debit MasterCard®
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	15:00
Designated Local Time for Credits	15:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating
Customer Settlement Accounts

Special Requirements for MasterCard

Special Rules for Settlement

Brazilian Real—LA00098602

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Settlement Currency Codes	BRL—986
Country	Brazil
Settlement Agent	Redecard, S.A.
Address 1	Avenida Paulista, 302
Address 2	Sao Paulo
Address 3	SP 01310-000 Braxil
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	- Global Clearing Management System (GCMS) - Single Message System
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Debit
Settlement Service Cutoff in St. Louis Time	00:00

Designated Local Time for Debits	15:00
Designated Local Time for Credits	15:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	For the products that settle at zero value date interval using the GCMS clearing system, the settlement is based on the first three clearing cycles for the day. The fourth, fifth, and sixth cycles are processed the following processing day.
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Canadian Dollar—CA00012401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Settlement Currency Codes	CAD—124
Country	Canada
Settlement Agent	JPMorgan Chase, Toronto
Address 1	200 Bay Street, Suite 1800
Address 2	Royal Bank Plaza, South Tower
Address 3	Toronto, Ontario
Address 4	M5J 2J2
Contact Name	Dwayne Wesley
Contact Title	VP Operations
Contact Phone	(1) (416) 981-9290
Contact Fax	
Contact Email	dwayne.wesley@jpmchase.com
Value Date Interval	0
Member ID Licensed Region	All regions except Europe

Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	11:00
Designated Local Time for Credits	12:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Costa Rican Colon—LA00018801

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	CRC—188
Country	Costa Rica
Settlement Agent	Banco de San Jose, S.A.
Address 1	Calle "O", Avenida 3 y 5
Address 2	Edificio San Jose
Address 3	San Jose, Costa Rica
Address 4	
Contact Name	

Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	15:00
Designated Local Time for Credits	16:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Dominican Peso—LA00021402

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	DOP—214
Country	Dominican Republic

Settlement Agent	Central Bank of the Dominican Republic
Address 1	
Address 2	Santo Domingo
Address 3	Dominican Republic
Address 4	
Contact Name	Mrs. Fabiola Herrera
Contact Title	Payments System Department Director
Contact Phone	1-809-221-9111, extensions 3409 or 3416
Contact Fax	1-809-688-3605
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	11:30
Designated Local Time for Credits	11:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	The settlement agent debits or credits each participating customer's central bank reserve account. Customers that do not have a reserve account must select a transfer agent that has a reserve account.
Special Requirements for MasterCard	

Special Rules for Completing a Net Settlement Information Form (NSIF)

Customers interested in participating in this intracurrency settlement service should send a completed Net Settlement Information Form (NSIF) to the MasterCard Customer Implementation Team. This form is available on MasterCard Connect™.

To access this form:

1. Navigate to www.mastercardconnect.com.
2. Log on using your **User ID** and **Security Information**.
3. Under **Library**, select **Forms**.
4. In the **View Forms by Category** field, select **Clearing & Settlement**.
5. Select the computer icon in the **Online Forms** column for the Net Settlement Information Form (NSIF).
6. Complete the NSIF online, except for the Transfer Agent Account Number located in Section III on page three. The 28-digit account number exceeds the 19 spaces provided for the Transfer Agent Bank Account; therefore, it will need to be written on the form after it has been printed. Print the form and write the 28-digit Transfer Agent Account Number on the form.
7. Sign the form and send to the following address:

Settlement Operations Department
MasterCard
2200 MasterCard Boulevard
O'Fallon, MO 63368

Only one transfer agent can be used per customer, so customers with multiple transfer agent IDs need to consolidate under one transfer agent ID.

East Caribbean Dollar—LA00095101

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	XCD—951
Country	St. Kitts-Nevis-Anguilla
Settlement Agent	CIBC First Caribbean
Address 1	Lot 25 & 26 Warrens Industrial Park
Address 2	St. Michael

Address 3	Barbados, BB22026
Address 4	
Contact Name	Dona Estwick
Contact Title	Processing Manager
Contact Phone	246 467-1840
Contact Fax	
Contact Email	dona.estwick@cibcfib.com
Value Date Interval	2
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed.
Special Requirements for MasterCard	
Special Rules for Settlement	

Ecuadorian United States Dollar—LA00084001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
Country	Ecuador
Settlement Agent	Banco Central del Ecuador
Address 1	
Address 2	
Address 3	
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	09:00–13:30
Designated Local Time for Credits	09:00–14:30
Domestic Interchange Available?	
Central Bank Requirements	Customers with multiple ICA numbers must consolidate all activity into one transfer agent position.
Special Regulatory Requirements	

Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	MasterCard must notify the settlement agent of the addition of a new participating customers before the participating customers' scheduled live date. Customers must allow MasterCard at least 10 business days to complete this notification.
Special Rules for Settlement	

Egyptian Pound—ME00081801

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	EGP—818
Country	Egypt
Settlement Agent	Egyptian Banks Co. for Technological Advancement, S.A.E.
	The settlement bank is the Central Bank of Egypt. The Central Bank of Egypt's contact information is as follows: Central Bank of Egypt 54 El-Gomhorya Street Downtown Cairo, Egypt Banking Operation Sector Mr. Rafaat Embaby (phone 16777 ext. 3195) "Payment Systems Department" Etab Mohamed (phone 16777, ext. 3244)
Address 1	10 Talaart Harb Street
Address 2	Evergreen Tower—Fifteenth Floor
Address 3	Cairo, Egypt 11522
Address 4	
Contact Name	Mr. Hesham Fathy
Contact Title	Settlement and Dispute Resolution Manager
Contact Phone	20-2-2726-1031

Contact Fax	
Contact Email	h.fathy@egyptianbanks.net
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	14:30
Designated Local Time for Credits	14:30
Domestic Interchange Available?	
Central Bank Requirements	Customers must have an account with the Central Bank of Egypt. The Central Bank of Egypt requires customers with multiple ICA numbers to consolidate all their activity into one bank account. Therefore, customers must select one primary ICA number for all settlement activity; any subsequent ICA numbers must consolidate into the primary ICA number. Settlement is completed by the central bank through book transfer. Therefore, participating customers in a net debit position must ensure that sufficient funds are available to complete the daily settlement with MasterCard.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain an account with the Central Bank of Egypt. The Egyptian Banks Co. for Technological Advancement, S.A.E. and the Central Bank of Egypt complete settlement through the customer's central bank account.
Special Requirements for MasterCard	

Special Rules for Settlement	1. Customers must contact the Egyptian Banks Co. for Technological Advancement, S.A.E. and obtain the central bank's authorization letter. 2. Print the content of the authorization letter on your financial institution's letterhead. 3. Complete the letter and send the original form to the central bank's Banking Operations Sector. 4. Send a copy of the authorization letter to the central bank's Payment Systems Department and to the Egyptian Banks Co. for Technological Advancement, S.A.E. 5. After the authorization letter is accepted by the central bank, send an email message to khaled_eltayar@mastercard.com and viswanathan_mohan@mastercard.com. MasterCard recommends that customers contact the central bank to make sure authorization letter is accepted.

Ghanaian Cedi—ME00093601

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	GHS—936
Country	Ghana
Settlement Agent	Ghana Interbank Payment and Settlement Systems (GhIPSS)
Address 1	PMB 121 GPO Accra
Address 2	Ghana
Address 3	Attn: Archic Hesse
Address 4	
Contact Name	Mark Boateng
Contact Title	
Contact Phone	+233 3020610780, +233 242556301
Contact Fax	+233302671757
Contact Email	mboateng@ghipss.com
Secondary Contact Name	Kwadwo NTIM
Secondary Contact Title	+2333020610780, +233 244 233502
Secondary Contact Phone	+233302671757

Secondary Contact Fax	
Secondary Contact Email	kntim@ghipss.com
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	3 a.m. CST
Designated Local Time for Debits	13:00 GMT
Designated Local Time for Credits	13:00 GMT
Domestic Interchange Available?	
Central Bank Requirements	Customers wanting to participate in this intracurrency settlement service must have an account with the Central Bank of Central Bank of Ghana. Settlement is completed by the Central Bank of Ghana through the Ghana Interbank Payment and Settlement System (GhIPSS) transfer. Therefore, participating customers in a net debit position must ensure that there are sufficient funds in their Central Bank of Ghana account to complete the daily settlement with MasterCard. Participating customers must complete a “Settlement Service Agreement” with GhIPSS to participate in the Ghana intracurrency settlement service. The completed agreement grants GhIPSS the authority to debit the customer’s account to complete MasterCard settlement. The Settlement Service Agreement is provided and submitted to GhIPSS. The Central Bank of Ghana requires customers with multiple ICAs to consolidate all their activity into one bank account. Customers consolidating under a single ICA must indicate this when completing their Net Settlement Information Form (NSIF). If a consolidation is not provided, this results in delays to customers’ live dates.
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating Customer Settlement Accounts

Special Requirements for MasterCard Customers wanting to participate in this new service must send their completed NSIF to the Customer Implementation Services team. This form is available on MasterCard Connect™.

Special Rules for Settlement

Guatemalan Quetzal—LA00032001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	GTQ—320
Country	Guatemala
Settlement Agent	Banco de America Central S.A. (BAC)
Address 1	7 Avenida 6-26 zona 9
Address 2	Edificio El Roble 4 nivel
Address 3	Guatemala
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	

Designated Local Time for Debits	16:00
Designated Local Time for Credits	17:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Honduran Lempira—LA00034001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	HNL—340
Country	Honduras
Settlement Agent	Banco De America Central, S.A. (BAC)
Address 1	Blvd. Morazan
Address 2	Contiguo a Domino's Pizza, casa No. 2117
Address 3	Tegucigalpa, Honduras
Address 4	
Contact Name	Mr. Mario Gadiel Varela
Contact Title	Interchange Officer
Contact Phone	1-504 206-7200, extension 1549
Contact Fax	1-504 231-1108
Contact Email	
Value Date Interval	1
Member ID Licensed Region	All regions except Europe

Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Hong Kong Dollar—AP00034410

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	HKD—344
Country	Hong Kong
Settlement Agent	Hong Kong InterBank Clearing, Ltd. (HKICL). Note: HKICL is the operational entity of the Central Bank, therefore settlement is considered effected through the central bank or in central bank funds.
Address 1	The General Manager
Address 2	Room 2001, Bank of America Tower
Address 3	12 Harcourt Road, Central, Hong Kong

Address 4	
Contact Name	Ms. Ann Kwan
Contact Title	Senior Manager, Payment Systems Operation
Contact Phone	(852) 2878 1283
Contact Fax	(852) 2878 8725
Contact Email	ann_yf_kwan@hkma.gov.hk
Value Date Interval	2
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	14:45–15:15
Designated Local Time for Credits	14:45–15:15
Domestic Interchange Available?	Yes
Central Bank Requirements	All participating customers must be customers of HKMA (Hong Kong Monetary Authority), the central bank of Hong Kong.
Special Regulatory Requirements	
Special Document/Contract Requirements	All participating customers must execute a direct-debit authorization through HKMA and establish a direct-upper limit for the auto-debiting of the customer's reserve account. MasterCard must receive confirmation from HKMA that the customer has been set up in its (the HKMA) system.
Special Requirements for Participating Customer Settlement Accounts	Participating customers must use their reserve account at HKMA as the settlement account. Non-HKMA customers must identify a transfer agent that is an HKMA participant through which to settle.
Special Requirements for MasterCard	MasterCard must notify the settlement agent of the addition of new participating customers, removal of existing participating customers, or change in a participating customer's status 30 calendar days before the participating customer's scheduled live date or effective date of change.

Special Rules for Settlement	In the event of customer failure, settlement is delayed until sufficient funds become available. Special settlement procedures are needed to delay settlement in the event of typhoon or “black rain.”

Indian Rupee—AP00035601

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	INR—356
Country	India
Settlement Agent	Bank of India, Overseas Banking Branch
Address 1	
Address 2	Mezzanine Floor
Address 3	70-80, M.G. Road Fort
Address 4	Mumbai—400 001, India
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	Check with Settlement Agent
Designated Local Time for Credits	Check with Settlement Agent

Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	Participating customers must provide the settlement agent with written authorization to debit or credit their settlement accounts.
Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed.
Special Requirements for MasterCard	MasterCard must repay demands for overdraft within 15 days of a written request.
Special Rules for Settlement	

Indonesian Rupiah—AP00036001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	IDR—360
Country	Indonesia
Settlement Agent	JPMorgan Chase, Jakarta
Address 1	3/F Chase Plaza JL Jend Sudirman Kav 21
Address 2	Jakarta Selatan
Address 3	Indonesia 12910
Address 4	
Contact Name	Nursalam Tabusalla
Contact Title	
Contact Phone	(6221) 571-8332
Contact Fax	
Contact Email	
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.

Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	16:00
Designated Local Time for Credits	16:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	Settlement is effected through the Bank Indonesia Real Time Gross Settlement (BI-RTGS) system for which interbank obligations are effected through the account designated by the participating customer at the Bank Indonesia (central bank account).

Jamaican Dollar—LA00038801

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	JMD—388
Country	Jamaica
Settlement Agent	National Commercial Bank Jamaica Limited
Address 1	"The Atrium"
Address 2	32 Trafalgar Road
Address 3	Kingston 10, Jamaica
Address 4	
Contact Name	
Contact Title	

Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	Check with Settlement Agent
Designated Local Time for Credits	Check with Settlement Agent
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	Participating customers must provide the settlement agent with written authorization to debit or credit their settlement accounts and must also notify MasterCard of such arrangement.
Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed.
Special Requirements for MasterCard	
Special Rules for Settlement	

Lebanese Pound—ME00042201

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	LBN—422
Country	Lebanon

Settlement Agent	Central Bank of Lebanon, Banque du Liban
Address 1	Banque Du Liban Street—Hamra
Address 2	P.O. Box 11-5544
Address 3	P.O. Box 113-6212
Address 4	Beirut, Lebanon
Contact Name	Mr. Ramzi Hamadeh
Contact Title	Senior Director—Head of Payment Systems Department
Contact Phone	961 (1) 343317
Contact Fax	961 (1) 750420
Contact Email	rhamadeh@bdl.gov.lb
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	12:00
Domestic Interchange Available?	
Central Bank Requirements	Lebanon Basic Decision 9668 (BDL Decision) requires settlement of all point-of-sale activity to be conducted through the deposit accounts held by participating customers on the books of BDL. Customer participation is mandatory, and customers must use their nine-digit accounts held at BDL for settlement in both services.
Special Regulatory Requirements	
Special Document/Contract Requirements	Customers must complete the <i>Mandate to Operate an Account</i> form and send the signed document to Banque du Liban before submitting an NSIF to MasterCard. A copy of the signed form should be sent to MasterCard as evidence of completion. The form is attached as an Annex to the BDL Decision and can be obtained from the following link: http://www.bdl.gov.lb/circ/circpdf/109.pdf

Special Requirements for Participating Customer Settlement Accounts	Customers with multiple ICAs must consolidate under one ICA (or into one transfer agent position) when settling in this service.
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	Banque du Liban is the transfer agent bank for all customers. Banqu du Liban interbank payment system requires that all settlement amounts be rounded to whole amounts. In addition, all customer net settlement positions must net to zero. MasterCard calculates the net settlement positions for each customer based on the following rules: - Fractional amounts from .00 to .49 round down to .00. Example: 575.40 rounds to 575.00 - Amounts from .50 to .99 round up to .00. Example: 575.80 rounds to 576.00 - In addition to the above rules, the customer with the largest debit position is rounded up or down to help ensure that all credits equal all debits for the daily settlement. - Settlement advisements and clearing records do not reflect the rounded settlement positions and include all fractional amounts.

Lebanese United States Dollar—ME00084001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
Country	Lebanon
Settlement Agent	Central Bank of Lebanon, Banque du Liban
Address 1	Banque Du Liban Street—Hamra
Address 2	P.O. Box 11-5544
Address 3	P.O. Box 113-6212
Address 4	Beirut, Lebanon
Contact Name	Mr. Ramzi Hamadeh

Contact Title	Senior Director—Head of Payment Systems Department
Contact Phone	961 (1) 343317
Contact Fax	961 (1) 750420
Contact Email	rhamadeh@bdl.gov.lb
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	12:00
Domestic Interchange Available?	
Central Bank Requirements	Lebanon Basic Decision 9668 (BDL Decision) requires settlement of all point-of-sale activity to be conducted through the deposit accounts held by participating customers on the books of BDL. Customer participation is mandatory, and customers must use their nine-digit accounts held at BDL for settlement in both services.
Special Regulatory Requirements	
Special Document/Contract Requirements	Customers must complete the <i>Mandate to Operate an Account</i> form and send the signed document to Banque du Libon before submitting an NSIF to MasterCard. A copy of the signed form should be sent to MasterCard as evidence of completion. The form is attached as an Annex to the BDL Decision and can be obtained from the following link: http://www.bdl.gov.lb/circ/circpdf/109.pdf
Special Requirements for Participating Customer Settlement Accounts	Customers with multiple ICAs must consolidate under one ICA (or into one transfer agent position) when settling in this service.
Special Requirements for MasterCard	
Special Rules for Settlement	Banque du Liban is the transfer agent bank for all customers.

Malaysian Ringgit—AP00045801

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	MYR—458
Country	Malaysia
Settlement Agent	JPMorgan Chase, Kuala Lumpur
Address 1	Level 18, Integra Tower, The Intermark
Address 2	348, Jalan Tun Razak
Address 3	Kuala Lumpur 50400
Address 4	Malaysia
Contact Name	C.B. Tan
Contact Title	
Contact Phone	(603) 2718-0798
Contact Fax	(603) 2163-5370
Contact Email	
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	Overdrafts in the settlement account are to be covered by a MasterCard “master” account held at JPMorgan Chase.
Special Rules for Settlement	Settlement is effected through the Real Time Electronic Transfer of Funds and Securities (RENTAS-RTGS) system for which interbank obligations are effected through the account designated by the participating customer at the Bank Negara Malaysia (central bank account).

Mauritius Rupee—ME00048001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	MUR—480
Country	Mauritius
Settlement Agent	The Mauritius Commercial Bank Limited
Address 1	Sir William Newton Street
Address 2	Port Louis, Mauritius
Address 3	
Address 4	
Contact Name	Binesh Mangar
Contact Title	Head of Cards SBU
Contact Phone	230 2026119
Contact Fax	230 2125080
Contact Email	binesh.mangar@mcb.co.mu
Value Date Interval	2
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both

Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	15:00
Designated Local Time for Credits	16:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed.
Special Requirements for MasterCard	Overdrafts in the settlement account are to be repaid by MasterCard upon demand or by no later than two business days following the posting of such overdraft with interest at a rate equal to the prevailing rate charged by the settlement agent (currently at 16%).
Special Rules for Settlement	

Mexican Peso—LA00048410

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	MXN—484
Country	Mexico
Settlement Agent	Banco De Mexico
Address 1	Av. 5 de Mayo #6, 6o piso
Address 2	Col. Centro, C.P. 06059
Address 3	Del. Cuauhtemoc
Address 4	México D. F.
Contact Name	
Contact Title	Director de Sistemas Operativos y de Pagos
Contact Phone	
Contact Fax	01.55.52.27.87.09
Contact Email	xavier_martinez@banxico.org.mx

Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	09:15. Refer to “Special Rules for Settlement” later in this table.
Designated Local Time for Debits	09:30
Designated Local Time for Credits	15:00
Domestic Interchange Available?	
Central Bank Requirements	Before any new customer may participate in this service, it must be first approved by Banco De Mexico. The customer must complete a Banco de Mexico Power-of-Attorney (POA) request form and forward it to its Customer Operations Services representative. (Note: POA is only required for those customers that have a 10-digit Central Bank account number.) MasterCard then forwards the document to the Central Bank for approval.
Special Regulatory Requirements	
Special Document/Contract Requirements	MasterCard requires all participants to complete and provide a Power-of-Attorney form referred to as the Mandato. It is the MasterCard form <i>Mexico Domestic Switching Power of Attorney—Invoicing Reference</i> (Form 1111).
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	Participating customers must complete the Settlement Instructions Letter and submit it to MasterCard along with the Net Settlement Information Form (NSIF).
Special Rules for Settlement	If any customer requires additional time to submit clearing activity for processing, MasterCard may delay the settlement service cutoff time to a later time but not later than 11 a.m. CST.

New Zealand Dollar—AP00055401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	NZD—554
Country	New Zealand
Settlement Agent	Bank of New Zealand
Address 1	
Address 2	60 Waterloo Quay, Pipatea
Address 3	Wellington, New Zealand 6011
Address 4	
Contact Name	Andrea M McGarry
Contact Title	Team Leader, Processing & Support
Contact Phone	+64 (4) 474-9359
Contact Fax	
Contact Email	Andrea_McGarry@bnz.co.nz
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	16:30
Designated Local Time for Credits	16:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating Customer Settlement Accounts

Special Requirements for MasterCard	Overdrafts in the settlement account are to be repaid by MasterCard upon written demand with interest at a rate equal to the prevailing rate charged by the settlement agent. The customer must include the six-character Bank Branch Code, followed by the bank account number. Both of these need to be present when providing the “account number” on the Net Settlement Information Form (NSIF).

Special Rules for Settlement

Nicaraguan Cordoba—LA00055801

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	NIO—558
Country	Nicaragua
Settlement Agent	Banco De America Central, S.A. (BAC)
Address 1	Centro BAC
Address 2	KM. 4.5 Carretera Masaya
Address 3	Managua, Nicaragua
Address 4	
Contact Name	Mr. Rafael Ramirez
Contact Title	International Department Manager
Contact Phone	1-505 274-4648
Contact Fax	1-505 274-4406
Contact Email	rafaelra@bac.com.ni
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	

Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	10:00
Designated Local Time for Credits	10:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Nigerian Naira—ME00056601

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	NGN—566
Country	Nigeria
Settlement Agent	Nigerian Inter-Bank Settlement System Plc. (NIBSS)
Address 1	Plot 1230 Ahmadu Bello Way
Address 2	Victoria Island
Address 3	Lagos, Nigeria
Address 4	
Contact Name	Mr. Niyi Ajao
Contact Title	General Manager, Operations
Contact Phone	+234-1-27160788
Contact Fax	
Contact Email	najao@nibss-plc.com
Value Date Interval	0

Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	16:00
Designated Local Time for Credits	16:00
Domestic Interchange Available?	
Settlement Agent Requirements	Participating customers must send a letter to NIBSS authorizing NIBSS to debit their settlement account based on the MasterCard settlement advisement. A copy of the letter must be forwarded to MasterCard before the customer submits a Net Settlement Information Form (NSIF). Customers with multiple ICA numbers must consolidate all activity into one transfer agent position.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	MasterCard must receive notification from the customer that it was granted approval by NIBSS to participate in this intracurrency settlement service.

Pakistan Rupee—ME00058601

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	PKR—586
Country	Pakistan
Settlement Agent	Faysal Bank Limited
Address 1	Faysal House, ST-02,
Address 2	Main Shara-e-Faisal, Karachi
Address 3	
Address 4	
Contact Name	Muhammad Nasir
Contact Title	Manager, Card Financial Operations
Contact Phone	+92 213 279 5731
Contact Fax	
Contact Email	muhammad.nasir@faysalbank.com
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	13:00–17:30
Designated Local Time for Credits	13:00–17:30
Domestic Interchange Available?	Yes
Central Bank Requirements	The State Bank of Pakistan requires customers with multiple ICAs to consolidate all their activity into one bank account. Customers consolidating under a single ICA must indicate this when completing their Net Settlement Information Form (NSIF).

Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Customers that want to participate in this intracurrency settlement service must have an account with the State Bank of Pakistan. Settlement is completed by the State Bank through simultaneous debit and credit of each respective participating member's account between 13:00 and 17:30 local time. Therefore, participating customers in a net debit position are responsible for ensuring there are sufficient funds in their State Bank account to complete the daily settlement with MasterCard.
Special Requirements for MasterCard	Participating customers must complete a Debit Authorization Letter (Form 336) providing MasterCard with the authority to debit their account at the State Bank. This form is available on MasterCard Connect™.
Special Rules for Settlement	

Paraguayan Guarani—LA00060001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	PYG—600
Country	Paraguay
Settlement Agent	Citibank N.A. Sucursal Paraguay
Address 1	
Address 2	
Address 3	
Address 4	
Contact Name	Carolina Gorostiaga
Contact Title	Manager, Operations
Contact Phone	595-21-620-2342
Contact Fax	595-21-620-2957
Contact Email	carolina.gorostiaga@citi.com
Value Date Interval	1

Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Customers must set up a bank account with Citibank N.A. Sucursal Paraguay as Citibank initiates book transfers to settle all intracurrency settlement activity for the service.
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	

Peruvian Nuevo Sol—LA00060401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	PEN—604
Country	Peru
Settlement Agent	Interbank
Address 1	Calle Villarau #140
Address 2	Santa Catalina

Address 3	La Victoria
Address 4	Lima, Peru
Contact Name	Carlos Angulo Dalla Porta
Contact Title	Gestión de Prevención del Fraude
Contact Phone	511-211-8600, extension 7612
Contact Fax	511-211-8600, extension 7136
Contact Email	cangulo@intercorp.com.pe
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	15:00–19:00
Designated Local Time for Credits	15:00–19:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed previously in this table.
Special Requirements for MasterCard	
Special Rules for Settlement	

Peruvian United States Dollar—LA00084002

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
Country	Peru
Settlement Agent	Interbank
Address 1	Calle Villarau #140
Address 2	Santa Catalina
Address 3	La Victoria
Address 4	Lima, Peru
Contact Name	Carlos Angulo Dalla Porta
Contact Title	Gestión de Prevención del Fraude
Contact Phone	511-211-8600, extension 7612
Contact Fax	511-211-8600, extension 7136
Contact Email	cangulo@intercorp.com.pe
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	15:00–19:00
Designated Local Time for Credits	15:00–19:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed previously in this table.
Special Requirements for MasterCard	
Special Rules for Settlement	

Philippine Peso—AP00060801

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	PHP—608
Country	Philippines
Settlement Agent	JPMorgan Chase, Manila
Address 1	Corinthian Plaza, 4th Floor
Address 2	121 Paseo de Roxas
Address 3	Makati City, Philippines
Address 4	
Contact Name	Jennifer T. Sy
Contact Title	Head of Client Services—Philippines
Contact Phone	632 878 1107
Contact Fax	632 885 7928
Contact Email	Philippine_CSU@jpmorgan.com
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	10:00

Designated Local Time for Credits	13:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Customers in a debit position that fail to pay by 10:00 local Philippine time may jeopardize settlement and could be subject to noncompliance assessments.
Special Requirements for MasterCard	
Special Rules for Settlement	Participating customers in a net debit position settle funds through the Philippine Payments and Settlements System (PhilpaSS), the Philippine Real Time Gross Settlement System. Customers in a net credit position settle funds through a manager's cheque.

Saudi Riyal—ME00068201

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	SAR—682
Country	Saudi Arabia
Settlement Agent	Saudi Arabian Monetary Agency
Address 1	
Address 2	
Address 3	
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	2
Member ID Licensed Region	All regions except Europe

Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	
Designated Local Time for Credits	
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	Participating customers must sign a waiver that they acknowledge and accept that in the event that any participating customer fails in its obligation to settle Local Transactions, MasterCard shall not be obligated to pay such funds on such failed Participating Customer's behalf, as would otherwise be required in the <i>MasterCard Rules</i> manual.
Special Rules for Settlement	

Singapore Dollar—AP00070201

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	SGD—702
Country	Singapore
Settlement Agent	JPMorgan Chase, Singapore
Address 1	168 Robinson Road
Address 2	Capital Tower

Address 3	Singapore 068912
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	16:00
Designated Local Time for Credits	15:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	Settlement is effected through the Monetary Authority of Singapore Electronic Payment System (MEPS-RTGS).

South African Rand—ME00071001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	ZAR—710
Country	South Africa
Settlement Agent	The Standard Bank of South Africa Limited (settling through South African Reserve Bank [SARB])
Address 1	5 Simmonds Street
Address 2	P.O. Box 7725
Address 3	Johannesburg, South Africa
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00 (18:00—Fridays only)
Designated Local Time for Debits	11:00
Designated Local Time for Credits	11:00
Domestic Interchange Available?	
Central Bank Requirements	All participating customers must be customers of SARB.
Special Regulatory Requirements	All participating customers must be participants of Payment Association of South Africa (PASA).

Special Document/Contract Requirements	All participating customers must execute three copies of the MasterCard Service Agreement.
Special Requirements for Participating Customer Settlement Accounts	Participating customers must use their reserve account at the central bank as the settlement account.
Special Requirements for MasterCard	New customers must complete five consecutive days of customer testing before a production live date can be established.
Special Rules for Settlement	

Sri Lanka Rupee—AP00014401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	LKR—144
Country	Sri Lanka
Settlement Agent	Standard Chartered Bank—Sri Lanka
Address 1	P.O. Box 112-37
Address 2	37 York Street
Address 3	Colombo 01
Address 4	Sri Lanka
Contact Name	Amal De Silva
Contact Title	Head of Consumer Banking Operations
Contact Phone	+94 11 2480100
Contact Fax	+94 11 2460062
Contact Email	silva.amal-de@sc.com
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both

Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	13:30
Designated Local Time for Credits	14:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed.
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	

Tanzanian Shilling—ME00083401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	TZS—834
Country	Tanzania
Settlement Agent	Bank of Tanzania
Address 1	10 Mirambo Street
Address 2	P.O. Box 2939
Address 3	Dar es Salaam
Address 4	Tanzania
Contact Name	Ms. Kariba Busigara
Contact Title	Systems Analyst
Contact Phone	255-22-223-5445
Contact Fax	255-22-223-4196
Contact Email	kfbusigara@hq.bot-tz.org

Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	- Global Clearing Management System (GCMS) - Single Message System
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	16:30
Designated Local Time for Credits	16:30
Domestic Interchange Available?	
Central Bank Requirements	Settlement is completed by the central bank through book transfer. Therefore, participating customers in a net debit position must ensure that sufficient funds are available to complete the daily settlement with MasterCard. The Bank of Tanzania requires customers with multiple ICA numbers to consolidate all their activity into one bank account.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Customers wanting to participate in this intracurrency settlement service must open an account with the Bank of Tanzania.
Special Requirements for MasterCard	
Special Rules for Settlement	Customers consolidating under a single ICA number must indicate this in their Net Settlement Information Form (NSIF). Participating customers are also required to complete the SWIFT Bank Identifier Code (BIC) Authorization Form. The customer's BIC code is used by the Bank of Tanzania as the customer identifier for settlement.

Thai Baht—AP00076401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	THB—764
Country	Thailand
Settlement Agent	JPMorgan Chase Bank, N.A. Bangkok
Address 1	Buphakit Building
Address 2	20 North Sathorn Road
Address 3	Silom, Bangkok
Address 4	Bangkok 10500 Thailand
Contact Name	Yanee Charusorn
Contact Title	Client Services Manager
Contact Phone	+66-2684-2421
Contact Fax	+66-2684-2110
Contact Email	yanee.x.charusorn@jpmorgan.com
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	When remitting funds to the MasterCard settlement account, refer to the bank account name as “MasterCard International THB Settlement.”
Special Rules for Settlement	Participating customers settle funds through the Bank of Thailand Automated High Value Transfer Network (BAHTNET), the Thailand Real Time Gross Settlement System.

Trinidad and Tobago Dollar—LA00078001

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	TTD—780
Country	Trinidad And Tobago
Settlement Agent	Republic Bank Limited
Address 1	87 Cipriani Blvd.
Address 2	Port of Spain
Address 3	Trinidad
Address 4	West Indies
Contact Name	Mr. Harold De Silva
Contact Title	M.A. Operations
Contact Phone	(868) 627-8472
Contact Fax	(868) 627-0249
Contact Email	hdesilva@republictt.com
Value Date Interval	2
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both

Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	15:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Issuers are required to maintain accounts on their books in the name of Republic Bank Limited. Republic Bank Limited issues checks against the account on the settlement date for the amount of settlement. These checks are deposited in the settlement account at Republic Bank Limited. Acquirers open accounts at Republic Bank Limited and Republic Bank Limited issues checks from the settlement account to the customer's account.
Special Requirements for MasterCard	
Special Rules for Settlement	

United States Dollar—LA00084011

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
Country	Uruguay
Settlement Agent	Nuevo Banco Comercial, SA
Address 1	Misiones 1399
Address 2	Uruguay
Address 3	
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	

Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	18:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Uruguayan Peso—LA00085801

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	UYU—858
Country	Uruguay
Settlement Agent	Nuevo Banco Comercial, SA
Address 1	Misiones 1399
Address 2	Uruguay

Address 3	
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	18:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Uruguayan Peso—LA00085802

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	UYU—858
Country	Uruguay
Settlement Agent	Nuevo Banco Comercial, SA
Address 1	Misiones 1399
Address 2	Uruguay
Address 3	
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Debit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	18:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating
Customer Settlement Accounts

Special Requirements for MasterCard

Special Rules for Settlement

Uruguayan United States Dollar—LA00084012

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	USD—840
Country	Uruguay
Settlement Agent	Nuevo Banco Comercial, SA
Address 1	Misiones 1399
Address 2	Uruguay
Address 3	
Address 4	
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Debit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	13:00

Designated Local Time for Credits	18:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Venezuelan Bolivar Fuerta (Debit)—LA00093701

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	VEF—937
Country	Venezuela
Settlement Agent	Mercantil, C.A. Banco Universal
Address 1	Avenida Andres Bello, San Bernardino
Address 2	Torre Mercantil, Piso 21
Address 3	Caracas 1010, Distrito Federal, Venezuela
Address 4	
Contact Name	Sra. Gisela Felice
Contact Title	
Contact Phone	58212-503-3254
Contact Fax	
Contact Email	gfelice@bancomercantil.com
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.

Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Debit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	By close of the banking day
Designated Local Time for Credits	By close of the banking day
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Principals settle their card activity to their central bank account via Proceso de Liquidacion Bruta en Tiempo Real (LBTR), the Real Time Gross Settlement Process of Banco Central de Venezuela. Principals that do not have a central bank account must consolidate under another customer that does have a central bank account.
Special Requirements for MasterCard	
Special Rules for Settlement	Principals that settle in the Venezuelan Bolivar Fuerte must participate in both the A00093701 and LA00093702 settlement services to be compliant with MasterCard standards and local requirements.

Venezuelan Bolivar Fuerta (Credit)—LA00093702

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	VEF—937
Country	Venezuela
Settlement Agent	Mercantil, C.A. Banco Universal
Address 1	Avenida Andres Bello, San Bernardino
Address 2	Torre Mercantil, Piso 21
Address 3	Caracas 1010, Distrito Federal, Venezuela
Address 4	

Contact Name	Sra. Gisela Felice
Contact Title	
Contact Phone	58212-503-3254
Contact Fax	
Contact Email	gfelice@bancomercantil.com
Value Date Interval	0
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	By close of the banking day
Designated Local Time for Credits	By close of the banking day
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Principals settle their card activity to their central bank account via Proceso de Liquidacion Bruta en Tiempo Real (LBTR), the Real Time Gross Settlement Process of Banco Central de Venezuela. Principals that do not have a central bank account must consolidate under another customer that does have a central bank account.
Special Requirements for MasterCard	
Special Rules for Settlement	Principals that settle in the Venezuelan Bolivar Fuerte must participate in both the A00093701 and LA00093702 settlement services to be compliant with MasterCard standards and local requirements. Customers with multiple ICAs must consolidate all activity into one ICA.

Vietnamese Dong—AP00070401

This intracurrency settlement service is available for customers licensed in regions other than Europe.

Currency Code	VND—704
Country	Vietnam
Settlement Agent	Bank for Investment and Development of Vietnam
Address 1	14th Floor
Address 2	BIDV Tower
Address 3	35 Hang Voi St.
Address 4	Ha Noi, Vietnam
Contact Name	Phan Thi Binh Nghia
Contact Title	Officer—Customer Services Division—BIDV H.O. Customer Services Center
Contact Phone	+844.22206730
Contact Fax	+844.22206725
Contact Email	mciservice@bidv.com.vn
Value Date Interval	1
Member ID Licensed Region	All regions except Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	08:00
Designated Local Time for Debits	08:00–15:00
Designated Local Time for Credits	08:00–16:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	

Special Document/Contract Requirements	Customers participating in this intracurrency settlement service must open an account with the Bank for Investment and Development of Vietnam (BIDV), maintain a minimum balance as determined by BIDV, and sign an agreement directly with BIDV.
Special Requirements for Participating Customer Settlement Accounts	Settlement is completed by BIDV through book transfer. Therefore, participating customers in a net debit position are responsible for ensuring that sufficient funds are available to complete the daily settlement with MasterCard.
Special Requirements for MasterCard	
Special Rules for Settlement	BIDV requires customers with multiple ICAs to consolidate all their activity under one ICA. Customers consolidating under a single ICA must indicate this on their Net Settlement Information Form (NSIF). All participating customers should send their completed NSIF to the Customer Implementation Services team.

Chapter 5 Intracurrency Settlement Services for Customers Licensed in Europe

This section describes guidelines for effecting settlement for each intracurrency settlement service for customers licensed in Europe.

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Albanian Lek—EU00000801

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	ALL—008
Country	Albania
Settlement Agent	Bank of Albania
Address 1	Banka e Shqiperise
Address 2	Sheshi Skenderbej
Address 3	Nr. 1, Tirane, Albania
Address 4	
Contact Name	Liljana Salko
Contact Title	Administrator—AIPS System
Contact Phone	355 42 222 230 (3131)
Contact Fax	355 42 223 558
Contact Email	Lsalko@bankofalbania.org
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	13:00
Domestic Interchange Available?	
Central Bank Requirements	Customers wanting to be a direct participant (for example, customers wanting to settle directly with the central bank) must have a bank account at the Bank of Albania.
Special Regulatory Requirements	

Special Document/Contract Requirements	The settlement agent requires each direct participant to complete a debit authorization form. Contact the settlement agent to obtain a copy of the Debit Authorization Letter.
Special Requirements for Participating Customer Settlement Accounts	Direct participants must have a bank account at the Bank of Albania.
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the Bank of Albania's set-up requirements and that they are aligned with the live date. Direct participants must forward a completed copy of the Debit Authorization Letter to MasterCard when submitting their completed Net Settlement Information Form (NSIF).
Special Rules for Settlement	Settlement occurs through book transfer at the Bank of Albania.

Azerbaijan Manat—EU00094401

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	AZN—944
Country	Azerbaijan
Settlement Agent	Central Bank of the Azerbaijan Republic
Address 1	AZ1014, str 32 R.Behbudov
Address 2	Baku, Azerbaijan
Address 3	
Address 4	
Contact Name	Kamala Gurbanova
Contact Title	Director of Payment Systems and Settlement Department
Contact Phone	99412 4932266
Contact Fax	
Contact Email	kamala@nba.az
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.

Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	11:45
Designated Local Time for Credits	11:45
Domestic Interchange Available?	
Central Bank Requirements	The Central Bank of Azerbaijan Republic requires that participating customers • have an account at the central bank • complete a Debit Authorization Letter and submit it to the central bank Customers with multiple ICAs must consolidate all activity into one central bank account.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	Customers interested in participating in this intracurrency settlement service must first submit the required documents to the Central Bank of the Azerbaijan Republic. Failure to complete required documents with the central bank may result in delays to activation of the service. After customers receive notification from the central bank that the documents were processed and approved to participate in the Azerbaijan intracurrency settlement service, they must send a completed Net Settlement Information Form (NSIF) to the MasterCard Customer Implementation Team. Customers must include with the completed NSIF a copy of the notification from the central bank. Participating customers must also complete and mail to MasterCard a SWIFT Bank Identifier Code (BIC) Authorization Form, which gives MasterCard authorization to use their SWIFT BIC ID for intracurrency settlement. The complete SWIFT BIC Authorization Form is required before any customer may participate in this service.

Special Rules for Settlement	In the event of customer failure, settlement is delayed until sufficient funds become available. Participating customers shall pay the full settlement amount to the settlement agent on the value date shown on the advisement. Therefore, each participating customer assumes any costs of funds transfer when remitting to the settlement agent.

Belarussian Ruble—EU00097401

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	BYR—974
Country	Belarus
Settlement Agent	The National Bank of the Republic of Belarus
Address 1	20 Nezavisimosty Ave.
Address 2	Minsk, Belarus
Address 3	Postal Code—220008
Address 4	
Contact Name	Alexandr Alexeev
Contact Title	Chief Economist, Payment System Department
Contact Phone	+375-17-259-14-48
Contact Fax	+375-17-203-98-80
Contact Email	a.alexeev@nbrb.by
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	00:00

Designated Local Time for Debits	14:30
Designated Local Time for Credits	15:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Participating customers must use their reserve account at the central bank as the settlement account. Non-central bank customers must identify a transfer agent that is a central bank customer through which to settle.
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	In the event of customer failure, settlement is delayed until sufficient funds become available.

Bosnia and Herzegovina Convertible Mark—EU00097701

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	BAM—977
Country	Bosnia and Herzegovina
Settlement Agent	UniCredit Bank D. D.
Address 1	88000 Mostar
Address 2	Bosnia and Herzegovina
Address 3	
Address 4	
Contact Name	Karmela Matanovic
Contact Title	Senior Officer, Domestic Payment Services
Contact Phone	387-36-356-209
Contact Fax	387-36-327-463
Contact Email	karmela.matanovic@unicreditgroup.ba
Value Date Interval	0

Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Settlement Agent Requirements	Customers with multiple ICA numbers must consolidate all activity into one transfer agent position. Multiple positions per customer are not allowed in this intracurrency settlement service. Customers' account numbers must have 16 digits and be in this format "338690484xxxxxx".
Special Regulatory Requirements	
Special Document/Contract Requirements	Direct participants must also sign a service agreement with UniCredit Bank D. D. before going live in the intracurrency settlement service.
Special Requirements for Participating Customer Settlement Accounts	Customers that do not have a bank account at UniCredit Bank D. D. must select a transfer agent that does have a bank account at UniCredit Bank D. D.
Special Requirements for MasterCard	
Special Rules for Settlement	Customers that want to participate in the Bosnia and Herzegovina convertible mark intracurrency settlement service and be a direct participant must have a correspondent bank account at UniCredit Bank D. D. Direct participants must also sign a service agreement with UniCredit Bank D. D. before going live in the new intracurrency settlement service. The settlement agent will debit or credit each participating customer's bank account at UniCredit Bank D. D.

Croatian Kuna—EU00019101

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	HRK—191
Country	Croatia
Settlement Agent	Zagrebacka Bana d.d.
Address 1	Trg bana J. Jelacica 10
Address 2	10000 Zagreb
Address 3	Croatia
Address 4	
Contact Name	Areta Cuturas
Contact Title	
Contact Phone	385-1-3789-853
Contact Fax	
Contact Email	
Value Date Interval	1
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	

Special Requirements for Participating Customer Settlement Accounts	Each participating customer shall maintain a demand deposit account at the settlement agent at the address listed. The local settlement agent must approve any new customer wanting to participate in this intracurrency service before participation begins (“live date”). Therefore, MasterCard will notify the local settlement agent, in writing, 30 days before the proposed live date. MasterCard requests the following from the local settlement agent: • Approval that the customer may settle with the local settlement agent. • Approval of the proposed live date. • Confirmation that the settlement instructions that the customer provided, including the account number, may be used for settlement with the local settlement agent. The customer may begin participating in this service only after MasterCard receives approval from the local settlement agent.
Special Requirements for MasterCard	
Special Rules for Settlement	

Czech Koruna—EU00020301

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	CZK—203
Country	Czech Republic
Settlement Agent	Deutsche Bank Aktiengesellschaft Filiale Prag, organizacni slozka
Address 1	Jungmannova 34/750
Address 2	111 21 Praha 1
Address 3	Czech Republic
Address 4	
Contact Name	Karolina Batkova
Contact Title	Payment and Clearing Services
Contact Phone	+420 221 191 238
Contact Fax	
Contact Email	karolina.batkova@db.com
Value Date Interval	0

Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	14:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	All participating customers in this settlement service must have an operating account at the Czech National Bank. Deutsche Bank Prague, the settlement agent, receives the settlement file from MasterCard, converts it into the local Real Time Gross Settlement (RTGS) format, and sends it to the Czech National Bank. The Czech National Bank then processes the transactions and settles the activity between the issuers and acquirers on behalf of MasterCard.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	
Special Rules for Settlement	

Georgian Lari—EU00098101

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	GEL—981
Country	Georgia
Settlement Agent	National Bank of Georgia

Address 1	Sanapiro 2, 0114
Address 2	Tbilisi
Address 3	Georgia
Address 4	
Contact Name	Nino Mushkudiani
Contact Title	Senior Specialist of the Payment Systems Department
Contact Phone	+995 32 406441
Contact Fax	+995 322 406577
Contact Email	nino.mushkudiani@nbg.gov.ge
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	15:00–18:00
Designated Local Time for Credits	15:00–18:00
Domestic Interchange Available?	
Central Bank Requirements	Each direct participating customer is required to complete an agreement with National Bank of Georgia before participating in the MasterCard settlement service. Contact the National Bank of Georgia for assistance in completing the forms.
Special Regulatory Requirements	
Special Document/Contract Requirements	Participating customers are required to send a completed Member SWIFT BIC Authorization Form (Form 947) to MasterCard. The participating customer's SWIFT Bank Identifier Code (BIC) is used by the National Bank of Georgia as the identifier for settlement. Participating customers should send their completed form(s) to the Customer Implementation Services team.

Special Requirements for Participating Customer Settlement Accounts	Customers wanting to participate in this intracurrency settlement service must have a settlement account with the National Bank of Georgia. Settlement is completed by the central bank through book transfer. Therefore, participating customers in a net debit position are responsible for ensuring that sufficient funds are available to complete the daily MasterCard settlement obligation.
Special Requirements for MasterCard	
Special Rules for Settlement	Customers with multiple ICAs must consolidate all their activity into their existing settlement account with the National Bank of Georgia.

Hungarian Forint—EU00034801

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	HUF—348
Country	Hungary
Settlement Agent	Magyar Nemzeti Bank (the Central Bank of Hungary)
Address 1	1850 Budapest
Address 2	Szabadsag 8-9
Address 3	Hungary
Address 4	
Contact Name	Tamas Sudar
Contact Title	
Contact Phone	36-1-428-2600 ext. 3227
Contact Fax	
Contact Email	bmfviber@mnbb.hu
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified

Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	17:00
Designated Local Time for Credits	17:00
Domestic Interchange Available?	
Central Bank Requirements	Magyar Nemzeti Bank requires that all participating customers complete and sign the agreement “Teljesítési Megállapodás” (“Settlement Agreement”) before participating in this service. Please contact Zsuzanna Varga at Magyar Nemzeti Bank to obtain a copy of the agreement.
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	

Icelandic Krona—EU00035202

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	ISK—352
Country	Iceland
Settlement Agent	Central Bank of Iceland
Address 1	
Address 2	
Address 3	
Address 4	
Contact Name	Sí Salome R. Birgisdóttir
Contact Title	Head of Back Office
Contact Phone	354-569-9853

Contact Fax	
Contact Email	salome.r.birgisdottir@sedlabanki.is
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	13:00
Domestic Interchange Available?	
Central Bank Requirements	The Central Bank of Iceland requires customers with multiple ICAs to consolidate all their activity into one bank account. Customers consolidating under a single ICA must indicate this when completing their Net Settlement Information Form (NSIF). If a consolidation is not provided, this results in delays to the customer's live date.
Special Regulatory Requirements	
Special Document/Contract Requirements	Participating customers are required to complete an agreement with the Central Bank of Iceland before going live. Customers should contact the Central Bank to obtain the necessary agreement before submitting an NSIF: Central Bank of Iceland C/O Sí Salome R. Birgisdóttir Kalkofnsveg 1, 150 Reykjavik
Special Requirements for Participating Customer Settlement Accounts	Customers that want to participate in this intracurrency settlement service must have an account with the Central Bank of Iceland. Settlement is completed by the Central Bank through book transfer. Therefore, participating customers in a net debit position are responsible for ensuring that there are sufficient funds in their Central Bank account to complete the daily settlement with MasterCard.

Special Requirements for MasterCard

Special Rules for Settlement	This service is limited to domestic transactions that originate in the Icelandic krona between a merchant based in Iceland and an issuer licensed in Iceland. Transactions processed in any other currency settle to each party's respective regional settlement service.

Kazakhstan Tenge—EU00039801

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	KZT—398
Country	Kazakhstan
Settlement Agent	Kazakhstan Interbank Settlement Centre of National Bank of the Republic of Kazakhstan
Address 1	21 Koktem-3
Address 2	Almaty 050040
Address 3	Republic of Kazakhstan
Address 4	
Contact Name	Mrs. Juliya Korotkova
Contact Title	Lead Economist of Payment Systems Development Department
Contact Phone	7 727 2506572
Contact Fax	7 727 2506611
Contact Email	korotkova.juliya@kisc.kz
Value Date Interval	1
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00

Designated Local Time for Debits	10:00
Designated Local Time for Credits	19:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	The settlement agent must obtain from each participating customer the authority to debit or credit each customer's settlement account (or both if applicable) to effect settlement.
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	Participating customers shall pay the full settlement amount to the settlement agent on the value date shown on the advisement. Therefore, each participating customer assumes any costs of funds transfer when remitting to the settlement agent. Customers with multiple ICAs must consolidate into one ICA as Kazakhstan Interbank Settlement Centre of National Bank of the Republic of Kazakhstan (KISC) settles only one position, per account, per day. Therefore, when completing a Net Settlement Information Form for any additional ICAs, customers must be consolidated into an original ICA. To consolidate under an original ICA, customers select the following items when completing the NSIF online: • "Yes" to "Do the Transfer Agent and Organization have the same Member ID/ICA?" • "Yes" to "Does this Member ID/ICA consolidate settlement through another Principal?" • The Kazakhstan Tenge settlement service. Customers that designate another principal customer as their transfer agent are considered to be participating in a consolidated settlement relationship. In the event of customer failure, settlement is delayed until sufficient funds become available.

Latvian Lats—EU00042801

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	LVL—428
Country	Latvia
Settlement Agent	Bank of Latvia
Address 1	KR. Valdemara Street 2A
Address 2	1022 Riga
Address 3	
Address 4	
Contact Name	Andra Gailite
Contact Title	Head of Account Service and Maintenance Division
Contact Phone	371 67022232
Contact Fax	371 67022293
Contact Email	andra.gailite@bank.lv
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	12:30
Designated Local Time for Credits	12:30
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	

Special Document/Contract Requirements	The settlement agent and MasterCard require each participating customer to complete a Tri-party Agreement. The agreement must be signed by the participating customer, MasterCard, and the Bank of Latvia. Contact the settlement agent to obtain a copy of the agreement. Forward a completed copy of the Tri-party Agreement to MasterCard when submitting your completed Net Settlement Information Form (NSIF).
Special Requirements for Participating Customer Settlement Accounts	MasterCard does not profile more than eight characters for the customer's SWIFT Bank Identifier Code (BIC) and uses the same code in the account number field and the Account Swift ID field at the bank level.
Special Requirements for MasterCard	Participating customers are required to send a completed Member SWIFT BIC Authorization Form (Form 947) to MasterCard. The participating customer's SWIFT BIC is required on the settlement instructions that MasterCard sends to the central bank.
Special Rules for Settlement	Participating customers with multiple ICA numbers must consolidate all activity into one transfer agent position. Multiple positions per customer are not allowed in this intracurrency settlement service.

Lithuanian Litas—EU00044001

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	LTL—440
Country	Lithuania
Settlement Agent	Lietuvos Bankas, Central Bank of Lithuania
Address 1	Gedimino ave. 6
Address 2	LT-01103 Vilnius
Address 3	Lithuania
Address 4	
Contact Name	Artras Tamulynas
Contact Title	Senior Expert of the Operations Division
Contact Phone	370 5 268 08 22
Contact Fax	
Contact Email	atamulynas@lb.lt

Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	10:00–13:00
Designated Local Time for Credits	10:00–13:00
Domestic Interchange Available?	
Central Bank Requirements	The Central Bank of Lithuania requires customers with multiple ICAs to consolidate all their activity into one bank account. Customers consolidating under a single ICA must indicate this when completing their Net Settlement Information Form (NSIF).
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Customers that want to participate in this intracurrency settlement service must have an account with the Central Bank of Lithuania. Settlement is completed by the Central Bank through book transfer. Therefore, participating customers in a net debit position are responsible for ensuring there are sufficient funds in their Central Bank account to complete the daily settlement with MasterCard.
Special Requirements for MasterCard	Participating customers that are direct participants are required to complete the SWIFT BIC Authorization Form (Form 947) and a Debit Authorization Letter (Form 336). This latter form is available on MasterCard Connect™.

Special Rules for Settlement	The customer's BIC code is used by the Lietuvos Bankas as the customer's identifier for settlement. Merchant country and card issuer country must be Lithuanian. In addition, transaction currency must be Lithuanian litas to qualify for settlement in this service. This service is limited to domestic transactions that originate in the Lithuanian litas between a merchant based in Lithuania and an issuer licensed in Lithuania. Transactions processed in any other currency settle to each party's respective regional settlement service.

Macedonian Denar—EU00080701

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	MKD—807
Country	Republic of Macedonia
Settlement Agent	National Bank of the Republic of Macedonia
Address 1	Kompleks bank b.b.
Address 2	1000 Skopje
Address 3	Republic of Macedonia
Address 4	
Contact Name	Vladimir Ristik
Contact Title	Director of Payment Systems Department
Contact Phone	389 2 3108 319
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit

Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	14:00
Domestic Interchange Available?	
Central Bank Requirements	Participating customers must have an account in the Macedonia Interbank Payment System (MIPS).
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Customers with multiple ICAs must consolidate under one ICA.
Special Requirements for MasterCard	Before establishing a live date, MasterCard must confirm that the customer has met all of the settlement agent requirements and that the settlement agent is aligned with the live date.
Special Rules for Settlement	MIPS requires that all settlement amounts be rounded to whole amounts. In addition, all customer net settlement positions must net to zero. Therefore, MasterCard calculates the net settlement positions for each customer based on the following rules: - Fractional amounts from .00 to .49 round down to .00 Example—575.20 rounds to 575.00 - Amounts from .50 to .99 round up to .00 Example—575.80 rounds to 576.00 MasterCard does not round any other amounts including those provided on the settlement advisement. In the event of customer failure, settlement is delayed until sufficient funds become available.

Moldovan Leu—EU00049801

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	MDL—498
Country	Republic of Moldova
Settlement Agent	Banca de Economii S.A.

Address 1	Kompleks bank b.b.
Address 2	1000 Skopje
Address 3	Republic of Macedonia
Address 4	
Contact Name	Irina Untila
Contact Title	Chief of Bank Card Department
Contact Phone	373 22-218120
Contact Fax	
Contact Email	irina.untila@bem.md
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	16:00
Domestic Interchange Available?	
Settlement Agent Requirements	Customers wanting to be a direct participant must have a correspondent account at the National Bank of Moldova.
Special Regulatory Requirements	
Special Document/Contract Requirements	Customers must sign a service agreement with Banca de Economii before participating in this service. Please contact Banca de Economii to obtain a copy of the agreement. The service agreement must be signed and submitted to the settlement agent before participating in this new service. Customers must also provide MasterCard with a copy of the signed service agreement before submitting their completed Net Settlement Information Form (NSIF).
Special Requirements for Participating Customer Settlement Accounts	

Special Requirements for MasterCard	Customers must provide MasterCard with a copy of the signed service agreement with the settlement agent before submitting their completed Net Settlement Information Form.

Special Rules for Settlement

Polish Zloty—EU00098501

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	PLN—985
Country	Poland
Settlement Agent	Bank Millennium SA
Address 1	ul. Stanislaus Żaryna 2A
Address 2	02-593 WARSZAWA
Address 3	Poland
Address 4	
Contact Name	Dorota Kiedrowska
Contact Title	
Contact Phone	+48 58 307 9865
Contact Fax	+48 58 307 9801
Contact Email	dorota.kiedrowska@bankmillennium.pl
Value Date Interval	1
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	13:00
Designated Local Time for Credits	15:00

Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	Per Polish legislation, transfer of funds between participating customers is done by the following: • The Polish National Clearing House (KIR) through the ELIXIR system to settle local transactions under one million Polish zlotys. • The National Bank of Poland (NBP) SORBNET2 system to settle local transactions over one million Polish zlotys. The settlement agent is interfaced to KIR and NBP for funds transfer data and has access to the Polish national payment systems ELIXIR and SORBNET2. Participating customers must participate in both ELIXIR and SORBNET2 systems.
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Settlement through the national payment system must occur across participating customer reserve accounts at the central bank. Non-central bank customers must identify a transfer agent that is a central bank customer through which to settle.
Special Requirements for MasterCard	MasterCard is required to notify the settlement agent in writing at least 10 business days in advance of the new participating customer's scheduled live date. MasterCard is to provide the settlement agent with the name, ICA, and date of the first settlement for each new participating customer.
Special Rules for Settlement	If a participating customer is in a net credit position, the settlement agent initiates funds transfer through ELIXIR or SORBNET2 depending on the participating customer's connection to the national payment system. If a participating customer is in a net debit position, the settlement agent advises the customer of its debit positions through email or Elixir-free format. On the value date, customers using ELIXIR or SORBNET2 settle with the settlement agent. The IBAN Number is not required.

Pound Sterling—EU00082601

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	GBP—826

Country	Great Britain
Settlement Agent	Deutsche Bank AG, London
Address 1	Global Transaction Banking
Address 2	Winchester House
Address 3	1 Great Winchester Street
Address 4	London EC2N 2DB
Contact Name	
Contact Title	
Contact Phone	
Contact Fax	
Contact Email	
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	
Designated Local Time for Credits	
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Deutsche Bank offers direct debit for participating customers that have their settlement account at Deutsche Bank, Frankfurt. Deutsche Bank does not offer direct debit at any other location.

Special Requirements for MasterCard	United Kingdom customers must follow the <i>U.K. Domestic Rules</i> when settling with MasterCard. For more information, refer to sections 1.0, 5.1, and 5.1.1 of the <i>U.K. Domestic Rules</i> .
Special Rules for Settlement	All participating customers are required to balance their respective settlement accounts daily.

Romanian Leu—EU00094601

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	RON—946
Country	Romania
Settlement Agent	National Bank of Romania
Address 1	25 Lipscani Street, District no.3
Address 2	030031 Bucharest
Address 3	Romania
Address 4	
Contact Name	Luiza-Diana Lucaci
Contact Title	Head of ReGIS Management Division, Payments Department
Contact Phone	00 40 21 311 05 30mobile: 00 40 722 205 904
Contact Fax	00 40 21 312 61 25
Contact Email	luiza.lucaci@bnro.ro
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	11:30

Designated Local Time for Credits	11:30
Domestic Interchange Available?	
Central Bank Requirements	Article 21 of Law 312/2004 relating to the Statute of the National Bank of Romania and Regulation Number 1/2005 issued by the National Bank of Romania state the provisions under which settlement may occur per the provisions of System Rules ReGIS—Real Time Gross Settlement (RTGS) system.
Special Regulatory Requirements	Article 21 of Law 312/2004 relating to the Statute of the National Bank of Romania and Regulation Number 1/2005 issued by the National Bank of Romania state the provisions under which settlement may occur per the provisions of System Rules ReGIS—RTGS system.
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Settlement is effected through the local RTGS system (ReGIS) across participating customers' reserve accounts at the National Bank of Romania (central bank). The local settlement agent must approve any new customer wanting to participate in this intracurrency service before participation begins ("live date"). Therefore, MasterCard will notify the local settlement agent, in writing, 30 days before the proposed live date. MasterCard requests the following from the local settlement agent: • Approval that the customer may settle with the local settlement agent. • Approval of the proposed live date. • Confirmation that the settlement instructions that the customer provided, including the account number, may be used for settlement with the local settlement agent. The customer may begin participating in this service only after MasterCard receives approval from the local settlement agent.
Special Requirements for MasterCard	Overdrafts in the settlement account are to be reimbursed by MasterCard in Romanian Leu to an account specified by the National Bank of Romania within 28 days of the overdraft with interest calculated using the National Bank of Romania credit facility interest rate (Lombard rate) as published in Reuters page BNR15 plus 3% per annum.
Special Rules for Settlement	Customers with multiple ICA numbers must consolidate all activity into one transfer agent position. Multiple positions per customer are not allowed in this intracurrency settlement service.

Russian Ruble—EU00081001

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	RUB—643
Country	Russia
Settlement Agent	Sberbank of Russia
Address 1	12A Vtoroy Yuzhnoportovy Proezd
Address 2	115088 Moscow Russia
Address 3	
Address 4	
Contact Name	Julia Udachina
Contact Title	Head of Loro Settlements
Contact Phone	(+7 495) 669-09-56
Contact Fax	
Contact Email	www.sberbank.ru
Value Date Interval	2
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Local Clearing Center (LCC)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	
Designated Local Time for Credits	
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	Participating customers must complete and sign the Domestic Clearing and Settlement Agreement before going live in the service.

Special Requirements for Participating Customer Settlement Accounts	The local settlement agent must approve any new customer wanting to participate in this intracurrency service before participation begins (“live date”). Therefore, MasterCard will notify the local settlement agent, in writing, 30 days before the proposed live date. MasterCard requests the following from the local settlement agent: • Approval that the customer may settle with the local settlement agent. • Approval of the proposed live date. • Confirmation that the settlement instructions that the customer provided, including the account number, may be used for settlement with the local settlement agent. The customer may begin participating in this service only after MasterCard receives approval from the local settlement agent.
Special Requirements for MasterCard	
Special Rules for Settlement	This service is limited to domestic transactions that originate in the Russian ruble between an acquirer and issuer both licensed in Russia. Transactions processed in any other currency settle to each party’s respective regional settlement service.

Serbian Dinar—EU00094101

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	RSD—941
Country	Serbia
Settlement Agent	National Bank of Serbia
Address 1	12 Kralja Petra Street
Address 2	11000 Belgrade
Address 3	
Address 4	Republic of Serbia
Contact Name	Aleksandar Lagator
Contact Title	Advisor
Contact Phone	+381 11/3028 751
Contact Fax	+381 11/3028 784
Contact Email	aleksandar.lagator@nbs.yu

Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	12:00
Designated Local Time for Credits	15:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	Participating customers must use their reserve account at the central bank as their settlement account. Non-central bank customers must identify a transfer agent that is a central bank customer through which to settle.
Special Requirements for MasterCard	
Special Rules for Settlement	All participating customers are profiled with Transaction Country of 643 to comply with local requirements. Customers with multiple ICA numbers must consolidate all activity into one transfer agent position.

Slovenian Euro—EU00097810

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	EUR—978
Country	Slovenia
Settlement Agent	Bank of Slovenia

Address 1	Slovenska 35
Address 2	1505 Ljubljana
Address 3	Slovenia
Address 4	
Contact Name	Saso Crnugelj
Contact Title	Director, Payment Systems
Contact Phone	+386 1 47 19 558+386 1 47 19 565
Contact Fax	+386 1 47 19 722
Contact Email	saso.crnugelj@bsi.si
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Credit
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	10:45
Designated Local Time for Credits	10:45
Domestic Interchange Available?	Yes
Central Bank Requirements	All participating customers must be customers of the Bank of Slovenia, the central bank of Slovenia.
Special Regulatory Requirements	All participating customers must agree to the Central Bank Account-Funding Mechanism Agreement.
Special Document/Contract Requirements	All participating customers must execute the Central Bank Account-Funding Mechanism Agreement.
Special Requirements for Participating Customer Settlement Accounts	Participating customers must use their reserve account at the central bank as the settlement account. Non-central bank customers must identify a transfer agent that is a central bank customer through which to settle.
Special Requirements for MasterCard	
Special Rules for Settlement	In the event of customer failure, settlement is delayed until sufficient funds become available.

Swedish Krona—EU00075201

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	SEK—752
Country	Sweden
Settlement Agent	Nordea Bank AB (publ)
Address 1	Handelsbanken Finans ABHFCE
Address 2	
Address 3	
Address 4	Stockholm, Sweden
Contact Name	Pia Alderstad
Contact Title	Business Development andInnovation, Cards Processing Support
Contact Phone	46-8-53491892
Contact Fax	
Contact Email	pia.alderstad@nordea.se or upkortsystem@nordea.se
Value Date Interval	0
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	03:00
Designated Local Time for Debits	11:00
Designated Local Time for Credits	11:00
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	

Special Document/Contract Requirements	Each participating customer is required to execute a Domestic Clearing and Settlement Agreement with MasterCard and a separate Settlement Agreement with the settlement agent before participating in the service.
Special Requirements for Participating Customer Settlement Accounts	The local settlement agent must approve any new customer wanting to participate in this intracurrency service before participation begins (“live date”). Therefore, MasterCard will notify the local settlement agent, in writing, 30 days before the proposed live date. MasterCard requests the following from the local settlement agent: • Approval that the customer may settle with the local settlement agent. • Approval of the proposed live date. • Confirmation that the settlement instructions that the customer provided, including the account number, may be used for settlement with the local settlement agent. The customer may begin participating in this service only after MasterCard receives approval from the local settlement agent.
Special Requirements for MasterCard	
Special Rules for Settlement	Customers will use Bankgirocentralen (BGC), a Swedish bankgiro system, to settle their net settlement positions with MasterCard.

Ukrainian Hryvnia—EU00098001

This intracurrency settlement service is available for customers licensed in the Europe region.

Currency Code	UAH—980
Country	Ukraine
Settlement Agent	State Export—Import Bank of Ukraine
Address 1	
Address 2	
Address 3	
Address 4	
Contact Name	
Contact Title	
Contact Phone	

Contact Fax	
Contact Email	
Value Date Interval	2
Member ID Licensed Region	Europe
Settlement Holiday Rules	General intracurrency rules apply. Intracurrency settlement holidays are noted in Intracurrency Settlement Service.
Supported Clearing Systems	Global Clearing Management System (GCMS)
Card Program Identifier	None Specified
Debit ISIS, Credit ISIS, or Both	Both
Settlement Service Cutoff in St. Louis Time	00:00
Designated Local Time for Debits	
Designated Local Time for Credits	
Domestic Interchange Available?	
Central Bank Requirements	
Special Regulatory Requirements	
Special Document/Contract Requirements	
Special Requirements for Participating Customer Settlement Accounts	The local settlement agent must approve any new customer wanting to participate in this intracurrency service before participation begins ("live date"). Therefore, MasterCard will notify the local settlement agent, in writing, 30 days before the proposed live date. MasterCard requests the following from the local settlement agent: • Approval that the customer may settle with the local settlement agent. • Approval of the proposed live date. • Confirmation that the settlement instructions that the customer provided, including the account number, may be used for settlement with the local settlement agent. The customer may begin participating in this service only after MasterCard receives approval from the local settlement agent.
Special Requirements for MasterCard	
Special Rules for Settlement	

Chapter 6 Net Settlement Information Form Instructions

This section describes the procedures for completing the Net Settlement Information Form.

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Accessing the Net Settlement Information Form

Customers must have access to MasterCard Connect™ to access the Net Settlement Information Form (NSIF) online.

As of 1 March 2007, customers must use the NSIF online.

1. Go to www.mastercardconnect.com.
2. Log on using your **User ID** and **Security Information**.
3. Under **Library**, select **Forms**.
4. In the **View Forms by Category** field, select **Clearing & Settlement**.
5. Select the computer icon in the **Online Forms** column for the Net Settlement Information Form (NSIF).

Principals may also enhance their experience by requesting the product NSIF Super User MasterCard OnLine Role. The benefits of having NSIF Super User MasterCard OnLine Role are as follows:

- Customers may view their current settlement parameters.
 - Customers are automatically granted access to MasterCard eService, which will expedite the process for ordering Settlement Advisements.
 - Customers may quickly select the correct service or setup for changes because the tool provides customers with current information.
1. Go to www.mastercardconnect.com.
 2. Log on using your **User ID** and **Security Information**.
 3. Click **Store** in the upper right corner of the window. The system displays the Store window.
 4. Scroll to or search for the application that you want to order.
 5. Click **Add to Cart or Manage**. The system displays a confirmation message in the upper right corner of the window.
 6. When your order is complete, click **Close** to close the Store window.
 7. Click **Cart** in the upper right corner of the Connect window. The system displays the Cart.
 8. Click **Check out**. The system displays the Order Details window. If an application requires that you provide additional information, Connect will display a message in the Order Details window to let you know that the ordered application requires additional information from you. Click on the item to provide the related information.
 9. Click **Review Order** to see the items that you have ordered.
 10. Click **Place Order**. You will receive a confirmation number. Make note of this number so that you can track the order if needed. Connect will send an e-mail to your Security Administrator to let him or her know that the order is awaiting approval.
 11. Click **Close** to complete the order process.

Customers may contact the Customer Integration Team for more information about accessing the NSIF online using MasterCard Connect.

Net Settlement Information Form and Change Request

Each customer must complete and submit an NSIF to participate in MasterCard Settlement.

MasterCard recommends that MasterCard receive a completed NSIF at least 30 days before the customer intends to become active in MasterCard® card programs.

The NSIF gives MasterCard the required information to add the customer to the Settlement Account Management (S.A.M.) system. The S.A.M. system requires the inclusion of the information contained in the completed NSIF to complete the settlement function properly.

A customer that participates in the RPPS® platform should refer to the *MasterCard RPPS—User Guide and Operating Rules* manual to obtain a copy of the RPPS Net Settlement Agreement. All customers that participate in the other clearing platforms that S.A.M. supports should refer to the NSIF.

Once a customer becomes active in a MasterCard® card program, changes required to the customer's profile are accomplished by resubmitting a complete NSIF to MasterCard.

Customers should review the information in this section with the appropriate individuals at the transfer agent bank, and direct any questions through phone, fax, or letter to:

Customer Operations Services Team

MasterCard

2200 MasterCard Boulevard

O'Fallon

MO 63368-7263

USA

Phone: 1-636-722-6100

Settlement Requirements for All Customers

Principals must meet requirements before performing net settlement.

MasterCard settles with principals and their designated correspondent banks, but not customer-licensed affiliates. Both the MasterCard settlement bank and the customer's transfer agent bank must perform net settlement. Before performing net settlement, all principals must:

- Determine the settlement service type in which to participate: regional settlement or intracurrency settlement. This decision is based on the agreement between participating customers to settle in a designated currency.
- Determine the regional settlement default. The customer must establish at least one regional settlement agreement. This regional service will be defined as the customer's default service for settlement. If the customer processes within the Global Clearing

Management System (GCMS) application establishes many settlement agreements with specific settlement selection criteria, the default regional service will be the “catch-all” for transactions that do not meet the defined settlement selection criteria of the other services requested by the customer.

- Complete each of the six sections of the NSIF, as applicable, to provide necessary settlement profile information.
- Designate and establish a transfer agent bank/pay thru bank to receive and pay funds on the customer's behalf. This customer transfer agent bank must be able to execute funds transfer instructions to the MasterCard settlement bank or the MasterCard mutual correspondent bank.
- Determine a customer and/or transfer agent contact who is familiar with the customer's net settlement and funds transfers operation and who is responsible for handling the customer's settlement account.
- Determine the method used to receive the advisement message. Available methods are MasterCard eService through MasterCard Connect™, fax, and e-mail.

The following situations describe consolidated relationships.

- A principal maintains multiple member IDs for settlement. This customer may designate a lead member ID to effect settlement for multiple member IDs.
- A principal designates another principal to act as transfer agent to facilitate settlement on its behalf. The principal must complete section IV of the NSIF instead of section III. The principal completes section IV to indicate the consolidated relationship.
- Third Party Providers (TPPs) or Service Providers are prohibited from possessing, owning, or controlling settlement funds unless otherwise approved by MasterCard. Refer to the *MasterCard Rules* manual.
- In a consolidated relationship, the designated transfer agent may request to receive a Transfer Agent Detail Advisement. Each member ID and the corresponding activity will appear in a separate section of the advisement. In addition, if requested, each customer participating within a consolidated arrangement may request to receive a Member Detail Advisement. The customer may request an advisement by completing section VI of the NSIF.

As an option, S.A.M. will transmit an advisement to the transfer agent bank indicating the customer's net settlement position. Advisements are transmitted each settlement day. For examples of advisements and their field descriptions, refer to Net Settlement Advisements.

All customers that have a net credit settlement position on a given day are paid from the funds transferred into the MasterCard net settlement account by the customers that receive a debit position on the value date. Where applicable, MasterCard generates transfer funds order messages to the settlement bank to:

- Debit the MasterCard account and transfer funds to the customer's transfer agent bank, or

- Initiate a 1031 drawdown to the customer's transfer agent bank instructing it to forward the funds to the MasterCard settlement bank when settling in USD when the settlement bank is located in the United States, or
- Acknowledge transfer funds order messages to expect payments initiated by the customer's transfer agent bank to the MasterCard account.

For more information on regional settlement services, refer to Regional Settlement Services for Customers Licensed in Regions other than Europe and Regional Settlement Services for Customers Licensed in Europe.

When settling in USD when the settlement bank is located in the United States, the transfer agent bank with a net debit position for the day must transfer the appropriate amounts to the MasterCard settlement bank by 14:00 St. Louis time, on the value date, or subject the customer to penalties.

NOTE:

All communication between a transfer agent bank and the MasterCard settlement bank involving net settlement funds must include the MasterCard settlement account name, account number, and the member ID assigned to the customer.

Net Settlement Information Form Instructions

Before a customer or its designated transfer agent can become active in MasterCard® card programs, MasterCard must receive a completed NSIF.

The following sections provide instructions on how to complete the NSIF.

Section I: Principal Information

The customer completes this section of the Net Settlement Information Form (NSIF) to provide specific customer information necessary to establish a settlement account relationship with MasterCard.

If delivering multiple settlement agreements at the same time, the customer completes Section I once per member ID and attach with applicable sections of the NSIF.

Customer Detail

The customer must provide the following information.

Field	Description
Customer Name	Name of principal institution.
Member ID	A unique identification number, also known as ICA, that is assigned by MasterCard to identify a customer or processing endpoint.

Field	Description
Customer Address	Full address (street, city, state/province, ZIP/postal code, and country) where the customer is located.
Customer Settlement Contact	The individual responsible for managing the settlement activity.
Information in this field...	Indicates...
Selection of Settlement Services in trailer section	Complete only when submitting multiple agreements for one member ID/ICA at one time. Indicate the applicable settlement service for the paperwork.

Section II: Settlement Information

The customer must designate in this section of the Net Settlement Information Form (NSIF) the purpose of completing the form.

The following chart assists the customer in determining the action of the NSIF.

Action	Definition	Applicable NSIF Sections
New Settlement Request	Customer is submitting a new settlement account and currency	I, II, III or IV, V, VI
Settlement Account Change	Customer is changing its existing settlement account	I, II, III or IV, V, VI
Advisement Change	Customer is requesting to add, change, or delete an advisement destination	VI
Delete Settlement Request	Customer is removing a settlement account and currency. The settlement information in the NSIF will be inactivated in the settlement application, S.A.M. If requesting a member ID to be deleted, contact Customer Operations Services.	I, II, III or IV, V
Change Settlement Service Criteria	Customer is updating its current settlement selection criteria. The section must contain all criteria values (including any new or remaining criteria) that will determine the settlement account and currency under which the GCMS transaction will settle.	I, II, III or IV, V, VI

Action	Definition	Applicable NSIF Sections
Change Regional Default	Customer is changing an existing regional settlement account and currency to now be the regional default settlement account and currency. When this request is implemented in the settlement application S.A.M., the settlement service selection criteria will be deleted within the existing regional settlement account.	I, II, III or IV, VI
Add new input source to an existing ICA	Customer is adding a new input source to the regional settlement service.	I, II, III or IV, V, VI

Once the purpose of the NSIF is determined, the customer must specify one of the following types of settlement service:

- **Regional Settlement**—The settlement service that MasterCard uses to credit or debit a customer's account in the customer's settlement currency. At least one regional settlement agreement must be defined for the customer. If it is determined that the customer will participate in one regional settlement agreement, this regional service should be identified as the default regional settlement service. When the customer defines the default regional settlement service, no lower-level settlement criteria, offered in section V, may be requested.

When a customer determines it will participate in more than one regional settlement for GCMS processed transactions, lower-level settlement criteria will be required to distinguish what activity will be settled through the different regional services. The settlement activity for regional settlement outside of the default regional service will be communicated through the NSIF. Separate sections stated below must be completed within the NSIF for each member ID to guide settlement for each regional service settlement account/currency:

- Transfer Agent Information/Pay Thru Bank Information in section III **or** Consolidated Settlement Through Another Principal section IV
- Settlement Selection Criteria section V (completed only for GCMS processed transactions and when identifying settlement for regional services that are **not** the regional default)
- Daily Transfer Net Settlement Agent Advisement Transmission section VI (completed if the customer chooses to receive an advisement)

- **Intracurrency Settlement**—The MasterCard settlement service used by customers and transfer agents to settle in a mutually agreed upon currency. This agreement requires that settlement for the mutually agreed upon currency will net to zero daily between all participating customers.

Intracurrency settlement agreements between customers that participate in intracurrency settlement will determine the application of the settlement criteria within section V. Therefore, individual customers will not define unique settlement criteria when participating in intracurrency settlement and will not complete section V. However, if the customer determines that settlement selection criteria is needed to support its settlement

needs, it is required that the customer contact its regional office and Customer Operations Services for review before submitting the NSIF. Separate sections stated below must be completed within the NSIF for each member ID to settle within an intracurrency service settlement account/currency:

- Transfer Agent Information/Pay Thru Bank Information in section III **or** Consolidated Settlement Through Another Principal section IV
- Daily Transfer Net Settlement Agent Advisement Transmission section VI (completed if the customer chooses to receive an advisement)

Determining Regional or Intracurrency Settlement

The three-digit or numeric code identifies settlement currencies supported by MasterCard. The following tables list these regional and intracurrency settlement currencies. Determine regional or intracurrency settlement by evaluating the settlement currencies in the tables.

If MasterCard deems it necessary to suspend or discontinue one of its intracurrency settlement services because of an uncontrollable event, MasterCard will convert each participating customer's settlement position to its regional default settlement currency. Each customer is required to complete an NSIF for the default regional currency.

NOTE:

The customer should consider the following factors when determining participation in regional settlement: settlement currency, MasterCard settlement bank, member ID's licensed region, and the supported clearing system. For more information on regional settlement services, refer to Regional Settlement Services for Customers Licensed in Regions other than Europe and Regional Settlement Services for Customers Licensed in Europe.

Information in this field...	Indicates...
Selection of Settlement Services in trailer section.	Complete only when submitting multiple NSIFs for one member ID/ICA at one time. Indicate the applicable settlement service ID for the paperwork.

Section III: Transfer Agent Information

The customer completes this section to provide specific information about the account owner, transfer agent, and the designated transfer agent bank.

The transfer agent bank is the institution where the transfer agent account is maintained.

Field	Description																				
Transfer Agent Name (Account Owner)	Name of the settlement account owner and be the same as the “Customer Name” defined in section I. If different, the principal should be establishing a consolidated settlement relationship or discuss the settlement arrangement with the Customer Operations Services team.																				
Transfer Agent Contact Name and Phone Number	Person to be contacted on behalf of managing the customer’s daily settlement activity. Complete if different from the “Customer Settlement Contact” in section I.																				
Transfer Agent Bank Name	Name of the bank where the transfer agent settlement account is maintained.																				
Transfer Agent Bank Address	Full address (street, city, state/province, ZIP/postal code, and country) of the bank where the transfer agent settlement account is maintained.																				
US Federal Banking Routing Transit Number or SWIFT ID	Required. Provide one of the following: • U.S. Federal Banking Routing Transit Number • SWIFT ID Customers that settle in USD must complete the U.S. Federal Banking Routing Transit Number (nine digits) The SWIFT ID consists of eight or eleven contiguous characters as follows: <table><tr><th>Code</th><th>Length</th><th>Position</th><th>Format</th></tr><tr><td>Bank</td><td>4</td><td>1–4</td><td>Alphabetic</td></tr><tr><td>Country</td><td>2</td><td>5–6</td><td>Alphabetic</td></tr><tr><td>Location</td><td>2</td><td>7–8</td><td>Alphanumeric</td></tr><tr><td>Branch</td><td>3</td><td>9–11</td><td>Alphanumeric</td></tr></table>	Code	Length	Position	Format	Bank	4	1–4	Alphabetic	Country	2	5–6	Alphabetic	Location	2	7–8	Alphanumeric	Branch	3	9–11	Alphanumeric
Code	Length	Position	Format																		
Bank	4	1–4	Alphabetic																		
Country	2	5–6	Alphabetic																		
Location	2	7–8	Alphanumeric																		
Branch	3	9–11	Alphanumeric																		
Transfer Agent Account Number	The designated transfer agent settlement account number located at the transfer agent bank (19 characters maximum). In some cases, the transfer agent bank may not need an account number. See the following International Bank Account Number (IBAN) fields for further clarification regarding the Transfer Agent Account Number.																				
Transfer Agent Account Currency	The three-position alpha or numeric ISO settlement currency for the transfer agent settlement account.																				

Field	Description
International Bank Account Number (IBAN) ISO Country Code	The two-position alpha ISO Country Code associated with the transfer agent IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.
IBAN Check Number	The two-position numeric Check Number associated with the transfer agent IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.
IBAN Bank Code	The eight-position, variable-length, alpha or numeric Bank Code associated with the transfer agent IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.
IBAN Branch Code	The six-position numeric Branch Code associated with the transfer agent IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.

Pay Thru Bank Information

A transfer agent bank may elect to use a pay thru bank when the transfer agent bank is unable to effect payments with the MasterCard settlement bank.

Only customers that effect settlement through a pay thru bank need to complete this section. Customers that do not effect settlement through a pay thru bank should initial the bottom of the page and proceed to section V.

Field	Description																				
Pay Thru Bank Name	The name of the selected correspondent bank.																				
Pay Thru BankAddress	The full address (street, city, state/province, ZIP/postal code, and country) where the correspondent bank is located.																				
U.S. Federal Banking Routing Transit Number or SWIFT ID	Required. Provide one of the following: - U.S. Federal Banking Routing Transit Number - SWIFT ID Customers that settle in USD must complete the U.S. Federal Banking Routing Transit Number (9 digits) The SWIFT ID consists of eight or eleven contiguous characters as follows: <table><tr><td>Code</td><td>Length</td><td>Position</td><td>Format</td></tr><tr><td>Bank</td><td>4</td><td>1–4</td><td>Alphabetic</td></tr><tr><td>Country</td><td>2</td><td>5–6</td><td>Alphabetic</td></tr><tr><td>Location</td><td>2</td><td>7–8</td><td>Alphanumeric</td></tr><tr><td>Branch</td><td>3</td><td>9–11</td><td>Alphanumeric</td></tr></table>	Code	Length	Position	Format	Bank	4	1–4	Alphabetic	Country	2	5–6	Alphabetic	Location	2	7–8	Alphanumeric	Branch	3	9–11	Alphanumeric
Code	Length	Position	Format																		
Bank	4	1–4	Alphabetic																		
Country	2	5–6	Alphabetic																		
Location	2	7–8	Alphanumeric																		
Branch	3	9–11	Alphanumeric																		
Pay Thru Bank Account Number	The account number at the correspondent bank that will effect payments to/from the MasterCard settlement bank. See the following International Bank Account Number (IBAN) fields for further clarification regarding the Pay Thru Bank Account Number.																				
Pay Thru Bank Account Currency	The three-position alpha or numeric ISO settlement currency for the Pay Thru Bank Account. Must be the same currency as the Transfer Agent Account Currency.																				
International Bank Account Number (IBAN) ISO Country Code	The two-position alpha ISO Country Code associated with the Pay Thru IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.																				

Field	Description
IBAN Check Number	The two-position numeric Check Number associated with the Pay Thru IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.
IBAN Bank Code	The eight-position, variable-length, alpha or numeric Bank Code associated with the Pay Thru IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.
IBAN Branch Code	The six-position numeric Branch Code associated with the Pay Thru IBAN settlement account. Mandatory for all regional EUR settlement in EU000000007 and EU000000008 settlement services; optional for all other settlement services. For further clarification regarding the use of IBAN-based account numbers, refer to International Bank Account Number.
Information in this field...	Indicates...
Selection of Settlement Services in trailer section.	Complete only when submitting multiple agreements for one member ID at one time. Indicate the applicable settlement service for the paperwork.

Section IV: Settlement Through Another Principal (Consolidation)

The customer designates in this section of the Net Settlement Information Form (NSIF) a transfer agent to facilitate settlement on behalf of the customer for consolidated settlement.

A customer that designates a different principal to act as its transfer agent to effect daily net settlement on their behalf is considered to be participating in a consolidated relationship. In this case, the principal completing the NSIF designates a different principal to be the transfer agent in a consolidated arrangement. This designation enables MasterCard to facilitate settlement on behalf of the designating customer at the transfer agent (designated customer) bank.

Indicate the transfer agent name and the transfer agent member ID.

Indicate the transfer agent bank account currency.

Field	Description
Transfer Agent Name (Account Owner)	The name of the selected principal that owns the settlement account to effect payments to/from the MasterCard settlement bank on behalf of the customer defined in section I.
Transfer Agent Member ID	A unique identification number assigned by MasterCard to identify a customer or processing endpoint. This ID has been assigned by MasterCard and represents the principal identified in the Transfer Agent Name.
Transfer Agent Account Currency	The three-position alpha or numeric ISO settlement currency for the Transfer Agent Account that effects payments to/from the MasterCard settlement bank.
Information in this field...	Indicates...
Selection of Settlement Services in trailer section.	Complete only when submitting multiple agreements for one member ID/ICA at one time. Indicate the applicable settlement service for the paperwork.

Section V: Settlement Selection Criteria

The customer selects in this section of the Net Settlement Information Form (NSIF) specific settlement selection criteria if establishing a regional settlement agreement that is not the default.

This section of the NSIF must be completed if settlement is to occur by using settlement selection criteria to guide GCMS transactions to a specific settlement account/currency. The settlement selection criteria option is only available for regional settlement through the GCMS platform. Customers can use multiple combinations of the settlement selection criteria for a specific settlement account/currency. When multiple criteria combinations are applicable, the customer will complete section V for each combination of the settlement selection criteria and include all of the criteria combinations within the NSIF applicable to the settlement account/currency. For more information on the settlement service selection criteria implementation requirements, customers should refer to Settlement Concepts. Customers should contact their regional office or the Customer Operations Services team when a business application for settlement service selection criteria is requested.

NOTE:

MasterCard, in its sole discretion, may restrict usage of settlement selection criteria as MasterCard may deem necessary or appropriate. In such event, an implementation date is determined by MasterCard on a case-by-case basis.

The following is settlement selection criteria available for GCMS processed transactions:

- Issuer Only Activity
- Issuer Account Range
- Acquirer Only Activity
- Acquirer Bank Identification Number (BIN)
- Card Program Identifier
- Transaction Currency

Intracurrency settlement agreements between customers that participate in intracurrency settlement will determine the application of the settlement criteria within section V. Therefore, individual customers will not define unique settlement criteria when participating in intracurrency settlement and will not complete section V.

GCMS Settlement Service Selection Criteria

The following table includes the settlement selection criteria available to customers processing within the GCMS platform. For more information about the GCMS application of settlement service selection criteria, refer to Section 6 of the *GCMS Reference Manual*.

NOTE:

European customers processing under the ECCF format should contact their regional office or Customer Operations Services to discuss usage of the settlement selection criteria options for regional and intracurrency services.

Settlement Selection Criteria	For More Information
Issuer Only or Acquirer Only Activity	The Transaction Function is used to classify a transaction as issuing and acquiring. For more detail related to Transaction Function and the application of Message Type Identifier (MTI) plus Function Code, refer to the <i>IPM Clearing Formats</i> manual.
Issuer Account Range	Identifies the account range associated with the cardholder account range of the transaction. For more detail related to DE 2 (Primary Account Number [PAN]), refer to the <i>IPM Clearing Formats</i> manual.
Acquiring BIN	Identifies the acquiring BIN associated with the acquirer of the transaction. For more detail related to DE 31 (Acquirer Reference Data), subfield 2 (Acquirer's BIN), refer to the <i>IPM Clearing Formats</i> manual.
Card Program Identifier	The Card Program Identifier is a three-character code that identifies the card program or financial network to which a transaction belongs. For Card Program Identifiers available to select from for GCMS processed transactions, refer to PDS 0158 (Business Activity) in the <i>IPM Clearing Formats</i> manual.
Transaction Currency	Refer to the <i>Quick Reference Booklet</i> for Transaction Currencies available to select from for GCMS processed transactions. For more detail related to DE 49 (Currency Code, Transaction), refer to the <i>IPM Clearing Formats</i> manual.

Information in this field...	Indicates...
Selection of Settlement Services in trailer section.	Complete only when submitting multiple agreements for one member ID/ICA at one time. Indicate the applicable settlement service for the paperwork.

Section VI: Daily Net Settlement Advisement Transmission (Optional)

The customer identifies in this section of the Net Settlement Information Form (NSIF) the appropriate method to receive the Net Settlement Advisement.

This section of the NSIF must be completed if the customer chooses to receive a net settlement advisement. The customer may elect to receive the advisement in more than one method of transmission to various destinations. A monthly fee is charged for each method of transmission and destination on a unique combination of account/currency, settlement service, and transfer agent ID or member ID. For more information, refer to Net Settlement Advisements.

Within this section of the NSIF, the customer must elect to either to receive an advisement if no existing current advisement method is established, or change an existing advisement destination or transmission method. This section of the NSIF can be copied and used independently if selecting additional methods and destinations or elect to make changes.

Field	Description
Step 1: Settlement Service Selection	Customers must select the type of settlement service for which they are requesting advisements. The customer must specify one of the following: • Regional Settlement—The MasterCard settlement service used by customers and transfer agents to settle their transactions. Include the settlement account and currency to define what service is being impacted by the request. • Intracurrency Settlement—The MasterCard settlement service used by customers and transfer agents to settle in a mutually agreed upon currency. Include the settlement account and currency to define what service is being impacted by the request.

Field	Description
Step 2: Choose the method of transmission and indicate the recipient of the advisement.	Indicate the method of transmission you want to use when receiving the advisement. Valid options are: • MasterCard eService (Note: Access to MasterCard Connect™ is required through a SecurID®. To receive an advisement through MasterCard eService, registration for the product is required through MasterCard Connect.) • Email Address • Fax Number (Include the country/city code + number) • SWIFT Address Choose a recipient for each destination chosen.
Step 3: Choose the method of transmission and the destination that you would like to remove	Delete a current method of delivery by defining the transmission and destination: • MasterCard eService (eliminating the product is required through MasterCard Connect). • Email Address. • Fax Number (include the country/city code + number). • SWIFT Address
Information in this field...	Indicates...
Selection of Settlement Services in trailer section.	Complete only when submitting multiple agreements for one member ID/ICA at one time. Indicate the applicable settlement service for the paperwork.

What Sections of the NSIF are Applicable to My Settlement Arrangement?

This table helps customers determine which sections of the Net Settlement Information Form (NSIF) to complete based on customers' roles and responsibilities.

Settlement Arrangement	Applicable Section of the NSIF
Principal acts as own transfer agent, is responsible for funding the account at the transfer agent bank, and is establishing their regional default, and chooses to receive a net settlement advisement.	Section I, II, III, VI

Settlement Arrangement	Applicable Section of the NSIF
Principal acts as own transfer agent, is responsible for funding the account at the transfer agent bank, and is establishing an intracurrency agreement, and chooses to receive a net settlement advisement.	Section I, II, III, VI
Principal acts as own transfer agent, is responsible for funding the account at the transfer agent bank, and chooses to utilize settlement service selection criteria for a regional service, and receive a net settlement advisement.	Section I, II, III, VI
Principal acts as own transfer agent, is responsible for funding the account at the transfer agent bank, and chooses to utilize multiple combinations of settlement service selection criteria for a regional service, and receive a net settlement advisement.	Section I, II, III, V (multiple sheets defined by the group identifier to support combinations of criteria), VI. Note: Section V completed for each group of the settlement selection criteria requested.
Principal acts as own transfer agent, is responsible for funding the account at the transfer agent bank, is establishing its regional default, and does not want to receive a net settlement advisement.	Section I, II, III
Principal acts as own transfer agent, is responsible for funding the account at the transfer agent bank, requires a pay thru bank to effect payments with the MasterCard settlement bank, and is establishing its regional default. Principal chooses not to receive a net settlement advisement.	Section I, II, III
Principal acts as own transfer agent, is responsible for funding the account at the transfer agent bank, requires a pay thru bank to effect payments with the MasterCard settlement bank, and chooses to utilize settlement service selection criteria for a regional service. Principal chooses not to receive a net settlement advisement.	Section I, II, III, V
Principal participates in a consolidated settlement arrangement and chooses to utilize settlement service selection criteria for a regional service. Principal chooses to receive a customer advisement.	Section I, II, IV, V, VI
Principal participates in a consolidated settlement arrangement for its regional default and chooses not to receive a customer advisement.	Section I, II, IV

Appendix A Net Settlement Advisements

This section describes and provides examples of Net Settlement Advisements.

Net Settlement Advisements.....	236
Transfer Agent Advisement Detail (BSADV308-AA).....	237
Member Advisement Detail (BSADV308-AA).....	247
Transfer Agent Advisement Exception Report (BSADV309-AA).....	253

Net Settlement Advisements

A settlement advisement is a message that identifies the net settlement position of one or more member IDs.

Customers must bring the MasterCard net settlement account to a zero balance each day. To do this, customers must instruct their transfer agent or pay thru banks to give transfer order messages top priority and to respond to them accordingly.

At each settlement cutoff, the Settlement Account Management (S.A.M.) system determines the net settlement position for all customers that are settling in that settlement cycle. Advisement recipients may elect to receive an advisement for their net debit or net credit position.

Customers that are in a net credit position should expect to receive payment from MasterCard for the sum of the net position. Customers in a net debit position are expected to forward payment to MasterCard for the sum of the net position. In addition, customers may request more than one advisement destination or advisement transmission media.

Customers participating in settlement follow an agreed upon settlement cutoff for calculating end-of-day net settlement positions. Following the agreed upon settlement cutoff, MasterCard generates advisements for each participating customer's net settlement position.

The S.A.M. system generates the following advisements at the end of each mutually agreed upon business day, as applicable:

- Each customer or transfer agent participating in settlement receives an advisement identifying the net settlement position for each unique combination of account/currency, settlement service, and transfer agent ID or member ID.
- Each transfer agent that participates in Minimum Threshold for Funds Transfer process will receive an advisement notifying them of the payments that have met the small dollar threshold and will be settled at a later date.

Settlement advisements are available through the following methods:

- MasterCard eService
- Email message
- Fax
- SWIFT MT998

NOTE:

MasterCard may require each participating customer to establish a relationship with the local settlement bank to move funds appropriately.

Types of Advisements

There are three types of advisements:

- Transfer Agent Detail Advisement
- Member Advisement Detail
- Transfer Agent Advisement Exception Report

Advisement Delivery Times

On each scheduled settlement day, MasterCard advises the transfer agent bank of the customer's net settlement position. This advisement also will notify the transfer agent bank either to expect a funds transfer from, or to transfer funds to the net settlement bank account in the applicable currency. MasterCard sends the advisement to the transfer agent designated by the customer.

The following table lists the anticipated advisement distribution times for each of the six settlement service cutoffs:

IF the Settlement Service Cutoff time (St. Louis time) is ...	THEN the advisement distribution time will generally be ...
00:00	02:00
03:00	05:00
04:05	06:05
06:30	08:30
08:00	10:00
10:30	12:00

NOTE:

When the customer is in a debit position, MasterCard requires payment to the MasterCard settlement account within the settlement service payment deadline on the value date regardless of the advisement delivery time.

Transfer Agent Advisement Detail (BSADV308-AA)

Transfer Agent Advisement Detail is distributed to the customer or its designated transfer agent. This advisement notifies the transfer agent bank of its net position in the appropriate settlement currency.

The transfer agent bank may receive the advisement through MasterCard eService, email message, fax, or SWIFT MT998.

Customers that maintain multiple Customer (Member) IDs for clearing and settlement may consolidate their activity under one Customer (Member) ID to minimize funds transfer expenses. Each Customer (Member) ID will appear as a separate section in the Transfer Agent Advisement Detail. This layout simplifies reconciliation for each Customer (Member) ID.

MasterCard places no restriction on which Customer (Member) ID assumes the lead designation except that it must be a principal.

The following is the format of page 1 of this report.

1	2	3	4	5	6	7	8	9	0	1	2	132
TRANSFER AGENT ADVISEMENT DETAIL												
REPORT: BSADV308-AA(1)										(2)DATE: DD MM YYYY		
PAGE: XX3 (3)										(4)TIME: HH:MM		
DELIVERY MEDIA: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(5)												
DESTINATION: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX0(6)										FROM NAME: MASTERCARD(7)		
TO TRANSFER AGENT: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(8)										FROM OFFICE: ST. LOUIS(9)		
TRANSFER AGENT ID: XXXXXXXXXXXX11(10)										FROM PHONE NUMBER: 636-722-7676(12)		
TRANSFER AGENT BANK: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(11)										SETTLEMENT DATE: DD MM YYYY(14)		
CONTRACT NAME: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(13)												
SETTLEMENT SERVICE NAME: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(15)										SCHEDULED CUTOFF TIME: HH:SS(16)		
SETTLEMENT SERVICE ID: XXXXXXXX10(17)										SCHEDULED SETTLEMENT CYCLE: XX(18)		
SETTLEMENT SERVICE TYPE: XXXXXXXXXXXXXXXX16(19)												
SETTLEMENT BANK NAME: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(21)										SETTLEMENT		
SETTLEMENT ACCOUNT NBR: XXXXXXXXXXXXXXXX19(22)										ROUTING NUMBER: XXXXXXXXXXXXXXXX18(23)		
MCE ACCOUNT NUMBER: XXXXXXXXXXXXXXXX19(24)										MUTUAL CORRESPONDENT BANK: XXXXXXXXXXXXXXXXXXXXXXXX40(25)		
MCE COUNTRY CODE: XX3(26)												
PAY THRU ACCOUNT NUMBER: XXXXXXXXXXXXXXXX19(27)										PAY THRU BANK: XXXXXXXXXXXXXXXXXXXXXXXX40(28)		
PAY THRU COUNTRY CODE: XX3(29)												
AGENT ACCOUNT NUMBER: XXXXXXXXXXXXXXXX19(30)										BANK ROUTING NUMBER: XXXXXXXXXXXXXXXX18(31)		
CURRENCY NAME: XXXXXXXXXXXXXXXXXXXXXXXX40(32)										CURRENCY CODE: XX3/XX3(33)		

The following is the format of page 2 of this report.



Field Descriptions

The column headings in the table describing each of the fields are as follows.

Heading	Description
Field Number	The field number in this column corresponds to the field number in parenthesis on the sample layout.
Field Name	The name used to reference the field.
Required (R) or Optional (O)	This column displays an R if the field is required and displays on every Transfer Agent Advisement created. This column displays an O if the field is optional and will be displayed only if the field is appropriate for this Transfer Agent Advisement. For example, the Mutual Correspondent Bank (MCB) fields will show an O and will display only if an MCB exists.
Attribute	This column describes the size and characteristics of the field. An a represents an alpha field, n represents a numeric field, and the number represents the number of characters in the field.
Description	This column describes the contents of the field and any special notes.

The following table includes information about each of the fields in the Transfer Agent Advisement—Detail.

Field Number	Field Name	Required (R)		Description
		Optional (O)	Attribute	
1	Report	R	an-11	System name assigned to this report—BSADV308-AA.
2	Date	R	DD MMM YYYY	System date on which the report was created based on St. Louis date.
3	Page	R	n-3	Page number of the report.
4	Time	R	HH:MM	System time at which the report was created. This is displayed as St. Louis local time.
5	Delivery Media	R	an-40	The assigned delivery media for all detail positions on this report.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
6	Destination	R	an-50		The assigned destination for all detail positions on this report.
7	From Name	R	an-40		Name of the company sending this report. This always will say MASTERCARD.
8	To Transfer Agent	R	an-40		The name of the transfer agent receiving this report.
9	From Office	R	an-15		Location of the MasterCard office that is sending this report.
10	Transfer Agent ID	R	n-11		The ID (identifier) of the transfer agent receiving this report.
11	Transfer Agent Bank	R	an-40		The name of the transfer agent bank.
12	From Phone Number	R	an-12		The phone number of the MasterCard office to contact if you have questions about this report.
13	Contact Name	R	an-40		The name of the person at the transfer agent office that will receive this report.
14	Settlement Date	R	DD MMM YYYY		The date on which settlement processing occurred and advisements delivered.
15	Settlement Service Name	R	an-40		The name of the settlement service that this report supports.
16	Scheduled Cutoff Time	R	HH:MM		Scheduled cutoff time to support dynamic cutoffs, displayed in Coordinated Universal Time (UTC).
17	Settlement Service ID	R	an-10		The unique identifier assigned by MasterCard for the settlement service.
18	Scheduled Settlement Cycle	R	an-2		Originally scheduled settlement service cycle, sequential within settlement cycle.

Field Number	Field Name	Required (R)		Attribute	Description
		Optional (O)			
19	Settlement Service Type	R		an-16	The level of the settlement service: regional or intracurrency.
20	N/A				Reserved for future use.
21	Settlement Bank Name	R		an-40	The name of the settlement service's designated settlement bank.
22	Settlement Account Number	R		an-19	The account number of the settlement service's designated settlement bank (the account number from which the transfer agent receives money or to which it pays).
23	Settlement Routing Number	R		an-18	The routing number of the settlement service's designated settlement bank (the routing number from which the transfer agent receives money or to which it pays).
24	MCB Account Number	O		an-19	The account number of the mutual correspondent bank. Displays only if there is an MCB relationship to the transfer agent.
25	Mutual Correspondent Bank	O		an-40	The name of the mutual correspondent bank. Displays only if there is an MCB relationship to the transfer agent.
26	MCB Country Code	O		a-3	The three-character ISO code for the country in which the MCB resides. Displayed as alpha characters.
27	Pay Thru Account Number	O		an-19	The account number of the Pay Thru Bank. Displays only if there is a Pay Thru relationship to the transfer agent.
28	Pay Thru Bank	O		an-40	The name of the Pay Thru Bank. Displays only if there is a Pay Thru relationship to the transfer agent.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
29	Pay Thru Country Code	O	a-3		The three-character ISO code for the country in which the Pay Thru Bank resides. Displayed as alpha characters.
30	Agent Account Number	R	an-19		The account number of the transfer agent detailed on this report.
31	Bank Routing Number	R	an-18		The routing number assigned to the bank that controls the transfer agent.
32	Currency Name	R	an-40		The ISO name of the currency in which the positions are valued.
33	Currency Code	R	a-3 n-3		The ISO alpha and numeric codes in which the currency positions are valued.
34	Country Code	R	a-3		The three-character ISO code for the country in which the transfer agent resides. Displayed as alpha characters.
35	Value Date	R	an-11		The date that funds are expected to move for settlement.
36	Member Name	R	an-40		The name of the customer associated with the settlement positions that follow on this report.
37	Member ID	R	n-11		The unique identifier for the customer.
38	Internal ID	R	an-20		The customer's unique identifier assigned by the bank that manages the transfer agent.
39	No	R	an-3		A unique identifier for the line created at the time of the report.
40	Recon Date	R	an-11		The reconciliation date of an individual customer settlement position that will be settled through the transfer agent.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
41	Input Source	R	an-10		System that provides data to the Settlement Account Management (S.A.M.): 0000000001 = GCMS 0000000002 = RPPS® 0000000003 = MCBS 0000000004 = RSC / APC 0000000006 = Single Message System
42	File ID	R	an-25		Transmission ID.
43	Originated in Payment	R	n-17		The amount of the settlement position that is activity submitted by this customer, displayed on the advisement in payment currency.
44	D/C	R	a-1		Debit/credit indicator.
45	Received in Payment	R	n-17		The amount of the settlement position that is activity received by this customer, displayed on the report in payment currency.
46	D/C	R	a-1		Debit/credit indicator.
47	Net Amount in Payment	R	n-17		The total net amount of this customer's settlement position that will be settled through the transfer agent, displayed on the advisement in payment currency.
48	D/C	R	a-1		Debit/credit indicator.
49	Member Totals in Payment Currency XXX	R	n-3		Three-digit code that indicates the currency in which the customer is paid or pays to settle its activity.
50	Member Totals in Payment Currency (Originated)	R	n-18		The total amount of all settlement positions that was activity submitted by this customer, displayed on the advisement in payment currency.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
51	D/C	R	a-1		Debit/credit indicator.
52	Member Totals in Payment Currency (Received)	R	n-18		The total amount of all settlement positions that was activity received by the customer, displayed on the advisement in payment currency.
53	D/C	R	a-1		Debit/credit indicator.
54	Member's Net Amount	R	n-18		The total net amount of this customer's settlement positions that will be settled through the transfer agent, displayed on the advisement in payment currency.
55	D/C	R	a-1		Debit/credit indicator.
56	Account Totals in Payment Currency XXX	R	n-3		Three-digit code that indicates the account payment currency for this transfer agent.
57	Account Totals in Payment Currency (Originated)	R	n-18		The total amount of all settlement positions with the same value date for the account that was activity submitted by the customer, displayed on the advisement in payment currency.
58	D/C	R	a-1		Debit/credit indicator.
59	Account Totals in Payment Currency (Received)	R	n-18		The total amount of all settlement positions with the same value date for the account that was activity received by the customer, displayed on the advisement in payment currency.
60	D/C	R	a-1		Debit/credit indicator.
61	Account Totals in Payment Currency (Net Amount)	R	n-18		The total net amount of all settlement positions with the same value date for the account, displayed on the advisement in payment currency.

Field Number	Field Name	Required (R)	Optional (O)	Attribute	Description
62	D/C	R		a-1	Debit/credit indicator.

XML Format

The Transfer Advisement Detail is available in XML format.

```

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  <TDXHEADER>
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    <REPORT_ID> BSADV308-AA </REPORT_ID>
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    <MEDIA_TYPE_ID>
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    <TR_AGENT_ID>
    <TR_AGENT_BANK>
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        <NET_DB_CR_SW>
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    </MEMBERSECTION>
  </TDXDETAIL>
  <MEMBERTOTAL>

```

#wraps each TDX message
#dropped by ProcessXYZ.sh
#TDX message ID
#Header for each TDX section

#Print Date Time
#TDX delivery media ID
#TDX media Destination
#TA Name
#TA ID/Name Abbrev
#TA Bank Name
#TDX Media Attention
#Stl Service Name
#SETL SVC ID
#Stl Svc Lvl DESC_TXT
#Stl Cutoff CUT DeadLine time
#Stl Svc seq.cycle num(1,2,...)
#Stl Svc Bank Name
#SETTLEMENT_DATE
#Stl Svc Acct Number
#Stl Svc Routing Number
#TA Acct Number
#TA Bank Routing Number
#T.Agent Bank Acct CurrAlpha
#T.Agent Bank Acct CurrNumeric
#Currency Name/CURR_NAM
#Currency exponent
#T.Agent Bank Country Numeric
#T.Agent Bank Country Alpha
#Value Date

#Repeats for each member that is using this TA
#Mbr Name (NAM)
#MBR_ID
#MBR_ID

#Repeats for each amount
#Seq. line number (1,2,...)
#Reconciliation Date
#INPUT_SOURCE_ID
#TRANSMITTAL_ID

```

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  <TAA_TOTAL_RCVD_DB_CR_SW> </TAA_TOTAL_RCVD_DB_CR_SW>
  <TAA_TOTAL_NET_PYM_AMT> </TAA_TOTAL_NET_IN_PYM_AMT>
  <TAA_TOTAL_NET_DB_CR_SW> </TAA_TOTAL_NET_DB_CR_SW>
</TRAGENTACCTTOTAL>
</TDXDETAIL>
<TDXTRAILER>
  <FROM_NAME> </FROM_NAME> #From MC Office Name
  <FROM_OFFICE> </FROM_OFFICE> #From MC Office Location
  <FROM_PHONE_NUM> </FROM_PHONE_NUM> #From MC Office Phone Number
</TDXTRAILER>
<TDX>

```

Member Advisement Detail (BSADV308-AA)

The Member Advisement Detail is distributed upon request to customers that participate in a consolidated arrangement. This advisement notifies the customer of its net settlement position that will be settled at the designated transfer agent bank. Customers may elect to receive the advisement through MasterCard e-Service, email message, SWIFT MT998, or fax.

Customers involved in a consolidated relationship may elect to receive a member advisement. The Member Advisement Detail is a reconciliation report and is not intended to be used to initiate payment to or from MasterCard. The Transfer Agent Detail Advisement will continue to be used to identify net settlement positions for settlement by the transfer agent bank.

The following is the format of this report.

```

-----1-----2-----3-----4-----5-----6-----7-----8-----9-----0-----1-----2-----32
                                MEMBER ADVISEMENT
                                DETAIL

REPORT:      BSADV308-AA(1)                                (2)DATE: DD MM YYYY
PAGE:        XX3 (3)                                         (4)TIME: HH:MM

DELIVERY MEDIA: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(5)
DESTINATION:   XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX50(6) FROM NAME:          MASTERCARD(7)
TO MEMBER:     XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX40(8) FROM OFFICE:         ST. LOUIS(9)
MEMBER ID:     XXXXXXXX11(8a) FROM PHONE NUMBER: 636-722-7676(10)
                                           SETTLEMENT DATE: DD MM YYYY(11)

SETTLEMENT SERVICE NAME: XXXXXXXXXXXXXXXXXXXXXXXX40(12) SCHEDULED CUTOFF TIME: HH:MM(13)
SETTLEMENT SERVICE ID:  XXXXXXXXXXXX10(14) SCHEDULED SETTLEMENT CYCLE: XX(15)
SETTLEMENT SERVICE TYPE: XXXXXXXXXXXXXXXX16(16)

CURRENCY NAME: XXXXXXXXXXXXXXXXXXXXXXXX40(18) CURRENCY CODE: XX3/XX3 (19)
COUNTRY CODE:  XX3 (20) VALUE DATE: DD MM YYYY (21)

NO  RECON DATE  INPUT  TRANS  ORIGINATED IN  D/  RECEIVED IN  D/  NET AMOUNT IN  D/
XX3  DD MM YYYY  XXXXXXXX10  XXXXXXXX25  999,999,999.99 X  999,999,999.99 X  999,999,999.99 X
XX3  DD MM YYYY  XXXXXXXX10  XXXXXXXX25  999,999,999.99 X  999,999,999.99 X  999,999,999.99 X
(22) (23) (24) (25) (26) (27) (28) (29) (30) (31)

ACCOUNT TOTALS IN PAYMENT CURRENCY XXX:  999,999,999.99 X  999,999,999.99 X  999,999,999.99 X
(33) (34) (35) (36) (37) (38) (39)

END OF REPORT

```

Field Descriptions

The column headings in the table describing each of the fields are as follows.

Heading	Description
Field Number	The field number in this column corresponds to the field number in parenthesis on the sample layout.
Field Name	The name used to reference the field.
Required (R) or Optional (O)	This column displays an R if the field is required and displays an O if the field is optional and will be displayed only if the field is appropriate for this Member Advisement Detail.
Attribute	This column describes the size and characteristics of the field. An a represents an alpha field, n represents a numeric field, and the number represents the number of characters in the field.
Description	This column describes the contents of the field and any special notes.

The following table includes information about each of the fields in the Member Advisement Detail.

Field Number	Field Name	Required (R) Optional (O)	Attribute	Description
1	Report	R	an-11	Report ID.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
2	Date	R	DD MMM YYYY		System date on which the report was created. This is displayed as the St. Louis date.
3	Page	R	n-3		Page number of the report.
4	Time	R	HH:MM		System time on which the report was created. This is displayed as St. Louis time.
5	Delivery Media	R	an-40		The assigned delivery media for all detail positions on the report.
6	Destination	R	an-50		The assigned destination for all detail positions on the report.
7	From Name	R	an-40		Name of the company sending this report. This will always say MASTERCARD.
8	To Member	R	an-40		The name of the customer receiving this report.
8a	Member ID	R	n-11		The ID of the customer receiving this report.
9	From Office	R	an-15		The location of the MasterCard office that is sending this report.
10	From Phone Number	R	an-12		The phone number of the MasterCard office to contact if you have questions about this report.
11	Settlement Date	R	DD MMM YYYY		The date on which settlement processing occurred and advisements were delivered.
12	Settlement Service Name	R	an-40		The name of the settlement service that this report supports.
13	Scheduled Cutoff Time	R	HH:MM		Scheduled cutoff in Coordinated Universal Time (UTC).
14	Settlement Service ID	R	an-10		The MasterCard unique identifier for the settlement service.

Field Number	Field Name	Required (R)		Attribute	Description
		Optional (O)			
15	Scheduled Settlement Cycle	R		an-2	The originally scheduled settlement service cycle, sequential within settlement service.
16	Settlement Service Type	R		an-16	The level of the settlement service: regional or intracurrency.
17	N/A				Reserved for future use.
18	Currency Name	R		an-40	The ISO name of the currency in which the positions are valued.
19	Currency Code	R		a-3 n-3	The ISO alpha and numeric codes in which the currency positions are valued.
20	Country Code	R		a-3	The three-character ISO code for the country in which the transfer agent resides. This code is displayed as alpha characters.
21	Value Date	R		an-11	The value date for each of the following detail lines on the report.
22	No	R		an-3	A unique identifier for the line created at the time of the report.
23	Recon Date	R		an-11	The reconciliation date of an individual customer settlement position that will be settled through the transfer agent based on processing local time.
24	Input Source	R		an-10	System that provides data to the Settlement Account Management (S.A.M.): 0000000001 = GCMS 0000000002 = RPPS® 0000000003 = MCBS 0000000004 = RSC / APC 0000000006 = Single Message System

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
25	Trans ID	R	an-25		Transmission ID.
26	Originated in Payment Currency	O	n-18		The amount of the settlement position that is activity submitted by this customer, displayed on the report in payment currency.
27	D/C	O	a-1		Debit/credit indicator for the amount of the settlement position that is activity submitted by the customer.
28	Received in Payment Currency	O	n-18		The amount of the settlement position that is activity received by this customer, displayed on the report in payment currency.
29	D/C	O	a-1		Debit/credit indicator for the amount of the settlement position that is activity submitted by the customer.
30	Net Amount in Payment Currency	O	n-17		The total net amount of this customer's settlement position that will be settled through the transfer agent, displayed on the report in payment currency.
31	D/C	O	a-1		Debit/credit indicator for the total net amount of the customer's settlement position.
32	Account Totals in Payment Currency	R	an-25		Displays field name, "Account Totals in Payment Currency".
33	Payment Currency	R	n-3		Three-digit code that indicates the currency in which the customer is paid or pays to settle its activity.
34	Account Totals in Payment Currency (Originated)	O	n-18		The total amount of all settlement positions with the same value date for an account that has activity submitted by the customer.
35	D/C	O	a-1		Debit/credit indicator.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
36	Account Totals in Payment Currency (Received)	O	n-18		The total amount of all settlement positions with the same value date for an account that has activity received by the customer.
37	D/C	O	a-1		Debit/credit indicator.
38	Account Totals in Payment Currency (Net Amount)	O	n-18		The total net amount of all settlement positions with the same value date for this account.
39	D/C	R	a-1		Debit/credit indicator.

XML Format

The Member Advisement Detail is available in XML format.

<MDX>		#wraps each MDX message
<REPORT_INFO_LINE>	</REPORT_INFO_LINE>	#dropped by ProcessXYZ.sh
<MESSAGE_ID>	</MESSAGE_ID>	#MDX message ID
<MDXHEADER>		#Header for each MDX section
<REPORT_NAME>MEMBER ADVISEMENT DETAIL</REPORT_NAME>		
<REPORT_ID> BSADV303-AA </REPORT_ID>		
<LOCAL_DATE_TIME>YYYYMMDDHHMMSS</LOCAL_DATE_TIME>		#Create Date Time
<MEDIA_TYPE_ID>	</MEDIA_TYPE_ID>	#MDX delivery media ID
<DESTINATION>	</DESTINATION>	#MDX media Destination
<TO_MEMBER>	</TO_MEMBER>	#Member Name
<MEMBER_ID>	</MEMBER_ID>	#Member ID/MBR_ID
<SETL_SERVICE_NAME>	</SETL_SERVICE_NAME>	#Stl Service Name
<SETL_SERVICE_ID>	</SETL_SERVICE_ID>	#SETL_SVC_ID
<SETL_SERVICE_TYPE>	</SETL_SERVICE_TYPE>	#Stl Svc Lvl DESC_TXT
<SETL_DATE> YYYYMMDD </SETL_DATE>		#SETTLEMENT DATE
<SCHED_CUTOFF_TIME> HHMM </SCHED_CUTOFF_TIME>		#Stl Cutoff CUT DeadLine time
<SCHED_STL_CYCLE_NUM>	</SCHED_STL_CYCLE_NUM>	#Stl Svc seq.cycle num(1,2,...)
<ALPHA_CURR_CODE> XXX </ALPHA_CURR_CODE>		#T.Agent Bank Acct CurrAlpha
<NUM_CURR_CODE> 009 </NUM_CURR_CODE>		#T.Agent Bank Acct CurrNumeric
<CURR_NAME>	</CURR_NAME>	#Currency Name/CURR_NAM
<EXPONENT>	</EXPONENT>	#Currency exponent
<NUM_ISO_CTRY_CODE> 009 </NUM_ISO_CTRY_CODE>		#T.Agent Bank Country Numeric
<ALPHA_ISO_CTRY_CODE>XXX </ALPHA_ISO_CTRY_CODE>		#T.Agent Bank Country Alpha
<VALUE_DATE>YYYYMMDD </VALUE_DATE>		#Value Date
</MDXHEADER>		
<MDXDETAIL>		#Repeats for each amount
<SLNO>	</SLNO>	#Seq. line number (1,2,...)
<RECON_DATE>	</RECON_DATE>	#Reconciliation Date
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<TRANS_ID>	</TRANS_ID>	#TRANSMITTAL_ID
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<TOTAL_ORGNTD_DB_CR_SW>	</TOTAL_ORGNTD_DB_CR_SW>	
<TOTAL_RCVD_PYM_AMT>	</TOTAL_RCVD_PYM_AMT>	
<TOTAL_RCVD_DB_CR_SW>	</TOTAL_RCVD_DB_CR_SW>	
<TOTAL_NET_PYM_AMT>	</TOTAL_NET_IN_PYM_AMT>	
<TOTAL_NET_DB_CR_SW>	</TOTAL_NET_DB_CR_SW>	
</MEMBERACCTTOTAL>		
<MDXTRAILER>		
<FROM_NAME>	</FROM_NAME>	#From MC Office Name
<FROM_OFFICE>	</FROM_OFFICE>	#From MC Office Location
<FROM_PHONE_NUM>	</FROM_PHONE_NUM>	#From MC Office Phone Number
</MDXTRAILER>		
</MDX>		

Transfer Agent Advisement Exception Report (BSADV309-AA)

The Transfer Agent Advisement Exception Report is distributed by MasterCard to the designated transfer agent when a net settlement position is held for a threshold limit. Transfer agents may elect to receive the advisement through MasterCard e-Service, email message, SWIFT MT998, or fax.

The following is the format of this report.



Field Descriptions

The column headings in the table describing each of the fields are as follows.

Heading	Description
Field No.	The field number in this column corresponds to the field number in parenthesis on the sample layout.
Field Name	The name used to reference the field.
Required (R) or Optional (O)	This column displays an R if the field is required and displays on every Transfer Agent Advisement Detail created. This column displays an O if the field is optional and will be displayed only if the field is appropriate for this Transfer Agent Advisement Detail. For example, the Mutual Correspondent Bank (MCB) fields will show an O and will display only if an MCB exists.
Field Length/Format	This column describes the size and characteristics of the field. An a represents an alpha field, n represents a numeric field, and the number represents the number of characters in the field.
Description	This column describes the contents of the field and any special notes.

The following table includes information about each of the fields in the Transfer Agent Advisement Exception Report.

Field Number	Field Name	Required (R)		Attribute	Description
		Optional (O)			
1	Report	R		an-11	System name assigned to this report (BSADV309-AA).
2	Date	R		DD MMM YYYY	System date on which the report was created. This is displayed as Coordinated Universal Time (UTC).
3	Page Number	R		n-3	Page Number of the report.
4	Time	R		HH:MM	System time on which the report was created. This is displayed as Coordinated Universal Time (UTC).
5	Delivery Media	R		an-40	The assigned delivery media for all detail positions on this report.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
6	Destination	R	an-50		The assigned destination for all detail positions on this report.
7	From Name	R	an-40		Name of the company sending this report. This always will say MASTERCARD.
8	To Transfer Agent	R	an-40		The name of the transfer agent receiving this report.
9	From Office	R	an-15		Location of the MasterCard office that is sending this report.
10	Transfer Agent ID	R	n-11		The ID (identifier) of the transfer agent receiving this report.
11	Transfer Agent Bank	R	an-40		The name of the transfer agent bank.
12	From Phone Number	R	an-12		The telephone number of the department at MasterCard that sent this report.
13	Contact Name	R	an-40		The name of the person at the transfer agent office that will receive this report.
14	Settlement Date	R	DD MMM YYYY		The date which settlement processing occurred.
15	Settlement Service Name	R	an-40		The name of the settlement service that this report supports.
16	Scheduled Cutoff Time	R	HH:MM		The settlement cycle cutoff time as scheduled.
17	Settlement Service ID	R	an-10		The MasterCard unique identifier for the settlement service.
18	Scheduled Settlement Cycle	R	an-2		The originally scheduled settlement service cycle, sequential within service
19	Settlement Service Type	R	an-16		The level of the settlement service: regional or intracurrency.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
20	Settlement Bank Name	R	an-40		The name of the settlement service's designated settlement bank.
21	Settlement Account Number	R	an-19		The account number of the settlement service's designated settlement bank (the account number that the transfer agent receives money from or pays money to).
22	Settlement Routing Number	R	an-18		The routing number of the settlement service's designated settlement bank (the routing number which the transfer agent receives money from or pays money to).
23	Agent Account Number	R	an-19		The account number of the transfer agent detailed on this report.
24	Bank Routing Number	R	an-18		The routing number assigned to the bank that controls the transfer agent.
25	Currency Name	R	an-40		The ISO name of the currency that the positions are valued in.
26	Currency Code	R	a-3 n-3		The ISO alpha and numeric codes in which the currency positions are valued.
27	Country Code	R	a-3		The 3 character ISO code for the country in which the transfer agent resides. This is displayed as Alpha characters.
28	Value Date	R	an-11		The date funds should move for settlement stated in this report.
29	Member Name	R	an-40		The name of the customer associated with the settlement positions that follow on this report.
30	Member ID	R	n-11		The unique identifier for the customer.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
31	Internal Member ID	R	an-20		The customer's unique identifier assigned by the bank that manages the transfer agent.
32	No	R	an-3		A unique identifier for the line created at the time of the report.
33	Recon Date	R	an-11		The reconciliation date of an individual customer settlement position that will be settled through the transfer agent.
34	Input Source	R	an-10		System that provides data to the Settlement Account Management (S.A.M.): 0000000001 = GCMS 0000000002 = RPPS® 0000000003 = MCBS 0000000004 = RSC / APC 0000000006 = Single Message System
35	Trans ID	R	an-25		Transmission ID
36	Originated in Payment	R	n-17		The amount of the settlement position that is activity submitted by this customer, reported on the advisement in Payment Currency.
37	D/C	R	a-1		Debit/credit indicator.
38	Received in Payment	R	n-17		The amount of the settlement position that is activity received by this customer, reported on the advisement in Payment Currency.
39	D/C	R	a-1		Debit/credit indicator.
40	Net Amount in Payment	R	n-17		The total net amount of this customer's settlement position that will be settled through the transfer agent, reported on the advisement in Payment Currency.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
41	D/C	R	a-1		Debit/credit indicator.
42	Reason	R	a-128		The reason why a transfer agent net position amount is below the minimum limit.
43	Member Totals in Payment Currency XXX	R	n-3		Three-digit code which indicates the currency in which the customer is paid or pays to settle their activity.
44	Member Totals in Payment Currency (Originated)	R	n-18		The total amount of all settlement positions with the same value date for this customer that was activity submitted by the customer, reported on the advisement in Payment Currency.
45	D/C	R	a-1		Debit/credit indicator.
46	Member Totals in Payment Currency (Received)	R	n-18		The total amount of all settlement positions with the same value date for this customer that was activity received by the customer, reported on the advisement in Payment Currency.
47	D/C	R	a-1		Debit/credit indicator.
48	Member Totals in Payment Currency (Net Amount)	R	n-18		The total net amount of all settlement positions with the same value date for this customer, reported on the advisement in Payment Currency.
49	D/C	R	a-1		Debit/credit indicator.
50	Account Totals in Payment Currency XXX	R	n-3		Three digit code which indicates the account payment currency for this transfer agent.

Field Number	Field Name	Required (R)			Description
		Optional (O)	Attribute		
51	Account Totals in Payment Currency (Originated)	R	n-18		The total amount of all settlement positions with the same value date for the account that was activity submitted by the customers, reported on the advisement in Payment Currency.
52	D/C	R	a-1		Debit/credit indicator.
53	Account Totals in Payment Currency (Received)	R	n-18		The total amount of all settlement positions with the same value date for the account that was activity received by the customers, reported on the advisement in Payment Currency.
54	D/C	R	a-1		Debit/credit indicator.
55	Account Totals in Payment Currency (Net Amount)	R	n-18		The total net amount of all settlement positions with the same value date for the account, reported on the advisement in Payment Currency.
56	D/C	R	a-1		Debit/credit indicator.

Expert Monitoring System Product Guide

24 February 2012

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Publication Code

EMSG

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Chapter 1 Overview

This chapter provides a general overview of the Expert Monitoring Solutions.

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About the Expert Monitoring System

The Expert Monitoring System (EMS) is a proprietary platform hosted by MasterCard that was designed to detect and prevent fraudulent payment transactions. Effective fraud mitigation requires advanced functionality in the authorization process. EMS monitors authorization transactions and alerts the user of potential fraud, which improves profitability and protects the integrity of MasterCard transactions.

EMS is a multi-component, transaction risk-scoring technology platform that offers comprehensive data mining without the costs, time constraints, and challenges usually associated with developing and deploying on-site systems. Expert Monitoring System Hosted by MasterCard leverages a unique combination of artificial intelligence, neural networks, and case-based reasoning, combined with targeted business rules, to help detect and prevent fraudulent payment transactions. EMS provides issuers with a highly predictive fraud score on authorization transactions processed in the MasterCard global authorization network. As a MasterCard hosted solution, minimal development work is required for customers to take advantage of the fraud detection solutions delivered from EMS.

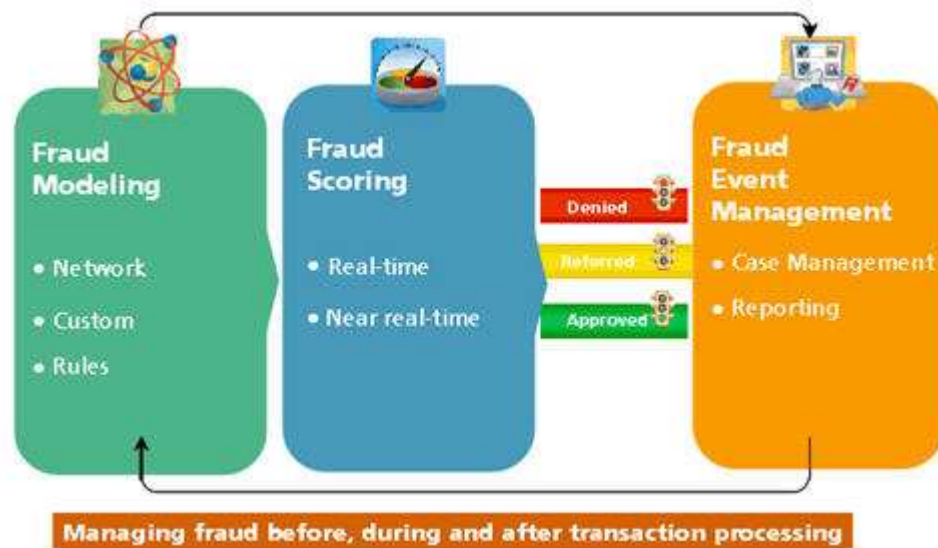
How EMS Works

As authorization requests are received by MasterCard, they are directed to the EMS platform for scoring, either in real-time during the authorization, or near real-time shortly after the authorization request is completed. EMS uses finely-tuned fraud models to differentiate normal from anomalous card account activity. Fraud detection models can be segmented by geographic region, card product, or transaction type. Fraud models are developed using data contained in the vast MasterCard data repository. Data used to develop models includes authorization, fraud, and supplemental data obtained from systems such as the MasterCard Worldwide Network and the System to Avoid Fraud Effectively (SAFE). EMS scores authorization transactions using fully integrated artificial intelligence technologies to ensure a unified, consistent and highly predictive fraud score that is provided on each transaction. Each transaction is scored using the fraud detection model appropriate for that transaction's characteristics.

Components

The major components of EMS are fraud modeling, transaction scoring, business rules, and case management. These components work together to ensure that a highly predictive fraud score is derived for every transaction.

Figure 1.1—EMS Major Components



Fraud Modeling

Segmented network fraud models align to evaluate risk specific to the characteristics of each transaction, including:

- Geographic area
- Product type
- Transaction type

MasterCard leverages its extensive Data Warehouse to build and maintain the network models. Each model utilizes more than a year's worth of authorization and fraud data to enable for variations in seasonal traffic and to monitor short-term and long-term trends in the velocity of consumer spending and fraud.

Fraud data reported to SAFE is used to identify the quantity and characteristics of fraudulent transactions. This enables the MasterCard Expert Monitoring fraud models to be trained to recognize fraud that other anti-fraud systems in the market cannot detect. Because fraud trends vary across the globe, fraud models are segmented by region to ensure that the models are trained with the specific mix of transactions that occur within each region.

Custom fraud models can be developed for issuers that have portfolios with special characteristics. Using only issuer-specific data to build custom fraud models drives pinpoint fraud detection accuracy.

Transaction Scoring

Transaction Scoring provides fraud risk scoring in real-time at the point of authorization, or in near real-time after the transaction authorization request is completed.

A customer using fraud risk scoring in real-time can leverage the score as a factor in the authorization decision. A customer using fraud risk scoring in near real-time can leverage the score to generate alerts and prioritize transactions for analyst review.

DEFINITION

EMS Real-Time Fraud Scoring (also referred to as EMS RT or RT Fraud Scoring)—Transaction scoring indicating fraud risk at the point of authorization.

DEFINITION

EMS Near Real-Time Fraud Scoring (also referred to as EMS NRT or NRT Fraud Scoring)—Transaction scoring indicating fraud risk just after the authorization request is completed.

Business Rules

EMS can support customized business rules to flag specific conditions. Rules can be set to trigger a notification on most data elements and their corresponding values.

Case Management

The EMS Alerts tool is a browser-based “thin client” system hosted by MasterCard that is accessible via MasterCard OnLine®. EMS Alerts is a case management tool that allows a customer to view suspicious accounts organized into cases containing model scores and reason codes, in addition to historical transaction details. A customer can build and save custom queries using a variety of case criteria.

Return on Investment (ROI) Benefits

By identifying potential fraud at the earliest possible point in the transaction process an issuer can increase profits and enhance customer service. All fraud-scoring models are based on the advanced neural network technology and fraud control experience that make MasterCard a leader in fraud prediction and risk management.

The advanced technology and precise fraud models provided by EMS can assist an issuer with:

- Improving fraud detection rates
- Improving customer satisfaction
- Reducing false positives and the associated operations costs
- Reducing fraud losses and verification costs
- Rejecting fewer valid transactions
- Reducing IT investment costs by taking advantage of a fully hosted solution from MasterCard

Use Requirements

A MasterCard customer wishing to use EMS must:

- Report all confirmed fraud into SAFE
- Execute Contract and Order Form
- Perform testing in the Member Test Facility where appropriate. See [Chapter 5, Implementation Testing](#) for testing requirements.

At a Glance

The following table compares the offerings of the EMS.

Table 1.1—Expert Monitoring Solutions Fraud Scoring Service Comparison

Expert Monitoring Solutions	Real-Time	Near Real-Time
Fraud Score Delivery in the Authorization Request/0100	X	
Fraud Score Delivery just after the Authorization Response/0110		X
Available on all Transactions on the MasterCard Worldwide Network	X	X
Targeted Fraud Detection Models	X	X
Hosted at MasterCard	X	X
Optional Case Management Tool Add-On	X	X
Ability to Score Other Card Brands		X

Chapter 2 Real-time Fraud Scoring

Expert Monitoring Systems Real-time Fraud Scoring uses state-of-the-art predictive modeling technology to provide participating issuers with a real-time fraud assessment score on dual message authorization transactions.

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Overview

Expert Monitoring Systems Real-time (EMS RT) Fraud Scoring represents the latest innovation to the MasterCard suite of fraud prevention services. Using state-of-the-art predictive modeling technology, EMS provide an issuer with a real-time fraud score on a transaction at the time of the authorization request. The score measures the likelihood that the transaction is fraudulent or high-risk.

Service Benefits

An issuer using EMS RT Fraud Scoring can benefit from:

- Predictive fraud scores delivered on every transaction authorization request, allowing increased risk to be factored into the authorization decision
- A customized fraud model that delivers superior fraud transaction detection rates, which can reduce fraud losses
- A lower rate of false positives, which can help increase cardholder satisfaction and reduce fraud operations costs

Transactions Available for Real-time Fraud Scoring

All dual message transactions processed via the MasterCard Worldwide Network are qualified for RT Fraud Scoring.

Outside of the Europe region, all credit and signature debit transactions are processed dual-message and therefore are qualified

Within the Europe region, all dual message credit and debit transactions (both PIN and signature) processed over the MasterCard Network are qualified

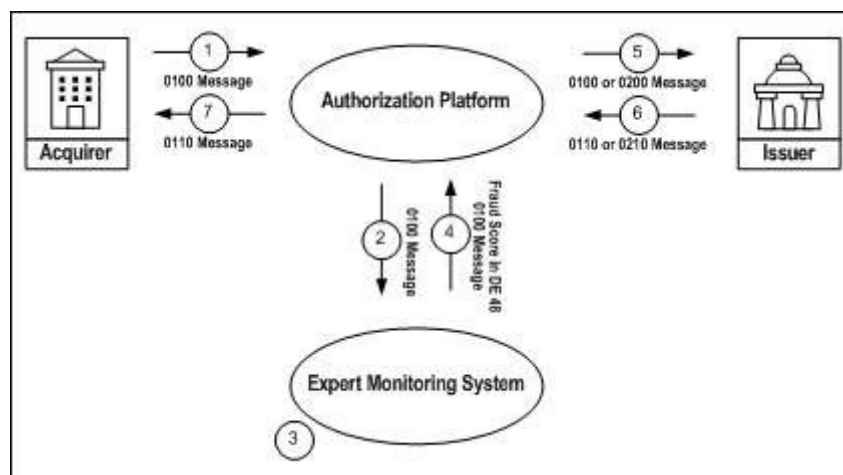
Issuers interested in receiving fraud scores on PIN debit transactions that process single message via the Single Message System can contact Risk Solutions via e-mail request at risksolutions@mastercard.com

The network models currently available are described in [Appendix D, Available Models](#).

Real-time Fraud Scoring General Process Flow

The following flow chart demonstrates how EMS RT Fraud Scoring works.

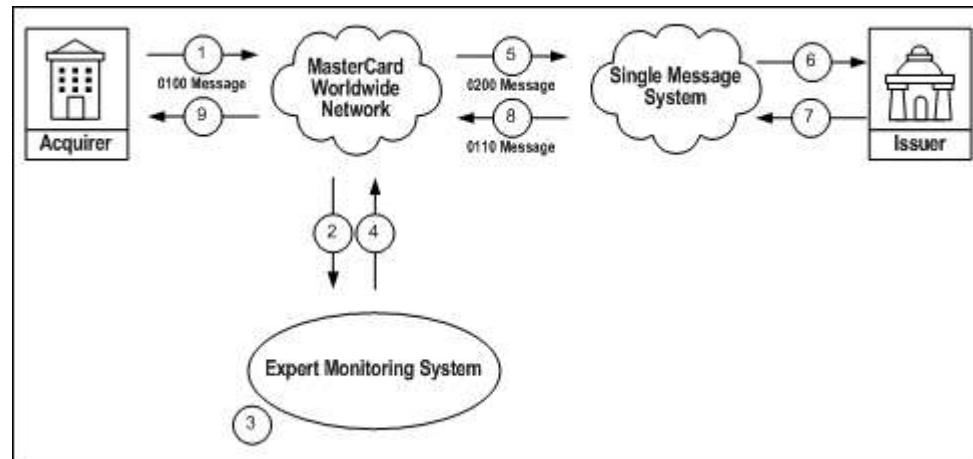
Figure 2.1—Expert Monitoring Solutions Real-time Fraud Scoring Process Flow



Stage	Description
1.	The acquirer submits an Authorization Request/0100 message to the MasterCard Authorization Platform.
2.	The Authorization Platform identifies that the transaction account contained in the Authorization Request/0100 message is owned by an issuer that participates in the EMS RT Fraud Scoring Service. The transaction is routed to the EMS for real-time fraud scoring.
3.	Upon receipt of the transaction, the EMS identifies the appropriate fraud model for scoring the submitted transaction. The fraud model is used to evaluate spending patterns and to detect suspicious—abnormal—activity on the account. Once the evaluation is complete, a predictive fraud score is generated and populated in the Authorization Request/0100 message.
4.	EMS returns the Authorization Request/0100 message containing the real-time fraud score to the Authorization Platform. The targeted response time for score generation and submission back to the Authorization Platform is less than 100 milliseconds.
5.	The Authorization Request/0100 message containing the real-time fraud score is delivered to the issuer for decision making.
6.	The Authorization Request Response/0110 message is returned from the issuer to MasterCard.
7.	The Authorization Request Response/0110 message is returned to the acquirer. Should the issuer return the real-time fraud score to MasterCard, it will not be returned to the acquirer within the 0110 message.

This description is of the transaction process flow for an issuer that receives Authorization Request/0100 messages via the MasterCard Worldwide Network. For an issuer that receives Authorization Request messages on signature debit transactions in the Financial Transaction Request/0200 message format, MasterCard can also provide the real-time fraud scoring. This is illustrated in the following diagrams.

Figure 2.2—Auth Request Messages on Signature Debit in the Financial Transaction Request/0200 Message Format



Stage	Description
1.	The acquirer submits an Authorization Request/0100 message to the MasterCard Authorization Platform.
2.	The Authorization Platform identifies that the transaction account contained in the Authorization Request/0100 message is owned by an issuer that participates in the EMS RT Fraud Scoring Service. The transaction is routed to the EMS for real-time fraud scoring.
3.	Upon receipt of the transaction, EMS identifies the appropriate fraud model for scoring the submitted transaction. The fraud model is used to evaluate spending patterns and to detect suspicious—abnormal—activity on the account. Once the evaluation is complete, a predictive fraud score is generated and populated in the Authorization Request/0100 message.
4.	EMS returns the 0100 message containing the real-time fraud score to the Authorization Platform. The targeted response time for score generation and submission back to the Authorization Platform is less than 100 milliseconds.
5.	MasterCard Worldwide Network converts the Authorization Request/0100 message to the 0200 format and forwards to the Single Message System.
6.	The Financial Transaction Request/0200 message containing the real-time fraud score is delivered to the issuer for decision making.
7.	The Authorization Request Response/0210 message is returned from the issuer to MasterCard.

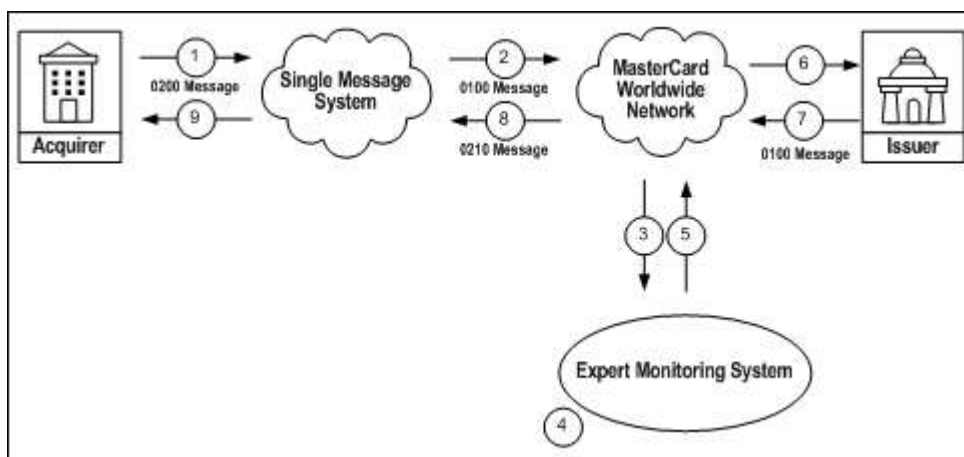
Real-time Fraud Scoring

Real-time Fraud Scoring General Process Flow

Stage	Description
8.	The Single Message System converts the Authorization Request Response/0210 message to the Authorization Request Response/0110 format and forwards to the MasterCard Worldwide Network.
9.	The Authorization Request Response/0110 message is returned to the acquirer. Should the issuer return the real-time fraud score to MasterCard, it will not be returned to the acquirer within the Authorization Request Response/0110 message.

MasterCard can also provide the real-time fraud score to an issuer if the acquirer sends Authorization Request messages on signature debit transactions in the Financial Transaction Request/0200 message format. The following flow chart demonstrates the path of the transaction if the acquirer uses the Single Message System and the issuer uses the MasterCard Worldwide Network.

Figure 2.3—Process Flow when Acquirer uses the Single Message System and Issuer uses the Dual Message System



Stage	Description
1.	The Acquirer sends the authorization request in the form of an Financial Transaction Request/0200 via the Single Message System.
2.	The Single Message System converts the Financial Transaction Request/0200 message to the Authorization Request/0100 format and forwards to the MasterCard Worldwide Network.
3.	The Authorization Platform identifies that the transaction account contained in the Authorization Request/0100 message is owned by an issuer that participates in the EMS RT Fraud Scoring Service. The transaction is routed to EMS for real-time fraud scoring.

Stage	Description
4.	Upon receipt of the transaction, EMS identifies the fraud model appropriate for scoring the submitted transaction. The fraud model is used to evaluate spending patterns and to detect suspicious—abnormal—activity on the account. Once the evaluation is complete, a predictive fraud score is generated and populated in the Authorization Request/0100 message.
5.	EMS returns the 0100 message containing the real-time fraud score to the Authorization Platform. The targeted response time for score generation and submission back to the Authorization Platform is less than 100 milliseconds.
6.	The Authorization Request/0100 message containing the real-time fraud score is delivered to the issuer or issuing processor for decision making.
7.	The Authorization Request Response/0110 message is returned from the issuer or issuing processor to MasterCard.
8.	MasterCard Worldwide Network converts the Authorization Request Response/0110 message to the Authorization Request Response/0210 format and forwards to the Single Message System.
9.	The Authorization Request Response/0210 message is returned to the acquirer. Should the issuer return the real-time fraud score to MasterCard, it will not be returned to the acquirer within the Authorization Request Response/0210 message.

Real-time Fraud Score Authorization Message Data Element Definitions

The Fraud Scoring values are provided in the Authorization message in subelements 71 and 75 within DE 48 (Additional Data—Private Use).

DE 48 (Additional Data—Private Use)

On-behalf Services		Fraud Scoring Data	
Subelement 71		Subelement 75	
On-behalf (OB) Service	On-behalf (OB) Result 1	Fraud Score	Score Reason Code
Subfield 1	Subfield 2	Subfield 1	Subfield 2
2 bytes	1 byte	3 bytes	2 bytes
18—Fraud Scoring Service performed	- C—Fraud Scoring performed successfully - U—Fraud Scoring not performed	Ranging from 000–999	Alphanumeric

DE 48, subelement 71 (On-behalf Services) contains the following values:

- DE 48, subelement 71, subfield 1 (On-behalf [OB] Service) contains value 18 that indicates Fraud Scoring Service processing was performed on the transaction.
- DE 48, subelement 71, subfield 2 (On-behalf [OB] Result 1) is updated with the following values that identify the results of Fraud Scoring Service processing:
 - C (Expert Monitoring Solutions Fraud Scoring Service was performed successfully)
 - U (Expert Monitoring Solutions Fraud Scoring Service was not performed successfully)

Subelement 75 will not be populated when U (Unable) is the result.

The Authorization System inserts DE 48, subelement 75 (Fraud Scoring Data) when the Expert Monitoring Solutions Fraud Scoring Service is performed on the transaction. DE 48, subelement 75 contains the following values:

- DE 48, subelement 75, subfield 1 (Fraud Score) is updated with a value between 000–999, where 000 indicates the least likely fraudulent transaction and 999 indicates the most likely fraudulent transaction.
- DE 48, subelement 75, subfield 2 (Score Reason Code) is updated with an alphanumeric code identifying the data used to derive the fraud score. See [Appendix B, Score Reason Codes](#).

Stand-In Processing Message Consideration for Participating Issuers

Dual Message System receivers must be able to accept Authorization Advice/0120—System-generated messages that contain the following information:

- DE 48, subelement 71, subfield 1, value 18 and subfield 2, values C and U.
- DE 48, subelement 75, subfield 1, Fraud Score, and subfield 2, Reason Code.

Participating Single Message System receivers must be able to accept Financial Transaction Advice/0220—Debit MasterCard Stand-In messages that contain the following information:

- DE 48, subelement 71 subfield 1, value 18 and subfield 2, values C and U for Debit MasterCard point-of-sale (POS) transactions.
- DE 48, subelement 75, subfield 1 Fraud Score, and subfield 2, Reason Code.

Additional technical details regarding receipt of the EMS RT Fraud Score within the authorization request/0100 message may be found in the “Global Specifications” section of the *Authorization and Clearing Release 09.2 Document*. Issuers that receive signature debit transactions over the Single Message System can find additional technical details within the *MDS Release 09.3 Document*.

Additional Output

A customer may elect to receive the scores via the EMS Alerts Case Management Tool on MasterCard OnLine. Refer to [Chapter 5, Implementation Testing](#) for more information on this optional service.

Testing Requirements

Testing is required for an issuer that uses the EMS RT Fraud Scoring Service. Refer to [Chapter 5, Implementation Testing](#) for details regarding testing requirements.

Real-time Fraud Scoring Service Registration

An issuer must register to use in EMS RT Fraud Scoring. An issuer must execute a service contract with MasterCard and complete a registration form. An issuer can contact their MasterCard representative or the Risk Solutions team via e-mail message at riskolutions@mastercard.com.

Chapter 3 Near Real-time Fraud Scoring

This chapter outlines methods for submitting transaction scoring requests and receiving scored transaction responses using Expert Monitoring System Near Real-time Fraud Scoring.

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Overview

Expert Monitoring Solutions Near Real-time (EMS NRT) Fraud Scoring is a flexible fraud prediction and prevention platform that allows users to submit transaction score requests and receive score request responses from the Expert Monitoring System (EMS) in near real-time. With EMS NRT, transactions can be submitted into the system for fraud scoring as soon as the initial authorization request is complete.

EMS NRT Fraud Scoring was designed to meet the unique needs of individual MasterCard issuers by providing flexible implementation and solution delivery options.

Service Benefits

An issuer that uses EMS NRT Fraud Scoring will benefit from:

- Predictive fraud scores delivered just after the transaction authorization response, allowing increased risk levels to be factored into future authorization decisions
- A true turnkey solution requiring no development if used in conjunction with the EMS Alerts case management tool
- Precise fraud models designed to deliver superior fraud transaction detection rates, enabling the issuer to reduce fraud losses
- Lower rate of transaction false positives, which can help issuers increase cardholder satisfaction and reduce fraud operations costs

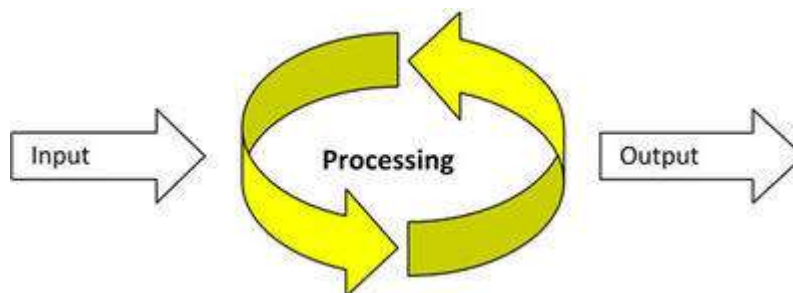
Transactions Available for Near Real-time Scoring

Dual message transactions processed via the MasterCard Worldwide Network are qualified for NRT Fraud Scoring with no development work required on the part of the customer. Minimal development work is required for non-MasterCard authorization network transactions, such as non-MasterCard transactions or on-us transactions.

Outside of the Europe region, all credit and signature debit transactions are processed dual-message and therefore are qualified for EMS NRT Fraud Scoring.

Within the Europe region, all dual message credit and debit transactions (both PIN and signature) processed over the MasterCard Worldwide Network are qualified for EMS NRT Fraud Scoring.

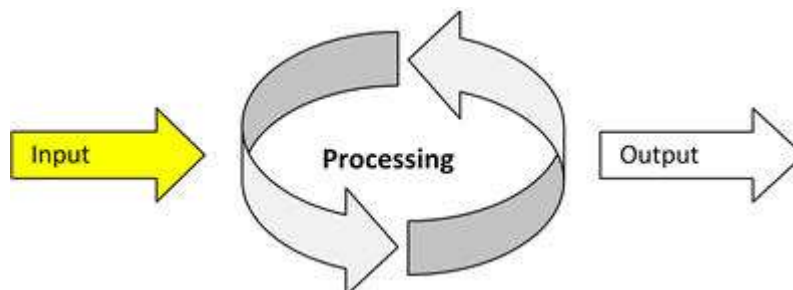
Near Real-time Fraud Scoring General Process Flow



The EMS NRT Fraud Scoring Service is comprised of three service options:

- **Input**—Method by which the scoring request is fed into the system
- **Processing**—Scoring of the transaction
- **Output**—Method by which the results of the score are provided to the customer

Near Real-time Input Options Defined



There are several methods by which the request for scoring can be fed to the system for NRT Fraud Scoring. Refer to [Chapter 2, Real-time Fraud Scoring](#) for information about Real-time Fraud scoring.

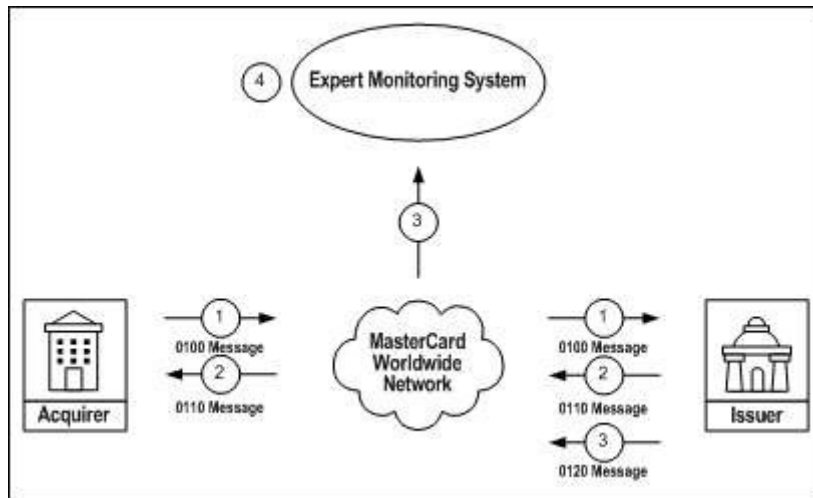
- **MasterCard generated near real-time (0120)**—MasterCard automatically generates the online request on behalf of the issuer in the form of an Authorization Advice/0120 at the conclusion of each Authorization Request Response/0110 message.
- **Issuer generated near real-time MIP (0120)**—The issuer generates the on-line request from the issuer's host in an Authorization Advice/0120 message.
- **Issuer generated near real-time batch (0120)**—The issuer generates batch files of transaction scoring requests and sends to MasterCard via an approved Global File Transfer (GFT) method.

Input options are defined per account range. Only one input option may be selected for each participating account range.

MasterCard Generated Near Real-time (0120)

The scoring request is automatically generated by the MasterCard Interface Processor (MIP) on behalf of the issuer in the form of an Authorization Advice/0120 message in near real-time. This is a turnkey option that requires no development or setup at the issuer site. This option is only available for authorizations occurring on the MasterCard Worldwide Network.

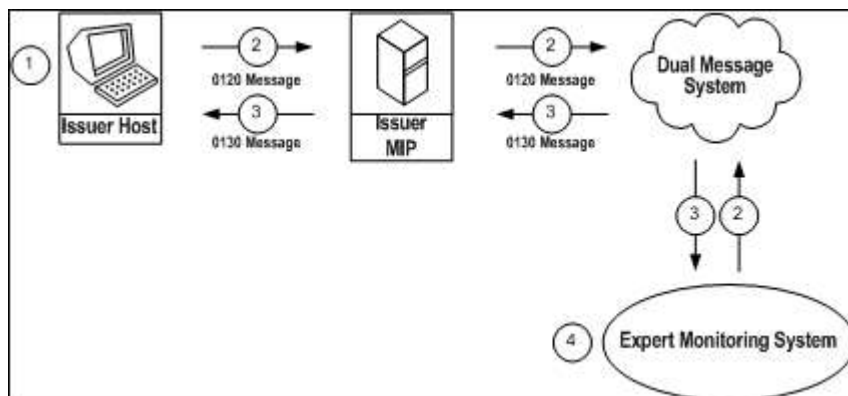
Figure 3.1—MasterCard Generated Near Real-time (0120)



Stage	Description
1.	The Acquirer sends the authorization request.
2.	The Issuer responds to the authorization request.
3.	The MasterCard Issuing MIP creates and sends an Authorization Advice/0120 message scoring request to the EMS Scoring Server.
4.	The EMS Scoring Server scores the transaction and provides the score in the output option designated on the EMS Order Form.

Issuer Generated Near Real-time MIP (0120)

The scoring request is generated by the issuer's host and delivered online via the MasterCard Worldwide Network. This option is typically used for authorizations that are not initially processed on the Dual Message System, such as on-us traffic and non-MasterCard branded transactions. MasterCard will generate an Authorization Advice Response/0130 message to the issuer as confirmation of receipt of the scoring request.

Figure 3.2—Issuer Generated Near Real-time MIP (0120)

Stage	Description

1.	The authorization request and response occurs on another network.
2.	The Issuer's host formats the message in accordance with the CIS 0120 specifications and forwards the scoring request to the Issuing MIP, which routes the request to the EMS Scoring Server.
3.	The EMS Scoring Server responds to the issuer with an Authorization Advice Response/0130 message.
4.	The EMS Scoring Server scores the transaction and provides the score in the output option designated by the customer on the EMS Order Form.

For additional information on the Authorization Advice/0120 message, refer to the *Customer Interface Specifications* manual. To request a copy of the mapping specifications for non-MasterCard transactions, please contact the Customer Implementation Services (CIS) team.

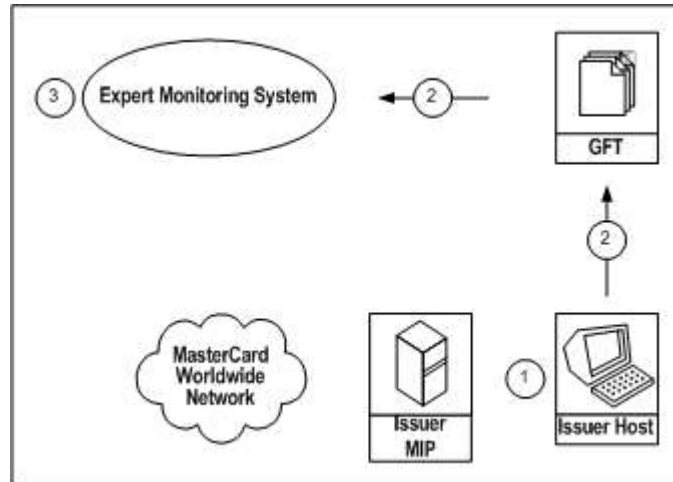
Issuer Generated Near Real-time Batch (0120)

The scoring request is generated by the issuer's host in the form of an EBCDIC file and delivered via one of the MasterCard approved Global File Transfer (GFT) methods in intervals of the issuer's choosing. This option is typically used for authorizations that are not initially processed on the Dual Message System, such as on-us traffic and non-MasterCard branded transactions.

Each Authorization Advice/0120 message should be converted from a variable length to a left-justified fixed length message by adding filler (spaces) at the end of each message to result in a maximum length of 1014 bytes. Each file must be sequential to ensure accurate velocity counters.

For details on the batch message layout, refer to the batch message specifications provided in [Appendix E, Batch 0120 Layout](#). To request a copy of the mapping specifications for non-MasterCard transactions, please contact the CIS team.

Figure 3.3—Issuer Generated Near Real-time Batch (0120)

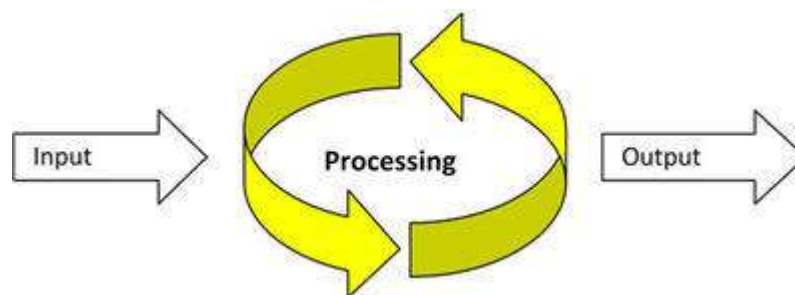


Stage	Description
1.	The authorization request and response occurs on another network.
2.	The Issuer's host formats the messages in a batch file in accordance with the batch file layout specifications in Appendix E, Batch 0120 Layout and sends the request to MasterCard via GFT.
3.	The EMS Scoring Server scores the transaction and provides the score in the output option designated by the customer on the EMS Order Form.

NOTE

For additional information about approved Global File Transfer methods, please refer to the *File Transfer Manual* available in the Publications product on MasterCard OnLine®.

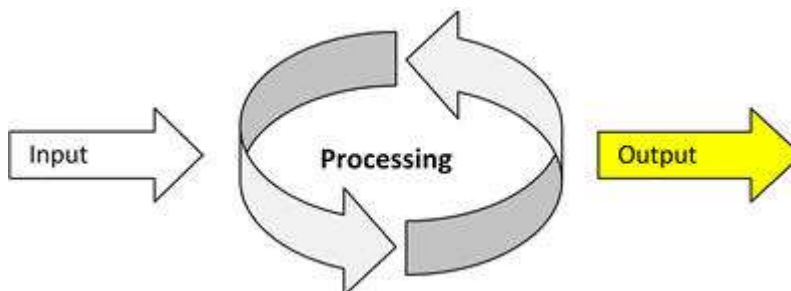
Near Real-time Processing Options Defined



Network models can be based on a number of drivers such as geography, transaction type, or card product type (for example, consumer credit, debit, or commercial). The network models currently available are described in [Appendix D, Available Models](#). The EMS Implementation specialist can assist in choosing the model that best fits the issuer's portfolio(s).

For more detailed information on model types and model development, see [Chapter 4, Models](#).

Near Real-time Output Options Defined



EMS fraud scores that exceed the issuer-established threshold will generate an output to the issuer. The EMS Implementation specialist will assist in determining the recommended threshold based on the model chosen and specific issuer needs.

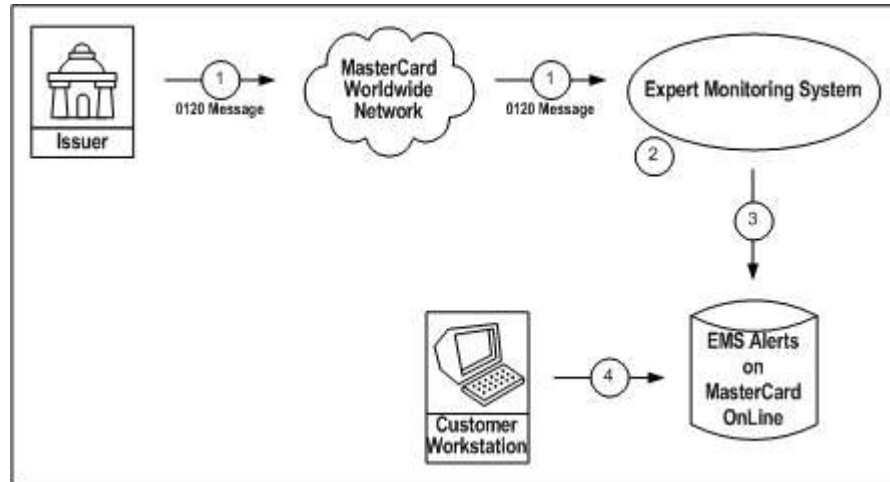
Issuer return delivery of the EMS fraud score information is completed using one of the following methods:

- **EMS Central “Alerts” case management**—The issuer uses a browser-based “thin client” system hosted by MasterCard accessible via MasterCard OnLine® from any Internet connection that allows customers to view suspicious accounts organized into cases.
- **Batch file messages via GFT (0620)**—The issuer uses an approved GFT method to deliver batch files for integration into other score delivery management tools.
- **Continuous messages via MIP (0620)**—The MasterCard Interface Processor delivers Administrative Advice/0620 (Network-generated Scoring Request) messages (online only) for integration into other score delivery management tools.

EMS Central Alerts Case Management

The EMS Central Alerts Case Management tool allows customers to view suspicious accounts organized into cases. For any suspicious activity on an account number, cases will contain the transaction(s) that generated the alert, plus all transaction history from the previous seven days for that account number. This allows the customer’s fraud analysts to have a complete view of card activity, thus assisting in determining unusual spending patterns. A customer can query the transaction and case information, filter the most important data elements, and search for specific transactions that meet designated criteria. Queries can be saved and shared between users, and screen layout can be tailored based on individual user preferences. Case statuses are updated through the tool and feed into the reporting package that is provided with the tool via Fraud Reporter.

Figure 3.4—EMS Alerts Case Management

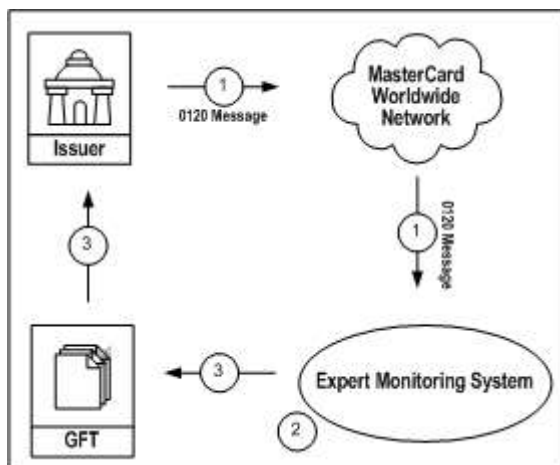


Stage	Description
1.	The EMS Scoring Server receives the scoring request via the input option designated by the customer on the EMS Order Form.
2.	EMS Scores the transaction.
3.	If the score is equal to or greater than the customer's predefined threshold, the transaction creates a case in the EMS Alerts Case Management tool.
4.	The customer accesses the EMS Alerts Case Management tool via MasterCard OnLine.

Batch file messages via GFT (0620)

The issuer receives the fraud scoring results in batches of advice messages via an approved GFT method. All data contained in the bulk file is in date and time order according to when the transaction was scored, and each bulk file is sent in sequential date and time order. EMS delivers the bulk files of data, via GFT, to the issuer at intervals designated by the issuer.

Figure 3.5—Batch file messages via GFT (0620)



Stage	Description
1.	The EMS Scoring Server receives the scoring request via the input option designated by the customer on the EMS Order Form and scores the transaction.
2.	EMS Scores the transaction.
3.	If the score is equal to or greater than the customer's predefined threshold, the transaction is written to a batch file and delivered via GFT at an interval chosen by the customer.

Continuous Messages via MIP (0620)

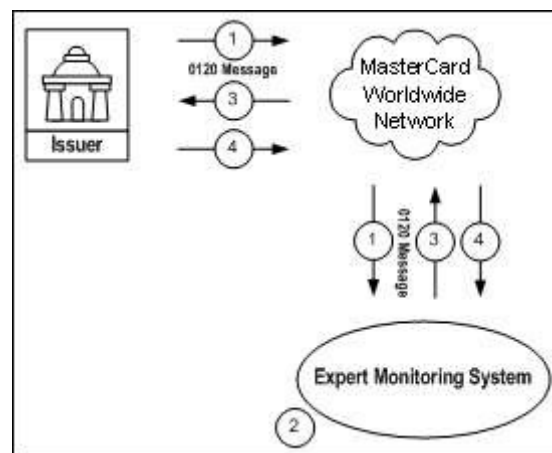
The issuer receives fraud scoring results through the MasterCard Worldwide Network via the MasterCard MIP. The Administrative Advice/0620 (Network-generated Scoring Request) message then can be integrated into an existing case management tool for monitoring at the issuer site or by a third-party designee.

EMS returns an Administrative Advice/0620 (Network-generated Scoring Request) message to the MIP that originated the Authorization Advice/0120 score request. The issuer must return an Administrative Advice Response/0630 message. EMS matches each Administrative Advice Response/0630 message from the issuer with the original Administrative Advice/0620 (Network-generated Scoring Request) message sent to the issuer, thus ensuring delivery of the score. All unmatched Administrative Advice/0620 (Network-generated Scoring Request) messages are held in a redelivery queue.

NOTE

Data Element (DE) 11 (Systems Trace Audit Number [STAN]) matches in the 0630, 0620, 0130, 0120, 0110, and 0100 messages. MasterCard recommends that DE 11 be used when matching the returned Administrative Advice/0620 information back to the original Authorization 01xx messages.

Figure 3.6—Continuous Messages via MIP (0620)



Stage	Description
1.	The EMS Scoring Server receives the scoring request via the input option designated by the customer on the EMS Order Form and scores the transaction.
2.	EMS Scores the transaction.
3.	If the score is equal to or greater than the customer's predefined threshold, the transaction is sent to the customer in an Administrative Advice Response/0620 message.
4.	The customer responds with an Administrative Advice Response/0630 message.

Expert Monitoring System Sign-On/Sign-Off

NOTE

This section only applies to customers receiving fraud scoring results in continuous Administrative Advice Response/0620 message via the MIP.

In order to receive scores via the MIP in an online Administrative Advice Response/0620 message, the issuer must be signed in to the Expert Monitoring platform. All customers are implemented in a signed-in state, and there is no need for an initial sign in. However, if a customer needs to sign out due to planned in-house maintenance or for any other reason, the customer must sign back in to resume score delivery. Refer to the “Network Management Request/0800—Sign-On/Sign-Off” section of the *Customer Interface Specification* manual for the list of data elements applicable to this message.

EMS-specific values:

- **DE 2**—EMS only accepts sign-on/off by prefix
- **DE 70**—Must have a value of 070

Redelivery of Continuous Messages via MIP (0620)

When the customer chooses to receive fraud scoring results in an 0620 message through the the MasterCard Worldwide Network via the MasterCard MIP, they must be signed in and respond to each message with an Administrative Advice Response/0630 message. EMS will attempt redelivery of all unconfirmed Administrative Advice Response/0620 messages every hour. The undelivered Administrative Advice Response/0620 messages purge from the queue after 3 days.

Chapter 4 Models

This chapter provides an introduction to some of the fraud scoring models available in the Expert Monitoring System.

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Overview

Expert Monitoring Solutions Hosted by MasterCard is a comprehensive transaction risk assessment solution that uses artificial intelligence driven mathematical models to predict the likelihood of fraud.

The EMS fraud models are the engines that drive the fraud scores delivered by the MasterCard Worldwide Network. Fraud models represent advanced analytic algorithms developed using the extensive data assets of the MasterCard Worldwide Network and its Data Warehouse.

Types of Models

MasterCard provides a variety of network fraud models designed to deliver strong fraud detection performance and to enable issuers to evaluate transaction risk within their payment card portfolios.

This section describes the overall features of the fraud models supported by EMS, focusing on the two major types of models provided:

- Network
- Custom

Hosted by MasterCard

The models hosted by MasterCard are unique in that they are designed to deliver a fraud score on all transaction activity processed on the network, using one of two scoring delivery methods, either real-time scoring or near real-time scoring.

- Real-time (RT) Scoring populates a fraud score within the Authorization Request/0100 message.
- Near Real-time (NRT) Scoring populates a fraud score after the Authorization Request/0110 Response is delivered by the issuer, using an Administrative Advice/620 Fraud Scoring message delivered to the issuer.

All models hosted by MasterCard are developed in compliance with regional data privacy regulations and MasterCard rules. Personal account number (PAN) data for modeling is anonymized, and sensitive data such as CVC values or Track 2 data is removed where required to ensure data privacy safeguards.

Network Models

Network models are designed for scoring transaction activity processed by the MasterCard Worldwide Network. These models use transaction data from across the network to build a comprehensive view of fraud patterns in a given region.

Network models can be based on one of a number of drivers such as geography, transaction type, or card product type (for example, consumer credit, debit, or commercial).

The network models currently available are described in [Appendix D, Available Models](#).

Custom Models

Custom models are designed for a specific purpose in response to a customer(s) request. Custom models can be designed for scoring all transaction activity of a specific issuer, group of issuers, or only the transactions of a specific portfolio. Custom models are often required by issuers with unique portfolios. For example, a custom model may be required for premium customer portfolios with higher cross-border activity than is typical for average issuer portfolios in their region.

Custom issuer models can be constructed using the MasterCard Data Warehouse data as well as historic data provided by the issuer. Construction of a robust fraud scoring model usually requires about 14 continuous months of data history, and the data quality must be sufficient for modeling purposes.

NOTE

Data used for custom models must be similar to the transaction data that MasterCard will process in EMS production scoring. Model performance will not meet expected results if production data differs significantly from data provided by issuers for modeling.

MasterCard protects issuer data in secure data vaults housed by the MasterCard Data Warehouse. The use of any private data supplied for a custom model is governed by a written agreement and utilized solely for the purposes of EMS model development. See [Appendix F, Customer-Provided Fraud Data Layout](#).

Model Development and Testing

Creating EMS fraud models encompasses extensive model development and quality control processes before implementation into production.

Model Development

MasterCard leverages a variety of resources to build EMS fraud models, including:

- Modeling teams consisting of data experts, statisticians, and regional fraud specialists who define model objectives and performance parameters required to support customer needs.
- An extensive Data Warehouse with over 100 terabytes of data used to build and maintain the models used for Expert Monitoring System Real-time Scoring.
- Modeling tools such as automated data mining, neural network analysis, regression analysis, and other proprietary and advanced analytical tools to generate EMS models.

For any specific model, the modeling team typically analyzes approximately 14 months of authorization and fraud data. This is done to enable for variations in peak-season traffic and to capture both short-term and long-term trends in the velocity of consumer/merchant/MCC and/or geographical spending as well as fraud trends. Authorization and SAFE transactions are matched to develop the profile of fraudulent versus genuine transactions.

The modeling process typically identifies and captures statistics on more than 175 unique transaction data points including key variables such as the card acceptor business code (MCC), time of day, transaction amounts, and card presence indicators.

Because MasterCard EMS fraud models use SAFE data to identify the quantity and characteristics of fraudulent transactions, the models are trained on the fraud that existing anti-fraud systems in the market did not identify.

Model Validation

Each fraud model is validated with a “blind test,” which uses out-of-sample data extracted from a different population of transactions, compared to what was used to build the model. This approach ensures that model performance is robust and performs at expected levels for the time period following the historical dataset used to build the models.

Model Metrics

MasterCard evaluates model performance using a wide range of metrics which evaluates both account-level and transaction-level performance. Detailed model performance reports including the specific rates associated with each model are available to customers.

EMS customer support specialists will review the model performance metrics with the customer to assist with establishing a scoring threshold, based on factors such as the :

- Account review rate the customer’s fraud operations center can support
- Customer’s preferred false positive rate
- Customer’s expected fraud detection rate

False Positive Rate

The False Positive rate is a key reported metric. A false positive rate identifies the proportion of genuine transactions/accounts that will receive a high scoring alert versus the truly fraudulent transactions identified for the same score threshold.

False positive rates can be measured at the account level or at the transaction level.

Account False Positive Rate

The Account False Positive Rate (AFPR) is equal to the number of accounts with at least one transaction with a score equal to or greater than an established threshold (referred to as an “alert”), divided by the number of accounts with at least one alert during the fraud cycle.

$$\frac{\text{Total number of accounts with at least one alert}}{\text{Total number of accounts with at least one alert during the fraud cycle}}$$

An account with at least one alert during the fraud cycle is an account where an alert was generated on a fraudulent transaction, or where an alert was generated on a genuine transaction occurring after a fraudulent transaction.

See [Account Detection Rate](#) later in this chapter for an example of an account with at least one alert during the fraud cycle.

Like the Transaction False Positive Rate (TFPR), the AFPR is expressed as X:1. For example, an AFPR of 5:1 implies that for every five accounts where an alert was generated, one account will be fraudulent. In practice, this means a fraud analyst will contact, on average, five cardholders for every one fraudulent account correctly detected.

Transaction False Positive Rate

The Transaction False Positive Rate (TFPR) is the number of alerts (including those on non-fraudulent transactions as well as those on fraudulent transactions), divided by the number of alerts on fraudulent transactions.

$$\frac{\text{Total number of alerts on frauds} + \text{Total number of alerts on non-fraudulent transactions}}{\text{Total number of alerts on frauds}}$$

It is expressed as X to 1 (noted X:1). This means out of every X alerts, one is a fraudulent transaction.

For example 25:1 means out of every 25 alerts, one is a fraudulent transaction. The following diagram shows an example of a false positive in the orange rectangle.

Use the following legend to identify the transaction types in the graphics in this section.

Color	Transaction Type
Green	Genuine transactions
Red	Fraudulent transactions



The following diagram shows a second example of a false positive in the rectangle.



Detection Rates

At a given False Positive Rate, the following detection rates identify the percentage of fraudulent transactions that receive a high-scoring alert. Detection rates can be measured at the account level or the transaction level.

Account Detection Rate

The Account Detection Rate (ADR) is the number of fraudulent accounts with at least one alert occurring during the fraud cycle, divided by the number of fraudulent accounts.

Total number of fraudulent accounts with at least one alert during fraud cycle

Total number of accounts with at least one fraud

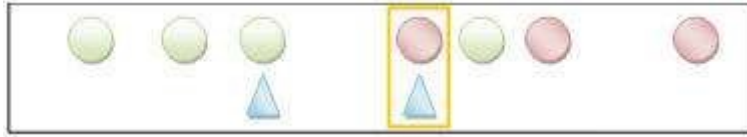
An account with at least one alert during the fraud cycle is an account where an alert was generated on a fraudulent transaction, or where an alert was generated on a non-fraudulent transaction that occurred after a fraudulent transaction.

The following three diagrams give examples of accounts that have at least one fraud during the fraud cycle.

The following example shows an account with a valid alert in a rectangle. Although the alert was generated on a non-fraudulent transaction, the non-fraudulent transaction follows a fraudulent transaction. Therefore, the alert would have generated a case, and a call to the cardholder would have revealed the fraud on the previous transaction which resulted in the account block.



The following diagram shows another example of a fraudulent account with at least one alert during the fraud cycle. In this case the alert is on a fraudulent transaction.



The following diagram shows another example of a fraudulent account with at least one alert during the fraud cycle. It is similar to case number one above in that the call to the cardholder would have revealed the frauds occurring previously.



The next example shows an account where no alert occurs during the fraud cycle. An alert is generated on a non-fraudulent transaction that occurred before the fraud. In a real-life scenario this alert would have generated a case, but a call to the customer would not have revealed a fraud and the account would have been kept “active.”



Transaction Detection Rate

The Transaction Detection Rate (TDR) is the number of fraudulent transactions where an alert was generated, divided by the number of fraudulent transactions:

$$\frac{\text{Number of fraudulent transactions where an alert was generated}}{\text{Total number of fraudulent transactions}}$$

In the example below there are three frauds. An alert has been generated on one of the fraudulent transactions (demonstrated with a rectangle). Therefore, the detection rate is equal to 33 percent.



Value Detection Rate

The Value Detection Rate (VDR) is the total USD amount of fraudulent transactions where an alert was generated, divided by the total USD amount of fraudulent transactions.

In the example below there are three frauds for a summed amount of USD 10,000 with one fraudulent transaction with an alert (in rectangle) for USD 4,000. Therefore, the Value Detection Rate is equal to 40 percent (USD 4,000/USD 10,000).



First Fraud Detection Rate

The First Fraud Detection Rate (FF) is equal to the number of fraudulent accounts on which the model generated an alert after the first fraudulent transaction, divided by the number of fraudulent accounts that have at least one alert during the fraud cycle.

Total number of fraudulent accounts on which the model generated an alert on the first fraudulent transaction

Total number of fraudulent accounts with at least one alert occurring during the fraud cycle

The following diagram illustrates an account where the first fraud was detected.



The following diagram shows an account where the first fraud was not detected.



Account Review Rate

The Account Review Rate (ARR) is the average number of accounts per day where an alert was generated, divided by the total number of accounts processed. This is an important metric for defining the percentage of accounts that fraud operations can manage for a given time interval.

Average per day of:

Total number of accounts where an alert was generated

Total number of accounts processed

Model Selection

An issuer will have the option to use a combination of several network models and/or custom models depending on their portfolios. MasterCard will assist issuers with the selection of the appropriate network model or custom model combination based upon Portfolio Segmentation and behavior patterns.

NOTE

Only one model may be selected per account range.

Customer Qualification

Customer qualification evaluates an issuer portfolio, comparing summary data for the portfolio to the wider set of regional portfolios used to build a network model.

A number of data points are considered, including:

- Card usage
- Customer demographics
- Spending velocity
- Spending geographies
- Fraud ratios
- Fraud geographies

The results of the analysis are used to identify whether an issuer portfolio fits the profile for a network model, or whether additional testing is needed to assess the potential performance of a model for the portfolio.

Model Implementation

Once an issuer has selected a network model or custom model based on the assessment of portfolio characteristics and model performance metrics, the implementation process requires the following steps to ensure a high-quality Fraud Scoring Service.

Model Initialization

A Fraud model uses statistical reference data to capture typical behavior of cardholders in the portfolio. When boarding a new customer, a model needs to be initialized to mature the statistical reference points. This initialization permits the model to more readily identify atypical behavior that could indicate potential fraudulent activity.

See [Appendix D, Available Models](#), for the number of days required to initialize each type of model. Alternatively, MasterCard can initialize an issuer portfolio using 30–40 days of historical data extracted from the MasterCard Data Warehouse.

Model Threshold Setting

It is expected that the majority of transactions processed for a given issuer portfolio will receive low risk scores. MasterCard encourages issuers using Real-time Scoring to review the EMS Model metrics report to evaluate how to integrate the fraud score into their decision to approve, deny, or issue a call referral for a specific transaction.

MasterCard also suggests engaging MasterCard Advisors® to help determine optimal score integration strategies. The MasterCard Advisors team has a program that assists issuers with their data analysis, and may then determine the optimal integration strategy to ensure the best value.

Model Maintenance

MasterCard is committed to ensuring that EMS models are aligned to current fraud trends specific to each region. MasterCard regularly monitors the performance of each of the fraud models and initiates the refreshing of models as needed to ensure that model performance metrics meet the issuers' standards.

Data Quality Reports

MasterCard monitors key variables and derived variables to ensure that input data values are distributed within the expected range for the card portfolios used to build the model.

Scoring Distribution Reports

MasterCard monitors fraud scoring distributions at the customer and at the aggregate level of the model. Scoring distribution reports demonstrate the number and percentage of transaction scores that fall within a given scoring band.

Data Element Distribution Reports

MasterCard monitors customer data distribution in comparison to the aggregate of data elements used in the model. Data Element Distribution reports help the customer see how their data element distributions compare to the model training data. These reports can be used to identify portfolio anomalies, which can be useful when analyzing potential business rules.

Chapter 5 Implementation Testing

This chapter provides information to help users test in preparation for implementing the Expert Monitoring System.

Overview	5-1
Requirements	5-1
Process.....	5-1

Overview

Certain service options within the Expert Monitoring System (EMS) require testing to ensure the issuer's ability to properly format and process the data in the message.

Requirements

The following grid outlines which options require issuer testing:

Service Option	Type	Testing	Testing Description
Real-time authorization with score Authorization Request/0100	Input/Output	Required	Issuer testing to ensure Real-time values can be received and processed in the Authorization Request/0100 message and Store and Forward Authorization Advice/0120 messages
Issuer generated near real-time batch Authorization Advice/0120 message	Input	Required	Issuer testing to ensure formatting of messages in batch is correct
Issuer generated near real-time MasterCard Interface Processor (MIP) Authorization Advice/0120 message	Input	Required	Issuer testing to ensure formatting of the online Authorization Advice/0120 message is correct and the Advice Response/0130 message is received from EMS
Batch file messages via GFT Administrative Advice Response/0620 message	Output	Optional	MasterCard can send a test file to ensure issuer can parse the file
Continuous messages via MIP Administrative Advice Response/0620 message	Output	Optional	MasterCard can send a test Administrative Advice Response/0620 message to ensure issuer can parse the Data Element containing the scoring information and return an Administrative Advice Response/0630 message.

Testing will be limited to functional testing; no score quality testing is offered in the Member Test Facility (MTF). MasterCard will facilitate the testing through a Customer Implementation Specialist, who will provide the test cases. Normal testing fees apply.

Process

Issuers will perform the test cases in the test plan provided by the Customer Implementation Specialist. Refer to the *Issuer MasterCard—Test Cases* manual for the full test case details.

The general flow of each test scenario is outlined in the table below.

Service Option	High Level Testing Flow
Issuer generated near real-time batch (0120)	- The issuer is provided with the mapping document to assist in formatting the data elements according to MasterCard requirements - The issuer sends a batch file with several messages according to the batch file layout specifications provided in Appendix E, Batch 0120 Layout - MasterCard confirms the file was processed successfully by EMS
Issuer generated near real-time MIP (0120)	- The issuer is provided with the mapping document to assist in formatting the data elements according to MasterCard requirements - The issuer sends the Authorization Advice/0120 message via Issuer Host to Issuer MIP - The Issuer MIP forwards the Authorization Advice/0120 message to the Expert Monitoring System - EMS receives and processes the message and returns an Advice Response/0130 message
Real-time authorization with score (0100)	- MasterCard generates and sends the Authorization Request/0100 containing the fraud scoring data elements to the issuer - The issuer validates that processing of the message can occur and responds with an Authorization Request/0110 - The issuer signs out of the authorization system - MasterCard generates and sends the Authorization Request/0100 containing the fraud scoring data elements, which goes to Stand-In - The issuer signs in to the Authorization system - MasterCard initiates a Store and Forward (SAF) session - The issuer receives the SAF Authorization Advice/0120 message containing the fraud scoring information and ensures proper processing - The issuer responds to the SAF with an Advice Response/0130
Batch file messages via GFT (0620)	- MasterCard generates and sends a batch file with several messages according to the batch file layout specifications provided in Appendix A, Output Batch Message Specifications. - The issuer confirms the file was received and can be parsed by their downstream systems
Continuous messages via MIP (0620)	- The scoring request is generated by the method that the customer will use in production - EMS scores the transaction and sends the results in an Advice Response/0620 message - The issuer responds with an Administrative Advice Response/0630 message

- The customer performs a sign off and sign on from EMS to ensure the messages are formatted correctly
-

Upon completion of testing, the Customer Implementation Services team will send the customer a Test Completion letter and request their acknowledgement of the letter and contents.

Chapter 6 Issuer Implementation Process

This chapter provides information about enrollment, implementation, and deployment of the Expert Monitoring System.

Overview	6-1

Overview

The issuer must submit an executed contract and EMS Order Form designating the account ranges to participate in the service. A Customer Implementation Specialist will arrange a kick off call to review the Order Form and will engage an EMS Specialist to review the specific fraud prevention needs of the issuer's portfolio. Upon confirmation of the Order Form contents, if required, the Customer Implementation Specialist will coordinate testing.

Once testing is complete, the Customer Implementation Specialist will configure the system and begin model initialization. Refer to [Appendix D, Available Models](#) for the number of days required for initialization for each model). If the customer will be using the EMS Alerts Case Management tool, the Customer Implementation Specialist will provide guidance on requesting access to the tool via MasterCard OnLine®.

The Customer Implementation Specialist will work with the issuer to schedule the service live date. MasterCard will monitor the scoring process to ensure a smooth implementation. The EMS Specialist will schedule a call with the customer after the live date to answer any outstanding questions and coordinate ongoing performance monitoring and evaluation.

Appendix A Output Batch Message Specifications

This appendix contains the output batch message specifications.

Specifications	A-1

Specifications

The Expert Monitoring System will generate a batch output for an issuer requesting this service option on the EMS Order Form. The bulk ID is TT62. The batch output has a fixed length and is in ASCII format; there are no binary or packed data items.

Legend:

X = any character string

9 = numeric value 0–9

V = implied decimal point. The decimal does NOT appear so it is not counted toward the field size.

(n) = n is the number of occurrences of that type

Examples:

X(19) = 19 bytes of characters; default value if not present = space(s) for the length of the string. If the value is smaller than the size of the field, it will be padded with spaces on the right.

9(08) = 8 digit numeric field, for example, 00007234; default value is all zeros for the length of the field; leading digits should be a zero if not significant. For example, 000000000100 not 100

9(10)V99 = 12 byte numeric value with an implied decimal point between digits 10–11 (000000124623 = \$1246.23)

Except for the newline character at the end of the record, all the other bytes should be alphanumeric. There should be no nulls in the record.

0620 Field Names (494 byte length)	DE	Format	Start	End
Primary Account Number	2	X(19)	1	19
Transaction Amount	4	9(10)v99	20	31
Settlement Amount	5	9(10)v99	32	43
Cardholder Billing Amount	6	9(10)v99	44	55
Transmission Date & Time	7	9(10)	56	65
Settlement Conversion Rate	9	9(08)	66	73
Cardholder Billing Conversion Rate	10	9(08)	74	81
System Trace Audit Number	11	9(06)	82	87
Local Time	12	9(06)	88	93
Local Date	13	9(04)	94	97

Output Batch Message Specifications

Specifications

0620 Field Names (494 byte length)	DE	Format	Start	End
Expiration Date	14	9(04)	98	101
Merchant Type	18	9(04)	102	105
POS Entry Mode	22			
POS PAN mode code		9(02)	106	107
POS PIN mode code		9(01)	108	108
Acquiring Institution ID Code	32	9(11)	109	119
Track 2 Data	35			
PAN		X(16)	120	135
Not Used		X(01)	136	136
Expiration Date		X(04)	137	140
Card Type		X(03)	141	143
Not Used		X(13)	144	156
Response Code	39	X(02)	157	158
Card Acceptor Terminal ID	41	X(08)	159	166
Card Acceptor ID Code	42	X(15)	167	181
Card Acceptor Name & Location	43			
Card Acceptor Name		X(22)	182	203
Not Used		X(01)	204	204
Card Acceptor City		X(13)	205	217
Not Used		X(01)	218	218
Card Acceptor State		X(03)	219	221
Track 1 Data	45	X(76)	222	297
Additional Data	48			
Transaction Category Code		X(01)	298	298
Address Ver Response		X(01)	299	299
Mag Stripe CVC Invalid		X(01)	300	300
Mag Stripe CVC Change		X(01)	301	301
Mag Stripe CVC Errors		X(01)	302	302
Transactions Currency Code	49	9(03)	303	305

0620 Field Names (494 byte length)	DE	Format	Start	End
Settlement Currency Code	50	9(03)	306	308
Customer Billing Currency Code	51	9(03)	309	311
Advice Reason Code	60			
Advice Reason Code		X(03)	312	314
Advice Reason Detail		X(04)	315	318
Point-of-Service Data	61			
Not Used		X(03)	319	321
Customer Present		X(01)	322	322
Card Present		X(01)	323	323
Not Used		X(04)	324	327
CAT Terminal Level		X(01)	328	328
Not Used		X(03)	329	331
POS Country Code		X(03)	332	334
POS Postal Code Future		X(10)	335	344
Banknet Data	63			
Financial Network Code		X(03)	345	347
Banknet Reference Number		X(09)	348	356
Risk Score	120	9(03)	357	359
Model Indicator	120	X(15)	360	374
Reason Code	120	X(06)	375	380
Filler	N/A	X(12)	381	392
RSC Identifier	N/A	X(01)	393	393
Member ID	N/A	X(03)	394	396
Issuer ICA	121	9(11)	397	407
A1:LD:HB Data	N/A	X(72)	408	479
Filler	N/A	X(15)	480	494
Newline character		X(1)	495	495

Appendix B Score Reason Codes

This appendix contains the scored transaction reason codes.

Reason Codes	B-1

Reason Codes

With each scored transaction a reason code is provided to add context to a numeric score, which is assigned as a result of multiple technologies and decision factors. These decision factors are aggregated into a single reason code, which may be helpful in trending and analytics. The following is a list of reason codes and their descriptions.

Code	Description
01	Suspicious cross border activity
02	Suspicious transaction
03	High number of transactions
04	High number of transactions at an unattended terminal
05	Suspicious recent history of transactions
06	Suspicious activity and high number of transactions
07	Suspicious cardholder not present activity
08	Suspicious activity and low number of transactions
09	Suspicious service station activity
10	Suspicious online activity
11	High amount transaction or High cumulated amount recently spent
12	Suspicious gambling activity
13	Suspicious phone or mail order activity
14	Suspicious grocery store activity
15	High risk country
16	High amount, high number of transactions, and cross border
17	Suspicious activity including previous declined transactions
18	Suspicious airline activity
19	Score forced to be 1 because the transaction being scored was a 04xx message
20	Not a financial transaction
21	Abnormal geographic activity
22	Abnormal, high frequency at the same MCC
23	High amount recent ATM activity
24	Suspicious recent ATM activity or suspicious ATM activity following a recent abnormal activity

Score Reason Codes

Reason Codes

Code	Description
25	Suspicious Telecom Activity
26	High number of International ATM transactions
27	High cumulated withdrawal amount on International ATM
28	High velocity of Domestic ATM transactions
29	High Risk MCC

Appendix C Case Class Ranges and Meanings for France Rules-Only Model

This appendix contains the case class ranges and meanings for France only.

Class Ranges	C-1

Class Ranges

With the migration of the French gateway to the MasterCard Worldwide Network, there is a need for a rules-only model within the Expert Monitoring System (EMS). Rules are created by experienced staff with fraud knowledge. The rules are tested on 30 days of authorization history and the daily updated stop list file.

Output can be provided in either real-time or batch mode. The EMS case management tool may also be added to the real-time service offering if requested.

The two fields provided by the Expert Monitoring System are:

- The rule score—A three digit score which is populated in the Authorization Request/0100 message in data element (DE) 48 (Additional Data—Private Use) Subelement 75 (Fraud Scoring Data) subfield 1 (Fraud Score) before it is routed to the issuing bank. The issuing bank uses the score as part of the authorization decision process and will typically decline an authorization above a specific threshold (700) using and for a specific case class.
- A case class (CASECLASS “CC”) code—A two-digit numeric value which is populated in the Authorization Request/0100 message in DE) 48 (Additional Data—Private Use) Subelement 75 (Fraud Scoring Data) subfield 2 (Score Reason Code) before it is routed to the issuing bank.

The issuing bank uses both the case class and the score as part of the authorization decision process. The case classes are assigned per region and fraud type (payment, CNP, ATM). This allows for a method of categorizing the rules into specific groups for ease of reference in testing, and maintenance.

The Case Class Ranges and Meanings are identified in the following table.

Case-Class	Fraud Type	Zone for All Banks
1	Payment	Out of Europe (Non Used)
2	Payment	Out of Europe (Used)
3	Payment	Europe
4	ATM	Out of Europe
5	ATM	Europe
6	ATM	Out of Europe
8	CNP	Out of Europe
9	CNP	Europe
Case-Class		Reserved Zone for Banks
From 40 to 60		Reserved

Case Class Ranges and Meanings for France Rules-Only Model

Class Ranges

Case-Class	Fraud Type	Zone for All Banks
From 70 to 72		Reserved
From 76 to 79		Reserved
80		Reserved
81		Reserved
85		Reserved
Case-Class		Reserved Zone for Testing/Internal
89		Reserved for non “scored trx”
Above 90 (>90)		Test rules

Appendix D Available Models

This appendix contains the available models and number of days required to initialize each one.

Models by EMS Order Form D-1

Models by EMS Order Form

The following is a list of available models and the number of days required to initialize each one. The models are grouped by choices presented on the EMS Order Form, and the data in the additional columns will assist the customer in choosing the model from the Order Form that is most appropriate for their portfolio.

From North American Order Form:

Portfolio Types							
Model	# Days for Initialization	Countries Included	Description	Credit	Debit	Consumer	Commercial
U.S. Consumer Credit	30	United States	MasterCard Consumer Credit	X		X	
U.S. Signature Debit	40	United States	MasterCard Consumer Debit		X	X	
U.S. Commercial Card	30	United States	MasterCard Commercial Credit & Debit	X	X		X
Canada Credit	40	Canada	MasterCard Consumer & Commercial Credit & Debit	X	X	X	X

From the LAC Order Form:

Portfolio Types							
Model	# Days for Initialization	Countries Included	Description	Credit	Debit	Consumer	Commercial
Brazil Model	30	Brazil	Consumer & Commercial Credit	X		X	X
Mexico, Central America & Caribbean Model	30	Aruba, Netherlands, Antilles, Antigua and Barbuda, Bahamas, Belize, Bermuda, Barbados, Costa Rica, Cayman Islands, Dominican Republic, Guatemala, Guyana, Honduras, Haiti, Jamaica, Saint Kitts and Nevis, Mexico, Nicaragua, Panama, Puerto Rico, El Salvador, Suriname, Turks and Caicos Islands, Trinidad and Tobago, St. Vincent and The Grenadines, U.S. Virgin Islands	MasterCard Consumer & Commercial Credit & Debit	X	X	X	X
South America Model	30	Argentina, Bolivia, Chile, Columbia, Ecuador, Peru, Paraguay, Uruguay, and Venezuela	MasterCard Consumer & Commercial Credit & Debit	X	X	X	X

From the European Order Form:

Portfolio Types							
Model	# Days for Initialization	Countries Included	Description	Credit	Debit	Consumer	Commercial
Europe ATM Model	30	Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia And Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany-Federal Republic Of, Gibraltar, Greece, Hungary, Iceland, Ireland, Israel, Italy, Kazakhstan, Kosovo, Latvia, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Montenegro, Netherlands, Norway, Poland, Portugal, Republic of Serbia, Romania, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, Uzbekistan	MasterCard & Maestro Consumer & Commercial Credit & Debit ATM	X	X	X	X
Europe Standard Model/ Continental Europe	30	Andorra, Austria, Belgium, Denmark, Spain, Estonia, Finland, France, Gibraltar, Greece, Iceland, Lithuania, Luxembourg, Latvia, Norway, Portugal, Sweden, Switzerland	MasterCard & Maestro Consumer & Commercial Credit & Debit	X	X	X	X
Germany Model	40	Germany	MasterCard Consumer & Commercial Credit	X		X	X
Italy Model	30	Italy	MasterCard & Maestro Consumer & Commercial Credit & Debit	X	X	X	X

Portfolio Types						
Model	# Days for Initialization	Countries Included	Description	Credit	Debit	Consumer Commercial
Netherlands Model	30	Netherlands	MasterCard & Maestro Consumer & Commercial Credit & Debit	X	X	X
UK/Ireland	30	United Kingdom, Ireland	MasterCard & Maestro Consumer & Commercial Credit & Debit	X	X	X
HGEM (High Growth Emerging Markets)	30	Poland, Russian Federation, Hungary, Croatia, Czech Republic, Romania, Slovakia, Ukraine, Slovenia, Turkey, Belarus, Republic of Serbia, Israel, Macedonia, Cyprus, Bosnia and Herzegovina, Bulgaria, Kazakhstan, Montenegro, Moldova, Azerbaijan, Malta, Armenia, Georgia, Albania, Kosovo and Uzbekistan	MasterCard & Maestro Consumer & Commercial Credit & Debit	X	X	X

From the SAMEA Order Form:

Portfolio Types							
Model	# Days for Initialization	Countries Included	Description	Credit	Debit	Consumer	Commercial
Asia Pacific Model	40	Brunei Darussalam, China, Fiji, Guam, Hong Kong, Indonesia, Japan, Cambodia, Korea Republic of, Macau, Mongolia, Malaysia, Philippines, Singapore, Thailand, Taiwan, Viet Nam	MasterCard Consumer & Commercial Credit & Debit	X	X	X	X
South Asia/Middle East/Africa Model	30	Afghanistan, Bahrain, Bangladesh, Congo, Cote D'Ivoire (Ivory Coast), Egypt, Ghana, India, Iraq, Jordan, Kenya, Kuwait, Lebanon, Libyan Arab Jamahiriya, Mauritius, Morocco, Namibia, Nepal, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Seychelles, South Africa, Sri Lanka, Syrian Arab Republic, Tanzania-United Republic Of, Tunisia, United Arab Emirates, Yemen	MasterCard Consumer & Commercial Credit & Debit	X	X	X	X
Australia/New Zealand	40	Australia, New Zealand	MasterCard Consumer & Commercial Credit & Debit	X	X	X	X

Appendix E Batch 0120 Layout

This appendix contains the Batch 0120 Layout specifications.

Batch 0120 Layout	E-1

Batch 0120 Layout

Bulk File Specifications

Bulk ID	RM33
Record Length	1014
Blocked	Yes
Block Size	1014

Refer to the *Customer Interface Specification* manual for detailed information about valid Data Element (DE) values.

DE ID	Name	Presence	Attributes	Comments Specific to the Expert Monitoring System
-	Message Type Identifier	M	n-4	Contains the code indicating the type of record. Valid value: 0120
-	Bit Map Primary	M	b-64	Binary bit map used to identify the absence or presence of DEs 1–64.
1	Bit Map Secondary	C	b-64	Binary bit map used to identify the absence or presence of DEs 65–128.
2	Primary Account Number (PAN)	M	n...19; LLVAR	
3	Processing Code	M	n-6	
4	Amount, Transaction	M	n-12	
5	Amount, Settlement	M	n-12	Must be in USD
6	Amount, Cardholder Billing	M	n-12	
7	Transmission Date and Time	M	n-10	
9	Conversion Rate, Settlement	M	n-8	
10	Conversion Rate, Cardholder Billing	M	n-8	
11	Systems Trace Audit Number (STAN)	M	n-6	

DE ID	Name	Presence	Attributes	Comments Specific to the Expert Monitoring System
12	Time, Local Transaction	C	n-6	
13	Date, Local Transaction	C	n-4	
14	Date, Expiration	C	n-4	
15	Date, Settlement	M	n-4	
16	Date, Conversion	M	n-4	
18	Merchant Type	M	n-4	
20	Primary Account Number (PAN) Country Code	C	n-3	
22	Point-of-Service (POS) Entry Mode	M	n-3	
23	Card Sequence Number	C	n-3	
26	Point-of-Service (POS) Personal ID Number (PIN) Capture Code	C	n-2	
32	Acquiring Institution ID Code	M	n...6; LLVAR	
33	Forwarding Institution ID Code	C	n...6; LLVAR	
35	Track 2 Data	C	ans...37; LLVAR	
37	Retrieval Reference Number	C	an-12	
38	Authorization ID Response	C	ans-6	
39	Response Code	M	an-2	
41	Card Acceptor Terminal ID	C	ans-8	
42	Card Acceptor ID Code	C	ans-15	

DE ID	Name	Presence	Attributes	Comments Specific to the Expert Monitoring System
43	Card Acceptor Name and Location	C	ans-40 (supports extended character sets)	
44	Additional Response Data	C	ans...25; LLVAR	
45	Track 1 Data	C	ans...76; LLVAR	
48	Additional Data	M	ans...999; LLVAR	Contains applicable subelement data.
49	Currency Code, Transaction	M	n-3	
50	Currency Code, Settlement	M	n-3	Must be 840
51	Currency Code, Cardholder Billing	M	n-3	
54	Additional Amounts	C	an...120; LLVAR	
55	Integrated Circuit Card (ICC) System-Related Data	C	b...255; LLVAR	
60	Advice Reason Code	M	ans...060; LLVAR	Value must be 6500030
61	Point-of-Service (POS) Data	M	ans...026; LLVAR	Subfields 1 through 13 are critical
62	Intermediate Network Facility (INF) Data	C	ans...999; LLVAR	
63	Network Data	M	an...050; LLVAR	Subfield 1 is mandatory; Subfield 2 is conditional
102	Account ID-1	C	ans...28; LLVAR	
103	Account ID-2	C	ans...28; LLVAR	
112	Additional Data—National Use	C	ans...100; LLVAR	
121	Authorizing Agent ID Code	C	n...999; LLVAR	

Appendix F Customer-Provided Fraud Data Layout

This appendix contains the layout for customer-provided fraud data.

Customer-Provided Fraud Data Layout	F-1

Customer-Provided Fraud Data Layout

An issuer may arrange to provide MasterCard with supplemental confirmed fraud information for the purposes of enhancing and existing model or building a custom model. The following table provides the file layout required for this process.

Sample Data Layout

Value	CIS Data Element	Length (bytes)	Comments
CARD_NUM	DE 002	64	Cleartext value of cardholder account (file to be zipped/encrypted with password)
AMT_USD	DE 005	12	USD transaction amount OR
CRDHLDR_BILLING_AMT	DE 006	12	Issuer currency transaction amount
BN_DT_TIME	Banknet header date/ time	12	Date format described below. Date is derived from CIS Authorization message header.
GMT_DT	DE 007 SF 1 and SF 2 plus year	12	MMDDYYhhmmss
MERCH_CAT_CD	DE 018	4	Merchant Category Code
PAN_ENTRY_MODE	DE 022 SF 1	2	PAN mode of entry at the POS
AUTH_RESP_CD	DE 039	2	Authorization response codes
POS_CRDHLDR_PRSNC	DE 061 SF 5	1	Cardholder presence
CARD_TYPE	DE 063 SF 1	3	3-character alpha code displaying MasterCard product type (MCC, MCW, MCB, etc.)
BNKNET_REF_NUM	DE 063 SF 2	6	Banknet Reference Number (Date + BRN is unique identifier)
IPV_SCORE	DE 048 SE 75	3	3-digit EMS fraud score (optional)
FRAUD_SW		1	0=Non-fraud, 1=fraud txn reported in SAFE

Customer-Provided Fraud Data Layout

Customer-Provided Fraud Data Layout

Value	CIS Data Element	Length (bytes)	Comments
TOTAL:		122	Bytes per line
The DATE is formatted as follows:			
MONTH		2	
DAY		2	
YEAR		2	
HOUR		2	Afternoon hours have values between 12 and 24
MINUTE		2	
SECOND		2	

Appendix G Completing the EMS Order Form

This appendix provides assistance to completes the EMS Order Form.

EMS Order Form Guide	G-1
Sample EMS Order Form	G-2

EMS Order Form Guide

This information can be used as a guide to complete the EMS Order Form. There are region-specific order forms, and the available service options found on the EMS Order Form are as follows:

EMS Service Options

Available Input Types	Available Scoring Models (Processing)	Available Output Types
1) MasterCard generated real-time (0100)	See Appendix D, Available Models	1) Real-time authorization with score (0100)
2) MasterCard generated near real-time (0120)		2) EMS Central “Alerts” case management
3) Issuer generated near real-time batch (0120)		3) Batch file messages via GFT (0620)
4) Issuer generated near real-time MIP (0120)		4) Continuous messages via MIP (0620)

Depending on the chosen input, not all output options are valid. The following is a matrix demonstrating the valid Input, Processing, and Output combinations:

EMS Service Options Matrix

Input Option	Processing Option	Output Option(s)
1	ANY	1, 2
2	ANY	2, 3, 4
3	ANY	2, 3
4	ANY	2, 3, 4

The following are examples of the regional order forms. Customers should obtain the most recent version of the EMS Order Form by e-mail request to riskolutions@mastercard.com.



Sample EMS Order Form

EMS Order Form

1. INSTRUCTIONS								
Return the completed form to:				MasterCard Worldwide Attn: Fraud Management Solutions 2200 MasterCard Blvd O'Fallon, MO 63366-7263 Fax: 1.636.722.7156 Email: fms_hosted_solutions@mastercard.com				
2. ISSUER INFORMATION								
Issuer Name				Address line 1				
Issuer Contact				Address line 2				
Title				City				
Phone				State / Zip				
Fax				Country				
Billing ICA				Email				
3. EMS SERVICE OPTIONS								
Available Input Types: 1) MasterCard generated real-time (0100) 2) MasterCard generated near real-time (0120) 3) Issuer generated near real-time batch (0120) 4) Issuer generated near real-time MIP (0120)			Available Scoring Models: 1) U.S. Consumer Credit 2) U.S. Signature Debit 3) U.S. Commercial Card 4) Canada Consumer Credit			Available Output Types: 1) Real-time authorization with score (0100) 2) EMS Central "Alerts" case management 3) Batch file messages via MFE (0620) 4) Continuous messages via MP (0620)		
Request (Add, Del, Chg)	ICA or Visa Number	BIN Range (Account Number - From / To Range)	Acct Number Digits	Estimate Authorizations per month	Estimate Active Accounts	Issuer must indicate Type		
						Input Type	Model Type	Output Type
SAMPLE Add	9990	1234560000000000 1234569999999999	16	560,000	200,000	One (1)	Two (2)	One (1)



EMS Order Form

1. INSTRUCTIONS								
Return the completed form to:				MasterCard Worldwide Attn: Fraud Management Solutions 2200 MasterCard Blvd O'Fallon, MO 63366-7263 Fax: 1.636.722.7156 Email: fms_hosted_solutions@mastercard.com				
2. ISSUER INFORMATION								
Issuer Name				Address line 1				
Issuer Contact				Address line 2				
Title				City				
Phone				State / Zip				
Fax				Country				
Billing ICA				Email				
3. EMS SERVICE OPTIONS								
<u>Available Input Types:</u> 1) MasterCard generated real-time (0100) 2) MasterCard generated near real-time (0120) 3) Issuer generated near real-time batch (0120) 4) Issuer generated near real-time MIP (0120)			<u>Available Scoring Models:</u> 1) Brazil Model 2) Mexico, Central America & Caribbean Model 3) South America Model			<u>Available Output Types:</u> 1) Real-time authorization with score (0100) 2) EMS Central "Alerts" case management 3) Batch file messages via MFE (0620) 4) Continuous messages via MIP (0620)		
Request (Add, Del, Chg)	ICA or Visa Number	BIN Range (Account Number - From / To Range)	Acct Number Digits	Estimate Authorizations per month	Estimate Active Accounts	Issuer must indicate Type		
						Input Type	Model Type	Output Type
SAMPLE Add	9990	1234560000000000 1234569999999999	16	560,000	200,000	One (1)	Two (2)	One (1)



EMS Order Form

1. INSTRUCTIONS								
Return the completed form to:				MasterCard Worldwide Attn: Fraud Management Solutions 2200 MasterCard Blvd O'Fallon, MO 63366-7263 Fax: 1.636.722.7156 Email: fms_hosted_solutions@mastercard.com				
2. ISSUER INFORMATION								
Issuer Name				Address line 1				
Issuer Contact				Address line 2				
Title				City				
Phone				State / Zip				
Fax				Country				
Billing ICA				Email				
3. EMS SERVICE OPTIONS								
<u>Available Input Types:</u>			<u>Available Scoring Models:</u>			<u>Available Output Types:</u>		
1) MasterCard generated real-time (0100) 2) MasterCard generated near real-time (0120) 3) Issuer generated near real-time batch (0120) 4) Issuer generated near real-time MIP (0120)			1) Europe ATM Model 2) Europe Standard Model 3) Germany Model 4) Italy Model 5) Netherlands Model			1) Real-time authorization with score (0100) 2) EMS Central "Alerts" case management 3) Batch file messages via MFE (0620) 4) Continuous messages via MIP (0620)		
Request (Add, Del, Chg)	ICA or Visa Number	BIN Range (Account Number - From / To Range)	Acct Number Digits	Estimate Authorizations per month	Estimate Active Accounts	Issuer must indicate Type		
						Input Type	Model Type	Output Type
SAMPLE Add	9990	1234560000000000 1234569999999999	16	560,000	200,000	One (1)	Two (2)	One (1)



EMS Order Form

1. INSTRUCTIONS								
Return the completed form to:				MasterCard Worldwide Attn: Fraud Management Solutions 2200 MasterCard Blvd O'Fallon, MO 63366-7263 Fax: 1.636.722.7156 Email: fms_hosted_solutions@mastercard.com				
2. ISSUER INFORMATION								
Issuer Name				Address line 1				
Issuer Contact				Address line 2				
Title				City				
Phone				State / Zip				
Fax				Country				
Billing ICA				Email				
3. EMS SERVICE OPTIONS								
Available Input Types: 1) MasterCard generated real-time (0100) 2) MasterCard generated near real-time (0120) 3) Issuer generated near real-time batch (0120) 4) Issuer generated near real-time MIP (0120)			Available Scoring Models: 1) Asia Pacific Model 2) South Asia / Middle East / Africa Model			Available Output Types: 1) Real-time authorization with score (0100) 2) EMS Central "Alerts" case management 3) Batch file messages via MFE (0620) 4) Continuous messages via MIP (0620)		
Request (Add, Del, Chg)	ICA or Visa Number	BIN Range (Account Number - From / To Range)	Acct Number Digits	Estimate Authorizations per month	Estimate Active Accounts	Issuer must indicate Type		
						Input Type	Model Type	Output Type
SAMPLE Add	9990	1234560000000000 1234569999999999	16	560,000	200,000	One (1)	Two (2)	One (1)

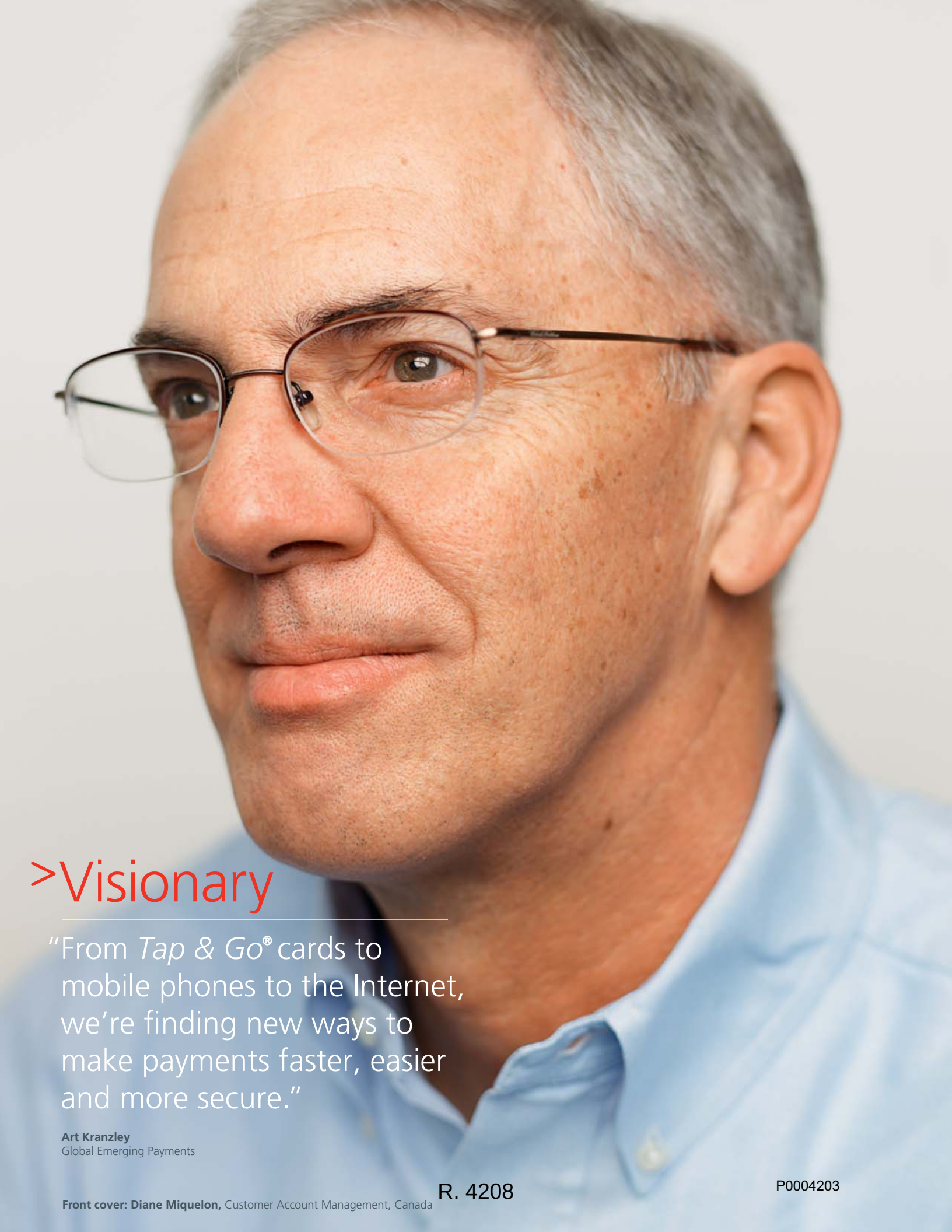


MasterCard
Worldwide

"We're not just part
of the payments
revolution. We are
>leading the way."

MasterCard Annual Report **2007**



A close-up portrait of Art Kranzley, a middle-aged man with grey hair and glasses, wearing a light blue button-down shirt. He is looking slightly to the left with a gentle smile. The background is a plain, light grey.

>Visionary

"From *Tap & Go*® cards to mobile phones to the Internet, we're finding new ways to make payments faster, easier and more secure."

Art Kranzley
Global Emerging Payments

R. 4208

P0004203

Front cover: Diane Miquelon, Customer Account Management, Canada

A full-page photograph of two men, Michael McNamara and Kamalesh Rao, standing in a bright, modern interior space with large glass windows. The man on the left is wearing a dark suit and a light blue shirt, with his hands in his pockets. The man on the right is wearing a dark suit and a dark blue shirt, with his arms crossed. The background shows a view of a body of water and trees through the glass. The title '>Advisor' is overlaid on the right side of the image.

>Advisor

"We're turning a wealth of information into valuable insights customers and merchants can use."

Michael McNamara (left) and Kamalesh Rao
MasterCard Advisors



>Partner

“We’ve built a unified global network that offers our customers tailored programs to capture emerging opportunities — no matter where they do business.”

Sara Fiebiger
Global Technology and Operations



>Advocate

"As a leader in global payments, we have a responsibility to enhance and support the communities where we work and live. Our employees are at the heart of that effort."

Shawn Miles
Global Public Policy



A woman with long brown hair, smiling and looking to the right. She is wearing a dark grey pinstripe suit jacket over a white lace top. The background is a blue and white gradient.

>Ambassador

"We're working with customers and merchants to leverage the strength of our world-renowned brands."

Beatrice Cornacchia
Worldwide Marketing, Europe



>Trailblazer

"We're adding MasterCard acceptance locations every day. Our goal is to bring the benefits of electronic payments to every part of the world."

Raghu Malhotra
Business Development and Marketing,
South Asia, Middle East and Africa



R. 4215

P0004210



>Catalyst

"We're turning transactions into connections, connections into relationships, and relationships into powerful engines of growth. It's happening everywhere, and MasterCard is at the center of it all."

Malvina Longoria
Law and Franchise Integrity,
Latin America and Caribbean



Operating as visionaries, advisors, partners, advocates, ambassadors, trailblazers and catalysts — each of our employees plays a critical role in meeting the unique and growing needs of customers, merchant partners and cardholders in markets throughout the world.

Whether purchases are made online, in person or via mobile phones, it's clear that consumers and businesses are increasingly embracing the ease, speed and security of electronic payments. As the payments revolution continues, we are committed to offering solutions that drive greater choice and convenience for all of our constituents.

Our efforts are advancing commerce globally, leaving no doubt that MasterCard Worldwide is leading the way.

MasterCard Worldwide.
*The Heart of Commerce.*TM

> Summary Consolidated Financial and Other Data*

All figures throughout report in U.S. dollars

Years Ended December 31 (in millions except per-share and operating data)	2007	2006	2005
Statement of Operations Data			
Revenue	\$ 4,068	\$ 3,326	\$ 2,938
General and Administrative	1,758	1,505	1,352
Advertising and Marketing	1,080	1,052	1,008
Litigation Settlements	3	25	75
Charitable Contributions to The MasterCard Foundation	20	415	—
Depreciation and Amortization	98	100	110
Total Operating Expenses	2,959	3,097	2,545
Operating Income	1,108	229	393
Total Other Income (expense)	563	65	14
Income before Income Tax Expense	1,671	294	407
Net Income	\$ 1,086	\$ 50	\$ 267
Net Income per Share (basic) ¹	\$ 8.05	\$ 0.37	\$ 1.98
Weighted Average Shares Outstanding (basic) ¹	135	135	135
Net Income per Share (diluted) ¹	\$ 8.00	\$ 0.37	\$ 1.98
Weighted Average Shares Outstanding (diluted) ¹	136	136	135
Balance Sheet Data (at period end)			
Cash and Cash Equivalents	\$ 1,659	\$ 1,185	\$ 545
Investment Securities — Current	1,311	1,299	737
Total Assets	6,260	5,082	3,701
Long-Term Debt	150	230	230
Obligations under U.S. Merchant Lawsuit and Other Litigation Settlements (long-term)	297	360	416
Total Stockholders' Equity	3,027	2,364	1,169
Operating Data			
Gross Dollar Volume (in billions) ²	\$ 2,276	\$ 1,922	\$ 1,655
Processed Transactions (in millions) ³	18,748	16,137	13,733

(1) In connection with our ownership and governance transactions in 2006, we reclassified all of our approximately 100 outstanding shares of existing Class A redeemable common stock so that our previous stockholders received 1.35 shares of our Class B common stock for each share of Class A redeemable common stock that they held prior to the reclassification and a single share of our Class M common stock. Accordingly, shares and per-share data were retroactively restated in the financial statements subsequent to the reclassification to reflect the reclassification as if it were effective at the start of the first period being presented in the financial statements.

(2) In 2007, we updated gross dollar volume (GDV) to exclude commercial funds transfers in China, which are generally transactions that facilitate the transfer of funds between bank branches but do not involve traditional cash withdrawals or balance transfers. Data for 2006 and 2005 have been restated to be consistent with this approach.

(3) The data set forth for processed transactions represents all transactions processed by MasterCard, including PIN-based online debit transactions. In 2006, we updated our transaction detail to remove certain online debit transactions that did not result in a flow of funds, for example, balance inquiry or failed transactions. Management determined that it would be more appropriate to exclude such transactions from the processed transactions calculation. The processed transactions in 2005 have been restated to be consistent with the calculation of processed transactions in 2006. Revenue has not been impacted by this change.

*Note that figures in this table may not sum due to rounding.



“We are strongly committed to reducing reliance on cash and cheques in favour of more secure — and more efficient — electronic payments.”

Richard Haythornthwaite
Chairman of the Board of Directors

> Dear Fellow Shareholders:

Leadership is what MasterCard is all about. In 2007, we continued to find new ways to deliver enhanced value to our constituents — customer financial institutions, merchants and cardholders — while delivering very strong results for our shareholders. Thanks to the contributions of our employees, it was one of our most successful years.

2007 was remarkable for MasterCard not only in terms of our performance, but also in terms of the many ways in which we continued to strengthen our organisation. As chairman, I am greatly enthused by what I see at MasterCard: strong customer and merchant relationships; powerful, global payment brands; innovative payment solutions; an exceptional processing platform; a knowledgeable and diverse employee base; and a unified global structure and strategy that enable us to capture opportunities all over the world.

These strengths set us apart in an industry that continues to evolve, and MasterCard is leading the way in this transformation. From our 2006 transition to a publicly traded company, to our leadership position in new payment solutions like MasterCard *PayPass*, to our pioneering knowledge leadership insights and reports, MasterCard is a driving force in the payments revolution. We are delivering increased value to our customers and merchant partners and are changing the way consumers and businesses pay for everything that matters.

In fact, MasterCard is so engrained in everyday life that many take our role for granted. To understand our true value, consider a world *without* electronic payments. Without MasterCard — our brands, global network and market insights — many aspects of modern commerce would be significantly impacted.

While we deliver tremendous value to all constituents, we also face some challenges to our business. For example, there are regulatory initiatives that seek to impose rules and price controls that would hamper our ability to compete and invest. We believe such legislation or regulation would be counterproductive for all stakeholders. This type of intervention restricts our ability to advance commerce through the speed, convenience and security offered by electronic payments and is detrimental to consumers and the global economy at large.

Indeed, experience tells us that the competition and innovation that come from free and dynamic markets result in greater choice and cost savings for consumers. We are committed to ensuring that our products remain competitive and continue to benefit the institutions that issue them, the merchants that accept them and the consumers and businesses that rely on them.

In countries and regions around the world, MasterCard has opened new acceptance channels, offering greater efficiencies both within and across borders. We are strongly committed to reducing reliance on cash and cheques in favour of more secure — and more efficient — electronic payments. MasterCard will remain a driving force in the payments revolution, leading the effort to advance commerce globally.

Richard Haythornthwaite
Chairman of the Board of Directors
London, United Kingdom
April 2008



“Underlying our accomplishments is the talent and drive of our people, all of whom contributed to our success in 2007.”

Robert W. Selander
President and Chief Executive Officer

> Dear Fellow Shareholders:

Whenever I ask customers what they look for in choosing a business partner, the answer has little to do with size and much to do with value. At MasterCard, we deliver that value through our people. It's about the knowledge and insights we bring to the table, our unique and powerful consulting capabilities and our dedicated account teams delivering customized solutions — all of this together.

Our success is driven by the roles we play at *The Heart of Commerce*™ — as visionaries, advisors, partners, advocates, ambassadors, trailblazers and, above all, as catalysts for change and growth. With the world accelerating toward electronic payments, our employees deliver more value than ever: driving sales and efficiencies for merchants, convenience and satisfaction for consumers, better control and compliance for businesses and, of course, growth opportunities for our customer financial institutions. Clearly, our employees drove our performance in 2007.

The Value We Deliver Shows in Our Results

In 2007, MasterCard revenue was \$4.1 billion, a 22.3 percent increase from \$3.3 billion in the previous year. We generated net income of \$1.0 billion for the year, or \$7.58 per share, on a diluted basis, compared with \$457 million, or \$3.37 per share, in 2006¹. Our 2007 results include after-tax gains of \$254 million, or \$1.87 per share on a diluted basis, from sales of the company's investment in Redecard.

In terms of our operating performance, we generated worldwide gross dollar volume (GDV) of \$2.3 trillion, up 14.4 percent in local currency terms over 2006. Also in 2007, worldwide purchase volume rose 15.7 percent in local currency terms, to \$1.7 trillion, driven by increased cardholder spending on a growing number of our cards. At the end of the year, our customer financial institutions had issued 916 million MasterCard® cards, a 12.6 percent increase over cards that had been issued at the end of 2006. In addition, the Maestro® brand mark appeared on approximately 653 million cards worldwide at the end of 2007. Meanwhile, transactions processed across the MasterCard network reached 18.7 billion during 2007 — an increase of 16.2 percent from the previous year.

Of particular note was the extent to which overall growth continued to be driven by rapidly expanding acceptance and usage outside the United States. For the first time, just over half of our revenue came from non-U.S. markets as we accelerated the global expansion of electronic payments.

Our Strong Relationships Drive Business

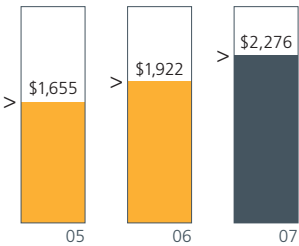
At the heart of our strategy is our commitment to build deep relationships with our customers. MasterCard account teams are comprised of subject-matter experts in consulting, marketing, processing, product and technology. The composition of each team is tailored to the specific needs of each customer, with a goal to drive profitable growth for customers and, in turn, for MasterCard.

At the same time, MasterCard is fostering close relationships with merchants, whether by increasing efficiency, devising rewards programs or developing co-branded alliances.

(1) Net income and earnings per share, each of which excludes special items, are non-U.S. GAAP financial measures that are reconciled to their most directly comparable U.S. GAAP measures in the financial statements on the inside back cover.

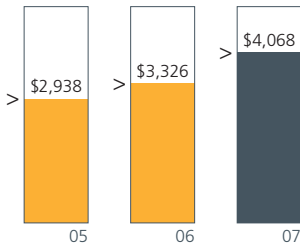
Gross Dollar Volume

(\$ billions)



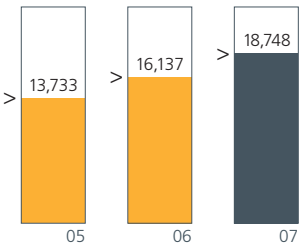
Net Revenue

(\$ millions)



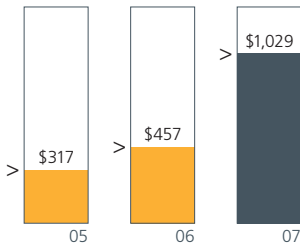
Processed Transactions

(millions)



Net Income¹

(\$ millions)



Of course, most of our value to merchant partners is the simple fact that MasterCard connects them to millions of cardholders worldwide who use our cards wherever they go and for nearly anything they buy. Consider our sponsorship of the Great Singapore Sale, one of Asia's most popular destination shopping events. As the official card, MasterCard adds energy and impetus by promoting the event to cardholders across the region and around the world. The result in 2007: a nearly 50 percent jump in spending by MasterCard cardholders.

The vast majority of payments are still made with cash and checks, representing a tremendous opportunity for MasterCard and our customers. To embrace this opportunity, we continue to extend our presence throughout the world, whether by increasing acceptance in fast-growing markets, opening new acceptance channels such as taxi cabs and vending machines, or pioneering next-generation payment methods.

In Brazil, for example, our *100% Municípios* program, designed to expand acceptance in remote areas, has enabled merchants in nearly 450 additional cities and towns to accept payments with credit or debit MasterCard cards, making our acceptance footprint unrivaled in the country.

Around the world, MasterCard cardholders shop, travel and make payments with the confidence that they'll find acceptance at more than 25 million locations.

MasterCard also is a driving force in protecting the integrity of the global payments environment. Our efforts include promoting wide adoption of data protection standards, delivering advanced fraud management solutions and educating stakeholders through forums. One example is

the fifth annual MasterCard Worldwide Global Risk Management Symposium, which drew industry thought leaders and risk professionals from banks, security vendors and law enforcement.

Our Global Structure Enables Local Solutions

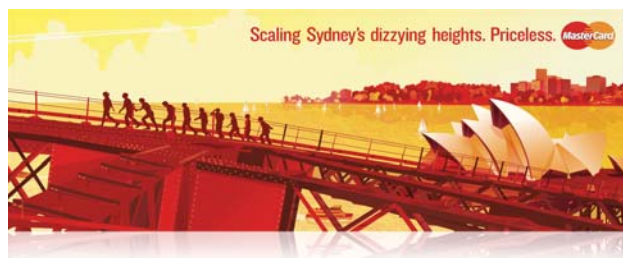
At MasterCard, we're proud of our unified, global organization, which makes us a valuable ally to customers wherever they do business. This structure enhances our ability to provide insights on regional markets, use global assets to capture local opportunities and transfer best practices and proven programs from one region to another. Importantly, our unique global structure makes it easier to leverage powerful assets such as our technology and brands.

Through our advanced global processing network, we process transactions in approximately 210 countries and territories and in more than 160 currencies. Our authorization network is designed to automatically adapt to the individual needs of each transaction, blending the speed and redundancy of peer-to-peer networking with the real-time availability of value-added services provided from a central site. We believe our system is unique, offering distinct advantages over networks deployed by our competitors and enabling us to provide our customers around the world with quality, scalable processing that is consistently reliable and secure.

Equally important, our global structure also allows us to best meet the demands of growing cross-border commerce. In this regard, MasterCard has been particularly active in

> Brand Power

MasterCard brands help drive growth for customers and merchant partners worldwide, whether through co-branding opportunities, targeted rewards or sponsorship of global destination events. In 2007, our *Priceless* campaign continued to power brand recognition everywhere. By the end of the year, it had run in 51 languages and 110 countries, bolstering its reputation as one of the most successful — and influential — campaigns in marketing history. In fact, it was awarded the 2007 Gold Effie® Award for Sustained Success.



Europe, where countries are creating a uniform cardholder experience across SEPA, the Single Euro Payments Area. MasterCard created a solution that combines the best features of national schemes with the most advanced global payments technology, and it continues to be well received by customers as they strive to achieve SEPA compliance. At this stage, customers throughout Europe are in the process of migrating to Maestro, our global online debit program. In addition, domestic transactions on all cards issued with the Maestro logo can now be routed through our network should an acquirer or merchant choose to do so. As a result, we currently process some of the domestic transactions on more than 140 million cards bearing both the domestic and Maestro brands across the region.

At the same time, our global structure makes it easier to capitalize on the power of our brands and sponsorship properties. To this end, we work with our business partners to develop programs that drive preference and usage in markets around the world. In 2007, we marked the tenth anniversary of the MasterCard *Priceless*® advertising platform, one of the largest and most successful brand-building programs of all time. Having appeared in 51 languages and 110 countries, *Priceless* continues to resonate with consumers while delivering value for customers and merchant partners alike.

Our Innovations Empower Savvy Consumers and Businesses Everywhere

As we expand geographically, we capture transactions through innovative new payment forms, chief among them MasterCard *PayPass*®, the world's leading *Tap & Go*® quick-pay solution. Whether in the form of a card, key fob, bracelet, wristwatch or enabled in a mobile phone, *PayPass* is being embraced in markets worldwide.

PayPass is a strong example of how we are leading the payments revolution. Our organization's unified global structure enables us to swiftly adapt successes in one region to meet the emerging needs of others. As an illustration, in 2007 we launched Europe's first co-branded *PayPass* program in France with Banque Accord and prominent retailer Auchan.

During the year we also advanced mobile phone payment technology to enable consumers to make purchases, pay bills online and manage their accounts. Working with telecom companies on six continents, we continue to build new payments platforms for consumers on the go.

More than ever, we're using our insights to help issuers develop customized programs tailored to appeal to specific geographic, demographic and economic markets.

Cardholders around the world are enjoying the benefits of our premium card programs. In total, our issuers launched more than 125 affluent card programs in 2007 — each crafted to appeal to a specific segment or region. For example, in Indonesia, luxury comes in the form of the ANZ Black *World* MasterCard card, tailored to appeal to the country's entrepreneurial elite.

In the United States, we launched the Unique Experiences program for *World* MasterCard and *World Elite*® cardholders, delivering access to the best shops, spas and destinations and the "best seats in the house" through an exclusive, easy-to-use online reservation system. In addition, art lovers can now follow their passion with the Sotheby's *World* and *World Elite* MasterCard cards, which offer exclusive access to events, exhibitions and artists' studios, and the ability to apply rewards points to support their favorite museums.

The year 2007 also saw the introduction of Product Graduation, a true "account for life" solution. This patent-pending innovation conveniently enables cardholders to retain their 16-digit account numbers as they migrate within certain consumer and commercial card programs.

Our innovative solutions also extend to business cardholders — from small business owners to executives of major corporations. In 2007, we launched the *World* MasterCard for Business™ program in both the United States and Singapore, offering the exclusive service and premium

> Global Insights

The MasterCard Worldwide Centers of Commerce program — a groundbreaking global initiative — ranks the world's top 50 cities that drive the global economy. The research effort was undertaken by a panel of economists and experts in urban development and social science, including (pictured below, left to right):



Maurice D. Levi

Bank of Montreal Professor of International Finance, University of British Columbia, Canada

Peter J. Taylor

Codirector, Globalization and World Cities Research Group and Network, Loughborough University, U.K.

William Lever

Emeritus Professor of Urban Studies, University of Glasgow, Scotland

Michael Goldberg

Professor Emeritus, Sauder School of Business, University of British Columbia, Canada

Anthony Pellegrini

Partner/Director of the Urban and Infrastructure Policy and Finance Practice, Centennial Group, Washington, D.C., U.S.A.

Yuwa Hedrick-Wong

Economic Advisor, Asia/Pacific, MasterCard Worldwide, Singapore

Manu Bhaskaran

Partner/Head, Economic Research, Centennial Group, Singapore

Saskia Sassen

Helen and Robert Lynd Professor of Sociology, Committee on Global Thought and Department of Sociology, Columbia University, New York, U.S.A. Centennial Visiting Professor, London School of Economics, U.K.

Fan Gang

Director, National Economic Research Institute, Beijing, China

rewards that entrepreneurs and executives seek. In the United States, we also launched the *MasterCard Easy Savings™* program for small business, delivering automatic savings at car rental agencies, restaurants, airlines and hotels, as well as on printing, shipping and business services. Our research shows that *MasterCard Easy Savings* is exactly what small business owners want — a simple way to save on their business expenditures. For customers, it's another way to build activation, loyalty and usage, which is why more than 30 major financial institutions have signed on. At the same time, the program offers valuable benefits for merchants by attracting new and sought-after small business customers.

Increasingly, companies conduct business globally and need solutions that provide a comprehensive view of their business expenses. The MasterCard Multinational Corporate Program leverages our industry-leading, global data network for this purpose, allowing companies to manage and optimize expenses while increasing control and compliance.

With *MasterCard smartdata.gen2™*, we are also helping businesses of all sizes control costs, drive profits and improve compliance. This proprietary, Web-based expense and information management solution provides businesses with integrated, global expense spending analysis, unmatched flexibility and multiple robust reporting options so they can better manage their expenditures.

Another important development was the introduction of MasterCard inControl™. This platform empowers issuers to offer a wider set of customized products — emphasizing advanced transaction controls — for consumers, businesses, corporations and government agencies. In this way, MasterCard inControl expands the value proposition that MasterCard provides to issuers.

Throughout 2007, we moved forward with many other initiatives, including programs to address significant opportunities in healthcare, consumer bill payment and expanded use of prepaid cards by governments, businesses and consumers. By replacing paper-based forms of payment with more efficient and secure solutions, our innovations continue to revolutionize the way commerce is conducted around the world.

Our Knowledge and Insights Spotlight Trends and Opportunities

We believe that in the last decade we have worked harder — and smarter — than any competitor to leverage a wealth of intellectual capital gained through the billions of transactions processed. Our ability to apply market intelligence on a customer's behalf — or deliver insights through widely followed studies, publications and reports — is a clear differentiator for our organization.



> Consumer Education

In 2007, we continued to support consumer education initiatives in regions around the world, with programs in place in Australia, Canada, China, Japan, New Zealand, South Africa and the United States. We also introduced new programs in India and Russia. Meanwhile, our online education program, *Consumo Inteligente™* (Smart Spending), was launched in Mexico, and its counterpart, *Consumidor Consciente™*, was launched in Brazil. These programs underscore our commitment to educating consumers on the responsible use of debit, credit and prepaid products.

Last year, for instance, we proudly launched a groundbreaking research project, the *MasterCard Worldwide Centers of Commerce™* program. This unique initiative brought together an international panel of experts who delivered insights into the growing importance of urban centers and their influence on the global economy. An important component of the program is the *Worldwide Centers of Commerce Index*, which ranks and tracks the top 50 cities driving global commerce. This was accompanied by the *Dynamics of Global Cities and Global Commerce* report, which provides in-depth commentary on the forces that link and shape commerce around the world. Our research and insights are available to all of our customers and are helping many of them shape their growing businesses.

Beyond our reports and research initiatives, our wealth of knowledge and expertise is also delivered through MasterCard Advisors®, the only global professional services organization in the payments industry. For MasterCard, this group has become a strong and growing differentiator, helping customers worldwide build increasingly profitable payment programs. Clients include some of the most important financial institutions in the world, from Citi and JPMorgan Chase to The Royal Bank of Scotland and the Bank of China. This market acceptance validates our strategy of building deeper relationships with customers by combining knowledge and insights with our most innovative, profitable payments solutions.

In addition to offering consulting and information services, MasterCard Advisors provides industry-leading rewards services and card benefits and handles more than 3.5 million service calls annually on behalf of customers.

MasterCard Advisors also continued to publish *SpendingPulse®*,¹ a subscription-based U.S. consumer spending report that reflects aggregate sales activity in the MasterCard payments network coupled with estimates for all other payment forms such as cash and checks. In 2007, *SpendingPulse* was expanded to include reporting of U.S. gasoline demand and U.K. retail spending. This data provides key intelligence on consumer spending — ahead of the release of government figures — and is closely followed by issuers, merchants, analysts, the media and others.

Finally, in a major effort to provide our customers with direct actionable insights, MasterCard Advisors rolled out Comparative Cardholder Dynamics. Drawing on opinions from more than 50,000 U.S. consumers, this study provides our customers with unique perspectives on consumer attitudes to better understand payment trends and areas of opportunity. These insights enable our customers to benchmark against competitors and develop successful marketplace strategies.

Our Dynamic People Lead at All Levels

Underlying our accomplishments is the talent and drive of our people, all of whom contributed to our success in 2007. In an age of global commerce, having a diverse and inclusive workforce is a key business driver and continues to be among our greatest priorities. As a company, we can lead the way only if our people lead at all levels.

That's why we continue to invest in programs that foster leadership, teamwork, diversity and innovation across the organization. In fact, MasterCard was again named to the "Training Top 125" list by *Training* magazine, which recognizes the best global companies for employer-sponsored training and development.

(1) *SpendingPulse* is based on aggregate sales activity in the MasterCard payments network, coupled with estimates for all other payment forms, including cash and checks. Please note that *SpendingPulse* does not represent MasterCard financial performance.

> Tap & Go Leadership

MasterCard *PayPass* strengthened its lead among quick-pay solutions as both consumers and merchants embraced its speed and convenience over cash. By year's end, cardholders were using more than 23 million *PayPass* cards and devices, while merchant locations worldwide surpassed 95,000. *PayPass* programs and pilots were under way in 22 countries including Canada, France, Italy, Korea, Spain, Switzerland and Taiwan. Major commercial launches last year included market firsts in China with the Industrial and Commercial Bank of China and the United Kingdom with The Royal Bank of Scotland. In the United States, new participating merchants included Office Depot and BP, and across Canada, restaurant chain Tim Hortons now accepts MasterCard, including *PayPass* technology.



In 2007, we rotated a number of our top executives to new positions, with the aim of broadening their expertise by increasing cross-functional and international exposure.

In addition, we are committed to having a positive impact on a world that is increasingly interconnected and driven by global economic forces. This means, for example, creating consumer education programs that increase financial management skills to enable current and future cardholders to use debit and credit wisely.

It also means standing squarely behind a range of broader educational and philanthropic initiatives, whether strongly supporting academic scholarship funds for minority students in the United States or working with Junior Achievement to fund the JA Global Marketplace program, to help students in 22 countries understand the impact of international trade and the global economy. Employees around the world regularly volunteer their time and efforts for a broad range of causes, giving back to the communities in which we do business.

Guiding our organization is a dynamic Board of Directors with broad functional experience. I thank Norman C. McLuskie and Manoel Luiz Ferrão de Amorim, both of whom left the Board in 2007. We are deeply appreciative of their service. We also welcome two new Board members, Silvio Barzi, Executive Vice President of UniCredit Group in Italy, and José Octavio Reyes Lagunes, President, Latin America Group, The Coca-Cola Company. These individuals not only bring strong expertise but also add further dimension to a Board that is already rich in international representation.

We Are Committed to Advancing Commerce Globally

The last few years have been nothing short of transformational for our company. We've expanded worldwide, grown our brands and consulting capabilities, strengthened our global processing platform and developed more innovative products and solutions. Notably, our 2006 initial public offering was a defining event for the payments industry. In the course of these achievements, we've made it clear that MasterCard is a unique player in the market and a valuable ally to customers and merchant partners worldwide.

We intend to capitalize on the advantages that set us apart, enabling us to combine the power of our brands, technology and insights to make commerce faster, more secure and more valuable for everyone.

In addition, we will find new ways to broaden and deepen relationships, helping customers optimize portfolios and enter new markets while delivering greater value to merchants.

Increasingly, customers and merchants look to us to drive opportunities for growth, while consumers seek simpler, safer, more convenient ways to pay. As a true catalyst at the heart of commerce, MasterCard is leading the way.

Robert W. Selander

President and Chief Executive Officer
Purchase, New York, U.S.A.
April 2008

> MasterCard Board of Directors



Top row, from left to right: Silvio Barzi, Bernard S. Y. Fung, Nancy J. Karch, Mark Schwartz

Middle row, from left to right: David R. Carlucci, Richard Haythornthwaite, Marc Oliivié, Robert W. Selander

Bottom row, from left to right: Steven J. Freiberg, Tan Teong Hean, José Octavio Reyes Lagunes, Edward Suning Tian

Silvio Barzi¹

Executive Vice President
UniCredit Group

David R. Carlucci² (Chair)

Chairman, President and
Chief Executive Officer
IMS Health Inc.

Steven J. Freiberg

Chief Executive Officer, Global Cards
Citigroup

Bernard S. Y. Fung²

Chairman and
Chief Executive Officer
Aon Asia Pacific Region

Richard Haythornthwaite^{1, 3} (Chair)

Partner
Star Capital Partners Limited
Chairman
MasterCard Incorporated

Tan Teong Hean²

Chairman
Southern Capital Management

Nancy J. Karch^{1, 3}

Director Emeritus
McKinsey & Company

Marc Oliivié^{1, 2}

Chief Executive Officer
MRO Management BVBA

José Octavio Reyes Lagunes²

President, Latin America Group
The Coca-Cola Company

Mark Schwartz¹ (Chair), ³

Chairman
MissionPoint Capital Partners LLC
Co-Founder
New Silk Route Partners LLC

Robert W. Selander

President and Chief Executive Officer
MasterCard Incorporated

Edward Suning Tian³

Chairman
China Broadband
Capital Partners, L.P.

(1) Audit Committee

(2) Human Resources and Compensation Committee

(3) Nominating and Corporate Governance Committee

> **MasterCard** Executive Committee



From left to right: Michael W. Michl, Martina Hund-Mejean, Alan J. Heuer, Robert W. Selander, Chris A. McWilton, Noah J. Hanft, Walter M. Macnee, Gary J. Flood

Gary J. Flood
President, Products and Services

Noah J. Hanft
General Counsel, Chief Franchise Officer
and Corporate Secretary

Alan J. Heuer
Vice Chairman

Martina Hund-Mejean
Chief Financial Officer

Walter M. Macnee
President, Global Markets

Chris A. McWilton
President, Global Accounts

Michael W. Michl
Chief Administrative Officer

Robert W. Selander
President and Chief Executive Officer

> MasterCard Information and Resources

Global and Regional Offices

Global Headquarters

2000 Purchase Street
Purchase, New York 10577 U.S.A.
Telephone: 1.914.249.2000

Global Technology and Operations

St. Louis, Missouri, U.S.A.

Asia/Pacific Regional Headquarters

Singapore

Canada Regional Headquarters

Toronto, Ontario, Canada

Europe Regional Headquarters

Waterloo, Belgium

Latin America and Caribbean Regional Headquarters

Miami, Florida, U.S.A.

U.S. Regional Headquarters

Purchase, New York, U.S.A.

South Asia, Middle East and Africa Regional Headquarters

Dubai, United Arab Emirates

Shareholder Information

Investor Relations

1.914.249.4565
investor_relations@mastercard.com

Shareholder Information

Copies of the company's Annual Report on Form 10-K and Form 10-Q reports as filed with the U.S. Securities and Exchange Commission (SEC) are available upon request from the company.

Visit our website, www.mastercardworldwide.com, for updated news releases, stock performance, financial reports, recent investments, community presentations, SEC filings, corporate governance and other investor information.

Annual Shareholders' Meeting

The 2008 Annual Meeting of Shareholders of MasterCard Incorporated will be held on Tuesday, June 3, 10 a.m., at the MasterCard Corporate Headquarters, 2000 Purchase Street, Purchase, New York.

Stock Listing and Symbol

New York Stock Exchange
Symbol: MA

Transfer Agent

BNY Mellon Shareowner Services
480 Washington Blvd., 27th Floor
Jersey City, New Jersey 07310-1900

For Class A common stockholders:

U.S. Telephone: 1.800.837.7579

Non-U.S. Telephone: 1.201.680.6578

For Class B common stockholders:

U.S. Telephone: 1.866.337.6318

Non-U.S. Telephone: 1.201.680.6656

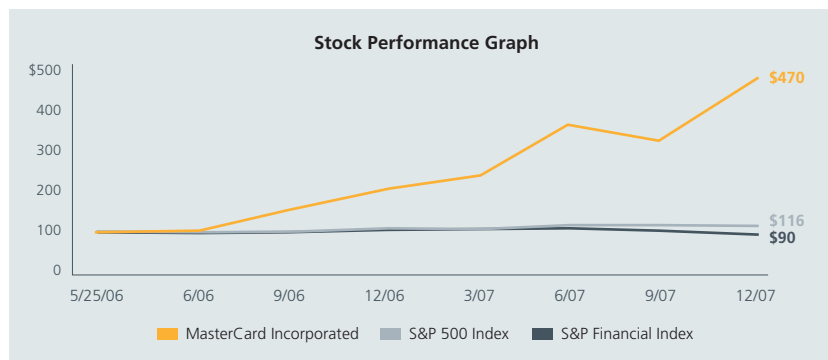
Facsimile: 1.201.680.4668

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
New York, New York

Stock Performance

The graph to the right and the table below compare the cumulative total stockholder return of MasterCard Incorporated Class A common stock, the S&P 500 Index and the S&P Financial Index for the period beginning on the close of trading on the New York Stock Exchange (NYSE) on May 25, 2006, and ending on the close of trading on the NYSE on December 31, 2007. The graph assumes a \$100 investment in our Class A common stock and each of the indices, and the reinvestment of dividends. MasterCard Incorporated's Class B common stock and Class M common stock are not publicly traded or listed on any exchange or dealer quotation system.



	5/25/06	6/06	9/06	12/06	3/07	6/07	9/07	12/07
MasterCard Incorporated	100.00	104.35	152.93	214.37	231.44	362.18	323.09	470.34
S&P 500	100.00	97.25	102.76	109.65	110.35	117.28	119.66	115.67
S&P Financials	100.00	95.72	103.37	110.65	107.51	109.78	105.11	90.04

This annual report contains forward-looking information pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, the ability of MasterCard to lead the way in the payments industry, advance commerce around the world, deliver value to all constituents, create strong relationships that drive business, leverage its global structure to enable local solutions, create innovations that drive commerce, spotlight trends and opportunities and lead at all levels. Although MasterCard believes that its expectations are based on reasonable assumptions, it can give no assurance that its objectives will be achieved. Actual results may differ materially from such forward-looking statements for a number of reasons, including changes in financial condition, estimates, expectations or assumptions, or changes in general economic or industry conditions, or other circumstances such as those set forth in MasterCard Incorporated's filings with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2007, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that it has filed with the SEC. MasterCard disclaims any obligation to update publicly or revise any forward-looking information. On June 20, 2007, MasterCard Incorporated filed with the New York Stock Exchange (NYSE) its Annual CEO Certification pursuant to Section 303A.12(a) of the NYSE Listed Company Manual.

Reconciliation to Net Income, Earnings Per Share and Total Operating Expenses*

(\$ million)	For the year ended 12/31/07			For the year ended 12/31/06			Year-Over-Year Growth
	Actual	Special Items	As Adjusted	Actual	Special Items	As Adjusted	As Adjusted
Revenues, Net	\$ 4,068	—	\$ 4,068	\$ 3,326	—	\$ 3,326	22.3%
Operating Expenses							
General and Administrative	1,758	—	1,758	1,505	—	1,505	16.8%
Advertising and Marketing	1,080	—	1,080	1,052	—	1,052	2.7%
Litigation Settlements	3	3 ¹	—	25	25 ¹	—	—
Charitable Contributions to The MasterCard Foundation	20	—	20 ²	415	395 ³	20 ²	—
Depreciation and Amortization	98	—	98	100	—	100	(2.0)%
Total Operating Expenses	2,959	3	2,956	3,097	420	2,677	10.4%
Operating Income	1,108	3	1,111	229	420	649	71.2%
Operating Margin	27.2%	—	27.3%	6.9%	—	19.5%	7.8 ppt
Other Income (expense)							
Investment Income, Net	530	—	530	125	(7) ⁴	118	349.2%
Interest Expense	(57)	—	(57)	(61)	—	(61)	(6.6)%
Other Income, Net	90	90 ⁵	—	1	—	1	NM
Total Other Income (expense)	563	90	473	65	(7)	58	715.5%
Income before Income Taxes	1,671	(87)	1,584	294	413	707	124.0%
Income Tax Expense	586	30	556	244	6	250	122.4%
Net Income	\$ 1,086	\$ (57)	\$ 1,029	\$ 50	\$ 407	\$ 457	125.2%
Basic Net Income per Share	\$ 8.05	\$(0.42)	\$ 7.63	\$ 0.37	\$ 3.00	\$ 3.37	126.4%
Diluted Net Income per Share	\$ 8.00	\$(0.42)	\$ 7.58	\$ 0.37	\$ 3.00	\$ 3.37	124.9%

(1) Litigation settlements

(2) Contribution of cash to The MasterCard Foundation

(3) Contribution of stock to The MasterCard Foundation

(4) Interest income on IPO proceeds held for redemption

(5) Other income related to a settlement agreement to discontinue the company's sponsorship of the 2010 and 2014 World Cup soccer events

NM = not meaningful

*Note that figures in the table may not sum due to rounding.



Sandy Alexander Inc., an ISO 14001:2004 certified printer with Forest Stewardship Council (FSC) Chain of Custody Certification, printed this report with the use of certified renewable wind energy, resulting in nearly zero volatile organic compound (VOC) emissions.

The report is printed on Green Power Utopia U1X, a recycled paper that contains a minimum of 10% post-consumer fiber and is made from fiber sourced from well-managed forests and other controlled wood sources. The paper is independently certified by SmartWood, a program of the Rainforest Alliance, to the Forest Stewardship Council standards. It is manufactured with renewable energy in the form of wind, hydro and biogas.



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Leading the way >

As a global payments company, MasterCard places high value on maintaining a richly diverse and widely inclusive workforce — one that is comprised of individuals who understand the subtleties of doing business in countries around the world. We believe that each employee plays a critical role in our success. Through their talent and drive, MasterCard continues to lead the way in the industry.

Main image: Shuan Ghaidan, Product Delivery, Asia/Pacific

Back cover: Mario Perez (left) and Gabriel Alvarez, Business Development, Latin America and Caribbean



Yvette Oh
Strategic Planning and Corporate Services, Asia/Pacific, Middle East and Africa



Carolyn Balfany
Product Deployment, United States



Andy Rush, Product Sales, Europe



Sabrina McNair
Worldwide Communications

> www.mastercardworldwide.com



MasterCard Advisors

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Advancing commerce **when it matters most.**

MasterCard Annual Report **2008**

Summary Consolidated Financial and Other Data*

All figures throughout report in U.S. dollars

Years Ended December 31 (in millions except per-share and operating data)

Statement of Operations

	2008	2007	2006
Revenue	\$ 4,992	\$ 4,068	\$ 3,326
General and Administrative	1,914	1,758	1,505
Advertising and Marketing	1,018	1,080	1,052
Litigation Settlements	2,483	3	25
Charitable Contributions to The MasterCard Foundation	—	20	415
Depreciation and Amortization	112	98	100
Total Operating Expenses	5,526	2,959	3,097
Operating Income (loss)	(535)	1,108	229
Total Other Income	151	563	65
Income (loss) before Income Tax Expense (benefit)	(383)	1,671	294
Net Income (loss)	\$ (254)	\$ 1,086	\$ 50
Net Income (loss) per Share (basic)	\$ (1.95) ¹	\$ 8.05 ¹	\$ 0.37
Weighted Average Shares Outstanding (basic)	130	135	135
Net Income (loss) per Share (diluted)	\$ (1.95) ¹	\$ 8.00 ¹	\$ 0.37
Weighted Average Shares Outstanding (diluted)	130	136	136

Balance Sheet Data (at period end)

Cash and Cash Equivalents	\$ 1,505	\$ 1,659	\$ 1,185
Investment Securities — Current	588	1,311	1,299
Total Assets	6,476	6,260	5,082
Long-Term Debt	19	150	230
Obligations Under Litigation Settlements, Long-Term	1,023	297	360
Total Stockholders' Equity	1,927	3,027	2,364

Operating Data

Gross Dollar Volume (in billions)	\$ 2,533	\$ 2,272	\$ 1,919 ²
Processed Transactions (in millions) ³	20,966	18,752 ⁴	16,141 ⁴

(1) As more fully described in Note 1 (Summary of Significant Accounting Policies) to the Company's consolidated financial statements included in its Form 10-K for the year ended December 31, 2008, these amounts will be revised in accordance with the adoption of Financial Accounting Standards Board ("FASB") Staff Position Emerging Issues Task Force 03-6-1 on January 1, 2009.

(2) In 2007, we updated GDV to exclude commercial funds transfers in China, which are generally transactions that facilitate the transfer of funds between bank branches but do not involve traditional cash withdrawals or balance transfers. Data for 2006 has been restated to be consistent with this approach.

(3) The data above represents all transactions processed by MasterCard, including PIN-based online debit transactions.

(4) In 2008, we updated our processed transactions numbers to apply reversals and include certain cash transactions. Prior period numbers have been restated to be consistent with this revised methodology. Revenue has not been impacted by these changes.

*Note that figures in this table may not sum due to rounding.



At a time when consumers, businesses and governments are striving to exercise greater financial management, MasterCard offers an array of payment solutions that make commerce easier, safer and more efficient.

Finding new and innovative ways to deliver value has always been of paramount importance to us — and that commitment is evident in our 2008 results.

Under difficult economic conditions, our employees rose to the challenge, leveraging our strengths, adjusting plans and realigning resources to meet the changing needs of our customers.

It's unmistakably clear that the value of electronic payments has never been greater. We are proud of our achievements — and of the role we play in advancing commerce around the world, particularly when it matters most.

MasterCard Worldwide.
The Heart of Commerce.™

To learn more about MasterCard, visit our website:
www.mastercardworldwide.com



"Today, the benefits of electronic payments are proving their value when it matters most by keeping commerce moving, even in the face of major economic setbacks."

Richard Haythornthwaite
Chairman of the Board

Dear Fellow Shareholders:

In markets throughout the world, businesses, governments and consumers are experiencing one of the most difficult and far-reaching economic downturns in memory and being put to the test like never before. Difficult as the current environment may be, electronic payments remain one area of the economy that continues to work extremely well. Guided by competitive and market forces that balance the interests of various stakeholders, electronic payments benefit everyone on every side of every transaction.

In this environment, financial institutions, merchants, businesses, governments and consumers are striving to maximise efficiency and minimise costs. They are seeking to budget wisely, purchase intelligently, control spending and monitor expenditures. Fortunately, electronic payments — in the form of debit, credit and prepaid products — make this process easier.

As many consumers shift their spending away from discretionary items to nondiscretionary expenses, they are increasingly choosing our payment cards and products as tools to better manage their finances. Our products offer consumers the flexibility to pay for necessities like groceries, petrol and utility bills, as well as unforeseen expenses. Furthermore, consumers can make purchases quickly and securely while benefitting from a host of innovations — including multi-function cards, tap-and-go payment devices and mobile payments — whether shopping in person, online or on the go.

For merchants, electronic payments are opening doors to hundreds of millions of consumers, making it easier to do business locally or globally. At the same time, electronic payments help prevent fraud and loss, increase efficiencies and create a seamless experience that drives consumer loyalty. For our customer financial institutions, MasterCard products and solutions help build even stronger relationships with cardholders and merchants by offering "the best way to pay for everything that matters."

Perhaps most importantly, electronic payments serve as a powerful catalyst for economic activity and growth in societies around the world. Since the 1960s, electronic payments have opened new opportunities in developed countries — and, in recent years, have played a role in the growth of emerging markets by encouraging local commerce and payment innovation.

Today, the benefits of electronic payments are proving their value when it matters most by keeping commerce moving, even in the face of major economic setbacks. At MasterCard, we are proud of the value we deliver, have confidence in the future of our business and will continue advancing commerce in markets around the world.

A stylized handwritten signature in black ink, appearing to read 'R. Haythornthwaite'.

Richard Haythornthwaite
Chairman of the Board
London, United Kingdom
April 2009



“Our customer-focused strategy has never been more important as we help our customers weather the headwinds of the financial crisis.”

Robert W. Selander
President and Chief Executive Officer

Dear Fellow Shareholders:

In 2008 — in the face of a global economic crisis not seen in more than a generation — we responded the way smart companies do: by aligning resources to meet the changing needs of our customers. Despite the challenges, we achieved excellent operating results while maintaining a healthy balance sheet.

Our customer-focused strategy has never been more important as we help our customers weather the headwinds of the financial crisis. This approach has served us well in the best of times and continues to do so now as we work with our customers to optimize portfolios, maximize efficiencies, mitigate risks and reduce charge-offs. By addressing these areas head on, we’ve become an important ally in the toughest of times while positioning ourselves as a preferred partner for the future.

Immediate challenges aside, we continue to keep our eye on the big picture: the global migration to faster, more efficient and more secure forms of payment. Despite today’s priorities, our long-term objective remains the same: to steadily displace cash and checks and advance commerce globally.

Strong Results Despite a Challenging Economy

Overall, MasterCard revenues increased by 22.7 percent in 2008, to \$5.0 billion. Excluding special items, we generated net income of \$1.2 billion for the year, or \$9.45 per share on a diluted basis, compared with \$1.0 billion, or \$7.58 a share, in 2007.¹ Our operating margin, excluding the impact of special items, was 39 percent for full-year 2008, an 11.7 percentage point improvement over 2007.¹

MasterCard generated worldwide gross dollar volume (GDV) of more than \$2.5 trillion, a 10.7 percent increase in local currency terms over 2007. GDV was tempered in the fourth quarter by lower levels of consumer spending, particularly in the United States. Worldwide purchase volume for 2008 rose 11.3 percent in local currency terms, to \$1.9 trillion.

At year-end, our customers had issued 981 million MasterCard-branded cards, a 7.6 percent increase over 2007. Though not reflected in our GDV, we also have 652 million Maestro®-branded cards. Transactions processed across the MasterCard Worldwide Network increased 11.8 percent, to 21 billion.

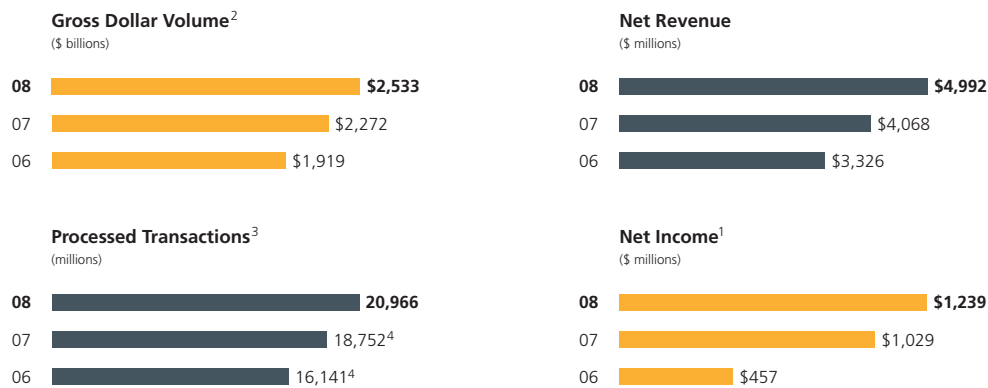
Growth was led by expanding use and acceptance of our cards in markets outside the United States. While we expect this trend to continue, net revenue growth is anticipated to be lower in 2009 due to recessionary conditions in many economies.

Competitive Strengths Set MasterCard Apart

We are fortunate to meet the global economic challenges from a position of strength thanks to sound management practices, the diversification of our business and a host of advantages that set our organization apart. In particular, our business model as a franchisor, processor and advisor represents a competitive advantage, as customers around the world tap into the power of our brand, payment processing network and industry expertise.

Our brand positioning — “the best way to pay for everything that matters” — resonates as deeply as ever as consumers and businesses carefully consider each and every purchase. Our compelling product offerings can be used at more than 28.5 million acceptance locations, including 1.5 million ATMs, as well as other locations where cash may be obtained. Meanwhile, our global *Priceless*® campaign continues to transcend borders and cultures, appearing in 110 countries and 51 languages — and,

(1) Operating margin, net income and earnings per share, each of which excludes special items, are non-U.S. GAAP financial measures that are reconciled to their most directly comparable U.S. GAAP measures in the financial table on the inside back cover.



in 2008, received numerous awards as one of the world's most admired and enduring campaigns. In addition, we continue to leverage top-tier sponsorships that help drive business for our customers and unique experiences for our cardholders.

At the same time, the MasterCard Worldwide Network processes billions of transactions each year, fueling connections among our customers, merchants and cardholders that propel commerce around the world. With an agile and integrated structure unparalleled in the industry, our network delivers operational excellence, shaping innovative solutions for customers, efficient payment alternatives for merchants and greater choice and convenience for cardholders. The new MasterCard Integrated Processing Solutions™ platform, for example, enables customers to offer leading-edge products and expand debit and prepaid portfolios across banking channels.

Our ability to analyze transactional data and produce actionable intelligence and market insights continues to prove its value as well. MasterCard Advisors — our global professional services organization — provides customers with strategic approaches that drive new business opportunities. In the United States and the United Kingdom, *SpendingPulse*®, a macroeconomic indicator from MasterCard Advisors, reports on retail spending in a variety of categories. Additional MasterCard reports shed light on everything from the rise of Internet shopping among Asian women to ways European financial institutions can better understand their cardholder base.

Of course, of all our advantages, our employees are our greatest strength. They have taken up the call to reduce costs during these challenging times and continue to focus firmly on the needs of our customers. From St. Louis to Singapore, they embrace the values that permeate our culture — teamwork, transparency and diversity — while upholding our high ethical standards.

Positioning MasterCard for the Future

Centering our efforts on what matters most to our customers, we made key decisions and investments over the past year that lay the groundwork for the future.

On the legal front, we resolved disputes with American Express and Discover Financial Services. On the regulatory side, we applauded the decision of Canada's Commissioner of Competition to support dual issuance of competing payment brands by financial institutions. This move provides new prospects in a market where MasterCard has become the fastest-growing payments brand.

In 2008, we forged a number of important relationships. We began integrating our operations with Europay France, enabling French banks to provide competitive services while benefiting from a single point of contact for their electronic payment needs. In addition, with innovation critical to delivering value, we acquired Ireland-based software company Orbiscom, building on our existing partnership, through which we developed MasterCard inControl™. Earlier this year,

(2) In 2007, we updated GDV to exclude commercial funds transfers in China, which are generally transactions that facilitate the transfer of funds between bank branches but do not involve traditional cash withdrawals or balance transfers. Data for 2006 has been restated to be consistent with this approach.

(3) The data above represents all transactions processed by MasterCard, including PIN-based online debit transactions.

(4) In 2008, we updated our processed transactions numbers to apply reversals and include certain cash transactions. Prior period numbers have been restated to be consistent with this revised methodology. Revenue has not been impacted by these changes.

we also increased our equity in Strategic Payment Services, becoming the majority stakeholder in the Australian joint venture which provides outsourced processing solutions in the region. Our ability to make these investments reflects our strong capital position and forward focus.

Innovative Payment Solutions Offer Long-Range Value

We continue to roll out innovative products that make life easier for consumers, such as MasterCard *PayPass*®, the leading Tap & Go® payment solution. One noteworthy example in 2008 included partnering with Telecom Italia to develop *PayPass*-enabled payments on mobile phones. We now have more than 50 million *PayPass*-enabled cards and devices, with acceptance locations in 28 countries.

At the same time, we offer a number of card programs that target the affluent segment. In Latin America, we now have MasterCard Black™ card programs in 19 countries, as well as World Elite® MasterCard in Mexico. We also rolled out World MasterCard® in numerous markets, including China, Malaysia, Qatar, Saudi Arabia and Singapore, among others. In addition, we recently launched World Debit™ MasterCard, the first premium debit card in the United States.

Meanwhile, our debit and prepaid programs continue to gain momentum around the world. To further differentiate our offerings in the United States, we launched MasterCard Savings™, exclusively providing MasterCard debit and prepaid cardholders with discounts and special offers from thousands of merchants. In addition, we rolled out the Chicago Bears Debit MasterCard card with Chase. In India, we partnered with Citibank to launch the first MasterCard premium debit program in South Asia.

In Europe, we made inroads that support the Single Euro Payments Area initiative. We began processing domestic debit transactions in several countries and launched Debit MasterCard in Finland and Maestro-only branded cards in Germany and Ireland. We also launched the region's first combo cards — Cartlib and Cartwin — with Crédit Agricole in France. The cards combine debit and credit functionality, placing choice in the hands of consumers.

“Centering our efforts on what matters most to our customers, we made key decisions and investments over the past year that lay the groundwork for the future.”

In addition, we're making it easier for merchants to accept, and consumers to use, Maestro cards online. Several merchants have registered to use the Maestro Advance Registration Program. This is a noteworthy step in advancing our e-commerce presence, as we continue to enhance consumers' online experience.

Our programs gained traction in the public sector as well. In 2008, the U.S. Department of the Treasury's Financial Management Service selected Comerica Bank as its financial agent to issue Direct Express® MasterCard-branded prepaid cards for social security and other prepaid programs. Similarly, in Italy, the first national government benefits disbursement program was launched with Poste Italiane using prepaid MasterCard cards. Government prepaid programs such as these simplify the process for distributing payments.

At the same time, we continue to make advancements in mobile and person-to-person (P2P) payments. In the United States, we are working with Obopay to create an integrated, mobile P2P platform. Meanwhile, our P2P MasterCard *MoneySend*® program in India and Singapore is enabling real-time money transfers.

We also focused on the business-to-business sector, offering new programs around the world. These included MasterCard Easy Savings™ for Small Business and the MasterCard Payment Gateway®, which routes commercial payments between financial institutions and buyers and/or suppliers. In the United Kingdom, we partnered with Barclays Bank to launch the Barclaycard Business card program for small businesses and forged an agreement with Royal Bank of Scotland, the first institution to leverage MasterCard inControl. This innovative platform provides advanced authorization, transaction routing and alert controls to help cardholders and businesses better manage payments and purchasing expenditures.

In 2008, we continued to build our relationship with merchants and established valuable new partnerships. For example, we launched the Everyday Money MasterCard Credit Card with HSBC and Woolworths, Australia's largest retailer. Importantly, we continue to solicit merchants' input by conducting Merchant Advisory and Point of Interaction Group Meetings around the world. Topics include chargebacks, e-commerce, and new payment solutions, as well as other issues. These meetings provide a valuable forum for sharing insights that help inform new MasterCard processes and payment capabilities.

Shaping a World-Class Organization

Throughout the year, we instilled a greater emphasis on employee training, career development and diversity and inclusion initiatives. As a company that conducts business in 210 countries and territories, we recognize that having a diverse workforce is critical to delivering value globally.

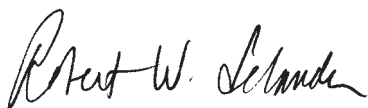
I am very pleased with our efforts to build a world-class organization and delighted with the accolades MasterCard has received. These include recognition from *Working Mother* magazine, which put us on its 2008 "100 Best Companies" list and the Human Rights Campaign Foundation, which recognized MasterCard as one of its 2009 "best places to work." In addition, DiversityInc ranked MasterCard among the top companies for diversity, and *Training* magazine included us on its "Training Top 125" list, which recognizes the best global companies for employer-sponsored training and development. Moreover, *BusinessWeek* magazine ranked our organization number 10 on its "BusinessWeek 50" list, and *Fortune* magazine cited MasterCard as one of the "World's Most Admired Companies."

We are also proud of the ways we give back to the communities we serve. Whether through the financial planning and educational resources we offer in numerous countries, the card programs we develop to help disburse government funds and disaster relief, or the generous volunteer efforts of our employees, we continue to demonstrate good corporate citizenship around the world.

Of course, any enterprise is only as good as its people — and we've been extremely privileged in that regard. In 2008, we welcomed Jackson Tai, the former vice chairman and CEO of DBS Group and DBS Bank Ltd., to our Board of Directors. Mr. Tai brings to his role deep knowledge of our industry and a wealth of experience in Asian markets. We also extend our gratitude to Tan Teong Hean who left the board in 2008. We appreciate the numerous contributions he made to our organization.

During the year, we also welcomed two new Executive Committee members: Rob Reeg and Stephanie Voquer, who oversee Global Technology and Operations and Global Human Resources, respectively. At the same time, we saw the retirements of Alan Heuer as vice chairman and Michael Michl as chief administrative officer. We benefited immensely from their expertise over the years and are grateful for their leadership.

It is clear that we are fortunate in many ways, not the least of which is how our employees have demonstrated that they are ready and able to meet the challenges before us — and to advance commerce when it matters most.



Robert W. Selander

President and Chief Executive Officer

To learn more about MasterCard, visit our website:
www.mastercardworldwide.com

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-K

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from

to

Commission file number: 001-32877

MasterCard Incorporated

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-4172551

(I.R.S. Employer
Identification No.)

2000 Purchase Street, Purchase, New York

(Address of Registrant's principal executive offices)

10577

(zip code)

Registrant's telephone number, including area code (914) 249-2000

Securities registered pursuant to Section 12(b):

Title of each Class

Name of each exchange on which registered

Class A common stock, par value \$.0001 per share

New York Stock Exchange

Class B common stock, par value \$.0001 per share

Class M common stock, par value \$.0001 per share

Securities registered pursuant to Section 12(g):

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's Class A common stock, par value \$.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$26.1 billion. There is currently no established public trading market for the registrant's Class B common stock, par value \$.0001 per share or the registrant's Class M common stock, par value \$.0001 per share. As of February 12, 2009, there were 98,514,196 shares outstanding of the registrant's Class A common stock, par value \$.0001 per share, 30,848,778 shares outstanding of the registrant's Class B common stock, par value \$.0001 per share, and 1,765 shares outstanding of the registrant's Class M common stock, par value \$.0001 per share.

Portions of the registrant's definitive proxy statement for the 2009 Annual Meeting of Stockholders are incorporated herein by reference to Part III hereof.

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MASTERCARD INCORPORATED
FISCAL YEAR 2008 FORM 10-K ANNUAL REPORT
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Forward-Looking Statements

This Report on Form 10-K contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. When used in this Report, the words “believe,” “expect,” “could,” “may,” “would,” “will” and similar words are intended to identify forward-looking statements. These forward-looking statements relate to the Company’s future prospects, developments and business strategies and include, without limitation, the Company’s belief in its ability to drive growth by further penetrating its existing customer base and by expanding its role in targeted geographies and higher-growth segments of the global payments industry, enhancing its relationships with merchants, expanding points of acceptance for its brands, seeking to maintain unsurpassed acceptance and continuing to invest in its brands, pursuing incremental payment opportunities throughout the world, increasing its volume of business with customers over time, continuing to develop opportunities to further enhance MasterCard Integrated Processing Solutions™ (“IPS”) offerings, continuing to explore opportunities to further enhance its debit transaction processing and maintaining a strong business presence in Europe as well as effectively positioning the business as the Single European Payment Area (“SEPA”) initiative creates a more integrated payment market in Europe. Many factors and uncertainties relating to our operations and business environment, all of which are difficult to predict and many of which are outside of our control, influence whether any forward-looking statements can or will be achieved. Any one of those factors could cause our actual results to differ materially from those expressed or implied in writing in any forward-looking statements made by MasterCard or on its behalf. We believe there are certain risk factors that are important to our business, and these could cause actual results to differ from our expectations. Please see a complete discussion of these risk factors in Item 1A—Risk Factors of this report.

In this Report, references to the “Company,” “MasterCard,” “we,” “us” or “our” refer to the MasterCard brand generally, and to the business conducted by MasterCard Incorporated and its consolidated subsidiaries, including our principal operating subsidiary, MasterCard International Incorporated (d/b/a MasterCard Worldwide).

Item 1. *Business*

Overview

MasterCard is a leading global payment solutions company that provides a variety of services in support of the credit, debit and related payment programs of over 24,000 financial institutions and other entities that are our customers. Through our three-tiered business model as franchisor, processor and advisor, we develop and market payment solutions, process payment transactions, and provide support services to our customers and, depending upon the service, to merchants and other clients. We manage a family of well-known, widely accepted payment card brands, including MasterCard®, MasterCard Electronic™, Maestro® and Cirrus®, which we license to our customers. As part of managing these brands, we also establish and enforce rules and standards surrounding the use of our payment card network. We generate revenues from the fees that we charge our customers for providing transaction processing and other payment-related services (operations fees) and by assessing our customers based primarily on the dollar volume of activity on the cards that carry our brands (assessments).

A typical transaction processed over our network involves four parties in addition to us: the cardholder, the merchant, the issuer (the cardholder’s bank) and the acquirer (the merchant’s bank). Consequently, the payment network we operate is often referred to as a “four-party” payment system. Our customers are the financial institutions and other entities that act as issuers and acquirers. Using our transaction processing services, issuers and acquirers facilitate payment transactions between cardholders and merchants throughout the world, providing merchants with an efficient and secure means of receiving payment, and consumers and businesses with a convenient, quick and secure payment method that is accepted worldwide. We guarantee the settlement of many of these transactions among our customer financial institutions to ensure the integrity of our payment network. In addition, we undertake a variety of marketing activities designed to maintain and enhance the value of our brands. However, cardholder and merchant transaction relationships are managed principally by our customers. Accordingly, we do not issue cards, extend credit to cardholders, determine the interest rates (if applicable) or

other fees charged to cardholders by issuers, or establish the merchant discount charged by acquirers in connection with the acceptance of cards that carry our brands.

Our business has a global reach and has continued to experience growth. Gross dollar volume (“GDV”) on cards carrying the MasterCard brand as reported by our customers was approximately \$2.5 trillion in 2008, an 11.5% increase in U.S. dollar terms and a 10.7% increase in local currency terms over the GDV reported in 2007. In 2008, we processed 21.0 billion transactions, an 11.8% increase over the number of transactions processed in 2007.

We believe the trend within the global payments industry from paper-based forms of payment, such as cash and checks, toward electronic forms of payment, such as card payment transactions, creates significant opportunities for the growth of our business. Our strategy is to continue to grow by further penetrating our existing customer base and by expanding our role in targeted geographies and higher-growth segments of the global payments industry (such as premium/affluent and contactless cards, commercial payments, debit, prepaid and issuer processor and terminal driving services), enhancing our merchant relationships, expanding points of acceptance for our brands, seeking to maintain unsurpassed acceptance and continuing to invest in our brands. We also intend to pursue incremental payment processing opportunities throughout the world. We are committed to providing our customers with coordinated services through integrated, dedicated account teams in a manner that allows us to capitalize on our expertise in payment programs, marketing, product development, technology, processing and consulting and information services for these customers. By investing in strong customer relationships over the long term, we believe that we can increase our volume of business with customers over time.

We operate in a dynamic and rapidly evolving legal and regulatory environment. In recent years, we have faced heightened regulatory scrutiny and other legal challenges, particularly with respect to interchange fees. Interchange fees, which represent a sharing of payment system costs among acquirers and issuers, have been the subject of increased regulatory and legislative scrutiny and litigation as card-based forms of payment have become relatively more important to local economies. Although we establish certain interchange rates and collect and remit interchange fees on behalf of our customers, we do not earn revenues from interchange fees. However, if issuers were unable to collect interchange fees or were to receive reduced interchange fees, we may experience a reduction in the number of financial institutions willing to participate in a four-party payment card system such as ours and/or a reduction in the rate of number of cards issued, as well as lower overall transaction volumes. Proprietary end-to-end networks or other forms of payment may also become more attractive. Issuers might also decide to charge higher fees to cardholders, thereby making our card programs less desirable and reducing our transaction volumes and profitability. They also may attempt to decrease the expense of their card programs by seeking a reduction in the fees that we charge. In addition to those challenges relating to interchange fees, we are also exposed to a variety of significant lawsuits and regulatory actions, including federal antitrust claims, and claims under state unfair competition statutes. See “Risk Factors—Legal and Regulatory Risks” in Item 1A of this Report.

MasterCard Incorporated was incorporated as a Delaware stock corporation in May 2001. We conduct our business principally through MasterCard Incorporated’s principal operating subsidiary, MasterCard International Incorporated (“MasterCard International”), a Delaware membership corporation that was formed in November 1966. Our financial institution customers are generally either principal members of MasterCard International, which participate directly in MasterCard International’s business, or affiliate members of MasterCard International, which participate indirectly in MasterCard International’s business through a principal member. In May 2006, we completed a plan for a new ownership and governance structure for MasterCard Incorporated, which we refer to as the “ownership and governance transactions”, and which included the appointment of a new Board of Directors comprised of a majority of directors who are independent from our financial institution customers and the establishment of a charitable foundation incorporated in Canada, The MasterCard Foundation (the “Foundation”). Part of the ownership and governance transactions included an initial public offering of a new class of common stock (the “IPO”) in May 2006. Prior to our change in governance and ownership structure,

the common stock of MasterCard Incorporated was owned by principal members of MasterCard International. For more information about our capital structure, voting rights of our common stock, repurchases of our Class A common stock and conversions of shares of our Class B common stock into shares of our voting Class A common stock, see Note 14 (Stockholders' Equity) to the consolidated financial statements included in Item 8 of this Report.

Our Industry

We operate in the global payments industry, which consists of all forms of payment including:

- Paper—cash, personal checks, money orders, official checks, travelers checks and other paper-based means of transferring value;
- Cards—credit cards, charge cards, debit cards (including Automated Teller Machine (“ATM”) cards), pre-paid cards and other types of cards; and
- Other Electronic and Emerging—wire transfers, electronic benefits transfers, bill payments, Automated Clearing House payments and mobile devices, among others.

The most common card-based forms of payment are general purpose cards, which are payment cards carrying logos that permit widespread usage of the cards within countries, regions or around the world. General purpose cards have different attributes depending on the type of accounts to which they are linked:

- “pay later” cards, such as credit or charge cards, typically access a credit account that either requires payment of the full balance within a specified period (a charge card) or that permits the cardholder to carry a balance in a revolving credit account (a credit card);
- “pay now” cards, such as debit cards, typically access a demand deposit or current account maintained by the cardholder; and
- “pay before” cards, such as prepaid or electronic purse cards, typically access a pool of value previously funded.

The primary general purpose card brands include MasterCard, Maestro, Visa®, American Express®, JCB®, Diners Club® and Discover®. Historically, these brands—including MasterCard—were principally associated with “pay later” (credit or charge) cards in the United States and other major international markets. Today, MasterCard (and Visa) cards may be issued in any of the “pay later,” “pay now” or “pay before” categories.

“Pay Now” cards may be further categorized into several sub-segments:

- Signature-based debit cards are cards where the primary means of cardholder validation at the point of sale (“POS”) is for the cardholder to sign a sales receipt. MasterCard and Visa-branded cards constitute the majority of signature-based debit cards.
- PIN-based debit cards are cards with which cardholders generally enter a personal identification number (“PIN”) at a POS terminal for validation. PIN-based debit card brands include our Maestro brand and Visa’s Electron® and Interlink® brands. The MasterCard brand also functions as a PIN-based debit brand in the United States.
- Cash access cards, such as our Cirrus-branded cards, are cards which permit cardholders to obtain cash principally at ATMs by entering a PIN. In addition to Cirrus, the primary global cash access card brand is Visa’s Plus® brand.

Regional and domestic/local PIN-based debit brands are the primary brands in many countries. In these markets, issuers have historically relied on the Maestro and Cirrus brands (and other brands) to enable cross-border transactions, which typically constitute a small portion of the overall number of transactions.

In addition to general purpose cards, private label cards comprise a significant portion of all card-based forms of payment. Typically, private label cards are “pay later” cards issued by, or on behalf of, a merchant (such as a department store or gasoline retailer) and can be used only at the issuing merchant’s locations.

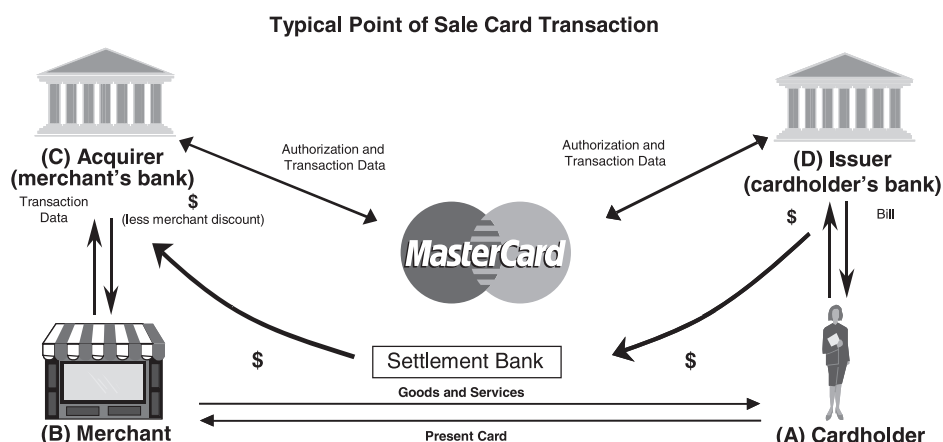
Payment Services

We provide transaction processing and other payment-related services to our financial institution customers. In connection with these services, we deploy dedicated customer relationship management teams to our customers to provide them with customized solutions built upon our expertise in payment programs, marketing, product development, technology, processing and consulting and information services.

We generate revenues from the fees we charge our customers for providing transaction processing and other payment-related services. We also earn revenues by charging our customers assessments based on the GDV of activity on the cards that carry our brands. Accordingly, our revenues are impacted by the number of transactions that we process and by the use of cards carrying our brands.

Transaction Processing

Introduction. We operate the MasterCard Worldwide Network, which links issuers and acquirers around the globe for transaction processing services and, through them, permits MasterCard cardholders to use their cards at millions of merchants worldwide. A typical transaction processed over our network involves four participants in addition to us: issuer (the cardholder’s bank), acquirer (the merchant’s bank), merchant and cardholder. The following diagram depicts a typical point-of-sale card transaction.



In a typical transaction, a cardholder (A) purchases goods or services from a merchant (B) using a card. After the transaction is authorized by the issuer (D) using our network, the acquirer (C) pays the amount of the purchase, net of a discount, to the merchant. This discount, which we refer to as the merchant discount, takes into consideration the amount of the interchange fee described below. The issuer pays the acquirer an amount equal to the value of the transaction minus any interchange fee and posts the transaction to the cardholder’s account. Our rules generally guarantee the payment of transactions using MasterCard-branded cards and certain transactions using Cirrus- and Maestro-branded cards between issuers and acquirers.

In this four-party payment system, the economics of a payment transaction relative to MasterCard vary widely depending on such factors as whether the transaction is domestic (and, if it is domestic, the country in which it takes place) or cross-border, whether it is a point-of-sale purchase transaction or cash withdrawal, and whether the transaction is processed over our network or is handled solely by a financial institution that is both the acquirer for the merchant and the issuer to the cardholder (an “on-us” transaction).

A significant portion of the merchant discount is generally paid from the acquirer to the issuer (or netted by the issuer against amounts paid to the acquirer) in the form of an interchange fee. The balance of the merchant discount is retained by the acquirer to cover its costs and profit margin. Acquirers may charge merchants processing and related fees in addition to the merchant discount. Issuers may also charge cardholders fees for the transaction, including, for example, fees for extending revolving credit. As described below, we charge issuers and acquirers transaction-based and related fees and assessments for the services we provide them.

Interchange fees represent a sharing of a portion of payment system costs among the financial institutions participating in a four-party payment card system such as ours. Generally, interchange fees are collected from acquirers and passed to issuers (or netted by issuers against amounts paid to acquirers) to reimburse the issuers for a portion of the costs incurred by them in providing services that benefit all participants in the system, including acquirers and merchants. In some circumstances, such as cash withdrawal transactions, this situation is reversed and interchange fees are paid by issuers. We establish default interchange fees that apply when there are no other interchange fee arrangements in place between an issuer and an acquirer. We administer the collection and remittance of interchange fees through the settlement process; however, we do not earn revenues from them. As noted above, interchange fees are a significant component of the costs that merchants pay to accept payment cards and are currently subject to regulatory, legislative and/or legal challenges in a number of jurisdictions. We are devoting substantial management and financial resources to the defense of interchange fees and to the other legal and regulatory challenges we face. See “Risk Factors—Legal and Regulatory Risks” in Item 1A of this Report.

MasterCard Worldwide Network. We facilitate the authorization, clearing and settlement of the transactions described above and similar transactions through the MasterCard Worldwide Network, our proprietary, global telecommunications network. Among the platforms and systems encompassed in the MasterCard Worldwide Network are the Global Clearing Management System (“GCMS”); the MasterCard Single Message System (the “Single Message System”), also known as the MasterCard Debit Switch (“MDS”); the MasterCard Dual Message System (the “Dual Message System”), formerly known as Banknet; and settlement systems. The MasterCard Worldwide Network provides an intelligent architecture that combines both centralized and peer-to-peer distributed transaction processing. This infrastructure is designed to automatically adapt to the individual needs of each transaction, blending the speed and redundancy of peer-to-peer networking with the real-time availability of value-added services provided from a central site. We believe our network is unique, providing distinct advantages over networks deployed by our competitors and enabling us to provide our customers around the world with quality scalable transaction processing that is consistently reliable, secure and available.

Types of Transactions. Generally, the MasterCard Worldwide Network processes three types of transactions: credit transactions; debit transactions that require the cardholder’s signature, which are referred to as offline debit transactions; and debit transactions that require the cardholder to use a PIN, or personal identification number, for verification, which are referred to as online debit transactions. In addition, some payment cards are equipped with an RFID (radio frequency identification) microchip, which provides an advanced authentication technique, and MasterCard PayPass® (described below), which allows contactless payments requiring neither signature nor PIN.

Authorization, Clearing and Settlement. Authorization refers to the process by which a transaction is approved by the issuer or, in certain circumstances such as when the issuer’s systems are unavailable or cannot be contacted, by MasterCard or others on behalf of the issuer in accordance with the issuer’s instructions. For credit and offline debit transactions, the Dual Message System provides for the transmission of authorization requests and results among issuers, acquirers and other transaction processors or networks. For online debit transactions, the Single Message System (or MDS) switches financial messages and provides transaction and settlement reporting. Our rules, which may vary across regions, establish the circumstances under which merchants and acquirers must seek authorization of transactions.

Clearing refers to the exchange of financial transaction information between issuers and acquirers after a transaction has been completed. MasterCard clears transactions among customers through our central and regional processing systems. Credit and offline debit transactions using MasterCard-branded cards are generally cleared via centralized processing through GCMS, and the related information is typically routed among customers via the MasterCard Worldwide Network. GCMS has helped us to improve our time-to-market in introducing new programs and services. More importantly, using GCMS, we can partner with our customers to provide value-added services to merchants and cardholders. For example, issuers can use GCMS to develop marketing promotions for segments of their card portfolios without investing in their own systems development. We believe that GCMS and our other recent system enhancements position us well to pursue incremental processing opportunities. For online debit transactions, the Single Message System (or MDS) performs clearing between customers and other debit transaction processing networks. Since 2004, MasterCard has worked with issuers and acquirers to increase the routing priority of our systems for the processing of PIN point-of-sale transactions, and has begun to establish direct processing connections to major U.S. merchants.

Once transactions have been authorized and cleared, MasterCard provides services in connection with the settlement of the transactions—that is, the exchange of funds along with associated fees. Settlement for credit, offline debit and online debit transactions is provided through the MasterCard Worldwide Network. Once clearing is completed, a daily reconciliation is provided to each customer involved in settlement, detailing the net amounts by clearing cycle and a final settlement position. The actual exchange of funds takes place between a clearing bank chosen by the customer and approved by MasterCard, and a settlement bank chosen by MasterCard. Customer settlement occurs in U.S. dollars or in a limited number of other currencies in accordance with our established rules.

MasterCard Integrated Processing Solutions (IPS). In April 2008, we introduced MasterCard Integrated Processing Solutions (“IPS”), a MasterCard-engineered debit processing platform. IPS is designed to provide an issuing financial institution with a complete processing solution to help create differentiated products and services and allow quick deployment of payments portfolios across banking channels. Through a single connection, the IPS platform is designed to provide customers with an integrated suite of branded debit network and card issuer processing services in support of PIN-based and signature debit payments, prepaid payment cards and ATM driving as well as real-time card management and back-office processing services. The proprietary MasterCard Portfolio Viewer feature of IPS, a user-friendly customer interface, can deliver aggregate cardholder intelligence across accounts and product lines, providing issuers a view of information that can help them customize their products and programs. In 2008, we announced our first customer to implement IPS for complete branded debit network and issuer processing. We also announced in 2008 the first financial institution to take advantage of the global prepaid transaction processing capabilities of IPS. We continue to develop opportunities to further enhance our IPS offerings.

Regional Transaction Processing. We provide transaction processing (authorization, clearing and settlement) services for customers in our Europe region through our subsidiary, MasterCard Europe sprl (“MasterCard Europe”). These services allow European customers to facilitate payment transactions between cardholders and merchants throughout Europe. Recently, we substantially completed a multi-year technical convergence project to integrate our European systems into our global processing systems. In Australia, we operate a processing facility that manages a majority of MasterCard-branded transaction volumes for Australia and New Zealand.

Outside of the United States and a select number of other countries, most intra-country (as opposed to cross-border) transaction activity conducted with MasterCard, Maestro and Cirrus cards is authorized, cleared and/or settled by our customers or other processors without the involvement of our central processing systems. We do not earn transaction processing fees for such activity. Accordingly, we derive a significant portion of our non-U.S. revenues from processing cross-border transactions. As part of our strategy, we are developing and promoting domestic processing solutions (such as IPS) for our customers that are designed to capitalize on our significant investments the MasterCard Worldwide Network.

Operations and Business Continuity. Our transaction processing services are managed principally through our Global Technology and Operations headquarters in O'Fallon, Missouri. Our headquarters is a state-of-the-art worldwide network control facility with over 50,000 square feet of white computer room environment. Our core processing network has the capacity to handle 140 million transactions per hour with an average response time of 140 milliseconds. We typically operate at about 80% capacity, and we can substantially scale capacity to meet demand. The O'Fallon facility also houses the MasterCard Data Warehouse. MasterCard processes transactions for approximately 24,000 financial institutions in more than 160 currencies from approximately 210 countries and territories.

Our transaction processing services are available 24 hours per day, every day of the year. Our processing systems are built with redundancy and automatic back-up procedures to ensure continued operation in the event of a service interruption. We have consistently maintained availability of our core global processing systems in excess of 99.9%. Should our O'Fallon facility be disabled, our co-processing facility in Kansas City, Missouri would continue operations.

Gross Dollar Volume (GDV)

The table below provides some information regarding GDV, which is one of the key drivers of our revenue, as it forms the basis of volume-based assessments. The MasterCard-branded GDV table below provides information regarding the GDV for all MasterCard-branded cards (excluding Cirrus and Maestro) and for both MasterCard credit and charge card programs and MasterCard debit programs in the United States and in all of our regions other than the United States for the years ended December 31, 2008 and 2007. Growth rates are provided on both a U.S. dollar and local currency basis for the periods indicated. GDV represents the aggregate dollar amount of purchases made and cash disbursements obtained with MasterCard-branded cards and includes the impact of balance transfers and convenience checks.

	MasterCard Branded GDV ¹			
		Year-over-year growth		
	Year ended December 31, 2008	U.S. \$	Local Currency ²	Year ended December 31, 2007
	(In billions, except percentages)			
All MasterCard Branded Programs				
Asia/Pacific	\$ 366	19.7%	18.5%	\$ 306
Canada	102	11.5	11.7	91
Europe	774	18.0	15.5	656
Latin America	184	16.6	16.1	158
South Asia/Middle East Africa	53	24.4	32.6	43
United States	1,054	3.5	3.5	1,019
Worldwide	<u>\$2,533</u>	11.5%	10.7%	<u>\$2,272</u>
All MasterCard Credit and Charge Programs				
United States	\$ 631	(2.2)%	(2.2)%	\$ 645
Worldwide less United States	1,167	16.5	15.5	1,001
Worldwide	<u>\$1,798</u>	9.2%	8.6%	<u>\$1,647</u>
All MasterCard Debit Programs				
United States	\$ 422	13.2%	13.2%	\$ 373
Worldwide less United States	313	23.9	20.6	252
Worldwide	\$ 735	17.5%	16.2%	\$ 626

* Note that figures in the above table may not sum due to rounding.

(1) GDV generated by Maestro and Cirrus cards is not included. The data set forth for GDV is provided by MasterCard customers and includes information with respect to MasterCard-branded transactions that are not processed by MasterCard and for which MasterCard does not earn significant revenues. All data is

subject to revision and amendment by MasterCard's customers subsequent to the date of its release, which revisions and amendments may be material.

- (2) Local currency growth eliminates the impact of currency fluctuations and represents local market performance.

MasterCard Revenue Sources. MasterCard generates revenues by charging transaction processing and related fees and GDV-based and card-based assessments to both issuers and acquirers. We generally process the majority of MasterCard-branded domestic transactions in the United States, the United Kingdom, Canada, Brazil and Australia, and we process substantially all cross-border transactions related to MasterCard, Maestro and Cirrus-branded cards. The allocation of our revenues varies among issuers and acquirers across our regions. Typical transaction-based fees include those associated with authorization, clearing and settlement and other value-added network products. We also charge cross-border and currency conversion fees, and other fees, such as those associated with acceptance development fees, cardholder services, compliance, penalties, holograms and user-pay fees for a variety of account and transaction enhancement services and manuals and publications. Assessments are primarily based on a customer's GDV for a specific time period and the rates vary depending on the nature of the transactions that generate GDV and by region. Rebates and incentives, which are paid to customers and merchants to encourage issuance, usage and acceptance of our cards, are recorded as contra-revenues in accordance with Accounting Principles Generally Accepted in the United States of America ("GAAP"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Revenues" in Item 7 of this Report.

Our gross revenues from transactions, cross border and currency conversion fees, assessments and other fees, vary by region and are dependent on the nature of the transactions and GDV generated from those transactions. Pricing is determined based on the combination of transaction characteristics, including whether the transaction is domestic or cross-border, credit, online debit, offline debit, tiered pricing, geographic region or country, retail purchase or cash withdrawal. Cross-border transactions generate greater revenue than domestic transactions due to higher fees for settlement, authorization and switch, and are also subject to cross-border and currency conversion fees. In addition, higher fees are charged on credit and off-line debit transactions than on online debit transactions.

On a global scale, we have the ability to process transactions denominated in more than 160 currencies. For example, we may process a transaction in a merchant's local currency; however the charge for the transaction would appear on the cardholder's statement in the cardholder's home currency. MasterCard generally uses a wholesale rate increased by a certain percentage, or a government-mandated rate, to convert transactions in other currencies into U.S. dollars. Revenues from processing cross-border and currency conversion transactions fluctuate with cross-border travel. See "Risk Factors—Business Risks—A significant portion of the revenue we earn outside the United States is generated from cross-border transactions, and a decline in cross-border business and leisure travel could adversely affect our revenues and profitability" in Item 1A of this Report.

Customer Relationship Management

We are committed to providing our customers with coordinated services through integrated, dedicated account teams in a manner that allows us to take advantage of our expertise in payment programs, marketing, product development, technology, processing and consulting and information services. We have implemented an internal process to manage our relationships with our customers on a global and regional basis to ensure that their priorities are consistently identified and incorporated into our project, brand, processing, technology and related strategies.

We also seek to enter into business agreements pursuant to which we offer to customers financial incentives and other support benefits to issue and promote MasterCard-branded cards. Financial incentives may be based on GDV or other performance-based criteria, such as issuance of new cards, launch of new programs or execution of marketing initiatives. We believe that our business agreements with customers have contributed to our strong volume and revenue growth in recent years.

The pricing terms and duration of the agreements with our customers vary significantly. Most of our customer relationships are not exclusive and may be terminated in a variety of circumstances. See “Risk Factors—Business Risks—We face increasingly intense competitive pressure on the prices we charge our customers, which may materially and adversely affect our revenue and profitability” and “—Our revenue would decline significantly if we lose one or more of our most significant customers, which could have a material adverse impact on our business” in Item 1A of this Report. In addition to our customer agreements, we have standard licensing arrangements with all of our customers that permit them to use our trademarks and subject them to the rules governing our payment programs. Those customers with which we do not have customized agreements are generally subject to our standard pricing arrangements.

In addition, our MasterCard Advisors group serves to help differentiate us from our competitors by providing our customers and other clients with a wide range of consulting and information services designed to help them improve the performance of their payments businesses. Services include strategic consulting and strategy development, information and analytics, marketing management, and risk and operations management advice. In 2008, MasterCard Advisors continued its series of research reports covering topics such as cardholder satisfaction and loyalty based on analysis of surveys of 50,000 U.S. consumers known as Comparative Cardholder Dynamics. MasterCard Advisors charges our customers and other clients fees for its professional services or may offer these services as an incentive under business agreements with certain customers.

MasterCard Programs

MasterCard offers a wide range of payment solutions to enable our customers to design, package and implement programs targeted to the specific needs of their customers, the cardholders. Our principal payment programs, which are facilitated through our brands, include consumer credit and debit programs, commercial payment solutions, prepaid programs, contactless payment solutions and emerging technologies. Our issuer customers determine the competitive features for the cards issued under our programs, including interest rates and fees. We determine other aspects of our card programs—such as required services and marketing strategy—in order to ensure consistency in connection with these programs.

Consumer Programs—Credit and Charge

Overview. MasterCard offers a number of consumer credit and charge (“pay later”) programs that are designed to meet the needs of our customers. For the year ended December 31, 2008, our consumer credit and charge programs generated approximately \$1.6 trillion in GDV globally, representing 62% of our total GDV for the year ended December 31, 2008. As of December 31, 2008, the MasterCard brand mark appeared on approximately 726 million consumer credit and charge cards worldwide, representing 3.6% growth from December 31, 2007.

United States. We offer customized programs to customers to address specific consumer segments. Our consumer credit programs include Standard, Gold, Platinum, World and World Elite MasterCard® cards. Standard MasterCard cards are general purpose credit cards targeted to consumers with basic needs for a credit card. Gold MasterCard® cards are targeted to consumers typically requiring a higher line of credit or spending limit and one or more card enhancement services associated with a card. Platinum MasterCard® cards provide still higher credit lines or spending limits and also provide a full range of card enhancement services, such as loyalty reward programs. World MasterCard® cards are offered to affluent consumers and are required to have no preset spending limit and the option to revolve a designated portion of the charges made. In 2008, MasterCard continued to focus on the World Elite MasterCard card, a card platform for high-income, high net worth consumers that offers a mix of travel benefits, rewards and global acceptance, including personalized travel agency benefits.

International. In addition to programs offered in the United States, MasterCard makes available to customers outside of the United States a variety of consumer card programs in selected markets throughout the world. For example, MasterCard Electronic cards offer additional control and risk management features by

requiring 100% issuer authorization. The MasterCard Electronic program is designed to curb fraud and control exposure in high risk markets. The MasterCard Unembossed program encourages merchants to submit transactions electronically for authorization while providing cardholders with a global acceptance network. MasterCard offers to customers cards targeted to affluent consumers outside of the United States, such as the MasterCard Black™ card in Latin America, World and World Signia MasterCard® in Europe and World and Titanium MasterCard™ in Asia/Pacific, Middle East and Africa. MasterCard has created innovative, alternate card forms to help our customers differentiate their programs.

General Services. The services provided in connection with all MasterCard credit cards and for which we charge issuers include lost/stolen card reporting, emergency card replacement and emergency cash advance. Optional services, such as emergency travel assistance, are also available to holders of many MasterCard cards. These services are generally arranged by MasterCard and are provided through third-party service providers, including licensed insurance companies retained by MasterCard to provide insurance services.

Consumer Programs—Deposit Access

Overview. MasterCard supports a range of payment solutions that allow our customers to provide consumers with convenient access to funds on deposit in checking, demand deposit and other accounts. Our deposit access (“pay now”) programs may be branded with the MasterCard, Maestro and/or Cirrus logo types, and can be used to obtain cash in bank branches or at ATMs. In addition, MasterCard- and Maestro-branded debit cards may be used to make purchases at the point of sale. As with our consumer credit programs, we support debit Gold MasterCard® programs and debit Platinum MasterCard® programs that issuers can offer as premium services to cardholders. Issuers may also provide enhancement services and loyalty rewards programs in connection with debit cards carrying our brands.

MasterCard-branded Debit Card Programs. We offer MasterCard-branded debit card programs to customers in the United States and other countries. Also, as described above, in April 2008 we introduced IPS, a MasterCard-engineered debit processing platform. Through a single connection, the IPS platform is designed to provide customers with an integrated suite of branded debit network and card issuer processing services in support of PIN-based and signature debit payments, prepaid payment cards and ATM driving as well as real-time card management and back-office processing services. We continue to explore opportunities to further enhance our debit processing capabilities.

As a result of the settlement agreement in the U.S. merchant lawsuit in 2003, MasterCard has taken a number of actions to modify its MasterCard-branded debit card programs in the United States. Among other actions, MasterCard has adopted rules that allow merchants to reject MasterCard-branded debit cards issued in the United States, while still accepting other MasterCard-branded cards, and vice versa. However, U.S. merchants who choose to accept MasterCard-branded debit cards must accept all MasterCard-branded debit cards.

Maestro. Maestro is our global online debit program. Based on information from our customers, we estimate that, at December 31, 2008, the Maestro brand mark appeared on approximately 652 million cards worldwide, representing 0.3% growth from December 31, 2007. Based on the same information, we also estimate that Maestro was accepted for purchases at more than 10 million merchant locations globally as of December 31, 2008. Our Maestro brand has a leading position among online debit brands in many markets throughout the world, particularly in Europe. The strong presence of Maestro in Europe positions us well as the Single European Payment Area (“SEPA”) initiative creates a more integrated payment market in Europe. The global acceptance of Maestro contributes to the growth of our debit business and adds value to the services that we provide to our customers. Maestro cards are issued, and transactions on those cards are processed, pursuant to a set of rules and procedures that are separate from the rules applicable to transactions on MasterCard credit and offline debit cards.

MasterCard Global ATM Network. Any debit, credit or ATM accessible prepaid card bearing the MasterCard, Maestro or Cirrus logos had access to cash and account information at approximately 1.5 million participating ATMs around the world as of December 31, 2008, making the MasterCard Global ATM Network one of the largest ATM networks in the world. The MasterCard Global ATM Network provides domestic (in-country) and international (global cross-border) access to cards allowing for varied types of transactions including cash withdrawal (deposit accounts), cash advance (credit accounts), cash drawdown (prepaid accounts), balance inquiries, account transfers and deposits at ATMs in the network. The MasterCard ATM locator can be utilized to find any MasterCard Global ATM Network location globally through multiple channels including on-line at MasterCard.com, mobile phones, as well as automated call centers. In the United States, the MasterCard ATM Alliance network service provides surcharge-free services to cardholders of participating issuers.

Commercial Payment Solutions

MasterCard offers commercial payment solutions that help large corporations, mid-sized companies, small businesses and public sector organizations to streamline their payment processes, manage information and reduce administrative costs. In the year ended December 31, 2008, our commercial credit and charge programs generated approximately \$230 billion in GDV globally, representing approximately 9% of our total GDV for this period. GDV from commercial credit and charge programs grew globally by 13.7% on a U.S. dollar basis, and 13.2% on a local currency basis, for the year ended December 31, 2008, compared to the same period in 2007.

We offer various corporate payment products, including corporate cards, corporate premium cards, corporate purchasing cards and fleet cards that allow corporations to manage travel and entertainment expenses and provide corporations with additional transactional detail. The MasterCard Corporate Multi Card® is an integrated card program that combines the functionality of one or more of our MasterCard corporate programs—travel, purchasing and fleet—into a single card or account, thereby reducing the costs of managing multiple card programs. Our Multinational Corporate Program allows issuers to manage and consolidate these corporate card programs for multinational organizations that require commercial cards in more than one country. We also offer public sector entities a variety of payment programs that are similar to the travel, purchasing, fleet and Multi Card programs offered to corporations. The MasterCard BusinessCard®, the Debit MasterCard BusinessCard™, the World MasterCard for Business™ and the World Elite for Business™ are targeted at the small-business segment, offering business owners the ability to gain access to working capital, to extend payments and to separate business expenses from personal expenses.

MasterCard also has developed programs that offer benefits to organizations ranging from small businesses to large corporations by integrating payment transaction data into financial systems. Such programs, which aim to facilitate paperless end-to-end corporate purchasing for businesses, include the MasterCard Payment Gateway® (processing payments between buyers, sellers and financial institutions), MasterCard ExpenSys® (expense reporting) and MasterCard Smart Data (management reporting), as well as tools to facilitate integration into enterprise planning systems (ERPs).

Prepaid Programs

Prepaid (“pay before”) programs involve a balance that is funded with monetary value prior to use. Holders access funds via a traditional magnetic stripe or chip-enabled payment card. MasterCard customers may implement prepaid payment programs using any of the MasterCard family of brands (MasterCard, MasterCard Electronic, Maestro or Cirrus). MasterCard provides processing services, including authorization, clearing and settlement, in support of either magnetic stripe or chip-enabled prepaid card programs. Prepaid card programs can be customized to meet the needs of unique commercial and consumer segments and can be issued in connection with various programs such as gift, employee benefit, general purpose, payroll, travel, incentive and government disbursement programs.

While MasterCard has capabilities in all prepaid segments, MasterCard's strategy focuses on three key segments with respect to prepaid—public sector, corporate and consumer reloadable. MasterCard has successfully leveraged its global public sector prepaid platform to introduce government benefits programs around the world. In particular, in 2008, we partnered with government agencies to introduce the largest public sector benefits prepaid program awarded in the United States and Europe. MasterCard continues to work with corporate clients on a global basis to realize cost savings and efficiencies from prepaid solutions. In 2008, we had continued success with our consumer reloadable programs around the world, which provide access to millions of underserved individuals who are not traditional users of credit or debit cards. Also in 2008, we expanded our U.S. reload network (referred to as rePower®). As a result of this expansion, consumers using MasterCard and Maestro prepaid cards enrolled in the network can reload these cards at the point of sale at nearly 50,000 locations. Moreover, in 2008, as discussed above, MasterCard introduced IPS, which is designed to provide customers with, among other things, a suite of branded debit network and issuer services in support of various cards, including prepaid cards. In particular, in 2008 MasterCard announced its first customer to take advantage of the global prepaid transaction processing capability of IPS to include foreign currency and chip-enabled technology.

Contactless Payment Solutions

MasterCard PayPass is a “contactless” payment solution that enables consumers simply to tap or wave their payment card or other payment device, such as a phone, key fob or wristband, on a specially equipped terminal. PayPass utilizes radio frequency technology to securely transmit payment details wirelessly to the payment card terminals for processing through our network. Our PayPass program targets purchases of \$25 and under and is designed to help our customers further expand their businesses by capturing a portion of transactions that were previously cash-based, resulting in increased card activity. PayPass also reduces transaction times, which appeals to merchants in fast through-put businesses and allows us to expand the number of locations that accept our cards. PayPass programs expanded in 2008 to include customers and merchants in 28 countries as of December 31, 2008, an increase from 22 countries as of December 31, 2007. As of December 31, 2008, more than 50 million PayPass cards and devices were issued globally with acceptance at more than 141,000 merchant locations worldwide.

Emerging Technologies

MasterCard contributes to innovation in the payments industry through numerous initiatives, including developments in the areas of electronic commerce, smart cards, mobile commerce, person-to-person payments, corporate electronic payments, transit and emerging technologies. MasterCard encourages new initiatives in the area of electronic commerce by researching and developing a range of technologies designed to offer business opportunities to MasterCard and our customers. MasterCard manages smart card development by working with our customers to help them replace traditional payment cards relying solely on magnetic stripe technology with chip-enabled payment cards that offer additional point-of-sale functionality and the ability to provide value-added services to the cardholder. We are also involved in a number of organizations that facilitate the development and use of smart cards globally, including a smart cards standards organization with other participants in the industry that maintains standards and specifications designed to ensure interoperability and acceptance of chip-based payment applications on a worldwide basis. MasterCard also encourages new initiatives in the area of mobile commerce and wireless payment development such as contactless payment solutions, mobile payment and payment-related information services and person-to-person transfers by working with customers and leading technology companies. In the area of corporate payments between buyers and suppliers, MasterCard offers a payment processing platform supporting card and electronic funds transfer payments. We have also developed an innovative transit platform solution that leverages the contactless functionality in cards and other devices to enable MasterCard acceptance in low value, high volume merchant environments. Finally, MasterCard is working to develop standards and programs that will allow consumers to conduct their financial transactions securely using a variety of new point-of-interaction devices.

In addition, in December 2008, MasterCard acquired Orbiscom Ltd., a leading payments solutions software provider for financial institutions. The acquisition builds on the existing partnership between MasterCard and Orbiscom that created MasterCard inControl, an innovative platform featuring an array of advanced authorization, transaction routing and alert controls designed to assist financial institutions in creating new and enhanced payment offerings.

Marketing

We manage and promote our brands for the benefit of all customers through brand advertising, promotional and interactive programs and sponsorship initiatives. In 2006, we adopted a new corporate brand, MasterCard Worldwide, to reflect our three-tiered business model as franchisor, processor and advisor and a new corporate vision statement, The Heart of Commerce™, to represent our strategic vision of advancing commerce globally. Our marketing activities combine advertising, sponsorships, promotions, customer marketing, interactive media and public relations as part of an integrated program designed to increase consumer awareness of MasterCard and usage of MasterCard cards. We also seek to tailor our global marketing messages by customizing them in individual countries, while maintaining a common global theme. Our initiatives are designed to build the value of the MasterCard brand.

Our advertising plays an important role in building brand visibility, usage and loyalty among cardholders globally. Our award-winning “Priceless®” advertising campaign has run in 51 languages in 110 countries. The “Priceless” campaign promotes MasterCard acceptance and usage benefits that permit cardholders to pay for what they need, when they need it. It also provides MasterCard with a consistent, recognizable message that supports our brand positioning. In order to promote usage of our cards, we conduct frequent promotions on a regional and national basis, often in conjunction with merchants or our customers. To engage consumers directly and advance our presence in new digital media, we launched Priceless.com in the United States in 2006, and we continue to roll out the website in key markets. Priceless.com is one of MasterCard’s websites which allow consumers to engage directly in brand programs, promotions and merchant offers, and provides relevant information on MasterCard cards and services.

We also seek to drive business for our customers by sponsoring a variety of sporting and entertainment properties. In particular, MasterCard has a significant presence in sports, which we believe has broad appeal among consumers. We have worldwide partnerships with well-regarded golf events such as the Senior British Open, the Arnold Palmer Invitational and both the PGA TOUR and European Tour, which are intended to help create business building opportunities among a more affluent demographic. We have a long-standing relationship with international soccer and have continued this relationship by sponsoring leading events, including the Union of European Football Associations (“UEFA”) European Championship and the UEFA Champions League in Europe, as well as the South American Qualifiers. MasterCard is also the exclusive payments sponsor to Major League Baseball and the majority of its professional teams. We also sponsor a number of individual National Football League teams. In professional tennis, MasterCard made its debut in 2008 as a sponsor of the Australian Open, one of the four Grand Slam tournaments, and continued this sponsorship in 2009. One of our most recent sponsorship alliances is in the sport of rugby, in which MasterCard in 2008 became a worldwide partner of the International Rugby Board (IRB) World Cup 2011.

We seek to sponsor diverse events aimed at multiple target audiences, including a sponsorship platform in fashion, originally launched in our Asia Pacific region, with the intention of raising our brand awareness with affluent consumers. We also target a broad audience by providing access to music artists and live performances through well-known entertainment properties such as Jazz at Lincoln Center in New York, Soundstage and the Brit Awards. In 2008, MasterCard also added the GRAMMY awards to its roster of entertainment sponsorships.

Acceptance Initiatives

We estimate that, as of December 31, 2008, cards carrying the MasterCard brand were accepted at more than 28.5 million acceptance locations, including 1.5 million ATMs, as well as other locations where cash may be obtained. Information on ATM and manual cash access locations is reported by our customers and is partly based on publicly-available reports of payment industry associations, government agencies and independent market analysts in Canada and the United States. Cards bearing the Maestro brand mark are accepted at many of these same locations.

Merchants are an important constituency in the MasterCard payment system and we are working to further develop our relationships with them. We believe that consolidation in the retail industry is producing a set of larger merchants with increasingly global scope. These merchants are having a significant impact on all participants in the global payments industry, including MasterCard. We believe that the growing role of merchants in the payments system represents both an opportunity and a challenge for MasterCard. Large merchants are supporting many of the legal, legislative and regulatory challenges to interchange fees that MasterCard is now defending, since interchange fees represent a significant component of the costs that merchants pay to accept payment cards. See “Risk Factors—Legal and Regulatory Risks” and “Risk Factors—Business Risks—Merchants are increasingly focused on the costs of accepting card-based forms of payment, which may lead to additional litigation and regulatory proceedings and may increase the costs of our incentive programs, which could materially and adversely affect our profitability” in Item 1A of this Report. We may be required to increase the amount and scope of incentives that we provide to merchants to encourage the acceptance and usage of our cards, which may adversely affect our business. Nevertheless, we believe many opportunities exist to enhance our relationships with merchants and to continue to expand acceptance of our cards. In 2004, we made available directly to merchants our rules that apply to card acceptance and related activities, thereby increasing the level of transparency and predictability of our payment system for merchants. In 2006, we published the interchange rates applicable to merchants in the United States and in 2007, we introduced a cap on interchange fees on fuel purchases at petroleum retailers. In 2008, we published our entire set of operating rules on our website. As an additional example, we have an advisory group which brings together merchants, acquirers, issuers and processors twice a year to examine payments innovation at the point of interaction, and to seek to enhance the experience for merchants and consumers at the point of sale or in an online shopping environment for a retail sales transaction. Furthermore, we also hold meetings with merchant advisory groups that have been established in key global markets including the United States, Canada, South Africa and Australia, and we continue to strengthen our acquirer and merchant sales teams around the world.

We seek to maintain unsurpassed acceptance of MasterCard-branded programs by focusing on three core initiatives. First, we seek to increase the categories of merchants that accept cards carrying our brands. We are focused on expanding acceptance in electronic and mobile commerce environments, in fast throughput businesses, such as fast food restaurants, in transportation and in public sector payments, such as those involving taxes, fees, fines and tolls, among other categories. Second, we seek to increase the number of payment channels in which MasterCard programs are accepted, such as by introducing MasterCard acceptance in connection with bill payment applications. We are working with customers to encourage consumers to make bill payments in a variety of categories—including rent, utilities and insurance—with their MasterCard-branded cards. Third, we seek to increase usage of our programs at selected merchants by sponsoring a wide range of promotional programs on a global basis. We also enter into arrangements with selected merchants under which these merchants receive performance incentives for the increased use of MasterCard-branded programs or indicate a preference for MasterCard-branded programs when accepting payments from consumers.

We also support technical initiatives designed to make MasterCard card acceptance more attractive for specific merchants, such as our Quick Payment Service for fast food restaurants and other merchants where rapid transactions are required. In addition, MasterCard PayPass appeals to merchants in fast throughput businesses because it reduces transaction times.

In addition, we provide research, marketing support and financial assistance to our customers and their marketing partners in connection with the launch and marketing of co-branded and affinity card programs. Co-branded cards are payment cards bearing the logos or other insignia of an issuer and a marketing partner, such as an airline or retail merchant. Affinity cards are similar to co-branded cards except that the issuer's marketing partner is typically a charity, educational or other non-profit organization.

Membership Standards

We establish and enforce rules and standards surrounding membership in MasterCard International and the use and acceptance of cards carrying our brands.

Rulemaking and Enforcement

Membership in MasterCard International and its affiliates is generally open to banks and other regulated and supervised financial institutions. Applicants for membership must generally meet specified membership eligibility requirements.

In general, MasterCard grants licenses by territory to applicants able to perform all obligations required of members. Licenses provide members with certain rights, including access to the network and usage of our brands. Anti-money laundering due diligence reviews and customer risk management reviews are conducted on all new members prior to admission, as well as on existing members. All applicants and members must meet the requirements of MasterCard's anti-money laundering program, and MasterCard can block authorization of transactions and ultimately terminate membership for non-compliance with the program. As a condition of our licenses, members agree to comply with our bylaws, policies, rules and operating regulations (the "Standards"). MasterCard International and certain of its affiliates are the governing bodies that establish and enforce the Standards, which relate to such matters as membership eligibility and financial soundness criteria; the standards, design and features of cards and card programs; the use of MasterCard trademarks; merchant acquiring activities (including acceptance standards applicable to merchants); and guaranteed settlement and member failures. To help ensure that members conform to the Standards, we review card programs proposed by members.

Customer Risk Management

As a guarantor of certain card obligations of principal members, we are exposed to member credit risk arising from the potential financial failure of any of our approximately 2,400 principal members of MasterCard, Maestro and Cirrus, and approximately 3,200 affiliate debit licensees. Our estimated gross settlement risk exposure for MasterCard-branded transactions, which is calculated using the average daily card charges made during the quarter multiplied by the estimated number of days to settle, was approximately \$24 billion as of December 31, 2008. Principal members participate directly in MasterCard programs and are responsible for the settlement and other activities of their sponsored affiliate members (approximately 21,300).

To minimize the contingent risk to MasterCard of a failure, we monitor the financial health, economic and political operating environments of, and compliance with our rules and standards by, our principal members, affiliate debit licensees and other entities to which we grant licenses. If the financial condition of a member or the state of the economy in which it operates indicates that it may not be able to satisfy its obligations to us or other MasterCard members or its payment obligations to MasterCard merchants, we may require the member to post collateral, typically in the form of standby letters of credit and bank guarantees. As of December 31, 2008, we had members who had posted approximately \$2 billion in collateral held for settlement exposure for MasterCard-branded transactions. If a member becomes unable or unwilling to meet its obligations to us or other members, we are able to draw upon such member's collateral, if provided, in order to minimize any potential loss to our members or ourselves. In addition to obtaining collateral from members, in situations where a member is potentially unable to meet its obligations to us or other members, we can block authorization and settlement of transactions and ultimately terminate membership. However, to date MasterCard has never terminated a member

due to the member's risk profile. In addition to these measures, we have also established a \$2.5 billion committed credit facility, for liquidity protection in the event of member settlement failure. See "Risk Factors—Business Risks—As a guarantor of certain obligations of principal member and affiliate debit licensees, we are exposed to risk of loss or illiquidity if any of our customers default on their MasterCard, Cirrus or Maestro settlement obligations" in Item 1A of this Report. See also "Risk Factors—Business Risks—Unprecedented global economic events in financial markets around the world have directly and adversely affected many of our customers, merchants that accept our brands and cardholders who use our brands, which could result in a material and adverse impact on our prospects, growth, profitability, revenue and overall business" in Item 1A of this Report.

Payment System Integrity

The integrity of our payment system is affected by fraudulent activity and other illegal uses of our system. Fraud is most often committed in connection with lost, stolen or counterfeit cards or stolen account information, often resulting from security breaches of third party systems that inappropriately store cardholder account data. See "Risk Factors—Business Risks—Account data breaches involving card data stored by us or third parties could adversely affect our reputation and revenue" in Item 1A of this Report. Fraud is also more likely to occur in transactions where the card is not present, such as electronic commerce, mail order and telephone order transactions. Security and cardholder authentication for these remote channels are particularly critical issues facing our customers and merchants who engage in these forms of commerce, where a signed cardholder sales receipt or the presence of the card or merchant agent is unavailable.

We monitor areas of risk exposure and enforce our rules and standards to combat fraudulent activity. We also operate several compliance programs to ensure that the integrity of our payment system is maintained by our customers and their agents. Key compliance programs include merchant audits (for high fraud, excessive chargebacks and processing of illegal transactions) and security compliance (including our Site Data Protection Program, which assists customers and merchants in protecting commercial sites from hacker intrusions and subsequent account data compromises using the Payment Card Industry (PCI) data security standards). Our customers are also required to report instances of fraud to us in a timely manner so we can monitor trends and initiate action where appropriate.

Our customers are responsible for fraud losses associated with the cards they issue or for their merchants from whom they acquire transactions. However, we have implemented a series of programs and systems to aid them in detecting and preventing the fraudulent use of cards carrying our brands. We provide education programs and various risk management tools to help detect fraud, including MasterCard SecureCode®, a global Internet authentication solution that permits cardholders to authenticate themselves to their issuer using a unique, personal code, and Site Data Protection. In addition, we offer several fraud detection and prevention programs, including our Expert Monitoring System. Generally, we charge our customers fees for these antifraud programs and services.

Enterprise Risk Management

MasterCard faces a number of risks in operating its business. For a description of material risks, see "Risk Factors" in Item 1A of this Report. Managing risk is an integral component of our business activities and the degree to which we manage risk is vital to our financial condition and profitability.

We have an Enterprise Risk Management ("ERM") program created to ensure appropriate and comprehensive oversight and management of risk. Our ERM program aims to: proactively manage and monitor key risks; improve corporate governance by providing an independent view of our risk profile; enhance decision-making processes and business performance through an understanding of our risk tolerance; and strengthen business operations by integrating ERM principles and creating a more risk aware culture within MasterCard.

Intellectual Property

We own a number of valuable trademarks that are essential to our business, including MasterCard®, Maestro® and Cirrus®, through one or more affiliates. We also own numerous other trademarks covering various brands, programs and services offered by MasterCard to support our payment programs. Through license agreements with our customers, we authorize the use of our trademarks in connection with our customers' card issuing and merchant acquiring businesses. In addition, we own a number of patents and patent applications relating to payments solutions, transaction processing, smart cards, contactless, mobile, electronic commerce, security systems and other matters, some of which may be important to our business operations.

Competition

MasterCard programs compete against all forms of payment, including paper-based transactions (principally cash and checks), card-based payment systems, including credit, charge, prepaid, private-label and other types of general purpose and limited use cards, and electronic transactions such as wire transfers and Automated Clearing House payments. As a result of a global trend, electronic forms of payment such as payment cards are increasingly displacing paper forms of payment, and card brands such as MasterCard, Visa, American Express and Discover are benefiting from this displacement. However, cash and checks still capture the largest overall percentage of worldwide payment volume.

Within the general purpose payment card industry, we face substantial and increasingly intense competition worldwide from systems such as Visa (including Plus, Electron and Interlink), American Express, Discover and JCB, among others. Within the global general purpose card industry, Visa has significantly greater volume than we do.

Outside of the United States, some of our competitors such as JCB in Japan and China Union Pay® have leading positions. Regulation can also play a role in determining competitive market conditions. For example, China Union Pay is the sole domestic processor designated by the Chinese government and operates the sole national cross-bank bankcard information switch network in China due to local regulation. Private-label cards, which can generally be used to make purchases solely at the sponsoring retail store, gasoline retailer or another merchant, also serve as another form of competition.

In the debit card sector, we also encounter substantial and increasingly intense competition from ATM and point-of-sale debit networks in various countries, such as Interlink™, Plus and Visa Electron (owned by Visa Inc.), Star® (owned by First Data Corporation), NYCE® (owned by Metavante Corporation), and Pulse™ (owned by Discover), in the United States, Interac in Canada and EFTPOS in Australia. In addition, in many countries outside the United States, local debit brands serve as the main brands while our brands are used mostly to enable cross-border transactions, which typically represent a small portion of overall transaction volume. In addition, our financial institution customers could also start their own networks and payment card brands to compete with us.

Our competitors include operators of proprietary end-to-end payment networks that have direct acquiring relationships with merchants and direct issuing relationships with cardholders, such as American Express and Discover. These competitors have certain advantages that we do not enjoy. Among other things, these competitors do not require formal interchange fees to balance payment system costs among issuers and acquirers, because they typically have direct relationships with both merchants and cardholders. Interchange fees, which are a characteristic of four-party payments systems such as ours, are subject to increased regulatory and legislative scrutiny worldwide. See "Risk Factors—Legal and Regulatory Risks—Interchange fees are subject to increasingly intense legal and regulatory scrutiny worldwide, which may have a material adverse impact on our prospects for future growth and our overall business, and thus on our revenue" in Item 1A of this Report. Because they do not utilize formal interchange fees, operators of end-to-end payment networks to date have generally avoided the same regulatory and legislative scrutiny and litigation challenges we face and, accordingly, may enjoy a competitive advantage over four-party payments systems.

Among other companies in our industry, Visa and Discover have changed their ownership structures, which could result in their becoming stronger and more efficient companies within the global payments industry. In October 2007, Visa completed its plan to restructure its organization through the creation of a new stock corporation, Visa Inc., owned by its current member financial institutions. As part of the reorganization, Visa Europe did not become a subsidiary of Visa Inc., but rather remained owned by various European member financial institutions. Visa Inc. completed its initial public offering in 2008. In July 2007, Discover began trading on the New York Stock Exchange as a publicly-traded company following its spin-off from Morgan Stanley. As publicly-owned companies, Visa Inc. and Discover, among other changes, may have enhanced access to the capital markets and may operate their respective businesses more transparently and with a greater focus on profitability, although they are subject to more public scrutiny and requirements to provide additional disclosures. For example, Discover recently purchased Diners Club with a view toward expanding its acceptance internationally.

Also, in 2008, American Express and Discover received approval to become bank holding companies. While bank holding companies are subject to numerous regulatory requirements, they also are eligible to request an investment from the U.S. government under the Treasury Department's Troubled Asset Relief Program ("TARP") and may be eligible for similar government programs in the future. American Express announced in December 2008 that it had requested and was approved to receive a \$3.39 billion investment from the U.S. government under the TARP, and Discover announced in January 2009 that it had requested and was preliminarily approved to receive a \$1.2 billion investment under the TARP. MasterCard is not a bank holding company and is not eligible to receive such an investment. A TARP or similar investment could strengthen these MasterCard competitors.

In addition, ongoing litigation has and may continue to affect our ability to compete in the global payments industry. For example, under the settlement agreement in the U.S. merchant lawsuit, U.S. merchants now have the right to reject MasterCard-branded debit cards issued in the United States while still accepting other MasterCard-branded cards, which may adversely affect our ability to maintain and grow our debit business in the United States. In addition, as a result of the court's decision in our litigation with the U.S. Department of Justice concerning our former U.S. Competitive Programs Policy ("CPP"), our customers may now do business with American Express or Discover in the United States, which could adversely affect our business. In recent years, these competitors have started working with issuing and acquiring financial institutions, and therefore replicating certain aspects of end-to-end payment networks. A number of our large customers, including Bank of America, Citibank, HSBC, USAA and GE Money now issue or have announced that they will issue American Express cards. See "Risk Factors—Business Risks—Our operating results may suffer because of substantial and increasingly intense competition worldwide in the global payments industry" in Item 1A in this Report. Finally, suits against us have been filed in several state and federal courts because of our currency conversion practices. Although we have settled these matters, if the settlements do not receive final approval, the outcome of these lawsuits could potentially have a material adverse effect on our business. We cannot predict what the final outcome will be of our various litigations and other regulatory proceedings. For a description of these and other matters, see Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report.

We compete intensely with other card networks, principally Visa, for the loyalty of our customers. In most countries, including the United States, financial institutions typically issue both MasterCard- and Visa-branded payment cards. As a result of this structure, known as "duality," we compete with Visa for business on the basis of individual card portfolios or programs. Issuance of MasterCard and Visa debit cards, on the other hand, is generally non-dual in the United States. This is due to Visa's historical debit exclusivity rule, meaning that under the historical rule, card issuers could issue either MasterCard or Visa debit cards, but not both. As a result of the litigation with the U.S. Department of Justice, Visa's debit exclusivity rule is no longer enforceable, and related litigation has been settled. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in item 8 of this Report.

We face increasingly intense competitive pressure on the prices we charge our customers. In order to stay competitive, we may have to increase the amount of rebates and incentives we provide to our customers and merchants as we have in the last several years. We seek to enter into business agreements with customers through which we offer incentives and other support to issue and promote our cards. However, our customers can terminate their business agreements with us in a variety of circumstances. See “Risk Factors—Business Risks—We face increasingly intense competitive pressure on the prices we charge our customers, which may materially and adversely affect our revenue and profitability” in Item 1A of this Report.

During the last several years, the banking industry has undergone rapid consolidation, and, based on current economic conditions and weakening of customers’ financial health, we have seen this trend accelerate in 2008. We expect this trend to continue in the future. Consolidation represents a competitive threat for MasterCard because our business and pricing strategy is intended to enable MasterCard to achieve targeted financial performance by providing incentives to customers for incremental business. Furthermore, it contemplates entering into business agreements with our largest customers in exchange for significant business commitments to MasterCard. Recent consolidations have included customers with a substantial MasterCard portfolio being acquired by institutions with a strong relationship with a competitor. Significant ongoing consolidation in the banking industry may result in a substantial loss of business for MasterCard. The continued consolidation in the banking industry, whether as a result of an acquisition of a substantial MasterCard portfolio by an institution with a strong relationship with a competitor or the combination of two institutions with which MasterCard has a strong relationship, would also produce a smaller number of large customers, which generally have a greater ability to negotiate pricing discounts with MasterCard. Consolidations could prompt our customers to renegotiate our business agreements to obtain more favorable terms. This pressure on the prices we charge our customers could materially and adversely affect our revenue and profitability. See “Risk Factors—Business Risks—Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenue and profitability” in Item 1A of this Report.

We face competition with respect to particular segments of the payment card industry. In the United States, for example, some of our competitors process a greater number of online, PIN-based debit transactions at the point of sale than we do. In addition, our business and revenues could be impacted adversely by the tendency among U.S. consumers and merchants to migrate from offline, signature-based debit transactions to online, PIN-based debit transactions because we generally earn less revenue from the latter types of transactions. In addition, online, PIN-based transactions are more likely to be processed by other domestic ATM/debit point-of-sale networks rather than by us. See “Risk Factors—Business Risks—If we are unable to grow our debit business, particularly in the United States, we may fail to maintain and increase our revenue growth” in Item 1A of this Report.

We also face competition from transaction processors throughout the world, such as First Data Corporation and Total System Services, Inc., some of which are seeking to enhance their networks that link issuers directly with point-of-sale devices for payment card transaction authorization and processing services. Certain of these transaction processors could potentially displace MasterCard as the provider of these payment processing services.

We also compete against relatively new entrants, such as PayPal (a business segment of eBay), which have developed alternative payment systems and payments in electronic commerce and across mobile devices. Among other services, these competitors provide Internet payment services that can be used to buy and sell goods online, and services that support payments to and from deposit accounts or proprietary accounts for Internet, mobile commerce and other applications. A number of these new entrants rely principally on the Internet and potential wireless communication networks to support their services, and may enjoy lower costs than we do. In mobile commerce, we also face competition from established network operators. Whereas the MasterCard approach to mobile commerce centers on the use of the consumer’s payment account as established by their card issuer, network operators may apply mobile consumer payments directly to the customer’s monthly bill or prepaid mobile account.

We believe that the principal factors affecting our competitive position in the global payments industry are:

- pricing;
- customer relationships;
- the impact of existing and future litigation, legislation and government regulation;
- the impact of globalization and consolidation of financial institutions and merchants;
- the acceptance base, reputation and brand recognition of payment cards;
- the quality, security and integrity of transaction processing;
- the relative value of services and products offered;
- regulation and local laws;
- the success and scope of marketing and promotional campaigns;
- the impact of consolidation in the banking industry;
- new market entrants; and
- the ability to develop and implement competitive new card programs, systems and technologies in both physical and virtual environments.

Government Regulation

Government regulation impacts key aspects of our business. We are subject to regulations that affect the payment industry in the many countries in which our cards are used. Regulation of the payments industry has increased significantly in the last several years. In particular, interchange fees associated with four-party payment systems like ours are being reviewed or challenged in various jurisdictions, including the European Union. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report.

Furthermore, MasterCard customers are subject to numerous regulations applicable to banks and other financial institutions in the United States and elsewhere, and as a consequence MasterCard is impacted by such regulations. Certain of our operations are periodically reviewed by the U.S. Federal Financial Institutions Examination Council (“FFIEC”) under its authority to examine financial institutions’ technology service providers. Examinations by the FFIEC cover areas such as data integrity and data security. In recent years, the U.S. federal banking regulators have adopted a series of regulatory measures affecting credit card payment terms and requiring more conservative accounting, greater risk management and in some cases higher capital requirements for bank credit card activities, particularly in the case of banks that focus on subprime cardholders. In addition, MasterCard Europe operates a retail payment system in Europe and is subject to oversight by the National Bank of Belgium pursuant to standards published by the European Central Bank that are principally targeted at managing financial, legal and operations risk.

In addition, aspects of our operations or business are subject to privacy regulation in the United States, the European Union and elsewhere, as well as regulations imposed by the U.S. Treasury’s Office of Foreign Assets Control (“OFAC”). For example, in the United States, we and our customers are respectively subject to Federal Trade Commission and federal banking agency information safeguarding requirements under the Gramm-Leach-Bliley Act. The Federal Trade Commission’s information safeguarding rules require us to develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate for our size and complexity, the nature and scope of our activities, and the sensitivity of any customer information at issue. Our customers in the United States are subject to similar requirements under the guidelines issued by the federal banking agencies. As part of their compliance with the requirements, each of our U.S. customers is expected to have a program in place for responding to unauthorized access to, or use of, customer information that could result in substantial harm or inconvenience to customers.

In the United States, during the past several years, a number of bills have been considered by Congress and there have been several congressional hearings to address information safeguarding and data breach issues. While no legislation was passed in 2008, Congress is likely to continue to consider these issues, which could result in legislation that would have an adverse impact on us and our customers. In addition, a number of U.S. states have enacted security breach legislation, requiring varying levels of consumer notification in the event of a security breach, and several other states are considering similar legislation. In Europe, the European Parliament and Council passed the European Directive 95/46/EC (the "Directive") on the protection of individuals with regard to the processing of personal data and on the free movement of such data, which obligates the controller of an individual's personal data to take the necessary technical and organizational measures to protect personal data. The Directive has been implemented through local laws regulating data protection in European Union member states to which we and our customers are subject. The Directive establishes general principles with regard to the processing of personal data, including the legal grounds for processing, the rights of individuals with regard to their personal data, restrictions on transfers of the personal data outside the European Economic Area, and the obligation of the controller of that information to take the necessary technical and organizational measures to protect personal data.

MasterCard and other participants in the payment industry are also subject to the regulatory requirements of Section 352 of the USA PATRIOT Act, which applies to certain types of financial institutions, including operators of credit card systems. Section 352 of the USA PATRIOT Act requires MasterCard to maintain a comprehensive anti-money laundering program and imposes similar requirements on some of our customers. Our anti-money laundering program must be reasonably designed to prevent our system from being used to facilitate money laundering and the financing of terrorist activities. The program must, at a minimum, include the designation of a compliance officer, provide for the training of appropriate personnel regarding anti-money laundering responsibilities, as well as incorporate policies, procedures, and controls to mitigate money laundering risks, and be independently audited.

We are also subject to regulations imposed by OFAC. OFAC regulations impose restrictions on financial transactions with Cuba, Burma/Myanmar, Iran and Sudan and with persons and entities included in the OFAC's list of Specially Designated Nationals and Blocked Persons (the "SDN List"). Also Cuba, Iran, Sudan and Syria have been identified by the U.S. State Department as terrorist-sponsoring states. While MasterCard has no business operations, subsidiaries or affiliated entities in these countries, a limited number of financial institutions are licensed by MasterCard to issue cards or acquire merchant transactions in certain of these countries. MasterCard takes measures to avoid transactions with persons and entities on the SDN List, however, it is possible that transactions involving persons or entities on the SDN List may be processed through our payment system. It is possible that our reputation may suffer due to our customer financial institutions' association with these countries or the existence of any such transactions, which in turn could have a material adverse effect on the value of our stock. Further, certain U.S. states have recently enacted legislation regarding investments by pension funds and other retirement systems in companies that have business activities or contacts with countries that have been identified as terrorist-sponsoring states and similar legislation may be pending in other states. As a result, pension funds and other retirement systems may be subject to reporting requirements with respect to investments in companies such as ours or may be subject to limits or prohibitions with respect to those investments that may materially and adversely affect our stock price.

In addition, the Federal Trade Commission and the federal banking agencies have issued a number of regulations implementing the Fair and Accurate Credit Transactions Act, and at least one other regulation under this law is expected to be issued in 2009. Once fully implemented, these regulations could have a material impact on our customers' businesses by increasing costs of issuance and/or decreasing the ability of card issuers to set the price of credit. The Board of Governors of the Federal Reserve System (the "Federal Reserve"), along with two other federal banking agencies, have also recently issued a regulation pertaining to unfair or deceptive acts or practices pertaining to credit card practices (the "UDAP Rule"). The UDAP Rule will make it more difficult for credit card issuers to price credit acts for future credit risk which will have an effect on the pricing models of most credit card issuers. The UDAP Rule could reduce credit availability, or increase the cost of credit to

cardholders, possibly affecting MasterCard transaction volume and revenues. The Federal Reserve has also issued a comprehensive revision to Regulation Z, which implements the Truth in Lending Act. This regulation will have a significant impact on the disclosures made by our customers and could affect their account terms and business practices.

In addition to the UDAP Rule and the revision to Regulation Z, regulators and the U.S. Congress have also increased their scrutiny of our customers' pricing of credit and their underwriting standards. Any legislative or regulatory restrictions on our customers' ability to operate their credit card programs or price credit freely could result in reduced amounts of credit available to consumers, which could materially and adversely affect our transaction volume and revenues. There is also increasing scrutiny of a number of other credit card practices, from which many of our customers derive significant revenue, by Congress and governmental agencies. For example, in addition to scrutiny of interchange fees (described below), the Senate Permanent Subcommittee on Investigations and other Senate and House Committees and Subcommittees are likely to continue their consideration of a variety of our customers' practices, including the methods used to calculate finance charges and allocate payments received from cardholders, and the methods by which default interest rates, late fees and over-the-credit-limit or overdraft fees are determined, imposed, and disclosed. The U.S. Congress may also continue to examine possible changes to the Bankruptcy Code. These investigative efforts and other congressional activity could lead to legislation and/or regulation that could have a material impact on our customers' businesses and our business if implemented. Any such legislative or regulatory restrictions on our customers' ability to operate their credit card programs or to price credit freely could result in reduced revenue and increased costs for our customers, reduced amounts of credit available to consumers and, therefore, a potential reduction of our transaction volume and revenues.

In the U.S. Congress, there has been increasing scrutiny of interchange fees. In 2008, legislation concerning interchange, entitled the "Credit Card Fair Fee Act of 2008", was introduced in the U.S. House of Representatives. The House Judiciary Committee favorably reported this legislation, although on a divided vote, to the full House of Representatives for further consideration. The House did not consider the legislation prior to adjourning. The version of the legislation ultimately reported by the House Judiciary Committee seeks to regulate interchange by allowing merchants to collectively seek to lower their interchange costs by exempting such action from the U.S. antitrust laws. The Credit Card Fair Fee Act also requires the U.S. Department of Justice to observe collective merchant negotiations with MasterCard and its customer financial institutions (and separately with Visa and its customer financial institutions) and report results of those negotiations back to the U.S. Congress. Similar legislation to the Credit Card Fair Fee Act was introduced in the U.S. Senate, but there were no hearings on, or further movement of, such legislation. Additional interchange legislation also was introduced in the House, but there were no further developments with respect to such legislation. We expect that the Credit Card Fair Fee Act, and other legislation pertaining to interchange, will be introduced in Congress in 2009. It is not clear whether Congress will act on such legislation, and what form any such legislation may ultimately take.

In October 2006, the U.S. Congress enacted legislation requiring the coding and blocking of payments for certain types of Internet gambling transactions. The legislation applies to payment system participants, including MasterCard and our U.S. customers, and is being implemented through a federal rulemaking process that was completed in December 2008. These federal rules will require us and our customers to implement compliance programs that could increase our costs and/or decrease our transaction volumes. In addition, the U.S. Congress continues its consideration of regulatory initiatives in the areas of Internet prescription drug purchases, copyright and trademark infringement, and privacy, among others, that could impose additional compliance burdens on us and/or our customers. Some U.S. states are considering a variety of similar legislation. If implemented, these initiatives could require us or our customers to monitor, filter, restrict, or otherwise oversee various categories of payment card transactions, thereby increasing our costs or decreasing our transaction volumes. Various regulatory agencies also continue to examine a wide variety of issues, including identity theft, account management guidelines, privacy, disclosure rules, security and marketing that would impact our customers directly. These new requirements and developments may affect our customers' ability to extend credit through the use of payment cards, which could decrease our transaction volumes. In some circumstances, new regulations

could have the effect of limiting our customers' ability to offer new types of payment programs or restricting their ability to offer our existing programs such as stored value cards, which could materially and adversely reduce our revenue and revenue growth.

Outside of the United States, regulators in several other countries have become increasingly interested in payment industry issues, some of which have launched official proceedings into payment industry issues. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report.

Seasonality

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality" in Item 7 of this Report for a discussion of the impact of seasonality on our business.

Financial Information About Geographic Areas

See Note 23 (Segment Reporting) to the consolidated financial statements included in this Report for certain geographic financial information.

Employees

As of December 31, 2008, we employed approximately 5,500 persons, of which approximately 1,850 were employed outside of the United States. We consider our relationship with employees to be good.

Website and SEC Reports

The Company's internet address is www.mastercard.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available, without charge, for review on our website as soon as reasonably practicable after they are filed with, or furnished to, the U.S. Securities and Exchange Commission (the "SEC"). The information contained on our website is not incorporated by reference into this Report.

Item 1A. Risk Factors

Legal and Regulatory Risks

Interchange fees are subject to increasingly intense legal and regulatory scrutiny worldwide, which may have a material adverse impact on our revenue, our prospects for future growth and our overall business, and thus on our revenue.

Interchange fees, which represent a sharing of payment system costs among the financial institutions participating in a four-party payment card system such as ours, are generally the largest component of the costs that acquirers charge merchants in connection with the acceptance of payment cards. Typically, interchange fees are paid by the merchant bank (the acquirer) to the cardholder bank (the issuer) in connection with transactions initiated with our payment system's cards. Interchange fees, including our default interchange fees, are subject to increasingly intense litigation and regulatory scrutiny worldwide as card-based forms of payment have become relatively more important to local economies. Merchants in the U.S. and New Zealand, and regulators in a number of countries are seeking to reduce these fees through litigation or regulatory action. For example:

- In the European Union, the European Commission announced a decision in December 2007 with respect to our cross-border interchange fees for credit and debit cards under European Union competition rules. The decision required MasterCard to cease applying its default cross-border interchange fees for MasterCard and Maestro branded consumer payment card transactions in the European Economic Area (the "EEA"), to refrain from repeating the infringement, and not to apply its then recently adopted

(but never implemented) Maestro SEPA and Intra-Eurozone default interchange fees to debit card payment transactions within the Eurozone. The decision also required MasterCard to issue certain specific notices to financial institutions and other entities that participate in its MasterCard and Maestro payment systems in the EEA and make certain specific public announcements, regarding the steps it has taken to comply. The decision does not impose a fine on MasterCard, but provides for a daily penalty of up to 3.5% of MasterCard's daily consolidated global turnover in the preceding business year (which MasterCard presently estimates to be approximately \$500,000 U.S. per day) in the event that MasterCard fails to comply. In March 2008, MasterCard filed an application for annulment of the European Commission's decision with the EU Court of First Instance. On June 12, 2008 MasterCard announced that, effective June 21, 2008, MasterCard would temporarily repeal its then current default intra-EEA cross-border consumer card interchange fees in conformity with the decision. Discussions are continuing between MasterCard and the European Commission concerning what interchange fee setting methodology MasterCard might employ and what level of interchange fees it might establish in compliance with the decision.

Although MasterCard believes that any business practices it would implement in response to the decision would be in compliance with the decision, the European Commission may deem any such practice not in compliance with the decision, or in violation of European competition law, in which case MasterCard may be assessed fines for the period that it is not in compliance. Furthermore, because a balancing mechanism like default cross-border interchange fees constitutes an essential element of MasterCard Europe's operations, the decision could also significantly impact MasterCard International's European customers' and MasterCard Europe's business. The European Commission decision could also lead to competition authorities in one or more EU Member States commencing investigations or proceedings regarding domestic interchange fees. In addition, the European Commission's decision could lead to the filing of private actions against MasterCard Europe by merchants and/or consumers which, if MasterCard is unsuccessful in its appeal of the decision, could result in MasterCard owing substantial damages. In October 2008, MasterCard received an information request from the European Commission in connection with the decision concerning certain pricing changes that MasterCard has implemented as of October 2008. MasterCard submitted its response in November 2008. MasterCard understands that the European Commission is contemplating commencing a formal proceeding concerning the pricing changes on the basis that they contravene the decision. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report for more details regarding the European Commission's decision.

- In the United Kingdom, the Office of Fair Trading (OFT) issued a decision in September 2005 concluding that MasterCard's U.K. credit card interchange fees contravene U.K. and European Union competition laws. This decision was set aside by the U.K. Competition Appeals Tribunal in June 2006. However, shortly thereafter, the OFT commenced a new investigation of our current U.K. credit card interchange fees and announced on February 9, 2007 that the investigation also covers so-called "immediate debit" cards. If the OFT determines that any of our U.K. interchange fees contravene U.K. and European Union competition law, it may issue a new decision and possibly levy fines accruing from the date of its first decision. This new investigation will examine whether the new methodology for setting U.K. interchange fees adopted by MasterCard in November 2004—in connection with which MasterCard withdrew the authority of the U.K. members to set domestic interchange fees and conferred such authority exclusively on our President and Chief Executive Officer or his designee—contravenes applicable law. MasterCard understands that the OFT is considering whether to commence a formal proceeding through the issuance of a Statement of Objections. A negative decision could have a significant adverse impact on the revenues of MasterCard's U.K. members and on our competitive position and overall business in the United Kingdom.
- In April 2001, in response to merchant complaints, the Polish Office for Protection of Competition and Consumers (the "PCA") initiated an investigation of our (and Visa's) domestic credit and debit card interchange fees. In January 2007, the PCA issued a decision that our (and Visa's) interchange fees are unlawful under Polish competition law, and imposed fines on our (and Visa's) licensed financial

institutions. The PCA also decided that MasterCard (and Visa) had not violated the law. MasterCard and the financial institutions appealed the decision. In November 2008, the appeals court reversed the decision of the PCA and also rejected MasterCard's appeal on the basis that MasterCard did not have a legal interest in the PCA's decision because its conduct was not found to be in breach of the relevant competition laws. MasterCard has appealed this part of the appeals court's decision because it has significant interest in the outcome of the case. The PCA has appealed other parts of the decision. If on appeal, the PCA's decision is ultimately allowed to stand, it could have a significant adverse impact on the revenues of MasterCard's Polish members and on our overall business in Poland.

- In early 2004, the New Zealand Competition Commission (the "NZCC") commenced an investigation of our domestic interchange fees. In November 2006, the NZCC filed a lawsuit alleging that our (and Visa's) domestic interchange fees do not comply with New Zealand competition law, and seeking penalties. Several large merchants subsequently filed similar lawsuits seeking damages and injunctive relief. A negative decision in these lawsuits could subject MasterCard to fines and/or damages and could have a significant adverse impact on the revenues of our New Zealand members and on our overall business in New Zealand.
- In Australia, the Reserve Bank of Australia ("RBA") enacted in 2002 regulations controlling the costs that can be considered in setting interchange fees for four-party payment card systems such as ours, that do not regulate the merchant discount charged by proprietary end-to-end networks (such as those offered by American Express or Diners Club), which have already benefited from these regulations. In 2007, the RBA commenced a review of such regulations and, on September 26, 2008, the RBA released its final conclusions. These indicate that the RBA is willing to withdraw its regulations if MasterCard and Visa make certain undertakings regarding the future levels of their respective credit card interchange fees and other practices, including their "honor all cards" rules. If the undertakings are not made, the RBA is considering imposing in 2009 additional regulations that could further reduce the domestic interchange fees of MasterCard and Visa credit card systems in Australia. The effect of the undertakings or any such additional regulations could put MasterCard at an even greater competitive disadvantage relative to competitors in Australia that purportedly do not operate four-party systems, which could have a significant adverse impact on MasterCard's business in Australia.
- On December 12, 2008, a Banking Enquiry, a special body created by the South Africa Competition Commission ("SACC") to examine the payments industry in South Africa, including interchange fees, published a report of its findings. The Enquiry recommended, among other things, that an independent forum under regulatory control be established to set payment card interchange fees in South Africa and that payment systems' (including MasterCard's) respective "honor all cards" rules be modified to give merchants greater freedom to choose which types of cards to accept. The Enquiry's report is non-binding but is under active consideration by South African regulators. If adopted, the Enquiry's recommendations could have a significant adverse impact on MasterCard's business in South Africa.

In October 2008, the South African National Assembly (the "NA") adopted amendments to that country's competition laws concerning so-called "complex monopolies" and criminalizing violations of those laws (the "Bill"). On January 29, 2009, the President of South Africa referred the Bill back to the National Assembly for further consideration and, recently, indicated that he may submit the Bill to that country's Constitutional Court for examination if the NA fails to act on his request. If the Bill is ultimately determined to be constitutional and becomes law, it could have a significant adverse impact on MasterCard's business in South Africa.

- In January 2006, a German retailers association filed a complaint with the Federal Cartel Office in Germany concerning our (and Visa's) domestic interchange fees. The complaint alleges that our (and Visa's) German domestic interchange fees are not transparent to merchants and include so-called "extraneous costs." MasterCard understands that the Federal Cartel Office is continuing to review the complaint.
- On January 31, 2008, the Hungarian Competition Authority commenced a formal investigation of MasterCard Europe's domestic interchange fees in Hungary.

Interchange fees and/or related practices (such as the “honor all cards” rule) are also being reviewed in a number of other jurisdictions, including Brazil, Colombia, Czech Republic, Mexico, Venezuela, Estonia, Israel, Italy, Norway, Portugal, Switzerland and Turkey. We believe that regulators are increasingly adopting a coordinated approach to interchange matters and, as a result, developments in any one jurisdiction may influence regulators’ approach to interchange fees in other jurisdictions. In the United States, interchange fees have also been the topic of increased congressional and regulatory interest. In 2008, legislation concerning interchange, entitled the “Credit Card Fair Fee Act of 2008”, was introduced in the U.S. House of Representatives. The House Judiciary Committee favorably reported this legislation, although on a divided vote, to the full House of Representatives for further consideration. The House did not consider the legislation prior to adjourning. The version of the legislation ultimately reported by the House Judiciary Committee seeks to regulate interchange by allowing merchants to collectively seek to lower their interchange costs by exempting such action from the U.S. antitrust laws. The Credit Card Fair Fee Act also requires the U.S. Department of Justice to observe collective merchant negotiations with the Company and its customer financial institutions (and separately with Visa and its customer financial institutions) and report results of those negotiations back to the U.S. Congress. Similar legislation to the Credit Card Fair Fee Act was introduced in the U.S. Senate, but there were no hearings on, or further movement of, the legislation. Additional interchange legislation was also introduced in the House in 2008, but there were no further developments with respect to such legislation. We expect that the Credit Card Fair Fee Act, and other legislation pertaining to interchange, will be reintroduced in Congress in 2009. It is not clear whether Congress will act on such legislation, and what form any such legislation may ultimately take.

In addition, merchants are seeking to reduce interchange fees through litigation. In the United States, merchants have filed approximately 50 class-action or individual suits alleging that our interchange fees violate federal antitrust laws. These suits allege, among other things, that our purported setting of interchange fees constitutes horizontal price-fixing between and among MasterCard, Visa and their member banks in violation of Section 1 of the Sherman Act, which prohibits contracts, combinations or conspiracies that unreasonably restrain trade. The suits seek treble damages in an unspecified amount, attorneys’ fees and injunctive relief. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report for more details regarding the allegations contained in these complaints and the status of these proceedings. We are devoting substantial management and financial resources to the defense of interchange fees and to the other legal and regulatory challenges we face.

If issuers cannot collect, or we are forced to reduce, interchange fees, they may be unable to recoup a portion of the costs incurred for their services. This could reduce the number of financial institutions willing to participate in our four-party payment card system, lower overall transaction volumes, and/or make proprietary end-to-end networks or other forms of payment more attractive. Issuers could also charge higher fees to consumers, thereby making our card programs less desirable and reducing our transaction volumes and profitability, or attempt to decrease the expense of their card programs by seeking a reduction in the fees that we charge. If we are less successful than Visa in defending interchange fees, we could also be competitively disadvantaged against Visa. If we are ultimately unsuccessful in our defense of interchange fees, such regulation may have a material adverse impact on our revenue, our prospects for future growth and our overall business. In addition, this could result in MasterCard being fined and/or having to pay civil damages.

If the settlements of our currency conversion cases are not ultimately approved and we are unsuccessful in any of our various lawsuits relating to our currency conversion practices, our business may be materially and adversely affected.

We generate significant revenue from processing cross-border currency transactions for members. However, we are defendants in several state and federal lawsuits alleging that our currency conversion practices are deceptive, anti-competitive or otherwise unlawful. In particular, a trial judge in California found that our currency conversion practice is deceptive under California state law, and ordered us to mandate that members disclose the currency conversion process to cardholders in cardholder agreements, applications, solicitations and monthly billing statements. The judge also ordered unspecified restitution to California cardholders. The decision

was reversed on appeal on grounds that plaintiff lacked standing to pursue his claims. In addition, we have been served with similar complaints in several state courts seeking to, in effect, extend the judge's decision to MasterCard cardholders outside of California. We have succeeded in having several of these cases dismissed or transferred to the U.S. District Court for the Southern District of New York and combined with putative federal class actions. The class actions allege that our currency conversion practices violate federal antitrust laws. On July 20, 2006, MasterCard and the other defendants in the federal class actions entered into agreements settling those cases and related matters, as well as the California state case. Pursuant to the settlement agreements, MasterCard has paid \$72 million to be used for defendants' settlement fund to settle the federal actions and \$13 million to settle the California case. The settlement agreements are subject to final approval by the court and resolution of all appeals. If final approval of the settlement agreements is not granted and we are unsuccessful in defending against these lawsuits or the state currency conversion cases, we may have to pay restitution to cardholders who make claims that they used their cards in another country, or may be required to modify our currency conversion practices. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report.

If we determine in the future that we are required to establish reserves or we incur liabilities for any litigation that has been or may be brought against us, our results of operations, cash flow and financial condition could be materially and adversely affected.

Except with respect to currency conversion litigations and the California consumer state action discussed in Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report, we have not established reserves for any of the material legal proceedings in which we are currently involved and we are unable to estimate at this time the amount of charges, if any, that may be required to provide reserves for these matters in the future. We may determine in the future that a charge for all or a portion of any of our legal proceedings is required, including charges related to legal fees. In addition, we may be required to record an additional charge if we incur liabilities in excess of reserves that we have previously recorded. Such charges, particularly in the event we may be found liable in a large class-action lawsuit or on the basis of an antitrust claim entitling the plaintiff to treble damages or under which we were jointly and severally liable, could be significant and could materially and adversely affect our results of operations, cash flow and financial condition, or, in certain circumstances, even cause us to become insolvent. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report.

Limitations on our business and other penalties resulting from litigation or litigation settlements may materially and adversely affect our revenue and profitability.

As a result of the settlement agreement in connection with the U.S. merchant lawsuit, merchants have the right to reject our debit cards in the United States while still accepting other MasterCard-branded cards, and vice versa. See Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report. These limitations and any future limitations on our business resulting from litigation or litigation settlements could reduce the volume of business that we do with our customers, which may materially and adversely affect our revenue and profitability.

The payments industry is generally the subject of increasing global regulatory focus, which may impose costly new compliance burdens on us and our customers and lead to decreased transaction volumes through our systems.

We are subject to regulations that affect the payment industry in the many countries in which our cards are used. In particular, our customers are subject to numerous regulations applicable to banks and other financial institutions in the United States and abroad, and, consequently, MasterCard is at times affected by such regulations. Regulation of the payments industry, including regulations applicable to us and our customers, has increased significantly in the last several years. For example, in 2002 MasterCard became subject to the regulatory requirements of Section 352(a) of the USA PATRIOT Act, which has required our customers and us

to create and implement comprehensive anti-money laundering programs. In India, the government appears poised to enact an anti-money laundering law that may impose requirements on payment systems, such as MasterCard's, and their customers. Moreover, the Indian Payments and Settlement Systems Act 2007 requires that payment system operators, such as MasterCard, obtain authorization by February 2009 from the Reserve Bank of India ("RBI") to operate a payments system and grants broad oversight authority to the RBI. Increased regulatory focus in this area could result in additional obligations or restrictions with respect to the types of products that we may offer to consumers, the countries in which our cards may be used and the types of cardholders and merchants who can obtain or accept our cards.

We are also subject to regulations imposed by OFAC. OFAC regulations impose restrictions on financial transactions with Cuba, Burma/Myanmar, Iran and Sudan and with persons and entities included on the SDN List. Also Cuba, Iran, Sudan and Syria have been identified by the U.S. State Department as terrorist-sponsoring states. While MasterCard has no business operations, subsidiaries or affiliated entities in these countries, a limited number of financial institutions are licensed by MasterCard to issue cards or acquire merchant transactions in certain of these countries. MasterCard takes measures to avoid transactions with persons and entities on the SDN List. However, it is possible that transactions involving persons or entities on the SDN List may be processed through our payment system. It is possible that our reputation may suffer due to some of our financial institutions' association with these countries or the existence of any such transactions, which in turn could have a material adverse effect on the value of our stock. Further, certain U.S. states have recently enacted legislation regarding investments by pension funds and other retirement systems in companies that have business activities or contacts with countries that have been identified as terrorist-sponsoring states and similar legislation may be pending in other states. As a result, pension funds and other retirement systems may be subject to reporting requirements with respect to investments in companies such as ours or may be subject to limits or prohibitions with respect to those investments that may materially and adversely affect our stock price.

In addition, the Federal Trade Commission and the federal banking agencies have issued a number of regulations implementing the Fair and Accurate Credit Transactions Act, and at least one other regulation under this law is expected to be issued in 2009. Once fully implemented, these regulations could have a material impact on our customers' businesses by increasing costs of issuance and/or decreasing the ability of card issuers to set the price of credit. The Board of Governors of the Federal Reserve System (the "Federal Reserve"), with two other federal banking agencies, have also recently issued a regulation pertaining to unfair or deceptive acts or practices pertaining to credit card practices (the "UDAP Rule"). The UDAP Rule will make it more difficult for credit card issuers to price credit cards for future credit risk and it will significantly affect the pricing models of most credit card issuers. The UDAP Rule could reduce credit availability, or increase the cost of credit to cardholders, possibly affecting MasterCard transaction volume and revenues. The Federal Reserve has also issued a comprehensive revision to Regulation Z, which implements the Truth in Lending Act. This regulation will have a significant impact on the disclosures made by our customers and could affect their account terms and business practices.

In addition to the UDAP Rule and the revision to Regulation Z, regulators and the U.S. Congress have also increased their scrutiny of our customers' pricing of credit and their underwriting standards. Any legislative or regulatory restrictions on our customers' ability to operate their credit card programs or price credit freely could result in reduced amounts of credit available to consumers, which could materially and adversely affect our transaction volume and revenues. There is also increasing scrutiny of a number of other credit card practices, from which many of our customers derive significant revenue, by Congress and governmental agencies. For example, in addition to scrutiny of interchange fees, the Senate Permanent Subcommittee on Investigations and other Senate and House Committees and Subcommittees are likely to continue their consideration of a variety of our customers' practices, including the methods used to calculate finance charges and allocate payments received from cardholders, and the methods by which default interest rates, late fees and over-the-credit-limit or overdraft fees are determined, imposed, and disclosed. The U.S. Congress may also continue to examine possible changes to the Bankruptcy Code. These investigative efforts and other congressional activity could lead to legislation and/or regulation that could have a material impact on our customers' businesses and our business if implemented.

Any such legislative or regulatory restrictions on our customers' ability to operate their credit card programs or to price credit freely could result in reduced revenue and increased costs for our customers, reduced amounts of credit available to consumers and, therefore, a potential reduction of our transaction volume and revenues.

In October 2006, the U.S. Congress enacted legislation requiring the coding and blocking of payments for certain types of Internet gambling transactions. The legislation applies to payment system participants, including MasterCard and our U.S. customers, and is being implemented through a federal rulemaking process that was completed in December 2008. These federal rules will require us and our customers to implement compliance programs that could increase our costs and/or decrease our transaction volumes. In addition, the U.S. Congress continues its consideration of regulatory initiatives in the areas of Internet prescription drug purchases, copyright and trademark infringement, and privacy, among others, that could impose additional compliance burdens on us and/or our customers. Some U.S. states are considering a variety of similar legislation. If implemented, these initiatives could require us or our customers to monitor, filter, restrict, or otherwise oversee various categories of payment card transactions, thereby increasing our costs or decreasing our transaction volumes. Various regulatory agencies also continue to examine a wide variety of issues, including identity theft, account management guidelines, privacy, disclosure rules, security, and marketing that would impact our customers directly. These new requirements and developments may affect both us and our customers' ability to extend credit through the use of payment cards, which could decrease our transaction volumes. In some circumstances, new regulations could have the effect of limiting our customers' ability to offer new types of payment programs or restricting their ability to offer our existing programs such as stored value cards, which could materially and adversely reduce our revenues and revenue growth.

Increased regulatory focus on us, such as in connection with the matters discussed above, may increase our costs, which could materially and adversely impact our financial performance. Similarly, increased regulatory focus on our customers may cause them to reduce the volume of transactions processed through our systems, which would reduce our revenues materially and adversely impact our financial performance. Finally, failure to comply with the laws and regulations discussed above to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations and overall business, as well as have an impact on our reputation.

Our ability to compete effectively against providers of domestic payments services in certain countries could be curtailed by government actions, which could adversely affect our ability to maintain or increase our revenues.

Governments in certain countries have acted, or could act, to provide resources or protection to selected national payment card providers or national payment processing providers to support domestic competitors or to displace us from, prevent us from entering into, or substantially restrict us from participating in, particular geographies. Our efforts to effect change in countries where our access to the domestic payments segment is limited may not be successful, which could adversely affect our ability to maintain or increase our revenues and extend our global brand.

Existing and proposed regulation in the areas of consumer privacy, data use and/or security could decrease the number of payment cards issued and could increase our costs.

We and our customers are also subject to regulations related to privacy and data use and security in the jurisdictions in which we do business, and we and our customers could be negatively impacted by these regulations. For example, in the United States, we and our customers are respectively subject to Federal Trade Commission and banking agency information safeguard requirements under the Gramm-Leach-Bliley Act. The Federal Trade Commission's information safeguards rules require us to develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate to our size and complexity, the nature and scope of our activities and the sensitivity of any customer information at issue. In the United States, over the past several years a number of bills have been considered by Congress and there have

been several congressional hearings to address information safeguarding and data breach issues. While no legislation was passed in 2008, Congress is likely to continue to consider these issues which could result in legislation that would have an adverse impact on us and our customers. In addition, a number of states have enacted security breach legislation, requiring varying levels of consumer notification in the event of a security breach, and several other states are considering similar legislation.

In the European Union, the European Parliament and Council have passed the European Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, which obligates the controller of an individual's personal data to take the necessary technical and organizational measures to protect personal data. This Directive has been implemented through local laws regulating data protection in European Union member states to which we and our customers are subject.

Regulation of privacy and data use and security in these and other jurisdictions may increase the costs of our customers to issue payment cards, which may decrease the number of our cards that they issue. Any additional regulations in these areas may also increase our costs to comply with such regulations, which could materially and adversely affect our profitability. Finally, failure to comply with the privacy and data use and security laws and regulations to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations and overall business, as well as have an impact on our reputation.

Business Risks

Unprecedented global economic events in financial markets around the world have directly and adversely affected many of our customers, merchants that accept our brands and cardholders who use our brands, which could result in a material and adverse impact on our prospects, growth, profitability, revenue and overall business.

During 2008, unprecedented events occurred in the financial markets around the world resulting in distress in the credit environment, equity market volatility and government intervention. In particular, the economies of the United States and the United Kingdom were significantly impacted by this economic turmoil, however it also impacted other economies around the world. Some existing customers have gone bankrupt or have been placed in receivership or administration or have a significant amount of their stock owned by the government. Many of our financial institution customers, merchants that accept our brands and cardholders who use our brands have been directly and adversely impacted. As a result, our operating results have begun to be impacted, or could be negatively impacted, in several ways, including but not limited to the following:

- Our customers may restrict credit lines to cardholders or limit the issuance of new cards to mitigate increasing cardholder defaults.
- Constriction of consumer and business confidence may cause decreased spending.
- Declining economies can change consumer spending behaviors; for example, a significant portion of our revenues is dependent on international travel patterns, which may decline.
- Uncertainty and volatility in our customers' businesses makes our estimates of revenues, rebates and incentives more difficult. As such, certain prepayments under customer business agreements may not be realizable.
- Our customers may implement cost reduction initiatives that reduce or eliminate payment card marketing or increase requests for greater incentives.
- Customers may decrease spending for optional or enhanced services.
- Government intervention and/or investments in our financial institution customers may lead to the nationalization of those banking institutions or otherwise alter their strategic direction away from our products.
- Tightening of credit availability could impact the ability of participating financial institutions to lend to us under the terms of our credit facility.

- Our customers may default on their settlement obligations. See Note 21 (Settlement and Travelers Cheque Risk Management) to the consolidated financial statements included in Item 8 of this Report for further discussion of our settlement exposure.
- Our business and prospects, as well as our revenue and profitability, could be materially and adversely affected by consolidation of our financial institution customers. See “Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely impact our revenue and profitability” in this Item 1A of this Report.

Any of these developments could have a material adverse impact on prospects, growth, revenue, profitability and overall business.

We face increasingly intense competitive pressure on the prices we charge our customers, which may materially and adversely affect our revenue and profitability.

We generate revenue from the fees that we charge our customers for providing transaction processing and other payment-related services and from assessments on the dollar volume of activity on cards carrying our brands. In order to increase transaction volumes, enter new markets and expand our card base, we seek to enter into business agreements with customers through which we offer incentives, pricing discounts and other support to customers that issue and promote our cards. In order to stay competitive, we may have to increase the amount of these incentives and pricing discounts. Over the past several years, we have experienced continued pricing pressure. The demand from our customers for better pricing arrangements and greater rebates and incentives moderates our growth. We may not be able to continue our expansion strategy to process additional transaction volumes or to provide additional services to our customers at levels sufficient to compensate for such lower fees or increased costs in the future, which could materially and adversely affect our revenue and profitability. In addition, increased pressure on prices enhances the importance of cost containment and productivity initiatives in areas other than those relating to customer incentives. We may not succeed in these efforts.

Our strategy is to grow our business by, among other things, focusing on our customers and entering into customized business agreements with customers around the globe. In the future, we may not be able to enter into such agreements on terms that we consider favorable, and we may be required to modify existing agreements in order to maintain relationships and to compete with others in the industry. Some of our competitors are larger and have greater financial resources than we do and accordingly, may be able to charge lower prices to our customers. In addition, to the extent that we offer discounts or incentives under such agreements, we will need to further increase transaction volumes or the amount of services provided thereunder in order to benefit incrementally from such agreements and to increase revenue and profit, and we may not be successful in doing so. Furthermore, a number of customers from which we earn substantial revenue are principally aligned with one of our competitors. A significant loss of revenue or transaction volumes from these customers could have a material adverse impact on our business.

Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenue and profitability.

Over the last several years, the banking industry has undergone rapid consolidation, and, based on current economic conditions, we have seen this trend accelerate in 2008. We expect this trend to continue in the future. Consolidation represents a competitive threat to us because our strategy contemplates entering into business agreements with our largest customers in exchange for significant business commitments. Recent consolidations have included customers with a substantial MasterCard portfolio being acquired by institutions with a strong relationship with a competitor. Significant ongoing consolidation in the banking industry may result in the substantial loss of business for MasterCard, which could have a material adverse impact on our business and prospects. In addition, one or more of our customers could seek to merge with, or acquire, one of our competitors, and any such transaction could also have a material adverse impact on our business and prospects.

The continued consolidation in the banking industry, whether as a result of an acquisition of a substantial MasterCard portfolio by an institution with a strong relationship with a competitor or the combination of two institutions with which MasterCard has a strong relationship, would also produce a smaller number of large customers, which could increase the bargaining power of our customers. This consolidation could lead to lower prices and/or more favorable terms for our customers. Any such lower prices and/or more favorable terms could materially and adversely affect our revenue and profitability.

Our revenue could fluctuate and decrease significantly in the longer term if we lose one or more of our most significant customers, which could have a material adverse long-term impact on our business.

Most of our customer relationships are not exclusive and in certain circumstances may be terminated by our customers. Our customers can reassess their commitments to us at any time in the future and/or develop their own competitive services. Accordingly, our business agreements with customers may not reduce the risk inherent in our business that customers may terminate their relationships with us in favor of relationships with our competitors, or for other reasons, or might not meet their contractual obligations to us.

In addition, a significant portion of our revenue is concentrated among our five largest customers. In 2008, the net revenues from these customers represented an aggregate of approximately \$1.5 billion, or 30%, of total revenue. No single customer generates 10% of total revenue. Loss of business from any of our large customers could have a material adverse impact on our business.

Merchants are increasingly focused on the costs of accepting card-based forms of payment, which may lead to additional litigation and regulatory proceedings and may increase the costs of our incentive programs, which could materially and adversely affect our profitability.

We rely on merchants and their relationships with our customers to expand the acceptance of our cards. Consolidation in the retail industry is producing a set of larger merchants with increasingly global scope. We believe that these merchants are having a significant impact on all participants in the global payments industry, including MasterCard. For instance, as a result of the settlement agreement in connection with the U.S. merchant lawsuit, merchants have the right to reject our debit cards in the United States while still accepting other MasterCard-branded cards, and vice versa. See Note 18 (Obligations Under Litigation Settlements) and Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report. In addition, some large merchants are supporting many of the legal and regulatory challenges to interchange fees that MasterCard is now defending, since interchange fees represent a significant component of the costs that merchants pay to accept payment cards. See “Risk Factors—Legal and Regulatory Risks—Interchange fees are subject to increasingly intense legal and regulatory scrutiny worldwide, which may have a material adverse impact on our prospects for future growth and our overall business, and thus our revenue.” The increasing focus of merchants on the costs of accepting various forms of payment may lead to additional litigation and regulatory proceedings. Merchants are also able to negotiate pricing discounts and other incentives from us and our customers as a condition to accepting our payment cards. As merchants consolidate and become even larger, we may have to increase the amount of incentives that we provide to certain merchants, which could materially and adversely affect our revenues and profitability.

Our operating results may suffer because of substantial and increasingly intense competition worldwide in the global payments industry.

The global payments industry is highly competitive. Our payment programs compete against all forms of payment, including paper-based transactions (principally cash and checks), card-based systems, including credit, charge, prepaid, private-label and other types of general purpose and limited use cards, and electronic transactions such as wire transfers and Automated Clearing House payments. See “Business—Competition” in Item 1 of this Report. Some of our traditional competitors, as well as alternative payment service providers, have developed, or may develop, substantially greater financial and other resources than we have, may offer a wider

range of programs and services than we offer or may use more effective advertising and marketing strategies to achieve broader brand recognition or merchant acceptance than we have.

Among other companies in our industry, Visa and Discover have changed their ownership structures, which could result in them becoming stronger and more efficient companies within the global payments industry. In October 2007, Visa completed its plan to restructure its organization through the creation of a new stock corporation, Visa Inc., owned by its current member financial institutions. As part of the reorganization, Visa Europe did not become a subsidiary of Visa Inc., but rather remained owned by various European member financial institutions. Visa Inc. completed its initial public offering in March 2008. In July 2007, Discover began trading on the New York Stock Exchange as a publicly-traded company following its spin-off from Morgan Stanley. As publicly-owned companies, Visa and Discover, among other changes, may have enhanced access to the capital markets and may improve operating results, which could be used to enhance their competitive position. If we are unable to compete effectively with these companies, then use of our programs and products could decline, which would have an adverse impact on our revenues.

In the U.S., in 2008, American Express and Discover received approval to become bank holding companies. While bank holding companies are subject to numerous regulatory requirements, they also are eligible to request an investment from the U.S. government under the TARP and may be eligible for similar government programs in the future. American Express announced in December 2008 that it had requested and was approved to receive a \$3.39 billion investment from the U.S. government under the TARP, and Discover announced in January 2009 that it had requested and was preliminarily approved to receive a \$1.2 billion investment under the TARP. MasterCard is not a bank holding company and is not eligible to receive such an investment. A TARP or similar investment could strengthen such competitors of MasterCard.

Based on a final judgment in 2004 of our litigation with the U.S. Department of Justice concerning our former CPP, our customers are now permitted to issue general purpose credit or debit cards in the United States on any other general purpose card network (such as American Express or Discover). This may cause our customers to issue fewer cards with our brand and to enter into arrangements with our competitors to issue cards, thereby reducing the volume of transactions that we process and decreasing our revenues. A number of our large customers, including Bank of America, Citibank, HSBC, USAA and GE Money, now issue or have announced that they will issue American Express or Discover-branded cards. Accordingly, if our customers issue more competitor branded cards than MasterCard branded cards, it may have a material adverse affect on our business, revenue and profitability.

Certain of our competitors, including American Express, Discover, private-label card networks and certain alternative payments systems, operate end-to-end payments systems with direct connections to both merchants and consumers, without involving intermediaries. These competitors seek to derive competitive advantages from their business models. For example, operators of end to end payments systems tend to have greater control over consumer and merchant customer service than operators of four party payments systems such as ours, in which we must rely on our issuing and acquiring financial institution customers. In addition, these competitors have not attracted the same level of legal or regulatory scrutiny of their pricing and business practices as have operators of four party payments systems such as ours.

If we are not able to differentiate ourselves from our competitors, drive value for our customers and/or effectively align our resources with our goals and objectives, we may not be able to compete effectively against these threats. Our competitors may also more effectively introduce innovative programs and services that adversely impact our growth. As a result, our revenue or profitability could decline. We also compete against new entrants that have developed alternative payment systems and payments in electronic commerce and for mobile devices. A number of these new entrants rely principally on the Internet to support their services and may enjoy lower costs than we do, which could put us at a competitive disadvantage.

We also expect that there may be changes in the competitive landscape in the future, including:

- Parties that process our transactions in certain countries may try to eliminate our position as an intermediary in the payment process. For example, merchants could process transactions directly with issuers, or processors could process transactions directly between issuers and acquirers. Large scale consolidation within processors could result in these processors developing bilateral agreements or in some cases processing the entire transaction on their own network, thereby dis-intermediating MasterCard.
- Competitors, customers and other industry participants may develop products that compete with or replace value-added services we currently provide to support our transaction processing, such as dynamic currency conversion services, which could, if significant numbers of cardholders choose to use them, replace our own currency conversion processing services or could force us to change our pricing or practices for these services. If we process fewer transactions or are forced to change our pricing or practices for our currency conversion processing because of competing dynamic currency conversion services or otherwise, our revenues may be materially and adversely affected.
- Participants in the payments industry may merge, create joint ventures or form other business combinations that may strengthen their existing business services or create new payment services that compete with our services.

Our failure to compete effectively against any of the foregoing competitive threats could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

A significant portion of the revenue we earn outside the United States is generated from cross-border transactions, and a decline in cross-border business and leisure travel could adversely affect our revenues and profitability.

We process substantially all cross-border transactions using MasterCard, Maestro and Cirrus-branded cards and generate a significant amount of revenue from fees for processing cross-border and currency conversion transactions. In addition, we charge relatively higher operations fees for settlement, authorization and switch fees on cross-border transactions. Revenue from processing cross-border and currency conversion transactions for our customers fluctuates with cross border travel and our customers' need for transactions to be converted into their base currency. In particular, international geopolitical, economic and other conditions, including the threat of terrorism and outbreak of diseases could cause a decline in cross-border business and leisure travel, which could adversely affect our revenues and profitability.

Certain financial institutions have exclusive, or near exclusive, relationships with our competitors to issue payment cards, and these relationships may adversely affect our ability to maintain or increase our revenues.

Certain financial institutions have exclusive, or near exclusive, relationships with our competitors to issue payment cards, and these relationships may make it difficult or cost-prohibitive for us to do significant amounts of business with them to increase our revenues. In addition, these financial institutions may be more successful and may grow faster than the financial institutions that primarily issue our cards, which could put us at a competitive disadvantage.

We depend significantly on our relationships with our customers to manage our payment system. If we are unable to maintain those relationships, or if our customers are unable to maintain their relationships with cardholders or merchants that accept our cards for payment, our business may be materially and adversely affected.

We are, and will continue to be, significantly dependent on our relationships with our issuers and acquirers and their further relationships with cardholders and merchants to support our programs and services. We do not issue cards, extend credit to cardholders or determine the interest rates (if applicable) or other fees charged to

cardholders using cards that carry our brands. Each issuer determines these and most other competitive card features. In addition, we do not establish the discount rate that merchants are charged for card acceptance, which is the responsibility of our acquiring customers. As a result, our business significantly depends on the continued success and competitiveness of our issuing and acquiring customers and the strength of our relationships with them. In turn, our customers' success depends on a variety of factors over which we have little or no influence. If our customers become financially unstable, we may lose revenue or we may be exposed to settlement risk as described below.

With the exception of the United States and a select number of other jurisdictions, most in-country (as opposed to cross-border) transactions conducted using MasterCard, Maestro and Cirrus cards are authorized, cleared and settled by our customers or other processors without involving our central processing systems. Because we do not provide domestic processing services in these countries and do not, as described above, have direct relationships with cardholders or merchants, we depend on our close working relationships with our customers to effectively manage our brands, and the perception of our payment system among regulators, merchants and consumers in these countries. From time to time, our customers may take actions that we do not believe to be in the best interests of our payment system overall, which may materially and adversely impact our business. If our customers' actions cause significant negative perception of the global payments industry or our brands, cardholders may reduce the usage of our programs, which could reduce our revenues and profitability.

In addition, our competitors may process a greater percentage of domestic transactions in jurisdictions outside the United States than we do. As a result, our inability to control the end-to-end processing on cards carrying our brands in many markets may put us at a competitive disadvantage by limiting our ability to maintain transaction integrity or introduce value-added programs and services that are dependent upon us processing the underlying transactions.

We rely on the continuing expansion of merchant acceptance of our brands and programs. Although our business strategy is to invest in strengthening our brands and expanding our acceptance network, there can be no guarantee that our efforts in these areas will continue to be successful. If the rate of merchant acceptance growth slows or reverses itself, our business could suffer.

Our business may be materially and adversely affected by the marketplace's perception of our brands and reputation.

Our brands and their attributes are key assets of our business. The ability to attract and retain cardholders to MasterCard-branded products is highly dependent upon the external perception of our company and industry. Our business may be affected by actions taken by our customers that impact the perception of our brands. Adverse developments with respect to our industry may also, by association, impair our reputation, or result in greater regulatory or legislative scrutiny. Such perception and damage to our reputation could have a material and adverse effect to our business.

If we are unable to grow our debit business, particularly in the United States, we may fail to maintain and increase our revenue growth.

We believe that in recent years industry-wide offline and online debit transactions have grown more rapidly than credit or charge transactions. However, in the United States, transactions involving our brands account for a smaller share of all offline, signature-based debit transactions than they do credit or charge transactions. In addition, many of our competitors process a greater number of online, PIN-based debit transactions at the point of sale than we do, since our Maestro brand has relatively low penetration in the United States. We may not be able to increase our penetration for debit transactions in the United States since many of our competitors have long-standing and strong positions. We may also be impacted adversely by the tendency among U.S. consumers and merchants to migrate from offline, signature-based debit transactions to online, PIN-based transactions because we generally earn less revenue from the latter types of transactions. In addition, online, PIN-based

transactions are more likely to be processed by other ATM/debit point-of-sale networks rather than by us. Any of these factors may inhibit the growth of our debit business, which could materially and adversely affect our revenues and overall prospects for future growth.

Global political and other conditions may adversely affect trends in consumer spending, which may materially and adversely impact our revenue and profitability.

The global payments industry depends heavily upon the overall level of consumer, business and government spending. In addition to the effects of general economic conditions, increases in interest rates in key countries in which we operate may adversely affect our financial performance by reducing the number or average purchase amount of transactions involving payment cards carrying our brands. Also, as we are principally based in the United States, a negative perception of the United States could impact the perception of our company, which could adversely affect our business prospects and growth.

As a guarantor of certain obligations of principal members and affiliate debit licensees, we are exposed to risk of loss or illiquidity if any of our customers default on their MasterCard, Cirrus or Maestro settlement obligations.

We may incur liability in connection with transaction settlements if an issuer or acquirer fails to fund its daily settlement obligations due to technical problems, liquidity shortfalls, insolvency or other reasons. If a principal member or affiliate debit licensee of MasterCard International is unable to fulfill its settlement obligations to other customers, we may bear the loss even if we do not process the transaction. In addition, although we are not contractually obligated to do so, we may elect to keep merchants whole if an acquirer defaults on its merchant payment obligations, in order to maintain the integrity and acceptance of our brands. Our estimated gross legal settlement exposure, which is calculated using the average daily card charges made during the quarter multiplied by the estimated number of days to settle, was approximately \$24 billion as of December 31, 2008. We have a revolving credit facility in the amount of \$2.5 billion which could be used to provide liquidity in the event of one or more settlement failures by our customers. While we believe that we have sufficient liquidity to cover a settlement failure by any of our largest customers on their peak day, concurrent settlement failures of more than one of our largest customers or of several of our smaller customers may exceed our available resources and could materially and adversely affect our business and financial condition. In addition, even if we have sufficient liquidity to cover a settlement failure, we may not be able to recover the cost of such a payment and may therefore be exposed to significant losses, which could materially and adversely affect our results of operations, cash flow and financial condition. Moreover, during 2008, many of our financial institution customers were directly and adversely impacted by the unprecedented events that occurred in the financial markets and the economic turmoil that ensued around the world. These events present increased risk that we may have to perform under our settlement guarantees. For more information on our settlement exposure as of December 31, 2008, see Note 21 (Settlement and Travelers Cheque Risk Management) to the consolidated financial statements included in Item 8 of this Report.

If our transaction processing systems are disrupted or we are unable to process transactions efficiently or at all, our revenue or profitability would be materially reduced.

Our transaction processing systems may experience service interruptions as a result of fire, natural or man-made disasters, power loss, disruptions in long distance or local telecommunications access, fraud, terrorism, accident or other catastrophic events. A disaster or other problem at our primary and/or back-up facilities or our other owned or leased facilities could interrupt our services. Additionally, we rely on third-party service providers, such as AT&T, BT and Orange, for the timely transmission of information across our global data transportation network. If one of our service providers fails to provide the communications capacity or services we require, as a result of natural disaster, operational disruption, terrorism or any other reason, the failure could interrupt our services, adversely affect the perception of our brands' reliability and materially reduce our revenue or profitability.

Account data breaches involving card data stored by us or third parties could adversely affect our reputation and revenue.

We, our customers, and other third parties store cardholder account and other information in connection with payment cards bearing our brands. In addition, our customers may sponsor third-party processors to process transactions generated by cards carrying our brands. A breach of the systems on which sensitive cardholder data and account information are stored could lead to fraudulent activity involving our cards, damage the reputation of our brands and lead to claims against us. In 2007 and 2008, there were several high-profile account data compromise events involving merchant systems that process and store information related to credit and debit card transactions, which affected, and may potentially affect, millions of MasterCard, Visa, Discover and American Express cardholders. As a result, we may be subject to lawsuits in connection with data security breaches involving payment cards carrying our brands. If we are unsuccessful in defending lawsuits involving such data security breaches, we may be forced to pay damages, which could materially and adversely affect our profitability. In addition, any damage to our reputation or that of our brands resulting from an account data breach could decrease the use and acceptance of our cards, which could have a material adverse impact on our transaction volumes, revenue and future growth prospects, or increase our costs by leading to additional regulatory burdens being imposed upon us.

An increase in fraudulent activity using our cards could lead to reputational damage to our brands and could reduce the use and acceptance of our cards.

Criminals are using increasingly sophisticated methods to capture cardholder account information to engage in illegal activities such as counterfeit, or other fraud. As outsourcing and specialization become a more acceptable way of doing business in the payments industry, there are more third parties involved in processing transactions using our cards. Increased fraud levels involving our cards could lead to regulatory intervention, such as mandatory card re-issuance, adoption of new technologies or enhanced security requirements, and damage to our reputation and financial damage to our brands, which could reduce the use and acceptance of our cards or increase our compliance costs, and thereby have a material adverse impact on our business.

If we are not able to keep pace with the rapid technological developments in our industry to provide customers, merchants and cardholders with new and innovative payment programs and services, the use of our cards could decline, which would reduce our revenue and income.

The payment card industry is subject to rapid and significant technological changes, including continuing developments of technologies in the areas of smart cards, radio frequency and proximity payment devices (such as contactless cards), electronic commerce and mobile commerce, among others. We cannot predict the effect of technological changes on our business. We rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to new technologies. We expect that new services and technologies applicable to the payments industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently use in our card programs and services. In addition, our ability to adopt new services and technologies that we develop may be inhibited by a need for industry-wide standards, by resistance from customers or merchants to such changes or by intellectual property rights of third parties. Our future success will depend, in part, on our ability to develop or adapt to technological changes and evolving industry standards.

Adverse currency fluctuations and foreign exchange controls could decrease revenue we receive from our international operations.

During 2008, approximately 52.8% of our revenue was generated from activities outside the United States. Some of the revenue we generate outside the United States is subject to unpredictable and indeterminate fluctuations if the values of other currencies change relative to the U.S. dollar. Resulting exchange gains and losses are included in our net income. Our risk management activities provide protection with respect to adverse

changes in the value of only a limited number of currencies. Furthermore, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our other revenue currencies into U.S. dollars. The occurrence of any of these factors could decrease the value of revenues we receive from our international operations and have a material adverse impact on our business.

Any acquisitions that we make could disrupt our business and harm our financial condition.

We may evaluate or make strategic acquisitions of, or acquire interests in joint ventures or other entities related to, complementary businesses, products or technologies. While we from time to time evaluate potential acquisitions of businesses, products and technologies, anticipate continuing to make these evaluations, and have made certain recent acquisitions (including interests in joint ventures and other alliances), we have no present understandings, commitments or agreements with respect to any material acquisitions. If we do make such an acquisition, however, we may not be able to successfully finance the business following the acquisition as a result of costs of operations, including any litigation risk which may be inherited from the acquisition. Furthermore, we may not be able to successfully integrate any such acquired businesses, products or technologies. In particular, the integration of any acquisition (including efforts related to an acquisition of an interest in a joint venture or other entity) may divert management's time and resources from our core business and disrupt our operations. Moreover, we may spend time and money on projects that do not increase our revenue. In addition, to the extent we pay the purchase price of any acquisition in cash, it would reduce our cash reserves available to us for other uses, and to the extent the purchase price is paid with our stock, it could be dilutive to our stockholders.

Changes in the regulatory environment may adversely affect our benefit plans.

We provide certain retirement benefits to our U.S. employees through the MasterCard Accumulation Plan (MAP), a qualified cash balance benefit plan. The Pension Protection Act of 2006 provides that, from January 29, 2005 and on, cash balance plans should not be deemed inherently age discriminatory. In addition, all five of the U.S. Circuits that have considered the question of whether cash balance plans are age discriminatory have held that cash balance plans do not violate the age discrimination provisions of ERISA. However, should any other U.S. Circuit resolve the issue differently, we may be required to amend the MAP and, like other U.S. companies with cash balance plans, may be exposed to claims from plan participants. These developments could have a material adverse impact on our results of operations.

Risks Related to our Class A Common Stock and Governance Structure

Future sales of our shares of Class A common stock could depress the market price of our Class A common stock.

The market price of our Class A common stock could decline as a result of sales of a large number of shares in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us or our stockholders to sell equity securities in the future. As of February 12, 2009, we had 98,514,196 outstanding shares of Class A common stock of which 13,496,933 shares were owned by the Foundation. Under the terms of the donation, the Foundation may sell its shares of our Class A common stock commencing on the fourth anniversary of the consummation of the IPO to the extent necessary to comply with charitable disbursement requirements. Under Canadian tax law, the Foundation is generally required each year to disburse at least 3.5% of its assets not used in administration of the Foundation in qualified charitable disbursements. However, the Foundation has obtained permission from the Canadian tax authorities to defer its annual disbursement requirement for up to ten years and meet its total deferred disbursement obligations at the end of the ten-year period. Despite this permission to defer annual disbursements, the Foundation may decide to meet its disbursement obligations on an annual basis or to settle previously accumulated obligations during any given year. In addition, the Foundation will be permitted to sell all of the remaining shares held by it starting twenty years and eleven months after the consummation of the IPO.

In addition, our amended and restated certificate of incorporation provides that holders of our Class B common stock would be eligible, through “conversion transactions” in amounts and at times to be designated by the Company, to convert their shares of Class B common stock into shares of our Class A common stock on a one-for-one basis for subsequent transfer or sale to an eligible holder, subject to annual aggregate and other limits. The Company completed two such voluntary conversion programs during 2007 and one such program during 2008 and has announced that it expects to provide such a program in 2009. After May 31, 2010, holders of our Class B common stock will have the option to convert all of their shares of Class B common stock into shares of Class A common stock on a one-for-one basis for subsequent sale to the public, without aggregate amounts or similar limitations. All of the shares of Class A common stock issuable upon conversion of such shares will be freely tradable without restriction or registration under the Securities Act by persons other than our affiliates. These future sales, or the perception that such sales may occur, could depress the market price of our Class A common stock.

The market price of our common stock may be volatile.

Securities markets worldwide experience significant price and volume fluctuations and have experienced increased volatility in connection with recent unpredictable economic events around the world. This market volatility, as well as the factors listed below, among others, could affect the market price of our common stock:

- the continuation of unprecedented economic events around the world in financial markets as well as political conditions and other factors unrelated to our operating performance or the operating performance of our competitors;
- quarterly variations in our results of operations or the results of operations of our competitors;
- changes in earning estimates, investors’ perceptions, recommendations by securities analysts or our failure to achieve analysts’ earning estimates;
- the announcement of new products or service enhancements by us or our competitors;
- announcements related to litigation;
- potential acquisitions by us of other companies; and
- developments in our industry.

Anti-takeover provisions in our charter documents and Delaware law could delay or prevent entirely a takeover attempt or a change in control.

Provisions contained in our amended and restated certificate of incorporation and bylaws and Delaware law could delay or prevent entirely a merger or acquisition that our stockholders consider favorable. These provisions may also discourage acquisition proposals or have the effect of delaying or preventing entirely a change in control, which could harm our stock price. For example, subject to limited exceptions, our amended and restated certificate of incorporation prohibits any person from beneficially owning more than 15% of any of the Class A common stock, the Class B common stock or any other class or series of our stock with general voting power, or more than 15% of our total voting power. Further, no member or former member of MasterCard International, or any operator, member or licensee of any competing general purpose payment card system, or any affiliate of any such person, may beneficially own any share of Class A common stock or any other class or series of our stock entitled to vote generally in the election of directors. In addition,

- our board of directors is divided into three classes, with approximately one-third of our directors elected each year;
- up to three of our directors (but no more than one-quarter of all directors) are elected by the holders of our Class M common stock;
- any representative of a competitor of MasterCard or of the Foundation is disqualified from service on our board of directors;
- our directors, other than the directors elected by the holders of our Class M common stock (who may be removed without cause by the holders of the Class M common stock), may be removed only for cause

and only upon the affirmative vote of at least 80% in voting power of all the shares of stock then entitled to vote at an election of directors, voting together as a single class;

- our stockholders are not entitled to the right to cumulate votes in the election of directors;
- holders of our Class A common stock are not entitled to act by written consent;
- our stockholders must provide timely notice for any stockholder proposals and director nominations;
- we have adopted limited liability provisions that eliminate the personal liability of directors and the members of our European Board for monetary damages for actions taken as a director or member, with certain exceptions; and
- a vote of 80% or more of all of the outstanding shares of our stock then entitled to vote is required to amend certain sections of our amended and restated certificate of incorporation and for stockholders to amend any provision of our bylaws.

A substantial portion of our voting power is held by the Foundation, which is restricted from selling shares for an extended period of time and therefore may not have the same incentive to approve a corporate action that may be favorable to the other public stockholders. In addition, the ownership of Class A common stock by the Foundation and the restrictions on transfer could discourage or make more difficult acquisition proposals favored by the other holders of the Class A common stock.

The Foundation owns 13,496,933 shares of Class A common stock, representing, as of February 12, 2009, approximately 14% of our general voting power. The Foundation may not sell or otherwise transfer its shares of Class A common stock prior to the date which is twenty years and eleven months following the IPO, except to the extent necessary to satisfy its charitable disbursement requirements starting on the fourth anniversary of the IPO. The directors of the Foundation are required to be independent of us and our members. The ownership of Class A common stock by the Foundation, together with the restrictions on transfer, could discourage or make more difficult acquisition proposals favored by the other holders of the Class A common stock. In addition, because the Foundation is restricted from selling its shares for an extended period of time, it may not have the same interest in short or medium-term movements in our stock price as, or incentive to approve a corporate action that may be favorable to, our other stockholders.

The holders of our Class M common stock have the right to elect up to three of our directors and to approve significant corporate transactions, and their interests in our business may be different from those of our other stockholders.

Our amended and restated certificate of incorporation requires us to obtain the approval of the holders of our Class M common stock, voting separately as a class, for a variety of enumerated actions. For example, the approval of the holders of our Class M common stock is required to make certain amendments to our certificate of incorporation, to approve the sale, lease or exchange of all or substantially all of our assets, to approve the consummation of mergers or consolidations of MasterCard or for us to cease to engage in the business of providing core network authorization, clearing and settlement services for branded payment card transactions. In addition, the holders of our Class M common stock have the right to elect up to three of our directors. Because shares of the Class M common stock do not have any economic rights, the holders of the Class M common stock may not have the same incentive to approve a corporate action that may be favorable for the holders of Class A common stock, or their interests may otherwise conflict with those of the holders of Class A common stock.

Certain aspects of our European operations are managed by the European Board which has been elected by the European holders of Class M common stock and which may reach different decisions than our Board of Directors.

Certain aspects of our European operations, including review of membership applications, establishment of intraregional operating rules and implementation of certain intraregional product and enhancement developments and affinity and co-branding rules are managed by or under the direction of our European Board. The European

Board is elected by holders of our Class M common stock who have their principal operations in Europe, and consists of representatives of our European members. Although our board of directors may, through a majority or a two-thirds vote depending on the circumstances, override decisions or temporarily assume any authority granted to the European Board, the European Board may reach different decisions than our board of directors would have reached on the same matter.

Our ability to pay regular dividends to our holders of Class A common stock and Class B common stock is subject to the discretion of our board of directors and will be limited by our ability to generate sufficient earnings and cash flows.

MasterCard intends to pay cash dividends on a quarterly basis on our shares of Class A common stock and Class B common stock. Our board of directors may, in its discretion, decrease the level of dividends or discontinue the payment of dividends entirely. The payment of dividends is dependent upon our ability to generate earnings and cash flows so that we may pay our obligations and expenses and pay dividends to our stockholders. However, sufficient cash may not be available to pay such dividends. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, settlement guarantees, operating results, available cash and current and anticipated cash needs. If, as a consequence of these various factors, we are unable to generate sufficient earnings and cash flows from our business, we may not be able to make or may have to reduce or eliminate the payment of dividends on our shares of Class A common stock and Class B common stock.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

As of December 31, 2008, MasterCard and its subsidiaries owned or leased 78 commercial properties. We own our corporate headquarters, a three-story, 472,600 square foot building located in Purchase, New York. There is no outstanding debt on this building. Our principal technology and operations center is a 528,000 square foot leased facility located in O'Fallon, Missouri, known as "Winghaven". The term of the lease on this facility is 10 years, which commenced on August 31, 1999. On August 29, 2008, MasterCard exercised its option to extend the lease agreement for one additional ten-year term. For more information on Winghaven, see Note 15 (Consolidation of Variable Interest Entity) to the consolidated financial statements included in Item 8 of this Report. Our leased properties in the United States are located in 12 states, Puerto Rico and in the District of Columbia. We also lease and own properties in 47 other countries. These facilities primarily consist of corporate and regional offices, as well as our operations centers.

We believe that our facilities are suitable and adequate for the business that we currently conduct. However, we periodically review our space requirements and may acquire new space to meet the needs of our business, or consolidate and dispose of facilities that are no longer required.

Item 3. *Legal Proceedings*

Refer to Notes 18 (Obligations Under Litigation Settlements) and 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report.

Item 4. *Submission of Matters to a Vote of Security Holders*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Price Range of Common Stock

Our Class A common stock commenced trading on the New York Stock Exchange under the symbol "MA" on May 25, 2006. The following table sets forth the intra-day high and low sale prices for our Class A common stock for the four quarterly periods in each of 2008 and 2007, as reported by the New York Stock Exchange. At February 12, 2009, the Company had 40 stockholders of record for its Class A common stock. We believe that the number of beneficial owners is substantially greater than the number of record holders, because a large portion of our Class A common stock is held in "street name" by brokers.

<u>2008</u>	<u>High</u>	<u>Low</u>
First Quarter	\$230.35	\$160.82
Second Quarter	320.30	219.85
Third Quarter	290.96	150.60
Fourth Quarter	184.30	113.05
 <u>2007</u>	 <u>High</u>	 <u>Low</u>
First Quarter	\$118.07	\$ 95.30
Second Quarter	169.40	105.93
Third Quarter	174.60	120.00
Fourth Quarter	227.18	143.15

There is currently no established public trading market for our Class B common stock or Class M common stock. There were approximately 853 holders of record of our Class B common stock as of February 12, 2009. There were approximately 1,765 holders of record of our Class M common stock as of February 12, 2009.

Dividend Declaration and Policy

During the years ended December 31, 2008 and 2007, we paid the following quarterly cash dividends per share on our Class A common stock and Class B Common stock:

<u>2008</u>	<u>Dividend per Share</u>
First Quarter	\$0.15
Second Quarter	0.15
Third Quarter	0.15
Fourth Quarter	0.15
 <u>2007</u>	 <u>Dividend per Share</u>
First Quarter	\$0.09
Second Quarter	0.15
Third Quarter	0.15
Fourth Quarter	0.15

In addition, on February 10, 2009, we paid quarterly cash dividends of \$0.15 per share on our Class A common stock and Class B common stock for the first quarter of the year ending December 31, 2009. Also, on February 3, 2009, our Board of Directors declared a quarterly cash dividend of \$0.15 per share payable on

May 8, 2009 to holders of record on April 13, 2009 of our Class A common stock and Class B common stock for the second quarter of the year ending December 31, 2009.

Subject to legally available funds, we intend to pay a quarterly cash dividend on our outstanding Class A common stock and Class B common stock. However, the declaration and payment of future dividends is at the sole discretion of our Board of Directors after taking into account various factors, including our financial condition, settlement guarantees, operating results, available cash and current and anticipated cash needs. Prior to the IPO, we did not pay any cash dividends on our shares of outstanding common stock.

Pursuant to our amended and restated certificate of incorporation, holders of our Class M common stock are not entitled to receive dividends.

Item 6. Selected Financial Data

The statement of operations data presented below for the years ended December 31, 2008, 2007 and 2006, and the balance sheet data as of December 31, 2008 and 2007, were derived from the audited consolidated financial statements of MasterCard Incorporated included in Item 8 in this Report. The statement of operations data presented below for the years ended December 31, 2005 and 2004, and the balance sheet data as of December 31, 2006, 2005 and 2004, were derived from audited consolidated financial statements not included in this Report. The data set forth below should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and Notes thereto included in Item 8 in this Report.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
(In thousands, except per share data)					
Statement of Operations Data:					
Revenues, net	\$4,991,600	\$4,067,599	\$3,326,074	\$2,937,628	\$2,593,330
Total operating expenses	5,526,105	2,959,487	3,096,579	2,544,444	2,246,658
Operating income (loss)	(534,505)	1,108,112	229,495	393,184	346,672
Net income (loss)	(253,915)	1,085,886	50,190	266,719	238,060
Net income (loss) per share (basic)	(1.95) ²	8.05 ²	0.37	1.98 ¹	1.76 ¹
Net income (loss) per share (diluted)	(1.95) ²	8.00 ²	0.37	1.98 ¹	1.76 ¹
Balance Sheet Data:					
Total assets	\$6,475,849	\$6,260,041	\$5,082,470	\$3,700,544	\$3,264,670
Long-term debt	19,387	149,824	229,668	229,489	229,569
Obligations under litigation settlements, long-term	1,023,263	297,201	359,640	415,620	468,547
Total stockholders' equity	1,927,355	3,027,307	2,364,359	1,169,148	974,952
Cash dividends declared per share	0.60	0.60	0.18	—	—

¹ As more fully described in Note 14 (Stockholders' Equity) to the consolidated financial statements included in Item 8 of this Report, in connection with the ownership and governance transactions in May 2006, we reclassified all of our 100,000 outstanding shares of existing Class A redeemable common stock so that our previous stockholders received 1.35 shares of our Class B common stock for each share of Class A redeemable common stock that they held prior to the reclassification and a single share of our Class M common stock. Accordingly, 2005 and 2004 shares and per share data were retroactively restated in the financial statements subsequent to the reclassification to reflect the reclassification as if it were effective at the start of the first period being presented in the financial statements.

² As more fully described in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Item 8 of this Report, these amounts will be revised in accordance with the adoption of Financial Accounting Standards Board Staff Position Emerging Issues Task Force 03-6-1 on January 1, 2009.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes of MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated ("MasterCard International") and MasterCard Europe sprl ("MasterCard Europe") (together, "MasterCard" or the "Company") included elsewhere in this Report.

Non-GAAP Financial Information

Non-GAAP financial information is defined as a numerical measure of a company's performance that excludes or includes amounts so as to be different than the most comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Pursuant to the requirements of Regulation S-K, portions of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" include a comparison of certain non-GAAP financial measures to the most directly comparable GAAP financial measures. The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for the Company's related financial results prepared in accordance with GAAP.

MasterCard has presented non-GAAP financial measures to enhance an investor's evaluation of MasterCard's ongoing operating results and to aid in forecasting future periods. MasterCard's management uses these non-GAAP financial measures to, among other things, evaluate its ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of performance-based compensation. More specifically, with respect to the non-GAAP financial measures presented in this discussion:

- Operating expenses—Litigation settlements have been excluded since MasterCard monitors litigation settlements separately from ongoing operations and evaluates ongoing operating performance without these settlements. See "—Operating Expenses" for a table which provides a reconciliation of operating expenses excluding litigation settlements to the most directly comparable GAAP measure to allow for a more meaningful comparison of results between periods.
- Operating expenses—The non-cash charge associated with the donation of shares of Class A common stock to the MasterCard Foundation (the "Foundation") have been excluded to provide a comparison of the ongoing operating expenses of the business and since MasterCard evaluates operations of the business without these expenses.
- Effective income tax rate—The income tax impacts associated with litigation settlements and the stock donation to the MasterCard Foundation have been excluded to provide a comparison of the effective income tax rate associated with ongoing operations of the business. See "—Income Taxes" for a table which provides a reconciliation of the effective income tax rate excluding litigation settlements and the stock donation to the MasterCard Foundation to the most directly comparable GAAP measure to allow for a more meaningful comparison of results between periods.
- Gross assessments growth rate—The 2007 gross assessments growth rate is presented excluding a reclassification from assessments to currency conversion and cross-border revenues and Single European Payment Area ("SEPA") pricing increases. The gross assessments growth rate excluding these items allows for a more meaningful comparison of assessment revenues between periods.

Overview

MasterCard is a leading global payment solutions company that provides a variety of services in support of the credit, debit and related payment programs of over 24,000 financial institutions and other entities that are our customers. We develop and market payment solutions, process payment transactions, and provide support services to our customers and, depending upon the service, to merchants and other clients. We manage a family of well-known, widely accepted payment card brands, including MasterCard®, MasterCard Electronic™, Maestro® and Cirrus®, which we license to our customers. As part of managing these brands, we also establish and enforce rules and standards surrounding the use of our payment card network. We generate revenues from the fees that we charge our customers for providing transaction processing and other payment-related services (operations fees) and by assessing our customers based primarily on the dollar volume of activity on the cards that carry our brands (assessments). Cardholder and merchant relationships are managed principally by our customers. Accordingly, we do not issue cards, extend credit to cardholders, determine the interest rates (if applicable) or other fees charged to cardholders by issuers, or establish the merchant discount charged by acquirers in connection with the acceptance of cards that carry our brands.

We recorded a net loss of \$254 million, or \$1.95 per diluted share, for the year ended December 31, 2008 versus net income of \$1.1 billion, or \$8.00 per diluted share, for the year ended December 31, 2007 and net income of \$50 million, or \$0.37 per diluted share, in 2006. As of December 31, 2008, our liquidity and capital positions remained strong, with \$2.1 billion in cash, cash equivalents and current available-for-sale securities and \$1.9 billion in stockholders' equity as of December 31, 2008.

Net revenue growth of 22.7% in 2008 was primarily due to increased transactions and volumes. The foreign currency fluctuation of the euro and the Brazilian real against the dollar contributed 2.5 percentage points of the increase while pricing adjustments contributed approximately 6 percentage points to the net revenue growth. During the fourth quarter of 2008, we began to experience a slowdown in purchase volumes and transactions, primarily due to economic conditions around the world. See “—Business Environment Challenges” for additional information.

Our operating expenses increased 86.7% in 2008. Excluding the impact of special items specifically identified in the reconciliation table included in “—Operating Expenses”, operating expenses increased 2.9% in 2008, of which 1.7 percentage points was due to foreign currency fluctuation of the euro and Brazilian real against the U.S. dollar. The increase in operating expenses in 2008 was primarily due to litigation settlements. See “—Litigation Settlements” and Note 18 (Obligations Under Litigation Settlements) and Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report for additional information related to our litigation settlements. The increase in operating expenses in 2008, excluding the impact of special items, was primarily due to increases in general and administrative expenses and foreign currency fluctuations, partially offset by decreases in advertising and marketing expenses. Our operating expenses as a percentage of total net revenues were 110.7% in 2008, versus 72.8% in 2007 and 93.1% in 2006. Excluding the impact of special items, our operating expenses as a percentage of total net revenues were 61.0% in 2008 versus 72.7% in 2007 and 80.5% in 2006.

Other income in 2008 included realized gains of approximately \$86 million for the sale of the remaining shares of an available-for-sale security, Redecard S.A., and \$75 million related to the termination of a customer business agreement. Other income in 2007 included realized gains of approximately \$391 million for the partial sale of our holdings of equity securities of Redecard S.A. that were classified as an available-for-sale security, and \$90 million from the organization that operates the World Cup soccer events in resolution of all outstanding disputes pertaining to our sponsorship of the 2010 and 2014 World Cup soccer events. See “—Other Income (Expense)”.

We believe the trend within the global payments industry from paper-based forms of payment, such as cash and checks, toward electronic forms of payment, such as card payment transactions, creates significant opportunities for the growth of our business. Our strategy is to continue to grow by further penetrating our

existing customer base and by expanding our role in targeted geographies and higher-growth segments of the global payments industry (such as premium/affluent and contactless cards, commercial payments, debit, prepaid and issuer processor and terminal driving services), enhancing our merchant relationships, expanding points of acceptance for our brands, seeking to maintain unsurpassed acceptance and continuing to invest in our brands. We also intend to pursue incremental payment processing opportunities throughout the world. We are committed to providing our customers with coordinated services through integrated, dedicated account teams in a manner that allows us to capitalize on our expertise in payment programs, marketing, product development, technology, processing and consulting and information services for these customers. By investing in strong customer relationships over the long-term, we believe that we can increase our volume of business with customers over time. See “—Business Environment Challenges” for discussion of environmental considerations related to our strategic objectives.

Financial Results*

	For the Years Ended December 31,			Percent Increase (Decrease)	
	2008	2007	2006	2008	2007
(In millions, except per share, percentages and GDV amounts)					
Net operations fees	\$ 3,759	\$ 3,003	\$ 2,430	25.2%	23.6 %
Net assessments	1,233	1,064	896	15.9%	18.8 %
Total revenue	4,992	4,068	3,326	22.7%	22.3 %
General and administrative	1,914	1,758	1,505	8.8%	16.8 %
Advertising and marketing	1,018	1,080	1,052	(5.8)%	2.7 %
Litigation settlements	2,483	3	25	**	(86.4)%
Charitable contributions to the MasterCard Foundation	—	20	415	(100.0)%	(95.2)%
Depreciation and amortization	112	98	100	14.7%	(2.1)%
Total operating expenses	5,526	2,959	3,097	86.7%	(4.4)%
Operating income (loss)	(535)	1,108	229	(148.2)%	382.8%
Total other income	151	563	65	(73.1)%	771.0%
Income (loss) before income tax expense	(383)	1,671	294	(122.9)%	468.2%
Income tax expense (benefit)	(129)	586	244	(122.1)%	140.0%
Net income (loss)	\$ (254)	\$ 1,086	\$ 50	(123.4)%	2,063.6%
Net income (loss) per share (basic)	\$ (1.95) ⁴	\$ 8.05 ⁴	\$ 0.37	(124.2)%	2,075.7%
Weighted average shares outstanding (basic)	130	135	135	(3.5)%	(0.4)%
Net income (loss) per share (diluted)	\$ (1.95) ⁴	\$ 8.00 ⁴	\$ 0.37	(124.4)%	2,062.2%
Weighted average shares outstanding (diluted)	130	136	136	(4.1)%	(0.1)%
Effective income tax rate	33.7%	35.0%	82.9% ¹	**	**
Gross dollar volume (“GDV”) on a U.S. dollar converted basis (in billions)	2,533	2,272	1,919 ²	11.5%	18.4%
Processed transactions ⁵	20,966	18,752 ³	16,141 ³	11.8%	16.2%

* Note that figures in the above table may not sum due to rounding.

** Not meaningful, see “—Operating Expenses” and “—Litigation Settlements” for more information.

¹ The 2006 effective tax rate includes the impact of a \$395 million donation of shares of Class A common stock to the MasterCard Foundation, a charitable contribution which is not deductible for tax purposes. See “—Income Taxes” for more information.

² In 2007, we updated GDV to exclude commercial funds transfers in China, which are generally transactions that facilitate the transfer of funds between bank branches but do not involve traditional cash withdrawals or balance transfers. Data for 2006 has been restated to be consistent with this approach.

³ In 2008, we updated our processed transactions numbers to apply reversals and include certain cash transactions. Prior period numbers have been restated to be consistent with this revised methodology. Revenue has not been impacted by these changes.

⁴ As more fully described in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Item 8 of this Report, these amounts will be revised in accordance with the adoption of Financial Accounting Standards Board (“FASB”) Staff Position Emerging Issues Task Force 03-6-1 on January 1, 2009.

⁵ The data set forth for processed transactions represents all transactions processed by MasterCard, including PIN-based online debit transactions.

Impact of Foreign Currency Rates

Our overall operating results are impacted by changes in foreign currency exchange rates, especially the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real. The functional currency of MasterCard Europe, our principal European operating subsidiary, is the euro, and the functional currency of our Brazilian subsidiary is the Brazilian real. Accordingly, the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real impacts the translation of our European and Brazilian subsidiaries' operating results into the U.S. dollar. During 2008, 2007 and 2006, the U.S. dollar weakened against the euro and Brazilian real, which increased revenues and expenses. More recently, the U.S. dollar has begun to strengthen against the euro and Brazilian real and if this trend continues, revenues and expenses will decrease.

In addition, changes in foreign currency exchange rates directly impact the calculation of gross dollar volume ("GDV") and gross euro volume ("GEV"), which are used in the calculation of our assessment revenues. In most non-European regions, GDV is calculated based on local currency spending volume converted to U.S. dollars using average exchange rates for the period. In Europe, GEV is calculated based on local currency spending volume converted to euros using average exchange rates for the period. As a result, our assessment revenues are impacted by the strengthening or weakening of the U.S. dollar versus most non-European local currencies and the strengthening or weakening of the euro versus European local currencies. In 2008 and 2007, GDV growth on a U.S. dollar converted basis was 11.5% and 18.4%, respectively, versus GDV growth on a local currency basis of 10.7% and 14.4%, respectively.

Business Environment Challenges

We process transactions from approximately 210 countries and territories and in more than 160 currencies. The competitive and evolving nature of the global payments industry provides challenges to and opportunities for the continued growth of our business. The United States is our largest geographic market based on revenues. Revenue generated in the United States was approximately 47.2%, 49.7% and 52.3% of total revenues in 2008, 2007 and 2006, respectively. No individual country, other than the United States, generated more than 10% of total revenues in any period. However, revenues generated from certain non-U.S. countries have grown faster than United States revenues due to differences in market maturity, economic health, price changes and foreign exchange fluctuations in those countries. While the global nature of our business helps protect our operating results from adverse economic conditions in a single or a few countries, the significant concentration of our revenues generated in the United States makes our business particularly susceptible to adverse economic conditions in the United States.

During 2008, unprecedented events occurred in the financial markets around the world, resulting in distress in the credit environment, equity market volatility and government intervention. In particular, the economies of the United States and the United Kingdom were significantly impacted by this economic turmoil, however it also impacted other economies around the world. Some existing customers have gone bankrupt or have been placed in receivership or administration or have a significant amount of their stock owned by the government. Many of our financial institution customers, merchants that accept our brands and cardholders who use our brands have been directly and adversely impacted. As a result, our operating results have begun to be impacted, or could be negatively impacted, in several ways, including but not limited to the following:

- Our customers may restrict credit lines to cardholders or limit the issuance of new cards to mitigate increasing cardholder defaults.
- Constriction of consumer and business confidence may cause decreased spending.
- Declining economies can change consumer spending behaviors; for example, a significant portion of our revenues is dependent on international travel patterns, which may decline.
- Mergers of our customers may lower our pricing due to the tiered pricing structure of most customer agreements, which typically offer lower pricing as higher business volumes are achieved.

- Consolidation of our customers can increase the bargaining power of our customers during new and renewal contract negotiations.
- Uncertainty and volatility in our customers' businesses makes our estimates of revenues, rebates and incentives more difficult. As such, certain prepayments under customer business agreements may not be realizable.
- Our customers may implement cost reduction initiatives that reduce or eliminate payment card marketing or increase requests for greater incentives.
- Decreased spending by our customers for optional or enhanced services.
- Government intervention and/or investments in our customers may lead to the nationalization of those banking institutions or otherwise alter their strategic direction away from our products.
- Tightening of credit availability could impact the ability of participating financial institutions to lend to us under the terms of our credit facility. See "—Liquidity" for additional discussion of this committed, unsecured, revolving credit facility.
- Our customers may default on their settlement obligations. See Note 21 (Settlement and Travelers Cheque Risk Management) to the consolidated financial statements included in Item 8 of this Report for further discussion of our settlement exposure.

In addition, our business is subject to regulation in many countries. Regulatory bodies may seek to impose rules and price controls on certain aspects of our business and the payments industry. For example, see Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report for a discussion of global interchange proceedings.

Revenues

We generate revenues from the fees that we charge our customers for providing transaction processing and other payment-related services (operations fees) and by charging assessments to our customers based on the GDV of activity on the cards that carry our brands (assessments). GDV includes the aggregated dollar amount of usage (purchases, cash disbursements, balance transfers and convenience checks) on MasterCard-branded cards. Our pricing for transactions and services is complex. Each category of revenue has numerous fee components depending on the types of transactions or services provided. We review our pricing and implement pricing changes on an ongoing basis and expect pricing to continue to be a component of revenue growth in the future. In addition, standard pricing varies among our regional businesses, and such pricing can be customized further for our customers through incentive and rebate agreements. Our revenues are based upon transactional information accumulated by our systems or reported by our customers.

Operations fees are transaction-based and are also volume-based and are charged for facilitating the processing and acceptance of payment transactions and information management among our customers. MasterCard's system for transaction processing involves four participants in addition to us: issuers (the cardholders' banks), acquirers (the merchants' banks), merchants and cardholders. Operations fees are charged to issuers, acquirers or their delegated processors for transaction processing services, specific programs to promote MasterCard-branded card acceptance and additional services to assist our customers in managing their businesses. The significant components of operations fees are as follows:

- Authorization occurs when a merchant requests approval for a cardholder's transaction. We charge a fee for routing the authorization for approval to and from the issuer or, in certain circumstances, such as when the issuer's systems are unavailable, for approval by us or others on behalf of the issuer in accordance with the issuer's instructions. Our rules, which vary across regions, establish the circumstances under which merchants and acquirers must seek authorization of transactions. These fees are primarily paid by issuers.
- Settlement refers to the process in which we determine the amounts due between issuers and acquirers for payment transactions and associated fees. First, we clear a transaction by transferring the financial

transaction details among issuers, acquirers or their designated third-party processors. Then we settle or exchange the related funds among the issuers and acquirers. We charge a fee for these settlement and clearing services. These fees are primarily paid by issuers.

- Switch fees are charges for the use of the MasterCard Debit Switch (the “MDS”). The MDS transmits financial messages between acquirers and issuers and provides transaction and statistical reporting and performs settlement between customers and other debit transaction processing networks. These fees are primarily paid by issuers.
- Currency conversion and cross-border are volume-based revenues. Cross-border volumes are generated by transactions in which the cardholder and merchant geography are different. We process transactions denominated in more than 160 currencies through our global system, providing cardholders with the ability to utilize, and merchants to accept, MasterCard cards across multiple country borders. We charge issuers and acquirers for all cross-border volumes. We can also perform currency conversion services by processing transactions in a merchant’s local currency and converting the amount to the currency of the issuer, who in turn may add foreign exchange charges and post the transaction on the cardholder’s statement in their own home currency. We charge issuers for performing currency conversion.
- Acceptance development fees are charged to issuers based on components of GDV and support our focus on developing merchant relationships and promoting acceptance at the point of sale. These fees are primarily U.S.-based.
- Warning bulletin fees are charged to issuers and acquirers for listing invalid or fraudulent accounts either electronically or in paper form and for distributing this listing to merchants.
- Connectivity fees are charged to issuers and acquirers for network access, equipment, and the transmission of authorization and settlement messages. These fees are based on the volume of information being transmitted through and the number of connections to our systems.
- Consulting and research fees are primarily generated by MasterCard Advisors, our professional advisory services group. We provide a wide range of consulting and research services associated with our customers’ payment activities and programs. Research includes revenues from subscription-based services, access to research inquiry, and peer networking services generated by our independent financial and payments industry research group. We do not anticipate consulting and research fees becoming a significant percentage of our business.
- Other operations fees represent various revenue streams, including cardholder services, a variety of account and transaction enhancement services, fees for U.S. acquirers accepting transactions from cardholders with non-U.S. issuers, compliance and penalty fees, holograms and publications. Cardholder services are benefits provided with MasterCard-branded cards, such as insurance, telecommunications assistance for lost cards and locating automated teller machines.

Assessment fees are primarily based on a customer’s GDV for a specific time period and the rates vary depending on the region and nature of the transactions that generate GDV. Assessments that are based on quarterly GDV are estimated utilizing aggregate transaction information and projected customer performance. From time to time, the Company may introduce assessments for specific purposes such as market development programs.

Our gross revenues from operations fees and assessments vary and are dependent on the nature of the transactions and GDV generated from those transactions. The combination of the following transaction characteristics for operations and/or assessment fees determines the pricing:

- Domestic or cross-border
- Credit, online debit (PIN-based), offline debit (signature-based)
- Tiered pricing with rates decreasing as customers meet incremental volume/transaction hurdles

- Geographic region or country
- Retail purchase or cash withdrawal

We process most of the cross-border transactions using MasterCard, Maestro and Cirrus-branded cards and process the majority of MasterCard-branded domestic transactions in the United States, United Kingdom, Canada, Brazil and Australia. Cross-border transactions generate greater revenue than domestic transactions due to higher operations fees for settlement, authorization and switch, and are also subject to cross-border and currency conversion fees. In addition, higher operations fees are charged on signature transactions than online transactions.

In 2008 and 2007, gross revenues grew 19.8% and 20.4%, respectively. Revenue growth was the result of increased transactions and GDV, as well as price increases and currency fluctuation. Our overall revenue growth is being moderated by the demand from our customers for better pricing arrangements and greater rebates and incentives. Accordingly, we have entered into business agreements with certain customers and merchants to provide GDV and other performance-based support incentives. The rebates and incentives are calculated on a monthly basis based upon estimated performance and the terms of the related business agreements. Rebates and incentives are recorded as a reduction of gross revenue in the same period that performance occurs. The continued consolidation of our customers and the growing influence of merchants have led to enhanced competition in the global payments industry and demand for better pricing arrangements. Our revenue growth was moderated by a \$145 million, or 11.0%, and a \$173 million, or 15.0%, increase in rebates and incentives to our customers and merchants in 2008 and 2007, respectively.

A significant portion of our revenue is concentrated among our five largest customers. In 2008, the net revenues from these customers were approximately \$1.5 billion, or 30%, of total net revenue. The loss of any of these customers or their significant card programs could adversely impact our revenues and net income. See “Risk Factors—Business Risks—Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenue and profitability” in Item 1A of this Report. In addition, as part of our business strategy, MasterCard, among other efforts, enters into business agreements with customers. These agreements can be terminated in a variety of circumstances. See “Risk Factors—Business Risks—We face increasingly intense competitive pressure on the prices we charge our customers, which may materially and adversely affect our revenue and profitability” in Item 1A of this Report.

Operations Fees

The significant components in operations fees are as follows:

	For the Years Ended December 31,			Dollar Increase (Decrease)		Percent Increase (Decrease)	
	2008	2007	2006	2008	2007	2008	2007
	(In millions, except percentages)						
Authorization, settlement and switch	\$1,655	\$1,382	\$1,169	\$273	\$213	19.8%	18.2%
Currency conversion and cross border . . .	1,148	868	622	280	246	32.3%	39.5%
Acceptance development fees	305	271	217	34	54	12.5%	24.9%
Warning bulletin fees	75	74	70	1	4	1.4%	5.7%
Connectivity	117	101	84	16	17	15.8%	20.2%
Consulting and research fees	92	88	76	4	12	4.5%	15.8%
Other operations fees	724	551	449	173	102	31.4%	22.7%
Gross operations fees	4,116	3,335	2,687	781	648	23.4%	24.1%
Rebates	(357)	(332)	(257)	(25)	(75)	7.5%	29.2%
Net operations fees	<u>\$3,759</u>	<u>\$3,003</u>	<u>\$2,430</u>	<u>\$756</u>	<u>\$573</u>	25.2%	23.6%

- Authorization, settlement and switch revenues increased due to the number of transactions processed through our systems increasing 11.8% and 16.2% in 2008 and 2007, respectively. In addition, \$49 million, or 3.5 percentage points of the 2008 percentage increase and \$3 million, or 0.3 percentage points of the 2007 percentage increase, were due to net foreign exchange gains relating to exchange rate volatility on settlement activities.
- Currency conversion and cross-border revenues increased primarily due to increases in cross-border volumes of 16.6% and 20.9% in 2008 and 2007, respectively. In June 2008, we refined our methodology to calculate cross-border volume growth rates primarily by changing the definition of cross border volumes from volumes where the issuer country and acquirer country are different to volumes where the issuer country and merchant country are different. Prior period volume growth rates have been restated to be consistent with the revised methodology. In addition to the increase in cross-border volumes in 2008 and 2007, price increases have contributed to our revenue growth. Price increases on acquiring cross-border volumes implemented in January and October 2008 accounted for approximately 21 percentage points of the percentage increase in 2008. Also, a restructuring of our currency conversion pricing in 2006 accounted for approximately 5 percentage points of the percentage increase in 2007.
- Acceptance development fees increased in 2008 and 2007 primarily due to increased volumes and the introduction of a new fee in April 2007. The new fee accounted for approximately 2 and 8 percentage points of the percentage increases in 2008 and 2007, respectively. In addition, 3 percentage points of the percentage increase in 2007 related to a merchant agreement executed in the fourth quarter of 2006 that increased transaction volumes and accordingly, acceptance development fees.
- Warning bulletin fees are primarily based on customer requests for distribution of invalid account information.
- Connectivity revenues increased in 2008 and 2007 primarily due to increased data volumes.
- Consulting and research fees remained relatively consistent in 2008 versus 2007 and increased in 2007 versus 2006. The increases in both years are primarily due to new engagements with our customers. Our business agreements with certain customers include consulting services as an incentive. Consulting services provided to customers as a result of incentive agreements were 61.5%, 38.2% and 36.9% of consulting and research fees in 2008, 2007 and 2006, respectively.

- Other operations fees represent various revenue streams, including cardholder services, compliance and penalty fees, holograms, user pay for a variety of account and transaction enhancement services, and manuals and publications. Significant components of the increase in other operations fees were as follows:
 - Our account enhancement program, implemented in the second quarter of 2007, coupled with increased usage resulted in revenue increases of \$36 million and \$24 million in 2008 and 2007, respectively.
 - Pricing for retail purchases in the U.S. by non-U.S. cardholders increased in January 2008. This price increase, coupled with an increase in retail purchase volumes, resulted in a revenue increase of \$44 million in 2008.
 - Cardholder services increased \$21 million and \$7 million in 2008 and 2007, respectively, due to an increase in affluent account growth.
- Rebates relating to operations fees are primarily based on transactions and volumes and, accordingly, increase as these variables increase. Rebates also have been increasing due to ongoing consolidation of our customers and the impact of restructured pricing. Rebates as a percentage of gross operations fees were 8.7%, 10.0% and 9.6% in 2008, 2007 and 2006, respectively. During 2008, MasterCard had reduced rebates for certain customers that did not achieve contractual performance hurdles. Accordingly, these reductions in rebates decreased rebates as a percentage of gross operations fees.

Assessments

Assessments are revenues that are calculated based on our customers' GDV. The components of assessments are as follows:

	For the Years Ended December 31,			Dollar Increase (Decrease)		Percent Increase (Decrease)	
	2008	2007	2006	2008	2007	2008	2007
	(In millions, except percentages)						
Gross assessments	\$ 2,345	\$2,056	\$1,790	\$ 289	\$266	14.1%	14.9%
Rebates and incentives	(1,112)	(992)	(894)	(120)	(98)	12.1%	11.0%
Net assessments	<u>\$ 1,233</u>	<u>\$1,064</u>	<u>\$ 896</u>	<u>\$ 169</u>	<u>\$168</u>	15.9%	18.8%

Gross assessments grew partially due to GDV growth of approximately 10.7% and 14.4% in 2008 and 2007, respectively, when measured in local currency terms and 11.5% and 18.4%, respectively, when measured on a U.S. dollar converted basis. Assessment revenues are impacted by the overall strengthening or weakening of the U.S. dollar and euro compared to the foreign currencies of the related local volumes in each period. In October 2008, we increased certain assessment fees and introduced a new assessment fee to acquirers in Europe. These price changes in October 2008 contributed approximately 2 percentage points of the percentage increase in 2008. In 2007, gross assessments also grew due to an increase in assessable volumes for market development programs in specific countries within Europe. In addition, revenue growth rates in 2007 were impacted by a reclassification of \$31 million from assessments to currency conversion and cross-border revenues, offset by \$12 million in pricing increases related to our April 2006 SEPA pricing changes. The increase in 2007 gross assessments, excluding the impact of the reclassifications and the pricing increase, would have been 11.3%.

Rebates and incentives are primarily based on GDV but may also contain components for the issuance of new cards, launch of new programs or the execution of marketing programs. The rebates and incentives are recorded as a reduction of gross revenue in the same period that performance occurs. Rebates and incentives as a percentage of gross assessments were 47.4%, 48.2% and 49.9% in 2008, 2007 and 2006, respectively. Rebates and incentives increased during 2008 and 2007 due to new and renewals of customer agreements and increased volumes for certain merchants. However, the increase in 2008 was partially offset by reductions of rebates and incentives for certain customers that did not achieve contractual performance hurdles. These reductions in rebates

and incentives decreased rebates and incentives as a percentage of gross assessments. In 2008 and 2007, rebates and incentives compared to gross assessments fluctuated with the timing and structure of pricing arrangements with certain large customers and merchants.

Operating Expenses

Our operating expenses are comprised of general and administrative, advertising and marketing, litigation settlements, contributions to the Foundation and depreciation and amortization expenses. In 2008, there was an increase in operating expenses of \$2,567 million, or 86.7%, versus 2007. This increase was primarily due to the settlement of antitrust litigations with Discover Financial Services (“Discover” and the “Discover Settlement”) and American Express Company (“American Express” and the “American Express Settlement”). The following table compares and reconciles operating expenses, excluding litigation settlements and the 2006 stock contribution to the Foundation (“Special Items”), which is a non-GAAP financial measure, to operating expenses including Special Items, which is the most directly comparable GAAP measurement. Management uses these types of non-GAAP financial measures to evaluate its ongoing operations in relation to historical results and believes this analysis may be helpful to an investor’s evaluation of ongoing operating results.

	For the year ended December 31, 2008			For the year ended December 31, 2007			Percent Increase (Decrease) Actual	Percent Increase (Decrease) As Adjusted
	Actual	Special Items	As Adjusted	Actual	Special Items	As Adjusted		
	(In millions, except percentages)							
General and administrative	\$1,914	\$ —	\$1,914	\$1,758	\$ —	\$1,758	8.8 %	8.8 %
Advertising and marketing	1,018	—	1,018	1,080	—	1,080	(5.8)%	(5.8)%
Litigation settlements	2,483	(2,483)	—	3	(3)	—	**	—
Charitable contributions	—	—	—	20	—	20	(100.0)%	(100.0)%
Depreciation and amortization	112	—	112	98	—	98	14.7%	14.7%
Total operating expenses	<u>\$5,526</u>	<u>\$(2,483)</u>	<u>\$3,044</u>	<u>\$2,959</u>	<u>\$ (3)</u>	<u>\$2,956</u>	86.7%	2.9%
Total operating expenses as a percentage of total revenues	110.7%		61.0%	72.8%		72.7%		

	For the year ended December 31, 2007			For the year ended December 31, 2006			Percent Increase (Decrease) Actual	Percent Increase (Decrease) As Adjusted
	Actual	Special Items	As Adjusted	Actual	Special Items	As Adjusted		
	(In millions, except percentages)							
General and administrative	\$1,758	\$ —	\$1,758	\$1,505	\$ —	\$1,505	16.8%	16.8%
Advertising and marketing	1,080	—	1,080	1,052	—	1,052	2.7 %	2.7%
Litigation settlements	3	(3)	—	25	(25)	—	(86.4)%	—
Charitable contributions	20	—	20	415	(395) ¹	20	(95.2)%	—
Depreciation and amortization	98	—	98	100	—	100	(2.1)%	(2.1)%
Total operating expenses	<u>\$2,959</u>	<u>\$ (3)</u>	<u>\$2,956</u>	<u>\$3,097</u>	<u>\$(420)</u>	<u>\$2,677</u>	(4.4)%	10.4%
Total operating expenses as a percentage of total revenues	72.8%		72.7%	93.1%		80.5%		

¹ Contribution of stock to the MasterCard Foundation

* Note that figures in the above tables may not sum due to rounding.

** Not meaningful, see “—Litigation Settlements” for more information.

General and Administrative

The major components of general and administrative expenses are as follows:

	For the Years Ended December 31,			Dollar Increase (Decrease)		Percent Increase (Decrease)	
	2008	2007	2006	2008	2007	2008	2007
	(In millions, except percentages)						
Personnel	\$1,290	\$1,156	\$ 966	\$134	\$190	11.6%	19.7%
Professional fees	217	220	180	(3)	40	(1.4)%	22.2%
Telecommunications	78	71	70	7	1	9.9%	1.4%
Data processing	78	63	59	15	4	23.8%	6.8%
Travel and entertainment	87	106	97	(19)	9	(17.9)%	9.3%
Other	165	142	133	23	9	16.2%	6.8%
General and administrative expenses . .	<u>\$1,914</u>	<u>\$1,758</u>	<u>\$1,505</u>	<u>\$155</u>	<u>\$253</u>	8.8%	16.8%

* Note that figures in the above table may not sum due to rounding.

- Personnel expense increased in 2008 primarily due to higher costs for new personnel, salary increases and higher contractor costs. Personnel expense increased in 2007 as additional staff were added to support customer-facing, technology and product areas and due to increased personnel performance incentive accruals, as a result of better performance against company objectives.
- Professional fees consist primarily of legal costs to defend our outstanding litigation and third-party consulting services related to strategic initiatives. Professional fees decreased slightly in 2008 versus 2007 primarily due to lower legal expenses. In 2007, professional fees increased versus 2006 primarily due to increased legal costs to defend outstanding litigation claims and increased consulting activity related to strategic objectives.
- Telecommunications expense consists of expenses to support our global payments system infrastructure as well as our other telecommunication needs. These expenses vary with business volume growth, system upgrades and usage.
- Data processing consists of expenses to operate and maintain MasterCard's computer systems. These expenses vary with business volume growth, system upgrades and usage.
- Travel and entertainment expenses are incurred primarily for travel to customer and regional meetings. In 2008, these expenses decreased as a result of cost containment initiatives. In 2007, these expenses increased as a result of increased business activity.
- Other includes rental expense for our facilities, foreign exchange gains and losses and other miscellaneous administrative expenses. The increase in 2008 is primarily driven by unfavorable fluctuations in foreign exchange rates and higher rent for office facilities.

Advertising and Marketing

Our brands, principally MasterCard, are valuable strategic assets that drive card acceptance and usage and facilitate our ability to successfully introduce new service offerings and access new markets globally. Our advertising and marketing strategy is to increase global MasterCard brand awareness, preference and usage through integrated advertising, sponsorship, promotional, interactive media and public relations programs on a global scale. We will also continue to invest in marketing programs at the regional and local levels and sponsor diverse events aimed at multiple target audiences. Also included within advertising and marketing are costs associated with offering cardholder benefits, such as insurance and travel assistance, for certain programs.

Advertising and marketing expenses decreased \$62 million, or 5.8%, and increased \$28 million, or 2.7%, in 2008 and 2007, respectively. The decrease in 2008 was primarily due to cost containment initiatives, partially offset by approximately 2 percentage points related to the impact of foreign currency fluctuation of the euro and

Brazilian real to the U.S. dollar. The increase in advertising and marketing in 2007 was primarily due to foreign currency fluctuation of the euro and Brazilian real to the U.S. dollar. In addition, in 2008 and 2007 our advertising and marketing activities supported multiple sponsorships and the timing of certain advertising and marketing expenses varied due to their relationship to specific sponsorships or promotions. In 2006, a significant amount of our advertising and marketing activities were allocated to the sponsorship of the 2006 World Cup soccer events. During 2007, we reached an agreement to discontinue our sponsorship of the 2010 and 2014 World Cup soccer events. See Note 24 (Other Income) to the consolidated financial statements included in Item 8 of this Report for further discussion of this settlement agreement.

Litigation Settlements

On October 27, 2008, MasterCard and Visa Inc. (“Visa”) entered into the Discover Settlement with Discover relating to the U.S. federal antitrust litigation amongst the parties. The Discover Settlement ended all litigation between the parties for a total of \$2.75 billion. In July 2008, MasterCard and Visa entered into a judgment sharing agreement. In accordance with the terms of the judgment sharing agreement, MasterCard’s share of the Discover Settlement was \$863 million, which was paid to Discover in November 2008. Additionally, in connection with the Discover Settlement, Morgan Stanley, Discover’s former parent company, paid MasterCard \$35 million in November 2008, pursuant to a separate agreement. The net pre-tax expense of \$828 million was recorded in litigation settlements, in the consolidated statement of operations, during the third quarter of 2008.

On June 24, 2008, MasterCard entered into the American Express Settlement which ended all existing litigation between American Express and MasterCard. Under the terms of the American Express Settlement, beginning on September 15, 2008, MasterCard is required to pay American Express up to \$150 million each quarter for 12 quarters, payable in cash on the 15th day of the last month of each quarter, for a maximum amount of \$1.8 billion. The charge is based on MasterCard’s assumption that American Express will achieve certain financial performance hurdles. The quarterly payments will be in an amount equal to 15% of American Express’ United States Global Network Services billings during the quarter, up to a maximum of \$150 million per quarter. If, however, the payment for any quarter is less than \$150 million, the maximum payment for subsequent quarters will be increased by the difference between \$150 million and the lesser amount that was paid in any quarter in which there was a shortfall. MasterCard recorded the present value of \$1.8 billion, at a 5.75% discount rate, or \$1.649 billion, pre-tax, in the second quarter of 2008.

In the first quarter of 2003, MasterCard entered into a settlement agreement (the “U.S. Merchant Lawsuit Settlement”) related to the U.S. merchant lawsuit described under the caption “U.S. Merchant and Consumer Litigations” in Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report and recorded a pre-tax charge of \$721 million (\$469 million after-tax) consisting of (i) the monetary amount of the U.S. Merchant Lawsuit Settlement (discounted at 8 percent over the payment term), (ii) certain additional costs in connection with, and in order to comply with, other requirements of the U.S. Merchant Lawsuit Settlement, and (iii) costs to address the merchants who opted not to participate in the plaintiff class in the U.S. merchant lawsuit. The \$721 million pre-tax charge amount was an estimate, which was subsequently revised based on the approval of the U.S. Merchant Lawsuit Settlement agreement by the court and other factors.

We recorded liabilities for certain litigation settlements in prior periods. Total liabilities for litigation settlements changed from December 31, 2006, as follows:

(In millions)

Balance as of December 31, 2006	\$ 477
Provision for litigation settlements (Note 20)	3
Interest accretion on U.S. Merchant Lawsuit	38
Payments	(114)
Balance as of December 31, 2007	\$ 404
Provision for Discover Settlement	863
Provision for American Express Settlement	1,649
Provision for other litigation settlements	6
Interest accretion on U.S. Merchant Lawsuit	33
Interest accretion on American Express Settlement	44
Payments on American Express Settlement	(300)
Payments on Discover Settlement	(863)
Payment on U.S. Merchant Lawsuit	(100)
Other payments and accretion	(1)
Balance as of December 31, 2008	<u>\$1,736</u>

* Note that table may not sum due to rounding.

Contribution Expense—Foundation

In May 2006, in conjunction with our initial public offering (“IPO”), we issued 13,496,933 shares of our Class A common stock as a donation to the Foundation that is incorporated in Canada and controlled by directors who are independent of us and our customers. The Foundation builds on MasterCard’s existing charitable giving commitments by continuing to support programs and initiatives that help children and youth to access education, understand and utilize technology, and develop the skills necessary to succeed in a diverse and global work force. The vision of the Foundation is to make the economy work for everybody by advancing innovative programs in areas of microfinance and youth education. In connection with the donation of the Class A common stock, we recorded an expense of \$395 million which was equal to the aggregate value of the shares we donated. In both 2007 and 2006, we recorded expenses of \$20 million for cash donations we made to the Foundation, completing our intention, announced at the time of the IPO, to donate approximately \$40 million in cash to the Foundation in support of its operating expenses and charitable disbursements for the first four years of its operations. We may make additional cash contributions to the Foundation in the future. The cash and stock donations to the Foundation are generally not deductible by MasterCard for tax purposes. As a result of this difference between the financial statement and tax treatments of the donations, our effective income tax rate for the year ended December 31, 2006 is significantly higher than our effective income tax rates for 2007 and 2008.

Depreciation and Amortization

Depreciation and amortization expenses increased \$14 million in 2008 and decreased \$2 million in 2007. The increase in depreciation and amortization expense in 2008 is primarily due to increased investments in leasehold and building improvements, data center equipment and capitalized software. The decrease in depreciation and amortization expense in 2007 was primarily related to certain assets becoming fully depreciated. Depreciation and amortization will increase as we continue to invest in leasehold and building improvements, data center equipment and capitalized software.

Other Income (Expense)

Other income (expense) is comprised primarily of investment income, interest expense and other gains and losses.

- Investment income decreased \$348 million in 2008 and increased \$405 million in 2007. The change in each period was primarily due to the timing of sales of our RedeCard S.A. investment; the Company sold 22% and 78% of its shares of common stock in RedeCard S.A, and realized gains of \$86 million and \$391 million, in 2008 and 2007, respectively. The decrease in investment income in 2008 was also impacted by lower dividend income of \$14 million, primarily due to the sale of our RedeCard S.A. investment, and lower interest income of \$30 million, primarily due to lower interest rates.
- Interest expense increased \$46 million in 2008 and decreased \$4 million in 2007. The increase in 2008 was primarily due to interest accretion associated with the American Express Settlement of \$44 million and higher interest expense on uncertain tax positions partially offset by lower interest accretion on the U.S. Merchant Lawsuit Settlement. The decrease in 2007 was primarily due to lower interest accretion related to the U.S. Merchant Lawsuit Settlement.
- Other income (expense) decreased \$18 million in 2008 and increased \$89 million in 2007. In both years gains were recognized on settlement agreements. A \$75 million gain related to the termination of a customer business agreement was recognized in 2008. A \$90 million settlement gain with the organization that operates the World Cup soccer events was recognized in 2007. See Note 24 (Other Income) to the consolidated financial statements included in Item 8 of this Report for additional discussion.

Income Taxes

The effective income tax rate for the years ended December 31, 2008, 2007 and 2006 was 33.7%, 35.0% and 82.9%, respectively. The decrease in the effective income tax rate in 2008 compared to 2007 was primarily due to the impact of the charges associated with the Discover Settlement and American Express Settlement. These charges caused a change in the geographic distribution of pretax income resulting in pretax income in lower tax jurisdictions and pretax loss in higher tax jurisdictions. The resulting tax benefit of the loss was offset by a tax charge for the remeasurement of deferred tax assets as a result of a change in the Company's state effective tax rate. As a result of the remeasurement, the Company's deferred tax assets were reduced by \$20 million and an income tax expense was recorded for the same amount. The change in the effective income tax rate in 2007 compared to 2006 primarily relates to a non-deductible charitable contribution of shares of MasterCard Class A common stock to the Foundation during 2006. MasterCard recorded a significant expense equal to the value of the Class A common stock we donated to the Foundation. Under the terms of the contribution to the Foundation, this donation is generally not deductible to MasterCard for tax purposes.

The components impacting the effective income tax rates as compared to the U.S. federal statutory tax rate of 35.0% are as follows:

	For the years ended December 31,					
	2008		2007		2006	
	Dollar Amount	Percent	Dollar Amount	Percent	Dollar Amount	Percent
	(In millions, except percentages)					
Income (loss) before income tax expense (benefit)	<u>\$(383)</u>		<u>\$1,671</u>		<u>\$294</u>	
Federal statutory tax	\$(134)	35.0%	\$ 585	35.0%	\$103	35.0%
State tax effect, net of federal benefit	11	(2.9)	28	1.6	6	1.8
Non-deductible charitable stock contribution	—	—	—	—	138	47.0
Foreign tax effect, net of federal benefit	2	(0.5)	(12)	(0.7)	(6)	(1.9)
Non-deductible expenses and other differences	2	(0.7)	(3)	(0.2)	13	4.4
Tax exempt income	<u>(10)</u>	<u>2.8</u>	<u>(12)</u>	<u>(0.7)</u>	<u>(10)</u>	<u>(3.4)</u>
Income tax expense (benefit)	<u>\$(129)</u>	<u>33.7%</u>	<u>\$ 586</u>	<u>35.0%</u>	<u>\$244</u>	<u>82.9%</u>

The Company's GAAP effective income tax rate for 2008 was significantly affected by the tax benefits related to the charges for the Discover Settlement and the American Express Settlement. The Company's effective tax rate for 2006 was significantly affected by the \$395 million charitable contribution of MasterCard Class A common stock to the Foundation. Due to the non-recurring nature of these items, the Company believes that the calculation of the 2008 effective tax rate, excluding the impacts of the Discover Settlement and American Express Settlement, and the 2006 effective tax rate, excluding the impact of the charitable stock contribution to the Foundation, will be helpful in comparing effective tax rates for 2008, 2007 and 2006.

GAAP effective tax rate calculation			
	2008	2007	2006
(In millions, except percentages)			
Income (loss) before income taxes	\$ (383)	\$1,671	\$ 294
Income tax expense (benefit) ¹	(129)	586	244
Net income (loss)	<u>\$ (254)</u>	<u>\$1,086</u>	<u>\$ 50</u>
Effective tax rate	33.7%	35.0%	82.9%

Non-GAAP effective tax rate calculation			
	2008	2007	2006
(In millions, except percentages)			
GAAP income (loss) before income taxes	\$ (383)	\$1,671	\$ 294
Litigation settlements	2,483	3	25
Stock donation to the MasterCard Foundation	—	—	395
Non-GAAP income before income taxes	<u>\$2,100</u>	<u>\$1,674</u>	<u>\$ 714</u>
Income tax expense (benefit) ¹	(129)	586	244
Impact of litigation settlements on income tax expense (benefit)	(941)	(1)	(9)
Non-GAAP income tax expense	<u>812</u>	<u>587</u>	<u>253</u>
Non-GAAP net income	<u>\$1,288</u>	<u>\$1,087</u>	<u>\$ 461</u>
Non-GAAP effective tax rate	38.7%	35.0%	35.4%

¹ The 2006 stock contribution to the MasterCard Foundation was a permanently non-deductible item and therefore has no impact on the calculation of non-GAAP income tax expense. The 2008 litigation settlements will be deductible in future periods as payments are made and are therefore considered in the calculation of non-GAAP income tax expense.

Liquidity and Capital Resources

We need liquidity and access to capital to fund our global operations; to provide for credit and settlement risk; to finance capital expenditures and any future acquisitions; to service the payments of principal and interest on our outstanding debt; and to service our obligations related to litigation settlements. At December 31, 2008 and 2007, we had \$2.1 billion and \$3.0 billion, respectively, of cash, cash equivalents and current available-for-sale securities to use for our operations. Our stockholder's equity was \$1.9 billion and \$3.0 billion as of December 31, 2008, and 2007, respectively. We believe that the cash generated from operations, our borrowing capacity and our access to capital resources are sufficient to meet our future operating capital needs, debt and litigation settlement obligations. Our liquidity and access to capital could be negatively impacted by the adverse outcome of any of the legal or regulatory proceedings to which we are still a party. See Item 1A, Note 18 (Obligations Under Litigation Settlements) and Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report and “-Business Environment Challenges” in Item 7 of this Report for additional discussion of these and other risks facing our business.

		Percent Increase (Decrease)			
	2008	2007	2006	2008	2007
	(In millions, except percentages)				
Cash Flow Data:					
Net cash provided by operating activities	\$ 413	\$ 770	\$ 650	(46.3)%	18.4%
Net cash provided by (used in) investing activities	202	315	(676)	(36.0)%	146.6%
Net cash provided by (used in) financing activities	(751)	(658)	638	14.3%	(203.1)%
Balance Sheet Data:					
Current assets	\$4,312	\$4,592	\$3,577	(6.1)%	28.4%
Current liabilities	2,990	2,363	1,812	26.5%	30.5%
Long-term liabilities	1,553	865	902	79.6%	(4.1)%
Stockholder's equity	1,927	3,027	2,364	(36.3)%	28.0%

Net cash provided by operating activities for the year ended December 31, 2008 was \$413 million, compared to \$770 million and \$650 million in 2007 and 2006, respectively. The decrease in cash from operations in 2008 was primarily due to a \$1.1 billion increase in litigation settlement payments as a result of the Discover Settlement and American Express Settlement, offset by higher net revenues. The increase in cash from operations in 2007 versus 2006 was primarily due to higher net income less the realized pre-tax gain on RedeCard S.A. common stock, which is classified as an investing activity, partially offset by higher income tax payments, including approximately \$137 million for taxes relating to the realized gain on RedeCard S.A. common stock.

Net cash provided by investing activities in 2008 primarily related to net sales of available-for-sale securities, partially offset by payments for capitalized software to expand our core functionality, including continued development of a debit and prepaid processing platform, acquisition of a business, and leasehold and building improvements to support increased workforce and data center equipment. We intend to continue to invest in our infrastructure to support our growing business and strategic initiatives.

Net cash provided by investing activities in 2007 primarily related to net sales of available-for-sale securities, including the sale of a significant portion of our shares of Redecard S.A. common stock, partially offset by cash used for investments in leasehold and building improvements to support increased workforce, data center equipment and capitalized software to expand our core functionality, including development of a new debit and prepaid processing platform. Net cash used for investing activities in 2006 was primarily due to net purchases of available-for-sale securities as a result of the additional funds from the IPO proceeds and our investment in capitalized software to support our growing business and strategic initiatives.

Cash used in financing activities in 2008 primarily related to the repurchase of approximately 2.8 million shares of our Class A common stock through a share repurchase plan, the payment of approximately \$80 million in quarterly dividends to our stockholders and the repayment of \$80 million related to the Company's ten-year

unsecured, subordinated notes that matured in June 2008. See Note 13 (Debt) and Note 14 (Stockholders' Equity) to the consolidated financial statements included in Item 8 of this Report for more information on our debt repayment and stock repurchase plan, respectively. Cash used in financing activities in 2007 primarily related to the repurchase of approximately \$601 million of our Class A common stock through a repurchase plan and payment of \$74 million in dividends to our shareholders. The net cash provided by financing activities in 2006 primarily related to the proceeds received from the sale of Class A common stock to investors in the IPO (including the proceeds received pursuant to the underwriters' option to purchase additional shares) of approximately \$2.5 billion, partially offset by \$1.8 billion for the redemption of Class B common stock and a \$12 million dividend payment.

On October 27, 2008, MasterCard and Visa entered into the Discover Settlement relating to the U.S. federal antitrust litigation amongst the parties. In connection with the Discover Settlement, MasterCard was required to pay \$863 million to Discover and received \$35 million from Morgan Stanley, Discover's former parent company, in November 2008. Also, on June 24, 2008, MasterCard entered into the American Express Settlement. Under its terms, beginning on September 15, 2008, MasterCard is required to pay American Express up to \$150 million each quarter for 12 quarters, payable in cash on the 15th day of the last month of each quarter, for a maximum amount of \$1.8 billion. In 2003, MasterCard entered into the U.S. Merchant Lawsuit Settlement. Under the terms of the U.S. Merchant Lawsuit Settlement, the Company is required to pay \$100 million annually each December through the year 2012. See Note 18 (Obligations Under Litigation Settlements) and Note 20 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Item 8 of this Report for additional information on these litigation settlements.

As of December 31, 2008, the Company held \$192 million of auction rate securities ("ARS") classified as long-term available-for-sale securities. As of December 31, 2007, the Company held \$348 million of ARS classified as current available-for-sale securities. This change in classification is due to failure of the auction mechanism and a continued lack of liquidity in the ARS market. The stated maturity of the securities ranges from 10 to 33 years, and the securities are collateralized by student loans with guarantees, ranging from approximately 95% to 98% of principal and interest, by the U.S. government, via the Department of Education. We determined that the fair value of the ARS does not approximate par value, assigned a 20% discount to the par value of the ARS portfolio and recorded a temporary impairment within other comprehensive income during 2008. We have the intent and ability to hold the ARS until recovery of fair value, which may be maturity or earlier if called or if liquidity is restored in the market. See Note 4 (Investment Securities) to the consolidated financial statements included in Item 8 of this Report for more information.

On December 2, 2008, our Board of Directors declared a quarterly cash dividend of \$0.15 per share payable on February 10, 2009 to holders of record on January 9, 2009 of our Class A common stock and Class B common stock. The aggregate amount payable for this dividend was \$20 million as of December 31, 2008.

On February 3, 2009, our Board of Directors declared a quarterly cash dividend of \$0.15 per share payable on May 8, 2009 to holders of record on April 13, 2009 of our Class A common stock and Class B common stock. The aggregate amount needed for this dividend is estimated to be \$20 million. The declaration and payment of future dividends will be at the sole discretion of our Board of Directors after taking into account various factors, including our financial condition, settlement guarantees, operating results, available cash and anticipated cash needs.

On August 29, 2008, MasterCard notified the equity investor and holders of secured notes related to its variable interest entity (the "Trust") of its intent to repay the equity investor and the obligations issued through the Trust. The repayment of aggregate outstanding principal and accrued interest on the secured notes, and repayment of the equity investor and make-whole payment, is expected to occur in March 2009 for a total amount of \$165 million. MasterCard was in compliance with the covenants of the secured notes at December 31, 2008. See Note 15 (Consolidation of Variable Interest Entity) to the consolidated financial statements included in Item 8 of this Report for additional information.

On January 22, 2009, Standard & Poor's reaffirmed our BBB+ long-term and A-2 short-term counterparty credit ratings, with a stable outlook. Our access to capital and liquidity has been sufficient with these ratings. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

On April 28, 2008, the Company extended its committed unsecured revolving credit facility, dated as of April 28, 2006 (the "Credit Facility"), for an additional year. The new expiration date of the Credit Facility is April 26, 2011. The available funding under the Credit Facility will remain at \$2.5 billion through April 27, 2010 and then decrease to \$2.0 billion during the final year of the Credit Facility agreement. Other terms and conditions in the Credit Facility remain unchanged. The Company's option to request that each lender under the Credit Facility extend its commitment was provided pursuant to the original terms of the Credit Facility agreement. MasterCard was in compliance with the covenants of the Credit Facility and had no borrowings under the Credit Facility at December 31, 2008 and December 31, 2007, respectively. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard International.

On January 5, 2009, HSBC Bank plc ("HSBC") notified the Company that, effective December 31, 2008, it had terminated an uncommitted credit agreement totaling 100 million euros between HSBC and MasterCard Europe sprl. There were no outstanding borrowings under this facility at December 31, 2008.

In June 2007, the Company's stockholders approved amendments to the Company's certificate of incorporation designed to facilitate an accelerated, orderly conversion of Class B common stock into Class A common stock for subsequent sale. In February 2008, the Company's Board of Directors authorized the conversion and sale or transfer of up to 13.1 million shares of Class B common stock into Class A common stock. In May 2008, the Company implemented and completed a conversion program in which all of the 13.1 million authorized shares of Class B common stock were converted into an equal number of Class A common stock and subsequently sold or transferred by participating holders of Class B common stock to public investors. In February 2009, the Company's Board of Directors authorized the conversion and sale or transfer of up to 11.0 million shares of Class B common stock into Class A common stock in one or more conversion programs during 2009. See Note 14 (Stockholders' Equity) to the consolidated financial statements included in Item 8 of this Report for additional information.

Future Obligations

The following table summarizes our obligations as of December 31, 2008 that are expected to impact liquidity and cash flow in future periods. We believe we will be able to fund these obligations through cash generated from operations and our existing cash balances.

	Payments Due by Period				
	Total	2009	2010-2011	2012-2013	2014 and thereafter
			(In millions)		
Capital leases ¹	\$ 52	\$ 8	\$ 5	\$ 39	\$—
Operating leases ²	106	40	30	16	19
Sponsorship, licensing and other ^{3,4}	570	337	187	45	2
Litigation settlements ⁵	1,912	712	1,100	100	—
Debt ⁶	184	165	19	—	—
Total	<u>\$2,824</u>	<u>\$1,262</u>	<u>\$1,341</u>	<u>\$200</u>	<u>\$ 21</u>

* Note that totals in above table may not sum due to rounding.

¹ Most capital leases relate to certain property, plant and equipment used in our business. Our largest capital lease relates to our Kansas City, Missouri co-processing facility.

² We enter into operating leases in the normal course of business, including the lease on our facility in St. Louis, Missouri. Substantially all lease agreements have fixed payment terms based on the passage of time.

Some lease agreements provide us with the option to renew the lease or purchase the leased property. Our future operating lease obligations would change if we exercised these renewal options and if we entered into additional lease agreements.

- ³ Amounts primarily relate to sponsorships with certain organizations to promote the MasterCard brand. The amounts included are fixed and non-cancelable. In addition, these amounts include amounts due in accordance with merchant agreements for future marketing, computer hardware maintenance, software licenses and other service agreements. Future cash payments that will become due to our customers under agreements which provide pricing rebates on our standard fees and other incentives in exchange for increased transaction volumes are not included in the table because the amounts due are indeterminable and contingent until such time as performance has occurred. MasterCard has accrued \$527 million as of December 31, 2008 related to customer and merchant agreements.
- ⁴ We have included our current liability of \$13 million relating to Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). Due to the high degree of uncertainty regarding the timing of the non-current FIN 48 liabilities, we are unable to make reasonable estimates of the period of cash settlements with the respective taxing authority.
- ⁵ Represents amounts due in accordance with the Discover Settlement, American Express Settlement, U.S. Merchant Lawsuit Settlement and other litigation settlements.
- ⁶ Debt primarily represents principal owed on our Series A Senior Secured Notes, which are expected to be paid in March 2009, and amounts due for the acquisition of MasterCard France. See Notes 13 (Debt) and 3 (Supplemental Cash Flows), respectively, to the consolidated financial statements included in Item 8 of this Report for further discussion on these matters. We also have various credit facilities for which there were no outstanding balances at December 31, 2008 that, among other things, would provide liquidity in the event of settlement failures by our members. Our debt obligations would change if one or more of our members failed and we borrowed under these credit facilities to settle on our members' behalf or for other reasons.

Seasonality

Our revenues are contingent upon the underlying metrics on which the revenues are calculated. Gross revenues in the fourth quarter of 2008 were negatively impacted by lower purchase volumes and transactions due to the economic crisis. In response, MasterCard accelerated its cost savings initiatives in the quarter, with particular focus on advertising, personnel and travel expenses. Historically, during the fourth quarter, our quarterly gross revenues have been positively impacted by increases in purchase volume related to the holiday shopping period, with offsetting increases resulting from higher rebates and incentives to our customers. Also, operating expenses have historically been higher in the fourth quarter due to additional advertising and promotions related to the holiday period and increases in personnel incentives for exceeding the Company's objectives. The economic environment in 2008 caused our operating results to diverge from these historical trends.

Critical Accounting Estimates

Our accounting policies are integral to understanding our results of operations and financial condition. We are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. We have established detailed policies and control procedures to ensure that the methods used to make estimates and assumptions are well controlled and are applied consistently from period to period. The following is a brief description of our current accounting policies involving significant management judgments.

Financial Statement Caption/ Critical Accounting Estimate	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
Asset Impairment Analyses		
Investments		
The Company invests in certain short-term and long-term assets, including municipal bonds, bond funds and ARS. The Company's investment strategy for these assets is to ensure capital preservation while capturing some interest return on the invested funds. The Company performs on-going evaluations of its investments to assess potential impairment.	Impairment of the Company's investments in municipal bonds is assessed based on market prices of similar assets, as provided by custodians of such assets. Impairment of the Company's short-term bond funds is assessed based on quoted prices for these assets, as they are actively traded on a daily basis. The primary analysis tool used to assess impairment of the Company's ARS investments is a discounted cash flow model. This model considers the original economic life of the asset, the relevant cash flows expected over the life of the asset, an appropriate discount rate and other factors that may be relevant. The present value of the expected future cash flows is calculated and compared to the carrying value to determine if an impairment has occurred and, if so, what is the expected duration of the impairment.	If actual results are not consistent with our assumptions and estimates, we may be exposed to additional impairment charges associated with our investments. The fair value of our available-for-sale investment portfolio was \$780 million as of December 31, 2008, which included \$36 million of net unrealized losses.
Prepaid Customer and Merchant Incentives		
We prepay certain customer and merchant business incentives to incent usage and acceptance of our cards. In the event of customer or merchant business failure, these incentives may not have future economic benefits for our business.	The evaluation of recoverability of prepaid customer and merchant incentives is done whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.	If events or changes in circumstances occur that we are not aware of, additional impairment charges related to our prepaid customer and merchant incentives may be incurred. The carrying value of prepaid customer and merchant incentives was \$398 at December 31, 2008.

Financial Statement Caption/ Critical Accounting Estimate	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
<i>Goodwill and Intangible Assets (excluding Capitalized Software)</i>		
We perform analyses of goodwill and intangible assets on an annual basis or sooner if indicators of impairment exist. This evaluation utilizes a two-step approach. The first step is to identify a potential impairment and the second step measures the amount of the impairment loss, if any. Impairment is measured as the excess of the carrying amount over fair value.	The test methods employed in performing the analyses involve assumptions concerning interest and discount rates, growth projections and other assumptions of future business conditions. The assumptions employed are based on management's judgment using internal and external data. We utilize independent valuation experts, if needed.	If actual results are not consistent with our assumptions and estimates, we may be exposed to an additional impairment charge associated with goodwill and/or intangible assets. The carrying value of goodwill and intangible assets, excluding capitalized software, was \$527 million, including \$206 million of unamortizable customer relationships, as of December 31, 2008.
We determined that the majority of our customer relationships, which are intangible assets, have indefinite lives. In addition to the impairment testing noted above, we assess the appropriateness of that indefinite life annually.	We completed our annual impairment testing for all goodwill and other intangibles using the methodology described herein, and no impairment charges were recorded for the year ended December 31, 2008.	
<i>Capitalized Software</i>		
Our capitalized software, which includes internal and external costs incurred in developing or obtaining computer software for internal use, is included in other intangible assets.	We are required to make judgments to determine if each project will satisfy its intended use. In addition, we estimate the average internal costs incurred for payroll and payroll related expenses by department for the employees who directly devote time relating to the design, development and testing phases of the project. On a quarterly basis, we evaluate whether there are any events that indicate impairment of our various technologies. During the year ended December 31, 2008, no significant impairment charges were recorded.	If actual results are not consistent with our judgments, we may be exposed to an impairment charge. The net carrying value of capitalized software as of December 31, 2008 was \$166 million.
<i>Revenue Recognition</i>		
Our assessment revenues that are based on quarterly GDV or GEV are recorded utilizing an estimate of our customers' performance. Total net assessment revenues included an estimate as of the end of the period for 25%, 26% and 26% of those net	Our assessment revenues that are based on quarterly GDV or GEV are recorded utilizing an estimate of our customers' performance. Such estimates are subsequently validated against performance reported by our customers.	If our customers' actual performance is not consistent with our estimates of their performance, revenues may be materially different than initially recorded. Historically, our estimates have differed from the actual

**Financial Statement Caption/
Critical Accounting Estimate**

Assumptions/Approach Used

**Effect if Actual Results Differ
from Assumptions**

assessment revenues, representing 6%, 7% and 7% of total net revenues for the years ended December 31, 2008, 2007 and 2006, respectively. Our revenue recognition policies are fully described in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements in Item 8 of this Report.

Differences are adjusted in the period the customer reports. Customers' performance is estimated by using historical performance, customer reported information, transactional information accumulated from our systems and discussions with our customers.

performance by less than 5% of the estimates on a quarterly basis.

Rebates and incentives are estimated.

Rebates and incentives are generally recorded as contra-revenue based on our estimate of each customer's performance in a given period and according to the terms of the related customer agreements.

If our customers' actual performance is not consistent with our estimates of their performance, contra-revenues may be materially different than initially recorded.

Legal and Regulatory Matters
Legal Proceedings

We are party to legal and regulatory proceedings with respect to a variety of matters. Except as described in Notes 18 (Obligations Under Litigation Settlements) and 20 (Legal and Regulatory Proceedings) to the consolidated financial statements in Item 8 of this Report, MasterCard does not believe that any legal or regulatory proceedings to which it is a party would have a material adverse impact on its business or prospects.

We evaluate the likelihood of an unfavorable outcome of the legal or regulatory proceedings to which we are party in accordance with SFAS No. 5, "Accounting for Contingencies" ("SFAS No. 5"). Our judgments are subjective based on the status of the legal or regulatory proceedings, the merits of our defenses and consultation with in-house and outside legal counsel.

Due to the inherent uncertainties of the legal and regulatory process in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes.

Discount Rates for Litigation Settlements

We have discounted two litigation settlements over their respective payment terms.

We estimated the discount rate used to calculate the present value of our obligations under litigation settlements. The discount rate is a matter of management judgment at the time of each settlement, which considers our expected post-settlement credit rating and rates for sources of credit that could be used to finance the payment of such obligations with similar terms.

For the U.S. Merchant Lawsuit Settlement, a one percent increase in the discount rate would have increased annual interest expense in 2008 by approximately \$3 million, and declining amounts thereafter. The reverse impact would be experienced for a one percent decrease in such discount rate.

Financial Statement Caption/ Critical Accounting Estimate	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
The American Express Settlement was discounted at 5.75% over the three-year payment term.		For the American Express Settlement, a one percent increase in the discount rate would have decreased the litigation settlement expense for 2008 by approximately \$24 million. A one percent decrease in the discount rate would produce the opposite impact. For the American Express Settlement, a one percent increase in the discount rate would have increased interest expense for 2008 by approximately \$7 million. A one percent decrease in the discount rate would produce the opposite impact.
Income Taxes		
In calculating our effective tax rate, we need to make decisions regarding certain tax positions, including the timing and amount of deductions and allocation of income among various tax jurisdictions.	We have various tax filing positions, including the timing and amount of deductions, establishment of reserves for credits and audit matters and the allocation of income among various tax jurisdictions.	Although we believe that our estimates and judgments discussed herein are reasonable, actual results may differ by a material amount.
We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized.	We considered projected future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance.	If we realize a deferred tax asset subject to a valuation allowance in excess of the deferred tax asset net of that valuation allowance or if we were unable to realize such a net deferred tax asset; an adjustment to the deferred tax asset would increase or decrease earnings, respectively, in the period.
We record tax liabilities for uncertain tax positions taken or to be taken on tax returns that may not be sustained or would only partially be sustained, upon examination by the relevant taxing authorities.	We considered all relevant facts and current authorities in the tax law in assessing whether an uncertain tax position was more likely than not to be sustained.	If upon examination, we realize a tax benefit which is not fully sustained or is more favorably sustained this would decrease or increase earnings, in the period. In certain situations, the Company will have offsetting tax deductions or tax credits.
We do not record U.S. income tax expense for foreign earnings which we plan to reinvest to expand our international operations.	We considered business plans, planning opportunities, and expected future outcomes in assessing the needs for future expansion and support of our international operations.	If our business plans change or our future outcomes differ from our expectations, additional U.S. income tax expense would have to be recorded which would increase our effective tax rate in that period.

Financial Statement Caption/ Critical Accounting Estimate	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
Pensions and Postretirement Benefit Plans		
The Company maintains a noncontributory defined benefit pension plan with a cash balance feature covering substantially all of its U.S. employees hired before July 1, 2007. This pension plan credits participants annually with an amount equal to a fixed percentage of eligible pay based on age and service, as well as providing earnings credits based on each participant's account balance. Additionally, the Company has an unfunded nonqualified supplemental executive retirement plan that provides certain key employees with supplemental retirement benefits in excess of limits imposed on qualified plans by U.S. tax laws. The Company also maintains a postretirement plan providing health coverage and life insurance benefits for most of its U.S. employees and retirees. Company management representing the functional areas of compensation, benefits, treasury and finance review and approve on an annual basis assumptions used in the determination of the annual costs for our pension and postretirement plans and the disclosure of the funded position of our plans. Key assumptions include the discount rate used to measure each of the plans' projected benefit obligations for pension and postretirement, the expected rate of return on pension plan assets and the health care cost trend rate for our postretirement plan.	The discount rates for the Company's pension and postretirement plans are subject to change each year, consistent with changes in high-quality, long-term corporate bond markets. To select a discount rate for each plan, we performed an analysis which matched the plans expected cash flows (determined on PBO basis) with spot rates developed from a yield curve comprised of high-grade non-callable corporate bonds and arithmetically rounded this result. For the pension plan, our discount rate of 6.00% as of December 31, 2008 is equal to the 6.00% rate used in calculating the projected benefit obligation for 2007. For the postretirement plan, our discount rate of 6.00% as of December 31, 2008 is 25 basis points less than the 6.25% rate used in calculating the projected benefit obligation for 2007. Net actuarial gains and/or losses in our benefit plans are amortized on straight-line basis over the expected average remaining service of active participants expected to benefit under the plans. We determine the expected return on plan assets primarily based on long-term historical returns in equity and fixed income markets. The expected rate of return on our pension plan assets is 8.00% for the year ended December 31, 2008 and 8.50% for the years ended December 31, 2007 and 2006. The Company reviews external data and its own historical trends to determine the health care trend rates for postretirement medical costs.	A quarter of a percentage point decrease in our discount rate would increase our pension projected benefit obligation by \$0.9 million, and increase our postretirement projected benefit obligation by \$2.3 million. These decreases would have a negligible effect on our annual pension and postretirement expense. An approximately equal, but opposite effect would be experienced for a quarter of a percentage point increase in the discount rate. A quarter of a percentage point increase or decrease in the expected rate of return on plan assets would decrease or increase the annual pension costs by \$0.4 million.

Financial Statement Caption/ Critical Accounting Estimate	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
Postemployment Benefit Plan We have a formal severance plan which sets forth the guidelines with respect to severance payments to salaried employees whose normal assignment is within the United States. Approximately 3,600 of our employees are covered by the Plan. Severance benefits are determined primarily by years of service and career level in accordance with either a standard or enhanced payment schedule, which is determined by the cause of the severance action. The Company has a severance plan committee with members from different functional responsibilities, including human resources, legal and finance, that review and approve assumptions used in the determination of the liability for expected future severance obligations. Key assumptions include the number of severed participants, number of severed individuals by career level, benefit package and discount rate.	The assumption for the number of severed participants used in the calculation was 100, 100 and 120 for 2008, 2007 and 2006, respectively. The career levels for these individuals was estimated using historical experience as a base, adjusted for a number of strategic and human resource initiatives implemented during these years and current employment levels. We review historical trends and future expectations when determining the assumptions. The discount rate for our postemployment plan is subject to change each year, consistent with changes in high-quality, long-term corporate bond markets. To select a discount rate, we performed an analysis which matched the plans expected cash flows with spot rates developed from a yield curve comprised of high-grade non-callable corporate bonds and arithmetically rounded this result. Our discount rate of 5.75% as of December 31, 2008 is 25 basis points higher than the rate used in calculating the severance obligations for 2007, which was 5.5%.	A 5% increase in the number of severed participants would increase our severance obligations by \$1.6 million. An equal but opposite effect would be experienced for a 5% decrease in the number of participants. A quarter of a percentage point decrease or increase in our discount rate would have an impact of approximately \$0.4 million on our severance obligations.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R") which replaces SFAS No. 141, "Business Combinations". SFAS 141R establishes the principles and requirements for how an acquirer: 1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; 2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and 3) discloses the business combination. SFAS 141R applies to all transactions in which an entity obtains control of one or more businesses, including transactions that occur without the transfer of any type of consideration. SFAS 141R is effective on a prospective basis for all business combinations on or after January 1, 2009, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. Early adoption is not allowed. The Company will adopt SFAS 141R on January 1, 2009 and its effect on future periods will be dependent upon the nature and significance of any acquisitions subject to this statement.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in consolidated financial statements—an amendment of ARB No. 51” (“SFAS 160”). SFAS 160 amends ARB No. 51 “Consolidated Financial Statements” and establishes accounting and reporting standards that require non-controlling interests (previously referred to as minority interests) to be reported as a component of equity. In addition, changes in a parent’s ownership interest while the parent retains its controlling interest are accounted for as equity transactions, and upon a loss of control, retained ownership interests are remeasured at fair value, with any gain or loss recognized in earnings. SFAS 160 is effective for the Company on January 1, 2009, except for the presentation and disclosure requirements, which will be applied retrospectively. Early adoption is not allowed. The Company does not expect that the adoption of SFAS 160 will have a material impact on the Company’s consolidated results of operations or financial position.

In February 2008, the FASB issued Staff Position 157-2 (“FSP 157-2”). FSP 157-2 permits delayed adoption of SFAS 157 for certain non-financial assets and liabilities, which are not recognized at fair value on a recurring basis, until fiscal years and interim periods beginning after November 15, 2008. As permitted by FSP 157-2, the Company has elected to delay the adoption of SFAS 157 for qualifying non-financial assets and liabilities, such as property, plant and equipment, goodwill and intangible assets. The Company does not believe the adoption of SFAS 157 for its non-financial assets and liabilities, that are not recognized at fair value on a recurring basis, will have a material impact on the Company’s consolidated results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133” (“SFAS 161”). SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities in an effort to improve the transparency of financial reporting and is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 will not impact the Company’s consolidated results of operations or financial position as its requirements are disclosure-only in nature.

In June 2008, the FASB issued Staff Position Emerging Issues Task Force 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF 03-6-1”). FSP EITF 03-6-1 requires entities to allocate earnings to unvested and contingently issuable share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents when calculating EPS and also present both basic EPS and diluted EPS pursuant to the two-class method described in SFAS No. 128, “Earnings per Share”. FSP EITF 03-6-1 is effective January 1, 2009 and requires retrospective application. The Company will adopt FSP EITF 03-6-1 during 2009 and is not able to project its impact on future presentations of EPS due to the inherent complexities associated with projecting future financial performance. The Company’s calculation of the expected impact of FSP EITF 03-6-1 on EPS for the years ended December 31 is as follows:

	<u>2008</u>	<u>2007</u>
Earnings (Loss) per Share:		
Basic—as originally reported	\$(1.95)	\$ 8.05
Basic—impact of EITF 03-6-1	<u>0.01</u>	<u>(0.07)</u>
Basic—as will be reported in 2009	<u>\$(1.94)</u>	<u>\$ 7.98</u>
Diluted—as originally reported	\$(1.95)	\$ 8.00
Diluted—impact of EITF 03-6-1	<u>0.01</u>	<u>(0.04)</u>
Diluted—as will be reported in 2009	<u>\$(1.94)</u>	<u>\$ 7.96</u>

In December 2008, the FASB issued Staff Position 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP SFAS 132R-1”). FSP SFAS 132R-1 provides guidance on an employer’s disclosures about plan assets of a defined benefit pension plan or other postretirement plan, including disclosure of how investment allocation decisions are made, major categories of plan assets, inputs and valuation techniques used to

measure the fair value of plan assets and concentrations of credit risk. FSP SFAS 132R-1 is effective for fiscal years ending after December 15, 2009. FSP SFAS 132R-1 will not impact the Company's consolidated results of operations or financial position as its requirements are disclosure-only in nature.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential for economic losses to be incurred on market risk sensitive instruments arising from adverse changes in market factors such as interest rates, foreign currency exchange rates and equity price risk. We have limited exposure to market risk from changes in interest rates, foreign exchange rates and equity price risk. Management establishes and oversees the implementation of policies, which have been approved by the Board of Directors, governing our funding, investments and use of derivative financial instruments. We monitor risk exposures on an ongoing basis. There were no material changes in our market risk exposures at December 31, 2008 as compared to December 31, 2007.

Foreign Exchange Risk

We enter into forward exchange contracts to minimize risk associated with anticipated receipts and disbursements which are either transacted in a non-functional currency or valued based on a currency other than our functional currencies. We also enter into contracts to offset possible changes in value due to foreign exchange fluctuations of assets and liabilities denominated in foreign currencies. The objective of this activity is to reduce our exposure to transaction gains and losses resulting from fluctuations of foreign currencies against our functional currencies, principally the U.S. dollar and euro. The terms of the forward currency contracts are generally less than 18 months.

**U.S. Dollar Functional Currency
(In millions)**

	December 31, 2008		December 31, 2007	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Commitments to purchase foreign currency	\$293	\$22	\$40	\$—
Commitments to sell foreign currency	154	12	22	—

**Euro Functional Currency
(In millions)**

	December 31, 2008		December 31, 2007	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Commitments to sell foreign currency	\$66	\$—	\$50	\$—

Our settlement activities are subject to foreign exchange risk resulting from foreign exchange rate fluctuations. This risk is limited to the typical one business day timeframe between setting the foreign exchange rates and clearing the financial transactions and by confining the supported settlement currencies to the U.S. dollar or one of 16 other transaction currencies. The remaining 143 transaction currencies are settled in one of the supported settlement currencies or require local settlement netting arrangements that minimize our foreign exchange exposure.

Interest Rate Risk

Our interest rate sensitive assets are our debt instruments, which we hold as available-for-sale investments. With respect to fixed maturities, our general policy is to invest in high quality securities, while providing adequate liquidity and maintaining diversification to avoid significant exposure. The fair value and maturity distribution of the Company's available for sale investments as of December 31 was as follows:

Financial Instrument	Summary Terms	Fair Market Value at December 31, 2008	No Contractual Maturity	Maturity					
				(In millions)					2014 and thereafter
				2009	2010	2011	2012	2013	
Municipal bonds	fixed interest	\$ 485	\$—	\$ 16	\$ 68	\$112	\$101	\$ 89	\$ 98
Short-term bond funds	fixed/variable interest	103	103	—	—	—	—	—	—
Auction rate securities	variable interest	192	—	—	—	—	—	—	192
Other		—	—	—	—	—	—	—	—
Total		\$ 780	\$103	\$ 16	\$ 68	\$112	\$101	\$ 89	\$290

Financial Instrument	Summary Terms	Fair Market Value at December 31, 2007	No Contractual Maturity	Maturity					
				(In millions)					2013 and thereafter
				2008	2009	2010	2011	2012	
Municipal bonds	fixed interest	\$ 555	\$—	\$ 14	\$ 61	\$122	\$134	\$103	\$120
Short-term bond funds	fixed/variable interest	306	306	—	—	—	—	—	—
Auction rate securities	variable interest	348	—	—	—	—	—	—	348
Other		99	99	—	—	—	—	—	—
Total		\$1,308	\$405	\$ 14	\$ 61	\$122	\$134	\$103	\$468

* Note that amounts in the above table may not sum due to rounding

At December 31, 2008, we had various credit facilities to provide liquidity in the event of material member settlement failures, settlement service operations and other operational needs. These credit facilities have variable rates, which are applied to the borrowing based on terms and conditions set forth in each agreement. We had no material borrowings at December 31, 2008 or 2007. See Note 13 (Debt) to the consolidated financial statements in Item 8 of this Report for additional information.

In addition, as of December 31, 2008, we had a 7.36% fixed short-term secured note for \$149 million with a fair value of \$155 million relating to the Company's Variable Interest Entity, see Note 15 (Consolidation of Variable Interest Entity) to the consolidated financial statements in Item 8 of this Report for additional information.

Equity Price Risk

The Company did not have significant equity price risk as of December 31, 2008. At December 31, 2007, MasterCard's investment in shares of Redecard S.A. common stock, which was classified as an available-for-sale security was subject to equity price risk. At December 31, 2007, the effect of a hypothetical 10 percent decline in market value would have been approximately \$10 million.

Item 8. Financial Statements and Supplementary Data

MASTERCARD INCORPORATED

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of MasterCard Incorporated is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. As required by Section 404 of the Sarbanes-Oxley Act of 2002, management has assessed the effectiveness of MasterCard's internal control over financial reporting as of December 31, 2008. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report entitled *Internal Control—Integrated Framework*. Management has concluded that, based on its assessment, MasterCard's internal control over financial reporting was effective as of December 31, 2008. The effectiveness of MasterCard's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on the next page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of MasterCard Incorporated:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of MasterCard Incorporated and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICEWATERHOUSECOOPERS LLP

New York, New York
February 19, 2009

MASTERCARD INCORPORATED
CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 1,505,160	\$1,659,295
Investment securities, at fair value:		
Trading	—	2,561
Available-for-sale	588,095	1,308,126
Municipal bonds held-to-maturity	154,000	—
Accounts receivable	639,482	532,633
Income taxes receivable	198,308	—
Settlement due from customers	513,191	712,558
Restricted security deposits held for customers	183,245	142,052
Prepaid expenses	213,612	156,258
Deferred income taxes	283,795	44,525
Other current assets	32,619	33,733
Total Current Assets	4,311,507	4,591,741
Property, plant and equipment, at cost (less accumulated depreciation of \$278,269 and \$250,888)	306,798	290,200
Deferred income taxes	567,567	263,143
Goodwill	297,993	239,626
Other intangible assets, (less accumulated amortization of \$377,570 and \$347,977)	394,282	320,758
Investment securities available-for-sale, at fair value	191,760	—
Municipal bonds held-to-maturity	37,450	192,489
Prepaid expenses	302,095	274,962
Other assets	66,397	87,122
Total Assets	\$ 6,475,849	\$6,260,041
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 262,342	\$ 252,391
Settlement due to customers	532,237	604,212
Restricted security deposits held for customers	183,245	142,052
Obligations under litigation settlements (Note 18)	713,035	107,235
Accrued expenses	1,032,061	1,071,557
Short-term debt	149,380	80,000
Other current liabilities	118,151	105,895
Total Current Liabilities	2,990,451	2,363,342
Deferred income taxes	74,518	71,278
Obligations under litigation settlements (Note 18)	1,023,263	297,201
Long-term debt	19,387	149,824
Other liabilities	436,255	346,469
Total Liabilities	4,543,874	3,228,114
Commitments and contingencies (Notes 17, 18 and 20)		
Minority interest	4,620	4,620
Stockholders' Equity		
Class A common stock, \$.0001 par value; authorized 3,000,000,000 shares, 105,126,588 and 91,243,433 shares issued and 98,385,998 and 87,321,541 outstanding, respectively	10	9
Class B common stock, \$.0001 par value; authorized 1,200,000,000 shares, 30,848,778 and 43,948,778 shares issued and outstanding, respectively	4	5
Class M common stock, \$.0001 par value; authorized 1,000,000 shares, 1,728 and 1,664 shares issued and outstanding, respectively	—	—
Additional paid-in-capital	3,304,604	3,312,380
Class A treasury stock, at cost, 6,740,590 and 3,921,892, respectively	(1,250,000)	(600,532)
Retained earnings (accumulated deficit)	(236,100)	37,699
Accumulated other comprehensive income:		
Cumulative foreign currency translation adjustments	175,040	216,651
Defined benefit pension and other postretirement plans, net of tax	(43,207)	(3,555)
Investment securities available-for-sale, net of tax	(22,996)	64,650
Total accumulated other comprehensive income	108,837	277,746
Total Stockholders' Equity	1,927,355	3,027,307
Total Liabilities and Stockholders' Equity	\$ 6,475,849	\$6,260,041

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2008	2007	2006
	(In thousands, except per share data)		
Revenues, net	\$4,991,600	\$4,067,599	\$3,326,074
Operating Expenses			
General and administrative	1,913,679	1,758,388	1,505,185
Advertising and marketing	1,017,575	1,080,057	1,051,870
Litigation settlements	2,482,845	3,400	24,957
Charitable contributions to the MasterCard Foundation	—	20,000	414,785
Depreciation and amortization	112,006	97,642	99,782
Total operating expenses	5,526,105	2,959,487	3,096,579
Operating income (loss)	(534,505)	1,108,112	229,495
Other Income (Expense)			
Investment income, net	182,907	530,400	124,994
Interest expense	(103,600)	(57,277)	(61,151)
Other income (expense), net	71,985	90,197	834
Total other income (expense)	151,292	563,320	64,677
Income (loss) before income taxes	(383,213)	1,671,432	294,172
Income tax expense (benefit)	(129,298)	585,546	243,982
Net Income (Loss)	<u>\$ (253,915)</u>	<u>\$1,085,886</u>	<u>\$ 50,190</u>
Basic Net Income (Loss) per Share (Note 2)	<u>\$ (1.95)</u>	<u>\$ 8.05</u>	<u>\$ 0.37</u>
Basic Weighted Average Shares Outstanding (Note 2)	<u>130,148</u>	<u>134,887</u>	<u>135,411</u>
Diluted Net Income (Loss) per Share (Note 2)	<u>\$ (1.95)</u>	<u>\$ 8.00</u>	<u>\$ 0.37</u>
Diluted Weighted Average Shares Outstanding (Note 2)	<u>130,148</u>	<u>135,695</u>	<u>135,779</u>

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2008	2007	2006
	(In thousands)		
Operating Activities			
Net income (loss)	\$ (253,915)	\$ 1,085,886	\$ 50,190
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	112,006	97,642	99,782
Gain on sale of Redecard S.A. available-for-sale securities	(85,903)	(390,968)	—
Charitable contribution of common stock to the MasterCard Foundation	—	—	394,785
Share based payments (Note 16)	60,970	58,213	19,181
Stock units settled in cash for taxes	(67,111)	(11,334)	—
Tax benefit for share based compensation	(47,803)	(15,430)	—
Impairment of investments	12,515	8,719	—
Accretion of imputed interest on litigation settlements	77,202	38,046	42,798
Deferred income taxes	(483,952)	(5,492)	32,267
Other	14,645	15,121	9,746
Changes in operating assets and liabilities:			
Trading securities	2,561	9,700	10,211
Accounts receivable	(115,687)	(60,984)	(93,428)
Income taxes receivable	(198,308)	—	—
Settlement due from customers	183,008	(356,305)	(75,553)
Prepaid expenses	(65,222)	(19,859)	42,623
Other current assets	(19,381)	(7,538)	7,813
Prepaid expenses, non-current	(35,631)	(28,398)	(30,555)
Litigation settlement accruals	1,254,660	(110,525)	(170,883)
Accounts payable	8,425	(30,650)	89,382
Settlement due to customers	(52,852)	276,144	89,739
Accrued expenses	36,817	176,716	86,859
Net change in other assets and liabilities	76,184	41,157	45,204
Net cash provided by operating activities	413,228	769,861	650,161
Investing Activities			
Purchases of property, plant and equipment	(75,626)	(81,587)	(61,204)
Capitalized software	(94,647)	(74,835)	(33,264)
Purchases of investment securities available-for-sale	(519,514)	(3,578,357)	(3,815,115)
Proceeds from sales and maturities of investment securities available-for-sale	976,743	4,042,011	3,233,725
Acquisition of business, net of cash acquired	(81,731)	—	—
Other investing activities	(3,574)	7,909	(368)
Net cash provided by (used in) investing activities	201,651	315,141	(676,226)
Financing Activities			
Cash received from sale of common stock, net of issuance costs	—	—	2,449,910
Cash payment for the redemption of common stock	—	—	(1,799,937)
Dividends paid	(79,259)	(74,002)	(12,373)
Cash proceeds from exercise of stock options	9,546	1,597	—
Tax benefit for share based compensation	47,803	15,430	—
Payment of debt	(80,000)	—	—
Purchase of treasury stock	(649,468)	(600,532)	—
Net cash provided by (used in) financing activities	(751,378)	(657,507)	637,600
Effect of exchange rate changes on cash and cash equivalents	(17,636)	46,720	28,272
Net increase (decrease) in cash and cash equivalents	(154,135)	474,215	639,807
Cash and cash equivalents—beginning of period	1,659,295	1,185,080	545,273
Cash and cash equivalents—end of period	\$1,505,160	\$ 1,659,295	\$ 1,185,080

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Total	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income, net of tax	Common Shares		Additional	Treasury
				Class A	Class B	Paid-In Capital	Stock
	(In thousands, except per share data)						
Balance at December 31, 2005	\$ 1,169,148	\$ 145,515	\$ 49,014	\$—	\$ 14	\$ 974,605	\$ —
Net income	50,190	50,190	—	—	—	—	—
Other comprehensive income, net of tax	66,050	—	66,050	—	—	—	—
Adoption of new pension and post-retirement standard, net of tax	(11,402)	—	(11,402)	—	—	—	—
Proceeds from issuance of common stock (net of offering expenses of \$129,354)	2,449,910	—	—	7	—	2,449,903	—
Redemption of stock Class B shares	(1,799,937)	(1,224,901)	—	—	(8)	(575,028)	—
Charitable stock contribution to the MasterCard Foundation	394,785	—	—	1	—	394,784	—
Reclassification of cash-based performance awards to stock-based compensation	51,209	—	—	—	—	51,209	—
Cash dividends declared on Class A and Class B common stock, \$.18 per share	(24,775)	—	—	—	—	(24,775)	—
Share based payments	19,181	—	—	—	—	19,181	—
Balance at December 31, 2006	2,364,359	(1,029,196)	103,662	8	6	3,289,879	—
Net income	1,085,886	1,085,886	—	—	—	—	—
Other comprehensive income, net of tax	174,084	—	174,084	—	—	—	—
Adoption of new tax accounting standard (FIN 48)	21,175	21,175	—	—	—	—	—
Cash dividends declared on Class A and Class B common stock, \$.60 per share	(81,571)	(40,166)	—	—	—	(41,405)	—
Share based payments	58,213	—	—	—	—	58,213	—
Stock units settled in cash for taxes	(11,334)	—	—	—	—	(11,334)	—
Tax benefit for share based compensation	15,430	—	—	—	—	15,430	—
Purchases of treasury stock	(600,532)	—	—	—	—	—	(600,532)
Conversion of Class B to Class A common stock	—	—	—	1	(1)	—	—
Cash proceeds from exercise of stock options	1,597	—	—	—	—	1,597	—
Balance at December 31, 2007	3,027,307	37,699	277,746	9	5	3,312,380	(600,532)
Net loss	(253,915)	(253,915)	—	—	—	—	—
Other comprehensive loss, net of tax	(168,909)	—	(168,909)	—	—	—	—
Cash dividends declared on Class A and Class B common stock, \$.60 per share	(78,868)	(19,884)	—	—	—	(58,984)	—
Share based payments	60,970	—	—	—	—	60,970	—
Stock units settled in cash for taxes	(67,111)	—	—	—	—	(67,111)	—
Tax benefit for share based compensation	47,803	—	—	—	—	47,803	—
Purchases of treasury stock	(649,468)	—	—	—	—	—	(649,468)
Conversion of Class B to Class A common stock	—	—	—	1	(1)	—	—
Cash proceeds from exercise of stock options	9,546	—	—	—	—	9,546	—
Balance at December 31, 2008	<u>\$ 1,927,355</u>	<u>\$ (236,100)</u>	<u>\$ 108,837</u>	<u>\$ 10</u>	<u>\$ 4</u>	<u>\$3,304,604</u>	<u>\$(1,250,000)</u>

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Years Ended December 31,		
	2008	2007	2006
	(In thousands)		
Net Income (Loss)	\$(253,915)	\$1,085,886	\$ 50,190
Other comprehensive income (loss):			
Foreign currency translation adjustments	(41,611)	96,996	68,837
Defined benefit pension and postretirement plans	(62,681)	12,429	—
Income tax effect	23,029	(4,582)	—
	(39,652)	7,847	—
Investment securities available-for-sale	(51,895)	478,716	(1,786)
Income tax effect	18,450	(167,885)	526
	(33,445)	310,831	(1,260)
Reclassification adjustment for investment securities available-for-sale	(84,060)	(374,427)	1,046
Income tax effect	29,859	131,311	(308)
	(54,201)	(243,116)	738
Derivatives accounted for as hedges	—	(6,472)	(10,562)
Income tax effect	—	2,200	3,606
	—	(4,272)	(6,956)
Reclassification adjustment for derivatives accounted for as hedges ..	—	8,784	7,123
Income tax effect	—	(2,986)	(2,432)
	—	5,798	4,691
Other comprehensive income (loss), net of tax	(168,909)	174,084	66,050
Comprehensive Income (Loss)	<u>\$(422,824)</u>	<u>\$1,259,970</u>	<u>\$116,240</u>

The accompanying notes are an integral part of these consolidated financial statements.

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except percent and per share data)

Note 1. Summary of Significant Accounting Policies

Organization—MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated (“MasterCard International”) and MasterCard Europe sprl (“MasterCard Europe”) (together, “MasterCard” or the “Company”), provide payment solutions, including transaction processing and related services to customers principally in support of their credit, deposit access (debit), electronic cash and Automated Teller Machine (“ATM”) payment card programs, and travelers cheque programs. Our financial institution customers are generally either principal members (“principal members”) of MasterCard International, which participate directly in MasterCard International’s business, or affiliate members of MasterCard International, which participate indirectly in MasterCard International’s business through a principal member.

Consolidation and basis of presentation—The consolidated financial statements include the accounts of MasterCard and its majority-owned and controlled entities, including the Company’s variable interest entity. The Company’s variable interest entity was established for the purpose of constructing the Company’s global technology and operations center; it is not an operating entity and has no employees. Intercompany transactions and balances are eliminated in consolidation. The Company follows accounting principles generally accepted in the United States of America (“GAAP”).

The Company consolidates majority-owned and controlled entities, including variable interest entities which are required to be consolidated in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. 46(R), “Consolidation of Variable Interest Entities” (“FIN 46R”). Minority interest represents the equity interest not owned by the Company and is recorded for consolidated entities in which the Company owns less than 100% of the interest.

The Company accounts for investments in entities under the equity method of accounting when it holds between 20% and 50% of the common stock in the entity and when it exercises significant influence. The equity method of accounting is also utilized for limited partnerships and limited liability companies if the investment ownership percentage is greater than 3% of outstanding ownership interests or common stock, respectively, regardless of whether MasterCard has significant influence over the investees. MasterCard’s share of net earnings or losses of entities accounted for under the equity method of accounting is included in other income (expense) on the consolidated statements of operations.

The Company accounts for investments in affiliates under the historical cost method of accounting when it holds less than 20% ownership in the common stock of the entity and when it does not exercise significant influence.

Investments in entities for which the equity method and historical cost method of accounting are appropriate are recorded in other assets on the consolidated balance sheets.

Certain prior period amounts have been reclassified to conform to 2008 classifications. In addition, amounts previously reported within Accumulated Other Comprehensive Income as of December 31, 2006 have been adjusted to reflect a revision of \$22,804 to increase cumulative foreign currency translation adjustments with a corresponding decrease in defined benefit pension and other postretirement plans. The revision had no impact on total accumulated other comprehensive income, net of tax.

Use of estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

expenses during the reporting periods. Management has established detailed policies and control procedures to ensure the methods used to make estimates are well controlled and applied consistently from period to period. Actual results may differ from these estimates.

Cash and cash equivalents—Cash and cash equivalents include certain liquid investments with a maturity of three months or less from the date of purchase. Cash equivalents are recorded at cost, which approximates fair value.

Investment securities—Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS 157”) for financial assets and liabilities measured at fair value on a recurring basis. SFAS 157 accomplishes the following key objectives: defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; establishes a three-level hierarchy (“Valuation Hierarchy”) for fair value measurements; requires consideration of the Company’s creditworthiness when valuing liabilities; and expands disclosures about instruments measured at fair value. SFAS 157 applies only to fair value measurements required or permitted under other accounting pronouncements and does not require any new fair value measurements.

The Valuation Hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument’s categorization within the Valuation Hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the Valuation Hierarchy are as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2—inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair values of the Company’s short-term bond funds are based on quoted prices and are therefore included in level 1 of the Valuation Hierarchy. The fair values of the Company’s available-for-sale municipal bonds are based on quoted prices for similar assets in active markets and are therefore included in level 2 of the Valuation Hierarchy. Also included in level 2 is the estimated fair value of the Company’s foreign exchange forward contracts, which are based on broker quotes for the same or similar instruments. The fair value determination for the Company’s Auction Rate Securities (“ARS”) is based primarily on a discounted cash flow analysis and is therefore included in level 3 of the Valuation Hierarchy. See Note 4 (Investment Securities) for additional disclosures related SFAS 157.

Certain financial instruments are carried at cost on the consolidated balance sheets, which approximated fair value as of December 31, 2008 due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, settlement due from customers, restricted security deposits held for customers, prepaid expenses, accounts payable, settlement due to customers and accrued expenses.

In October 2008, the FASB issued Staff Position 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active”, (“FSP 157-3”). FSP 157-3 provides guidance on how management’s internal cash flow and discount rate assumptions should be considered when measuring fair value when relevant observable data does not exist, how observable market information in a market that is not active

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

should be considered when measuring fair value and how the use of market quotes should be considered when assessing the relevance of observable and unobservable data available to measure fair value. The Company has incorporated the considerations of FSP 157-3 in its assessment of the fair value of its ARS as of December 31, 2008.

Also effective January 1, 2008, the Company adopted SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Election of the fair value option is irrevocable and is applied on a contract-by-contract basis. The Company has elected not to apply the fair value option to its eligible financial assets and liabilities, and accordingly, the adoption of SFAS 159 had no financial statement impact.

The Company classifies debt securities as held-to-maturity or available-for-sale and classifies equity securities as available-for-sale or trading. Available-for-sale securities that are available to meet the Company’s current operational needs are classified as current assets. Available-for-sale securities that are not available to meet the Company’s current operational needs are classified as non-current assets.

Debt securities are classified as held-to-maturity when the Company has the intent and ability to hold the debt securities to maturity and are stated at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale and are carried at fair value, with unrealized gains and losses, net of applicable taxes, recorded as a separate component of other comprehensive income (loss) on the consolidated statements of comprehensive income (loss). Net realized gains and losses on debt securities are recognized in investment income on the consolidated statements of operations.

Equity securities bought and held primarily for sale in the near term are classified as trading and are carried at fair value. Net realized and unrealized gains and losses on trading securities are recognized in investment income on the consolidated statements of operations. Equity securities not classified as trading are classified as available-for-sale and are carried at fair value, with unrealized gains and losses, net of applicable taxes, recorded as a separate component of other comprehensive income (loss) on the consolidated statements of comprehensive income (loss). Net realized gains and losses on available-for-sale equity securities are recognized in investment income on the consolidated statements of operations. The specific identification method is used to determine realized gains and losses.

Held-to-maturity and available-for-sale investments are evaluated for other than temporary impairment on an ongoing basis in accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities”. If an investment is determined to be other than temporarily impaired, realized losses are recognized in investment income on the consolidated statements of operations. See Note 4 (Investment Securities) for additional information on the Company’s investment securities.

Settlement due from/due to customers—The Company operates systems for clearing and settling payment transactions among MasterCard International members. Net settlements are generally cleared daily among members through settlement cash accounts by wire transfer or other bank clearing means. However, some transactions may not settle until subsequent business days, resulting in amounts due from and due to MasterCard International members.

Restricted security deposits held for MasterCard International members—MasterCard requires and holds cash deposits and certificates of deposits from certain members of MasterCard International as collateral for settlement of their transactions. These assets are fully offset by corresponding liabilities included on the consolidated balance sheets. However, the majority of collateral for settlement is typically in the form of standby letters of credit and bank guarantees which are not recorded on the balance sheet.

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

Property, plant and equipment—Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of equipment and furniture and fixtures is computed using the straight-line method over the related estimated useful lives of the assets, generally ranging from two to five years. Amortization of leasehold improvements is generally computed using the straight-line method over the lesser of the estimated useful lives of the improvements or the terms of the related leases. Capital leases are amortized using the straight-line method over the lives of the leases. Depreciation on buildings is calculated using the straight-line method over an estimated useful life of 30 years. Amortization of leasehold improvements and capital leases is included in depreciation expense.

The Company evaluates the recoverability of all long-lived assets whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying value of the asset cannot be recovered from estimated future cash flows, undiscounted and without interest, the fair value of the asset is calculated using the present value of estimated net future cash flows. If the carrying amount of the asset exceeds its fair value, an impairment is recorded.

Leases—The Company accounts for operating and capital leases in accordance with SFAS No. 13, “Accounting for Leases”.

Goodwill—Goodwill represents the excess of cost over net assets acquired in connection with the acquisition of certain businesses. The Company tests its goodwill for impairment annually as of October 1. Impairment charges, if any, are recorded in general and administrative expense on the consolidated statements of operations. See Note 8 (Goodwill) for additional information on the Company’s goodwill.

Intangible assets—Intangible assets consist of capitalized software costs, trademarks, tradenames, customer relationships and other intangible assets, which have finite lives, and customer relationships related to the acquisition of Europay International S.A. in 2002, which have indefinite lives. Intangible assets with finite useful lives, other than customer relationships, are amortized over their estimated useful lives, which range from 3 to 5 years, under the straight-line method. Customer relationships with finite lives are amortized on a straight line basis over their estimated useful lives of 10 or 20 years. MasterCard capitalizes average internal costs incurred for payroll and payroll related expenses by department for the employees who directly devote time to the design, development and testing phases of each capitalized software project.

The Company reviews intangible assets with finite lives for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. Impairment charges are recorded in general and administrative expense on the consolidated statements of operations. Intangible assets with indefinite lives are tested for impairment annually as of October 1. See Note 9 (Other Intangible Assets) for further detail on impairment charges and other information regarding intangible assets.

Litigation—The Company is party to certain legal and regulatory proceedings with respect to a variety of matters. Except as described in Notes 18 (Obligations under Litigation Settlements) and 20 (Legal and Regulatory Proceedings), MasterCard does not believe that any legal or regulatory proceedings to which it is a party would have a material adverse impact on its business or prospects. The Company evaluates the likelihood of an unfavorable outcome of the legal or regulatory proceedings to which it is a party in accordance with SFAS No. 5, “Accounting for Contingencies” (“SFAS 5”). These judgments are subjective based on the status of the legal or regulatory proceedings, the merits of its defenses and consultation with in-house and external legal counsel. The actual outcomes of these proceedings may materially differ from the Company’s judgments. Legal costs are accrued as incurred and recorded in general and administrative expenses.

Settlement and travelers cheque risk—MasterCard has global risk management policies and procedures, which include risk standards to provide a framework for managing the Company’s settlement exposure.

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

Settlement risk is the legal exposure due to the difference in timing between the payment transaction date and subsequent settlement. MasterCard International's rules generally guarantee the payment of MasterCard transactions and certain Cirrus and Maestro transactions between principal members. In the event that MasterCard International effects a payment on behalf of a failed member, MasterCard International may seek an assignment of the underlying receivables. Subject to approval by the Board of Directors, members may be charged for the amount of any settlement losses incurred during the ordinary activities of the Company. MasterCard has also guaranteed the payment of MasterCard-branded travelers cheques in the event of issuer default. The term and amount of these guarantees are unlimited. These guarantees have been assessed pursuant to the requirements of FASB interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and FASB Interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB interpretation No. 34". See Note 21 (Settlement and Travelers Cheque Risk Management) for additional information.

Derivative financial instruments—The Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133 requires that all derivatives, whether designated in hedging relationships or not, be recorded on the balance sheet at fair value in other assets and other liabilities, regardless of the purpose or intent for holding them. Changes in the fair value of derivative instruments are reported in current-period earnings. The Company did not have any derivative contracts accounted for under hedge accounting as of December 31, 2008 and 2007.

Income taxes—The Company provides for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109") and FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). SFAS 109 requires an asset and liability based approach in accounting for income taxes.

Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences between the financial statement carrying amounts and income tax bases of assets and liabilities computed pursuant to SFAS 109 and FIN 48. Valuation allowances are provided against assets which are not likely to be realized. The Company recognizes all material tax positions, including all significant uncertain tax positions in which it is more likely than not that the position will be sustained based on its technical merits and if challenged by the relevant taxing authorities. At each balance sheet date, unresolved uncertain tax positions are reassessed to determine whether subsequent developments require a change in the amount of recognized tax benefit and are recorded in other liabilities.

The Company records interest expense related to income tax matters as interest expense in its statement of operations. The company includes penalties related to income tax matters in the income tax provision.

Revenue recognition—The Company's revenues are generated from the fees charged to customers for providing transaction processing and other payment services, and from assessments calculated on the dollar volume of activity on cards carrying our brands. Revenues are generally based upon transactional information accumulated by our systems or reported by our customers. Certain revenues are estimated based upon aggregate transaction information and historical and projected customer performance. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured.

Fees for transaction processing include authorization, clearing, settlement and switch fees. These fees are primarily related to the approval of a payment transaction, the transfer of funds between issuers and acquirers, and charges for the use of MasterCard's processing platforms. Fees are also earned for other products and

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services, including currency conversion, cross border transaction processing, acceptance development, warning bulletins, connectivity, consulting and research, cardholder services, compliance and penalties, holograms, transaction enhancement services and manuals and publications. Transaction processing and other product and service fees are recognized as revenue in the same period as the related transactions occur or services are rendered.

Assessments are based principally upon daily, monthly or quarterly gross dollar volumes, in non-European regions, or gross euro volumes for MasterCard Europe. Rates vary depending on the nature of the transactions that generate volume. Assessments are recorded as revenue in the period they are earned, which is when the related volume is generated on the cards. Quarterly assessments are based on management's estimate of the customers' performance in a given period, and actual results may differ from these estimates.

MasterCard has business agreements with certain customers that provide for fee rebates when the customers meet certain hurdles. Such rebates are calculated on a monthly basis based upon estimated performance and the contracted discount rates for the services provided. MasterCard also enters into agreements with certain customers to provide volume as well as other support incentives such as marketing, which are tied to performance. MasterCard may incur costs directly related to the acquisition of the contract, which are deferred and amortized over the life of the contract. Rebates and incentives are recorded as a reduction of revenue in the same period as the revenue is earned or performance has occurred, in accordance with Emerging Issues Task Force ("EITF") Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". Rebates and incentives are calculated on a monthly basis based upon estimated performance and the terms of the related business agreements. Actual results may differ from these estimates.

In addition, certain rebate and incentive agreements provide for free or discounted services, which are recorded in accordance with EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables". The discount from the fair value of the services is recorded as a reduction of revenue related to other elements of the contract using the residual method.

Pension and other postretirement plans—Compensation cost of an employee's pension benefit is recognized on the projected unit credit method over the employee's approximate service period. The unit credit cost method is utilized for funding purposes.

The Company recognizes the overfunded or underfunded status of its single-employer defined benefit plan or postretirement plan as an asset or liability in its balance sheet and recognizes changes in the funded status in the year in which the changes occur through comprehensive income, in accordance with SFAS No. 158, "Employers' Accounting for Defined Benefit Plans and Other Postretirement Plans" ("SFAS 158"). The Company also measures the funded status of a plan as of the date of its year-end balance sheet.

Share based payments—The Company accounts for share based payments in accordance with SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires the fair value of all share-based payments to employees to be recognized in the financial statements. Effective January 1, 2008, the Company adopted EITF Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11"). EITF 06-11 requires entities to recognize a realized tax benefit associated with dividends on certain equity shares and options as an increase to additional paid-in capital. The benefit should be included in the pool of excess tax benefits available to absorb potential future tax liabilities on share based payment awards. EITF 06-11 is applied prospectively for share-based awards declared beginning January 1, 2008.

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Advertising expense—Cost of media advertising is expensed when the advertising takes place. Production costs are expensed as costs are incurred. Promotional items are expensed at the time the promotional event occurs. Sponsorship costs are recognized over the period of benefit based on the estimated value of certain events.

Foreign currency translation—The U.S. dollar is the functional currency for the majority of the Company's businesses except for MasterCard Europe's operations, for which the functional currency is the euro, and MasterCard's operations in Brazil, for which the functional currency is the real. Where the U.S. dollar is considered the functional currency, monetary assets and liabilities are re-measured to U.S. dollars using current exchange rates in effect at the balance sheet date; non-monetary assets and liabilities are re-measured at historical exchange rates; and revenue and expense accounts are re-measured at a weighted average exchange rate for the period. Resulting exchange gains and losses and transactional foreign exchange gains and losses are not material therefore they are included in general and administrative expenses in the statement of operations. Where local currency is the functional currency, translation from the local currency to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate for the period. Resulting translation adjustments are reported as a component of other comprehensive income (loss).

Net income (loss) per share—In accordance with SFAS No. 128, "Earnings per Share", MasterCard calculates basic net income (loss) per common share by dividing net income (loss) by the weighted average number of common shares outstanding. MasterCard calculates diluted net income (loss) per share consistent with that of basic net income (loss) per share but gives effect to all potential common shares (e.g., options and unvested restricted stock units) that were outstanding during the period, unless the effect is antidilutive.

Recent accounting pronouncements—In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R") which replaces SFAS No. 141, "Business Combinations". SFAS 141R establishes the principles and requirements for how an acquirer: 1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; 2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and 3) discloses the business combination. SFAS 141R applies to all transactions in which an entity obtains control of one or more businesses, including transactions that occur without the transfer of any type of consideration. SFAS 141R is effective on a prospective basis for all business combinations on or after January 1, 2009, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. Early adoption is not allowed. The Company will adopt SFAS 141R on January 1, 2009 and its effect on future periods will be dependent upon the nature and significance of any acquisitions subject to this Statement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin ("ARB") No. 51 "Consolidated Financial Statements" and establishes accounting and reporting standards that require non-controlling interests (previously referred to as minority interests) to be reported as a component of equity. In addition, changes in a parent's ownership interest while the parent retains its controlling interest are accounted for as equity transactions, and upon a loss of control, retained ownership interests are remeasured at fair value, with any gain or loss recognized in earnings. SFAS 160 is effective for the Company on January 1, 2009, except for the presentation and disclosure requirements, which will be applied retrospectively. Early adoption is not allowed. The Company does not expect that the adoption of SFAS 160 will have a material impact on the Company's consolidated results of operations or financial position.

In February 2008, the FASB issued Staff Position 157-2 ("FSP 157-2"). FSP 157-2 permits delayed adoption of SFAS 157 for certain non-financial assets and liabilities, which are not recognized at fair value on a

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recurring basis, until fiscal years and interim periods beginning after November 15, 2008. As permitted by FSP 157-2, the Company has elected to delay the adoption of SFAS 157 for qualifying non-financial assets and liabilities, such as property, plant and equipment, goodwill and intangible assets. The Company does not believe the adoption of SFAS 157 for its non-financial assets and liabilities, that are not recognized at fair value on a recurring basis, will have a material impact on the Company's consolidated results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities in an effort to improve the transparency of financial reporting and is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 will not impact the Company's consolidated results of operations or financial position as its requirements are disclosure-only in nature.

In June 2008, the FASB issued Staff Position Emerging Issues Task Force 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 requires entities to allocate earnings to unvested and contingently issuable share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents when calculating EPS and also present both basic EPS and diluted EPS pursuant to the two-class method described in SFAS No. 128, "Earnings per Share". FSP EITF 03-6-1 is effective January 1, 2009 and requires retrospective application. The Company will adopt FSP EITF 03-6-1 during 2009 and is not able to project its impact on future presentations of EPS due to the inherent complexities associated with projecting future financial performance. See Note 2 (Earnings (Loss) Per Share ("EPS")) for the Company's calculation of the expected impact of FSP EITF 03-6-1 for the years ended December 31, 2008 and 2007.

In December 2008, the FASB issued Staff Position 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP SFAS 132R-1"). FSP SFAS 132R-1 provides guidance on an employer's disclosures about plan assets of a defined benefit pension plan or other postretirement plan, including disclosure of how investment allocation decisions are made, major categories of plan assets, inputs and valuation techniques used to measure the fair value of plan assets and concentrations of credit risk. FSP SFAS 132R-1 is effective for fiscal years ending after December 15, 2009. FSP SFAS 132R-1 will not impact the Company's consolidated results of operations or financial position as its requirements are disclosure-only in nature.

Note 2. Earnings (Loss) Per Share ("EPS")

The components of basic and diluted earnings per share are as follows for each of the years ended December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Numerator:			
Net income (loss)	\$(253,915)	\$1,085,886	\$ 50,190
Denominator:			
Basic EPS weighted average shares outstanding	130,148	134,887	135,411
Dilutive stock options and restricted stock units	—	808	368
Diluted EPS weighted-average shares outstanding	<u>130,148</u>	<u>135,695</u>	<u>135,779</u>
Earnings (Loss) per Share:			
Basic	<u>\$ (1.95)</u>	<u>\$ 8.05</u>	<u>\$ 0.37</u>
Diluted	<u>\$ (1.95)</u>	<u>\$ 8.00</u>	<u>\$ 0.37</u>

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The calculation of diluted loss per share for the year ended December 31, 2008 excluded approximately 951 restricted stock units, 408 performance stock units and 705 stock options because the effect would be antidilutive. The calculation of diluted earnings per share for the year ended December 31, 2007 excluded approximately 10 stock options because the effect would be antidilutive. All stock options and restricted stock units were dilutive for the year ended December 31, 2006.

As described in Note 1 (Summary of Significant Accounting Policies), FSP EITF 03-6-1 will be effective for the Company on January 1, 2009. The Company anticipates FSP EITF 03-6-1 will impact basic EPS and diluted EPS as follows for each of the years ended December 31:

	<u>2008</u>	<u>2007</u>
Earnings (Loss) per Share:		
Basic—as originally reported	\$(1.95)	\$ 8.05
Basic—impact of EITF 03-6-1	<u>0.01</u>	<u>(0.07)</u>
Basic—as will be reported in 2009	<u>\$(1.94)</u>	<u>\$ 7.98</u>
Diluted—as originally reported	\$(1.95)	\$ 8.00
Diluted—impact of EITF 03-6-1	<u>0.01</u>	<u>(0.04)</u>
Diluted—as will be reported in 2009	<u>\$(1.94)</u>	<u>\$ 7.96</u>

Note 3. Supplemental Cash Flows

The following table includes supplemental cash flow disclosures for each of the years ended December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash paid for income taxes ¹	\$ 493,199	\$561,860	\$186,961
Cash paid for interest	14,058	17,094	17,034
Cash paid for legal settlements (Notes 18 and 20)	1,263,185	113,925	195,840
Non-cash investing and financing activities:			
MasterCard France acquisition	20,432	—	—
Shares donated to the MasterCard Foundation (Note 14)	—	—	394,785
Conversion of cash-based to stock-based compensation (Note 16)	—	—	51,209
Dividend declared but not yet paid	19,690	19,969	12,402

¹ \$198,308 of these payments are recorded as an income tax receivable as of December 31, 2008.

On April 1, 2008, the Company and Europay France integrated their operating structures in France by forming a new entity, MasterCard France (“MCF”). The Company accounted for this transaction as a 100% acquisition, in accordance with the terms of the acquisition agreement, by recording a liability for the present value of the fixed purchase price of 15,000 euros to be paid in three years.

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Note 4. Investment Securities

Costs and Fair Values—Available for Sale:

The major categories of the Company's available-for-sale investment securities, for which unrealized gains and losses are recorded as a separate component of other comprehensive income (loss) on the consolidated statements of comprehensive income (loss), and their respective cost bases and fair values are as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss ¹	Fair Value at December 31, 2008
Municipal bonds	\$ 473,746	\$ 12,771	\$ (1,027)	\$ 485,490
Taxable short-term bond funds	102,588	—	—	102,588
Auction rate securities	239,700	—	(47,940)	191,760
Other	127	—	(110)	17
Total	<u>\$ 816,161</u>	<u>\$ 12,771</u>	<u>\$(49,077)</u>	<u>\$ 779,855</u>

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value at December 31, 2007
Municipal bonds	\$ 550,855	\$ 5,865	\$ (1,271)	\$ 555,449
Taxable short-term bond funds	306,674	—	(1,040)	305,634
Auction rate securities	348,000	—	—	348,000
Other	2,948	96,095	—	99,043
Total	<u>\$1,208,477</u>	<u>\$101,960</u>	<u>\$ (2,311)</u>	<u>\$1,308,126</u>

¹ The majority of the unrealized losses above are related to investments that have been in a continuous loss position fewer than 12 months.

The cost bases of the Company's taxable short-term bond funds include \$6,379 and \$8,719 of other than temporary impairments as of December 31, 2008 and 2007, respectively.

The Company holds investments in auction rate securities ("ARS"). Interest on these securities is exempt from U.S. federal income tax and the interest rate on the securities typically resets every 35 days. The securities are fully collateralized by student loans with guarantees, ranging from approximately 95% to 98% of principal and interest, by the U.S. government, via the Department of Education.

Beginning on February 11, 2008, the auction mechanism that normally provided liquidity to the ARS investments began to fail. Since mid-February 2008, all 44 investment positions in the Company's ARS investment portfolio have experienced failed auctions. The securities for which auctions have failed have continued to pay interest in accordance with the contractual terms of such instruments and will continue to accrue interest and be auctioned at each respective reset date until the auction succeeds, the issuer redeems the securities or they mature. No ARS were sold or called by the issuer at less than par value during the year ended December 31, 2008. Due to the lack of liquidity and management's intent and ability to hold until recovery, the Company reclassified its ARS portfolio from short-term available-for-sale to long-term available-for-sale investment securities as of March 31, 2008.

As of December 31, 2008, the ARS market remained illiquid but issuer call and redemption activity in the ARS student loan sector occurred during the year. Due to the continued lack of liquidity in the ARS market, the Company has determined that the fair value of the ARS does not approximate par value. Accordingly, the

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Company has assigned a 20% discount to the par value of the ARS portfolio and recorded a temporary impairment of \$47,940 within accumulated other comprehensive income. The 20% discount on the ARS par value reflects the Company's assessment of fair value based on the income approach, as set forth in SFAS 157. The income approach included a discounted cash flow analysis of the estimated future cash flows for the ARS portfolio as of December 31, 2008. A hypothetical increase of 100 basis points in the discount rate would increase the temporary impairment by approximately \$24,000.

In determining whether the decline in value of the ARS investments was other-than-temporary, the Company considered several factors including, but not limited to, the following: (1) the reasons for the decline in value (credit event, interest related or market fluctuations); (2) MasterCard's ability and intent to hold the investments for a sufficient period of time to allow for recovery of value; (3) whether the decline is substantial; and (4) the historical and anticipated duration of the events causing the decline in value. The evaluation for other-than-temporary impairments is a quantitative and qualitative process, which is subject to various risks and uncertainties. The risks and uncertainties include changes in the credit quality of the securities, changes in liquidity affected by the auction mechanism or issuer calls of the securities, and the effects of changes in interest rates. Currently, the Company has the intent and ability to hold its ARS investments until recovery of fair value, which may be maturity or earlier if called, and therefore does not consider these unrealized losses to be other-than-temporary.

The ARS investments have been classified within level 3 of the Valuation Hierarchy as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the securities. This valuation may be revised in future periods as market conditions evolve.

Fair Value Hierarchy:

The distribution of the Company's financial instruments, which are measured at fair value on a recurring basis, in the Valuation Hierarchy, is as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2008
Municipal bonds ¹	\$ —	\$485,490	\$ —	\$485,490
Taxable short-term bond funds	102,588	—	—	102,588
Auction rate securities	—	—	191,760	191,760
Foreign currency forward contracts	—	33,731	—	33,731
Other	17	—	—	17
Total	<u>\$102,605</u>	<u>\$519,221</u>	<u>\$191,760</u>	<u>\$813,586</u>

¹ Available-for-sale municipal bonds are carried at fair value and are included in these tables. However, held-to-maturity municipal bonds are carried at amortized cost and excluded from these tables.

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The table below includes a roll-forward of the Company's ARS investments from January 1, 2008 to December 31, 2008, and a reclassification of these investments from level 2 to level 3 in the Valuation Hierarchy. When a determination is made to classify a financial instrument within level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. However, the fair value determination for level 3 financial instruments may include observable components.

	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair value, January 1, 2008	\$ 348,000	\$ —
Purchases, January 1—March 31, 2008	321,550	—
Sales, January 1—March 31, 2008	(420,400)	—
Transfers in (out)	(249,150)	249,150
Sales, April 1—December 31, 2008	—	(50)
Calls, July 1—December 31, 2008	—	(9,400)
Unrealized losses	—	(47,940)
Fair value, December 31, 2008	<u>\$ —</u>	<u>\$191,760</u>

Carrying and Fair Values—Held to Maturity:

The Company also owns certain held-to-maturity investment securities, which primarily consist of three municipal bonds, one for \$154,000 at 7.4% per annum and two totaling \$37,434 at approximately 5.0% per annum. These bonds relate to two of the Company's U.S. locations; see Note 13 (Debt) and Note 15 (Consolidation of Variable Interest Entity) for additional information. The carrying value, gross unrecorded gains and fair value of these held-to-maturity investment securities are as follows at December 31:

	2008	2007
Carrying value	\$191,450	\$192,489
Gross unrecorded gains	1,913	9,576
Fair value	<u>\$193,363</u>	<u>\$202,065</u>

Investment maturities:

The maturity distribution based on the contractual terms of the Company's investment securities at December 31, 2008, is as follows:

	Available-For-Sale		Held-To-Maturity	
	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due within 1 year	\$ 16,103	\$ 16,196	\$154,000	\$154,566
Due after 1 year through 5 years	361,050	370,851	37,450	38,797
Due after 5 years through 10 years	98,990	100,127	—	—
Due after 10 years	237,302	190,075	—	—
No contractual maturity	102,716	102,606	—	—
Total	<u>\$816,161</u>	<u>\$779,855</u>	<u>\$191,450</u>	<u>\$193,363</u>

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The majority of securities due after ten years are ARS. Taxable short-term bond funds and foreign equity securities have been included in the table above in the no contractual maturity category, as these investments do not have a stated maturity date.

The table below summarizes the maturity ranges of the ARS portfolio, based on relative par value, as of December 31, 2008:

	Par Amount	% of Total
Due within 10 years	\$ 4,000	2%
Due year 11 through year 20	42,100	17%
Due year 21 through year 30	141,450	59%
Due after year 30	52,150	22%
Total	<u>\$239,700</u>	<u>100%</u>

Investment Income

Components of net investment income are as follows for each of the years ended December 31:

	2008	2007	2006
Interest income	\$108,757	\$140,851	\$100,106
Dividend income	1,222	15,386	22,867
Investment securities available-for-sale:			
Gross realized gains	87,579	391,444	187
Gross realized losses	(3,519)	(8,298)	(1,233)
Other than temporary impairment on short-term bond fund	(11,115)	(8,719)	—
Trading securities:			
Unrealized gains (losses), net	—	(2,116)	477
Realized gains (losses), net	(17)	1,852	2,590
Total investment income, net	<u>\$182,907</u>	<u>\$530,400</u>	<u>\$124,994</u>

Interest income is generated from cash, cash equivalents, available-for-sale investment securities and municipal bonds held-to-maturity. Dividend income primarily consists of a dividend of the Company's cost method investments.

At December 31, 2008, the Company held investments in short-term bond funds, with underlying holdings in structured products such as mortgage-backed securities and asset-backed securities. During 2008, certain of these investments were deemed to be other-than-temporarily impaired and an impairment loss of \$11,115 was recorded. During 2007, one of the Company's short-term bond funds, with underlying holdings in mortgage-backed securities, was deemed to be other-than-temporarily impaired and an impairment loss of \$8,719 was recorded. Due to the high credit quality of the Company's other investment securities, no other investment securities were considered to be other-than-temporarily impaired in 2008 or 2007.

During 2008, MasterCard sold all of its remaining 6,141 shares of Redecard S.A. and realized a pre-tax gain, net of commissions, of approximately \$86,000. In 2007, MasterCard had sold 21,274 shares, or 78% of its investment in Redecard S.A. and realized pre-tax gains, net of commissions, of approximately \$391,000. These

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gains are included in investment income within the consolidated statements of operations. Unrealized holding gains, net of tax, of \$62,366, were included in other comprehensive income for the year ended December 31, 2007 relating to the remaining ownership of this investment.

Note 5. Prepaid Expenses

Prepaid expenses consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Customer and merchant incentives	\$ 397,563	\$ 357,761
Advertising	45,608	33,603
Other	72,536	39,856
Total prepaid expenses	515,707	431,220
Prepaid expenses, current	(213,612)	(156,258)
Prepaid expenses, long-term	<u>\$ 302,095</u>	<u>\$ 274,962</u>

Prepaid customer and merchant incentives represent payments made to customers and merchants under business agreements.

Note 6. Other Assets

Other assets consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Customer and merchant incentives	\$ 46,608	\$ 70,043
Cash surrender value of keyman life insurance	18,552	23,957
Cost and equity method investments	12,500	8,286
Other	21,356	18,569
Total other assets	99,016	120,855
Other assets, current	(32,619)	(33,733)
Other assets, long-term	<u>\$ 66,397</u>	<u>\$ 87,122</u>

Certain customer and merchant business agreements provide a bonus for agreeing to enter into the agreement. As of December 31, 2008 and 2007, other assets included payments to be made for these bonuses and the related liability was included in accrued expenses. The bonus is amortized over the life of the agreement. Once the payment is made, the liability is relieved and the other asset is reclassified to a prepaid expense.

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Note 7. Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 250,395	\$ 233,140
Building and land	216,670	207,110
Furniture and fixtures	51,124	45,577
Leasehold improvements	66,878	55,261
	<u>585,067</u>	<u>541,088</u>
Less accumulated depreciation and amortization	(278,269)	(250,888)
	<u>\$ 306,798</u>	<u>\$ 290,200</u>

As of December 31, 2008 and 2007, capital leases of \$46,794 and \$45,900, respectively, were included in equipment. Accumulated amortization of capital leases was \$36,180 and \$33,488 as of December 31, 2008 and 2007, respectively.

Depreciation expense for the above property, plant and equipment, including amortization for capital leases was \$59,097, \$49,311 and \$43,445 for the years ended December 31, 2008, 2007 and 2006, respectively.

Note 8. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 are as follows:

Balance as of December 31, 2006	\$217,013
Foreign currency translation	22,613
Balance as of December 31, 2007	239,626
Acquisition of businesses	67,066
Foreign currency translation	(8,699)
Balance as of December 31, 2008	<u>\$297,993</u>

No impairment charges were recorded in 2008, 2007 or 2006.

Note 9. Other Intangible Assets

The following table sets forth net intangible assets, other than goodwill, at December 31:

	<u>2008</u>			<u>2007</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Amortized intangible assets:						
Capitalized software	\$513,587	\$(348,022)	\$165,565	\$422,739	\$(319,067)	\$103,672
Trademarks and tradenames	24,761	(23,314)	1,447	25,259	(22,609)	2,650
Customer relationships	20,910	(620)	20,290	—	—	—
Other	6,304	(5,614)	690	6,304	(6,301)	3
Total	<u>565,562</u>	<u>(377,570)</u>	<u>187,992</u>	<u>454,302</u>	<u>(347,977)</u>	<u>106,325</u>
Unamortized intangible assets:						
Customer relationships	<u>206,290</u>	<u>—</u>	<u>206,290</u>	<u>214,433</u>	<u>—</u>	<u>214,433</u>
Total	<u>\$771,852</u>	<u>\$(377,570)</u>	<u>\$394,282</u>	<u>\$668,735</u>	<u>\$(347,977)</u>	<u>\$320,758</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

Additions to capitalized software primarily relate to internal projects associated with system enhancements or infrastructure improvements. Amortizable customer relationships were added in 2008 due to the acquisition of businesses. Certain intangible assets, including amortizable and unamortizable customer relationships and trademarks and tradenames, are denominated in foreign currencies. As such, the change in intangible assets includes a component attributable to foreign currency translation.

Amortization and impairment expense on the assets above amounted to the following for the years ended December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Amortization	\$52,909	\$48,331	\$56,337
Capitalized software impairments	\$ 1,011	\$ 298	\$ 614

No impairment charges for intangible assets other than capitalized software were recorded in 2008, 2007 or 2006.

The following table sets forth the estimated future amortization expense on amortizable intangible assets for the years ending December 31:

2009	\$ 59,421
2010	49,445
2011	29,381
2012	15,778
2013 and thereafter	33,967
	<u>\$187,992</u>

Note 10. Accrued Expenses

Accrued expenses consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Customer and merchant incentives	\$ 526,722	\$ 497,281
Personnel costs	296,497	296,031
Advertising	89,567	160,232
Income taxes	20,685	10,028
Other	98,590	107,985
Total accrued expenses	<u>\$1,032,061</u>	<u>\$1,071,557</u>

Note 11. Pension, Savings Plan and Other Benefits

The Company maintains a non-contributory, qualified, defined benefit pension plan (the “Qualified Plan”) with a cash balance feature covering substantially all of its U.S. employees hired before July 1, 2007. In March 2007, the Company announced it was modifying the Qualified Plan by maintaining employee pay credit percentages at the 2007 level, eliminating funding for employees to purchase healthcare in retirement and limiting plan participation to employees hired before July 1, 2007. These changes reduced the benefit obligation of the Qualified Plan measured as of December 31, 2007 by approximately \$16,794. The Qualified Plan experienced a steep decline in the fair value of plan assets in 2008 which resulted in significant increases in the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Company's pension liability and accumulated other comprehensive income as of December 31, 2008. Additionally, the Company has an unfunded non-qualified supplemental executive retirement plan (the "Non-qualified Plan") that provides certain key employees with supplemental retirement benefits in excess of limits imposed on qualified plans by U.S. tax laws. The term "Pension Plans" includes both the Qualified Plan and the Non-qualified Plan.

The Company uses a December 31 measurement date for its Pension Plans. The following table sets forth the Pension Plans' funded status, key assumptions and amounts recognized in the Company's consolidated balance sheets at December 31.

	<u>2008</u>	<u>2007</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 214,805	\$ 201,370
Service cost	19,980	18,866
Interest cost	13,638	12,191
Voluntary plan participants' contributions	989	83
Actuarial (gain)/loss	(18,990)	8,634
Benefits paid	(13,387)	(9,545)
Plan amendments	—	(16,794)
Benefit obligation at end of year	<u>\$ 217,035</u>	<u>\$ 214,805</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 195,966	\$ 198,133
Actual return on plan assets	(59,347)	7,295
Employer contribution	24,625	—
Voluntary plan participants' contributions	989	83
Benefits paid	(13,387)	(9,545)
Fair value of plan assets at end of year	<u>\$ 148,846</u>	<u>\$ 195,966</u>
Funded status		
Fair value of plan assets at end of year	\$ 148,846	\$ 195,966
Benefit obligation at end of year	217,035	214,805
Funded status at end of year	<u>\$ (68,189)</u>	<u>\$ (18,839)</u>
Amounts recognized on the consolidated balance sheets consist of:		
Accrued expenses	\$ (2,332)	\$ (4,288)
Other liabilities, long term	(65,857)	(14,551)
	<u>\$ (68,189)</u>	<u>\$ (18,839)</u>
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial loss	\$ 88,108	\$ 32,624
Prior service credit	(14,938)	(17,267)
	<u>\$ 73,170</u>	<u>\$ 15,357</u>
Weighted-average assumptions used to determine end of year benefit obligations		
Discount rate	6.00%	6.00%
Rate of compensation increase—Qualified Plan/Non-Qualified Plan	5.37%/5.00%	5.37%/5.00%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

The accumulated benefit obligation of the Pension Plans was \$196,536 and \$193,421 at December 31, 2008 and 2007, respectively.

The projected benefit obligation and fair value of plan assets of the Pension Plans with a projected benefit obligation in excess of plan assets were as follows at December 31:

	<u>2008</u>	<u>2007</u>
Projected benefit obligation	\$217,035	\$214,805
Accumulated benefit obligation	196,536	193,421
Fair value of plan assets	148,846	195,966

Components of net periodic pension costs were as follows for each of the years ended December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Service cost	\$ 19,980	\$ 18,866	\$ 18,599
Interest cost	13,638	12,191	10,869
Expected return on plan assets	(16,030)	(16,366)	(15,321)
Amortization:			
Actuarial loss	1,675	—	1,199
Prior service credit	(2,329)	(229)	(206)
Settlement gain	(773)	—	—
Net periodic pension cost	<u>\$ 16,161</u>	<u>\$ 14,462</u>	<u>\$ 15,140</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Settlement gain	\$ 773	\$ —
Current year actuarial loss	56,386	17,705
Amortization of actuarial loss	(1,675)	—
Current year prior service credit	—	(16,793)
Amortization of prior service credit	2,329	229
Total recognized in other comprehensive income	<u>\$57,813</u>	<u>\$ 1,141</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$73,974</u>	<u>\$ 15,603</u>

The estimated amounts that are expected to be amortized from accumulated other comprehensive income into net periodic benefit cost in 2009 are as follows:

Actuarial loss	\$ 8,670
Prior service credit	(2,286)
Total	<u>\$ 6,384</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

Weighted-average assumptions used to determine net periodic pension cost were as follows for the years ended December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rate	6.00%	5.75%	5.50%
Expected return on plan assets	8.00%	8.50%	8.50%
Rate of compensation increase—Qualified Plan/ Non-Qualified Plan	5.37%/5.00%	5.37%/5.00%	5.37%/5.00%

The expected return on Qualified Plan assets is based on long-term historical returns in equity and fixed income markets. Based on estimated returns of 9 percent on equity investments and 7 percent on fixed income investments and the portfolio's targeted asset allocation range, the weighted average expected return of the Qualified Plan assets is 8 percent.

The Company's Qualified Plan's asset allocation at December 31, 2008 and 2007 by asset category was as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Plan Assets at December 31,</u>	
		<u>2008</u>	<u>2007</u>
U.S. equity securities			
Large/medium cap	35-40%	37%	39%
Small cap	10-20	14%	15%
Non-U.S. equity	10-20	15%	15%
Fixed income	25-40	33%	30%
Other	—	1%	1%
Total		<u>100%</u>	<u>100%</u>

Plan assets are managed with a long-term perspective to ensure that there is an adequate level of assets to support benefit payments to participants over the life of the Qualified Plan. The Company periodically conducts asset-liability studies to establish the preferred target asset allocation. Plan assets are managed within the asset allocation ranges above, toward targets of 40% large/medium cap U.S. equity, 15% small cap U.S. equity, 15% non-U.S. equity and 30% fixed income, with periodic rebalancing to maintain plan assets within the target asset allocation ranges. Plan assets are managed by external investment managers. Investment manager performance is measured against benchmarks for each asset class and peer group on quarterly, one-, three- and five-year periods. An independent consultant assists management with investment manager selections and performance evaluations. The "Other" category includes cash that is available to pay expected benefit payments and expenses.

Pursuant to the requirements of the Pension Protection Act of 2006, the Company did not have a mandatory contribution to the Qualified Plan in 2008 or 2007. However, the Company did make a voluntary contribution of \$21,500 to the Qualified Plan in September 2008. No contributions were made in 2007. In 2009, the Company anticipates contributing an estimated amount between \$25,000 and \$60,000 to the Qualified Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

The following table summarizes expected benefit payments through 2018 including those payments expected to be paid from the Company's general assets. Since the majority of the benefit payments are made in the form of lump-sum distributions, actual benefit payments may differ from expected benefits payments.

2009	\$ 19,766
2010	18,182
2011	25,518
2012	21,029
2013	24,578
2014 – 2018	118,709

Substantially all of the Company's U.S. employees are eligible to participate in a defined contribution savings plan (the "Savings Plan") sponsored by the Company. The Savings Plan allows employees to contribute a portion of their base compensation on a pre-tax and after-tax basis in accordance with specified guidelines. The Company matches a percentage of employees' contributions up to certain limits. In 2007 and prior years, the Company could also contribute to the Savings Plan a discretionary profit sharing component linked to Company performance during the prior year. Beginning in 2008, the discretionary profit sharing amount related to 2007 Company performance was paid directly to employees as a short-term cash incentive bonus rather than as a contribution to the Savings Plan. In addition, the Company has several defined contribution plans outside of the United States. The Company's contribution expense related to all of its defined contribution plans was \$35,341, \$26,996 and \$43,594 for 2008, 2007 and 2006, respectively.

The Company had a Value Appreciation Program ("VAP"), which was an incentive compensation plan established in 1995. Annual awards were granted to VAP participants from 1995 through 1998, which entitled participants to the net appreciation on a portfolio of securities of members of MasterCard International. In 1999, the VAP was replaced by an Executive Incentive Plan ("EIP") and the Senior Executive Incentive Plan ("SEIP") (together the "EIP Plans") (See Note 16 (Share Based Payments and Other Benefits)). Contributions to the VAP have been discontinued, all plan assets have been disbursed and no VAP liability remained as of December 31, 2008. The Company's liability related to the VAP at December 31, 2007 was \$986. The expense (benefit) was \$(6), \$(267) and \$3,406 for the years ended December 31, 2008, 2007 and 2006, respectively.

Note 12. Postemployment and Postretirement Benefits

The Company maintains a postretirement plan (the "Postretirement Plan") providing health coverage and life insurance benefits for substantially all of its U.S. employees and retirees hired before July 1, 2007.

The Company amended the life insurance benefits under the Postretirement Plan effective January 1, 2007. The impact, net of taxes, of this amendment was an increase of \$1,715 to accumulated other comprehensive income in 2007.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

The following table presents the status of the Company's Postretirement Plan recognized in the Company's consolidated balance sheets at December 31, 2008 and 2007. The Company uses a December 31 measurement date for its Postretirement Plan.

	<u>2008</u>	<u>2007</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 51,598	\$ 60,346
Service cost	1,951	2,354
Interest cost	3,288	3,392
Plan participants' contributions	74	73
Actuarial loss (gain)	4,564	(10,663)
Gross benefits paid	(1,582)	(1,282)
Less federal subsidy on benefits paid	56	71
Plan amendments	—	(2,693)
Benefit obligation at end of year	<u>\$ 59,949</u>	<u>\$ 51,598</u>
Change in plan assets		
Employer contributions	\$ 1,452	\$ 1,138
Plan participants' contributions	74	73
Net benefits paid	(1,526)	(1,211)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>
Funded status		
Benefit obligation	\$(59,949)	\$(51,598)
Funded status at end of year	<u>\$(59,949)</u>	<u>\$(51,598)</u>
Amounts recognized on the consolidated balance sheets consist of:		
Accrued expenses	\$ (2,564)	\$ (1,927)
Other liabilities, long-term	(57,385)	(49,671)
	<u>\$(59,949)</u>	<u>\$(51,598)</u>
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial gain	\$ (5,874)	\$(10,956)
Prior service credit	—	—
Transition obligation	856	1,070
	<u>\$ (5,018)</u>	<u>\$ (9,886)</u>
Weighted-average assumptions used to determine end of year benefit obligation		
Discount rate	6.00%	6.25%
Rate of compensation increase	5.37%	5.37%

The assumed health care cost trend rates at December 31 for the Postretirement Plan were as follows:

	<u>2008</u>	<u>2007</u>
Health care cost trend rate assumed for next year	8.00%	8.00%
Rate to which the cost trend rate is expected to decline (the ultimate trend rate)	5.00%	5.50%
Year that the rate reaches the ultimate trend rate	2015	2011

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

Components of net periodic benefit costs for the years ended December 31 for the Postretirement Plan are:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Service cost	\$1,951	\$2,354	\$3,166
Interest cost	3,288	3,392	3,622
Amortization			
Actuarial (gain) loss	(518)	—	212
Prior service cost	—	—	68
Transition obligation	214	214	580
Net periodic postretirement benefit cost	<u>\$4,935</u>	<u>\$5,960</u>	<u>\$7,648</u>

Other changes in plan assets and benefit obligations for the Postretirement Plan that were recognized in other comprehensive income for the years ended December 31 were as follows:

	<u>2008</u>	<u>2007</u>
Current year actuarial loss (gain)	\$4,564	\$(10,663)
Current year prior service credit	—	(2,693)
Amortization of actuarial gain	518	—
Amortization of transition obligation	(214)	(214)
Total recognized in other comprehensive income	<u>\$4,868</u>	<u>\$(13,570)</u>
Total recognized in net periodic postretirement benefit cost and other comprehensive income	<u>\$9,803</u>	<u>\$ (7,610)</u>

The estimated amounts that are expected to be amortized for the Postretirement Plan from accumulated other comprehensive income into net periodic benefit cost in 2009 are as follows:

Transition obligation	<u>\$214</u>
Total	<u>\$214</u>

The weighted-average assumptions for the Postretirement Plan which were used to determine net periodic postretirement benefit cost for the years ended December 31 were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rate	6.25%	5.75%	5.50%
Rate of compensation increase	5.37%	5.37%	5.37%

The assumed health care cost trend rates have a significant effect on the amounts reported for the Postretirement Plan. A one-percentage point change in assumed health care cost trend rates for 2008 would have the following effects:

	<u>1% increase</u>	<u>1% decrease</u>
Effect on postretirement obligation	\$6,389	\$(5,413)
Effect on total service and interest cost components	589	(500)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

The Company does not make any contributions to its Postretirement Plan other than funding benefits payments. The following table summarizes expected net benefit payments from the Company's general assets through 2018:

	<u>Benefit Payments</u>	<u>Expected Subsidy Receipts</u>	<u>Net Benefit Payments</u>
2009	\$ 2,641	\$ 77	\$ 2,564
2010	3,139	91	3,048
2011	3,561	115	3,446
2012	3,994	140	3,854
2013	4,357	169	4,188
2014 – 2018	25,807	1,269	24,538

The Company provides limited postemployment benefits to eligible former U.S. employees, primarily severance under a formal severance plan (the "Severance Plan"). The Company accounts for severance expense in accordance with SFAS No. 112, "Employers' Accounting for Postemployment Benefits" by accruing the expected cost of the severance benefits expected to be provided to former employees after employment over their relevant service periods. The Company updates the assumptions in determining the severance accrual by evaluating the actual severance activity and long-term trends underlying the assumptions. As a result of updating the assumptions, the Company recorded severance expense (benefit) related to the Severance Plan of \$2,643, \$(3,418) and \$8,400, respectively, during the years 2008, 2007 and 2006. The Company has an accrued liability related to the Severance Plan and other severance obligations in the amount of \$63,863 and \$56,172 at December 31, 2008 and 2007, respectively.

Note 13. Debt

On April 28, 2008, the Company extended its committed unsecured revolving credit facility, dated as of April 28, 2006 (the "Credit Facility"), for an additional year. The new expiration date of the Credit Facility is April 26, 2011. The available funding under the Credit Facility will remain at \$2,500,000 through April 27, 2010 and then decrease to \$2,000,000 during the final year of the Credit Facility agreement. Other terms and conditions in the Credit Facility remain unchanged. The Company's option to request that each lender under the Credit Facility extend its commitment was provided pursuant to the original terms of the Credit Facility agreement. Borrowings under the facility are available to provide liquidity in the event of one or more settlement failures by MasterCard International customers and, subject to a limit of \$500,000, for general corporate purposes. A facility fee of 8 basis points on the total commitment, or approximately \$2,030, is paid annually. Interest on borrowings under the Credit Facility would be charged at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 37 basis points or an alternative base rate, and a utilization fee of 10 basis points would be charged if outstanding borrowings under the facility exceed 50% of commitments. The facility fee and borrowing cost are contingent upon the Company's credit rating. The Company also agreed to pay upfront fees of \$1,250 and administrative fees of \$325 for the Credit Facility which are being amortized straight-line over three years. Facility and other fees associated with the Credit Facility or prior facilities totaled \$2,353, \$2,477 and \$2,717 for each of the years ended December 31, 2008, 2007 and 2006, respectively. MasterCard was in compliance with the covenants of the Credit Facility and had no borrowings under the Credit Facility at December 31, 2008 or December 31, 2007. The majority of Credit Facility lenders are customers or affiliates of customers of MasterCard International.

In June 1998, MasterCard International issued ten-year unsecured, subordinated notes (the "Notes") paying a fixed interest rate of 6.67% per annum. MasterCard repaid the entire principal amount of \$80,000 on June 30,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

2008 pursuant to the terms of the Notes. As of December 31, 2007, the principal amount and fair value of the Notes was \$80,000 and \$80,612, respectively. The interest expense on the Notes was \$2,668, \$5,336 and \$5,336 for each of the years ended December 31, 2008, 2007 and 2006, respectively. The Company was in compliance with the covenants of the Notes as of December 31, 2007.

The Company's consolidated balance sheets include \$149,380 in short-term debt (fair value estimated to be \$154,565 and \$156,311 at December 31, 2008 and 2007, respectively) relating to the Company's Variable Interest Entity, see Note 15 (Consolidation of Variable Interest Entity) for more information.

On January 5, 2009, HSBC Bank plc ("HSBC") notified the Company that, effective December 31, 2008, it had terminated an uncommitted credit agreement totaling 100 million euros between HSBC and MasterCard Europe sprl. There were no borrowings under this agreement at December 31, 2008. There were 136 euros outstanding under this agreement at December 31, 2007.

Note 14. Stockholders' Equity

Initial Public Offering

On May 31, 2006, MasterCard transitioned to a new ownership and governance structure upon the closing of its IPO and issuance of a new class of the Company's common stock. Prior to the IPO, the Company's capital stock was privately held by certain of its customers that were principal members of MasterCard International. All stockholders held shares of Class A redeemable common stock.

Immediately prior to the closing of the IPO, MasterCard Incorporated filed an amended and restated certificate of incorporation (the "certificate of incorporation"). The certificate of incorporation authorized 4,501,000 shares, consisting of the following new classes of capital stock:

Class	Par Value	Authorized Shares (in millions)	Dividend and Voting Rights
A	\$.0001 per share	3,000	- One vote per share - Dividend rights
B	\$.0001 per share	1,200	- Non-voting - Dividend rights
M	\$.0001 per share	1	- Generally non-voting, but can elect up to three, but not more than one-quarter, of the members of the Company's Board of Directors and approve specified significant corporate actions (e.g., the sale of all of the assets of the Company) - No dividend rights
Preferred	\$.0001 per share	300	No shares issued or outstanding. Dividend and voting rights are to be determined by the Board of Directors of the Company upon issuance.

The certificate of incorporation also provided for the immediate reclassification of all of the Company's 99,978 outstanding shares of existing Class A redeemable common stock, causing each of its existing stockholders to receive 1.35 shares of the Company's newly issued Class B common stock for each share of common stock that they held prior to the reclassification as well as a single share of Class M common stock. The Company paid stockholders an aggregate of \$27 in lieu of issuing fractional shares that resulted from the reclassification. This resulted in the issuance of 134,969 shares of Class B common stock and 2 shares of Class M common stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

The Company issued 66,135 newly authorized shares of Class A common stock in the IPO, including 4,614 shares sold to the underwriters pursuant to an option to purchase additional shares, at a price of \$39 per share. The Company received net proceeds from the IPO of approximately \$2,449,910. The Company issues and retires one share of Class M common stock at the inception or termination, respectively, of each principal membership of MasterCard International.

Redemption of Shares

On June 30, 2006, in accordance with the certificate of incorporation, the Company used all but \$650,000 of the net proceeds from the IPO, or \$1,799,910, to redeem 79,632 shares of Class B common stock from the Class B stockholders, the customers and principal members of MasterCard International. This number of redeemed shares equaled the aggregate number of shares of Class A common stock issued to investors in the IPO and donated to the Foundation (as defined below). The redemption amount paid to Class B stockholders was allocated primarily between additional paid-in capital and retained earnings. Since 59% of the shares of Class B common stock were redeemed, 59% of the additional paid-in capital balance which existed prior to the IPO and was associated with shares of Class B common stock, or \$575,001, was reduced against additional paid-in capital. The remaining \$1,224,901 was charged to retained earnings since this amount was in excess of the original additional paid-in capital attributed to the shares of Class B common stock.

Class B Common Stock Conversions

At the annual meeting of stockholders of the Company on June 7, 2007, the Company's stockholders approved amendments to the Company's certificate of incorporation designed to facilitate an accelerated, orderly conversion of Class B common stock into Class A common stock for subsequent sale. Through "conversion transactions," in amounts and at times designated by the Company, current holders of shares of Class B common stock who elect to participate will be eligible to convert their shares, on a one-for-one basis, into shares of Class A common stock for subsequent sale or transfer to public investors, within a 30 day "transitory" ownership period. Holders of Class B common stock are not allowed to participate in any vote of holders of Class A common stock during this "transitory" ownership period. The number of shares of Class B common stock eligible for conversion transactions is limited to an annual aggregate number of up to 10% of the total combined outstanding shares of Class A common stock and Class B common stock, based upon the total number of shares outstanding as of December 31 of the prior calendar year. In addition, prior to May 31, 2010, a conversion transaction will not be permitted that will cause the number of shares of Class B common stock to represent less than 15% of the total number of outstanding shares of Class A common stock and Class B common stock outstanding.

During 2007, the Company implemented and completed two separate conversion programs in which 11,387 shares, of an eligible 13,400 shares, of Class B common stock were converted into an equal number of shares of Class A common stock and subsequently sold or transferred to public investors.

In February 2008, the Company's Board of Directors authorized the conversion and sale or transfer of up to 13,100 shares of Class B common stock into Class A common stock in one or more conversion programs during 2008. In May 2008, the Company implemented and completed a conversion program in which all of the 13,100 authorized shares of Class B common stock were converted into an equal number of shares of Class A common stock and subsequently sold or transferred by participating holders of Class B common stock to public investors.

In February 2009, the Company's Board of Directors authorized the conversion and sale or transfer of up to 11,000 shares of Class B common stock into Class A common stock in one or more conversion programs during 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

Commencing on the fourth anniversary of the IPO, each share of Class B common stock will be convertible, at the holder's option, into a share of Class A common stock on a one-for-one basis. Additionally, if at any time, the number of shares of Class B common stock outstanding is less than 41% of the aggregate number of shares of Class A common stock and Class B common stock outstanding, Class B stockholders will in certain circumstances be permitted to acquire an aggregate number of shares of Class A common stock in the open market or otherwise, with acquired shares thereupon converting into an equal number of shares of Class B common stock so that holders of Class B common stock could own up to 41% of the aggregate number of shares of Class A common stock and Class B common stock outstanding at such time. Shares of Class B common stock are non-registered securities that may be bought and sold among eligible holders of Class B common stock subject to certain limitations.

Stock Repurchase Program

In April 2007, the Company's Board of Directors authorized a plan for the Company to repurchase up to \$500,000 of its Class A common stock in open market transactions during 2007. On October 29, 2007, the Company's Board of Directors amended the share repurchase plan to authorize the Company to repurchase an incremental \$750,000 (aggregate for the entire repurchase program of \$1,250,000) of its Class A common stock in open market transactions through June 30, 2008. As of December 31, 2007, approximately 3,922 shares of Class A common stock had been repurchased at a cost of \$600,532. During 2008, the Company repurchased approximately 2,819 shares of Class A common stock at a cost of \$649,468, completing its aggregate authorized share repurchase program of \$1,250,000. The Company records the repurchase of shares of common stock at cost based on the settlement date of the transaction. These shares are classified as treasury stock, which is a reduction to stockholders' equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares.

The MasterCard Foundation

In connection and simultaneous with the IPO, the Company issued and donated 13,497 newly authorized shares of Class A common stock to The MasterCard Foundation (the "Foundation"). The Foundation is a private charitable foundation incorporated in Canada that is controlled by directors who are independent of the Company and its principal members. In connection with the donation, the Company recorded an expense of \$394,785 in the second quarter of 2006, which was determined based on the IPO price per share, less a marketability discount of 25%. Under the terms of the donation, the Foundation can only resell the donated shares beginning on the fourth anniversary of the IPO to the extent necessary to meet charitable disbursement requirements dictated by Canadian tax law. Under Canadian tax law, the Foundation is generally required to disburse at least 3.5% of its assets not used in administration each year for qualified charitable disbursements. However, the Foundation obtained permission from the Canadian tax authorities to defer the giving requirements for up to ten years. The Foundation, at its discretion, may decide to meet its disbursement obligations on an annual basis or to settle previously accumulated obligations during any given year. The Foundation will be permitted to sell all of its remaining shares beginning twenty years and eleven months after the consummation of the IPO. Additionally, during each of the years ended December 31, 2007 and 2006, the Company donated \$20,000 in cash to the Foundation for an aggregate of \$40,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

Ownership and Governance Structure

Equity ownership and voting power of the Company's shares were allocated as follows as of December 31:

	2008		2007	
	Equity Ownership	General Voting Power	Equity Ownership	General Voting Power
Public Investors (Class A stockholders)	66%	86%	57%	85%
Principle or Affiliate Members (Class B stockholders)	24%	—	33%	—
Foundation (Class A stockholders)	10%	14%	10%	15%

Note 15. Consolidation of Variable Interest Entity

On August 31, 1999, MasterCard International entered into a ten-year synthetic lease agreement for a global technology and operations center located in O'Fallon, Missouri, called Winghaven. The lessor under the lease agreement is MasterCard International O'Fallon 1999 Trust (the "Trust"). The Trust, which is a variable interest entity was established for a single discrete purpose, is not an operating entity, has a limited life and has no employees. The Trust financed the operations center through a combination of a third party equity investment and the issuance of 7.36 percent Series A Senior Secured Notes (the "Secured Notes") in the amount of \$149,380 which are due September 1, 2009.

Annual rent for Winghaven of \$11,390 is payable by MasterCard International and is equal to interest payments on the Secured Notes and a return to equity-holders. The future minimum lease payments are \$11,390 and are included in the future commitment schedule in Note 17 (Commitments). In conjunction with the Winghaven lease agreement, MasterCard International executed a guarantee of 85.15 percent of the Secured Notes outstanding totaling \$127,197. Additionally, upon the occurrence of specific events of default, MasterCard International guarantees repayment of the total outstanding principal and interest on the Secured Notes and would take ownership of the facility. During 2004, MasterCard Incorporated became party to the guarantee and assumed certain covenant compliance obligations, including financial reporting and maintenance of a certain level of consolidated net worth. The amendment to the guarantee aligns the Company's financial reporting and net worth covenant obligations under the guarantee with similar obligations under MasterCard's other debt instruments. The Company entered into the amendment to the guarantee to better reflect the Company's corporate structure and to reduce the costs and administrative burden of complying with different debt covenants.

The Winghaven lease agreement permits MasterCard International to purchase the facility after August 31, 2006, upon 180 days notice. The purchase price is equal to the termination value defined in the lease and includes amounts due to the holders of the Secured Notes and the investor equity, along with any accrued and unpaid amounts due to the investor under the lease agreement. The amount due to the holder of the Secured Notes would include the aggregate outstanding principal amount of the Secured Notes, as well as a "make-whole" amount and any accrued and unpaid interest. The "make-whole" amount represents the discounted value of the remaining principal and interest on the Secured Notes, less the outstanding principal balance. On August 29, 2008, MasterCard exercised its option to extend the lease agreement for one additional ten-year term and notified the equity investor and holders of the Secured Notes of its intent to repay the obligations issued through the Trust. The repayment of aggregate outstanding principal and accrued interest on the Secured Notes is expected to occur in March 2009, and subsequent to this repayment, the lease and guarantee agreements will be terminated. MasterCard was in compliance with the covenants of the Secured Notes at December 31, 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

MasterCard International has determined that it is the primary beneficiary of the Trust as a result of the guarantee of the principal and interest on the Secured Notes described above which potentially exposes the Company to the majority of the expected losses of the Trust. Accordingly, as of December 31, 2008, the Company's consolidated balance sheets included \$154,000 in short-term municipal bonds held by the Trust, \$149,380 in short-term debt and \$4,620 of minority interest relating to the equity in the Trust held by a third party. The redemption value of the minority interest approximates its carrying value and will be redeemed by the minority interest holders upon maturity of the Secured Notes. Leasehold improvements for Winghaven are amortized over the economic life of the improvements. For the years ended December 31, 2008, 2007 and 2006, the consolidation had no impact on net income. However, interest income and interest expense were each increased by \$11,390 in each of the years ended December 31, 2008, 2007 and 2006. The Company did not provide any financial or other support that it was not contractually required to provide during each of the years ended December 31, 2008, 2007, and 2006.

Note 16. Share Based Payment and Other Benefits

Prior to May 2006, the Company had never granted stock-based compensation awards to employees. In contemplation of the Company's IPO and to better align Company management with a new ownership and governance structure (see Note 14 (Stockholders' Equity)), the Company implemented the MasterCard Incorporated 2006 Long-Term Incentive Plan (the "LTIP"). The LTIP is a shareholder-approved omnibus plan that permits the grant of various types of equity awards to employees. In May 2006, the Company adopted SFAS 123R, upon granting of awards under the LTIP.

Historically, the Company provided cash compensation to certain employees under its EIP Plans. The EIP Plans were cash-based performance unit plans, in which participants received grants of units with a value contingent on the achievement of the Company's long-term performance goals. The final value of units under the EIP Plans was calculated based on the Company's performance over a three-year period. The performance goals were not, in whole or in part, based upon the Company's stock price as there was no trading of the Company's stock at the time the goals were set. Upon completion of the three-year performance period, participants received a cash payment equal to 80 percent of the award earned. The remaining 20 percent of the award was paid upon completion of two additional years of service. The performance units vested over three and five year periods.

During 2006, in connection with the IPO, the Company offered employees who had outstanding awards under the EIP Plans the choice of converting certain of those awards to restricted stock units ("RSUs"). Certain other awards under the EIP Plans were mandatorily converted to RSUs. In each case, a 20 percent premium was applied in the conversion. Approximately three hundred participants converted their existing awards under the EIP Plans to RSUs in conjunction with the Company's IPO in May 2006. The RSUs resulting from this conversion retained the same vesting schedule as the original EIP Plan awards. The Company's liability related to the EIP Plans at December 31, 2008 and 2007 was \$291 and \$611, respectively, and the expense was \$146, \$372 and \$28,024 for the years ending December 31, 2008, 2007 and 2006, respectively.

The Company has granted RSUs, non-qualified stock options ("options") and Performance Stock Units ("PSUs") under the LTIP. The RSUs generally vest after three to four years. The options, which expire ten years from the date of grant, vest ratably over four years from the date of grant. The PSUs generally vest after three years. Additionally, the Company made a one-time grant to all non-executive management employees upon the IPO for a total of approximately 440 RSUs (the "Founders' Grant"). The Founders' Grant RSUs will vest three years from the date of grant. The Company uses the straight-line method of attribution for expensing equity awards. Compensation expense is recorded net of estimated forfeitures. Estimates are adjusted as appropriate.

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

Upon termination of employment, excluding retirement, all of a participant's unvested awards are forfeited. However, when a participant terminates employment due to retirement, the participant generally retains all of their awards without providing additional service to the Company. Eligible retirement is dependent upon age and years of service, as follows: age 55 with ten years of service, age 60 with five years of service and age 65 with two years of service. Compensation expense is recognized over the shorter of the vesting periods stated in the EIP Plans and the LTIP, or the date the individual becomes eligible to retire.

There are 11,550 shares of Class A common stock reserved for equity awards under the LTIP. Although the LTIP permits the issuance of shares of Class B common stock, no such shares have been reserved for issuance. Shares issued as a result of stock option exercises and the conversions of RSUs are expected to be funded with the issuance of new shares of Class A common stock.

Stock Options

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option pricing model. The following table presents the weighted average assumptions used in the valuation and the resulting weighted average fair value per option granted for the years ended December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Risk-free rate of return	3.2%	4.4%	5.0%
Expected term (in years)	6.25	6.25	6.25
Expected volatility	37.9%	30.9%	32.1%
Expected dividend yield	0.3%	0.6%	1.0%
Weighted-average fair value per option granted	\$78.54	\$41.03	\$14.64

The risk-free rate of return was based on the U.S. Treasury yield curve in effect on the date of grant. The Company utilizes the simplified method for calculating the expected term of the option based on the vesting terms and the contractual life of the option. As the Company did not have sufficient publicly traded stock data historically, the expected volatility was primarily based on the average of the historical and implied volatility of a group of companies that management believes is generally comparable to MasterCard. The expected dividends were based on the Company's expected annual dividend rate on the date of grant.

The following table summarizes the Company's option activity for the year ended December 31, 2008:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2008	845	\$ 67		
Granted	131	\$190		
Exercised	(185)	\$ 51		
Forfeited/expired	(86)	\$ 75		
Outstanding at December 31, 2008	<u>705</u>	<u>\$ 93</u>	<u>8.0</u>	<u>\$41,537</u>
Exercisable at December 31, 2008	<u>111</u>	<u>\$ 71</u>	<u>7.8</u>	<u>\$ 8,172</u>
Options vested at December 31, 2008 ¹	<u>446</u>	<u>\$ 83</u>	<u>7.9</u>	<u>\$ 29,570</u>

¹ Includes options for participants that are eligible to retire and thus have fully earned their awards.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

The total intrinsic value of options exercised during the year ended December 31, 2008 and 2007 was \$36,987 and \$4,877, respectively. There were no options exercised in the year ended December 31, 2006. As of December 31, 2008, there was \$7,949 of total unrecognized compensation cost related to non-vested options. The cost is expected to be recognized over a weighted average period of 1.8 years.

Restricted Stock Units

The following table summarizes the Company's RSU activity for the year ended December 31, 2008:

	Units	Weighted Average Grant-Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2008	2,542	\$ 41		
Granted	9	\$209		
Converted	(906)	\$ 39		
Forfeited/expired	(122)	\$ 40		
Outstanding at December 31, 2008	<u>1,523</u>	<u>\$ 43</u>	<u>0.8</u>	<u>\$217,682</u>
RSUs vested at December 31, 2008 ¹	<u>564</u>	<u>\$ 39</u>	<u>0.7</u>	<u>\$ 80,613</u>

¹ Includes RSUs for participants that are eligible to retire and thus have fully earned their awards.

The fair value of each RSU is the closing stock price on the New York Stock Exchange of the Company's Class A common stock on the date of grant. In the case of RSUs granted upon the IPO, the fair value was the Company's \$39.00 IPO price. The weighted average grant-date fair value of RSUs granted during the years ended December 31, 2007 and 2006 was \$153.93 and \$39.02, respectively. The portion of the RSU award related to the minimum statutory withholding taxes will be settled in cash upon vesting. The remaining RSUs will be settled in shares of the Company's Class A common stock after the vesting period. The total intrinsic value of RSUs converted into shares of Class A common stock during the years ended December 31, 2008 and 2007 was \$194,051 and \$31,389, respectively. There were no RSUs converted into shares of Class A common stock during the year ended December 31, 2006. As of December 31, 2008, there was \$11,347 of total unrecognized compensation cost related to non-vested RSUs, respectively. The cost is expected to be recognized over a weighted average period of 1.2 years.

Performance Stock Units

The following table summarizes the Company's PSU activity for the year ended December 31, 2008:

	Units	Weighted Average Grant-Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2008	614	\$106		
Granted	305	\$192		
Converted	—	\$—		
Forfeited/expired	(62)	\$122		
Outstanding at December 31, 2008	<u>857</u>	<u>\$136</u>	<u>1.5</u>	<u>\$122,543</u>
PSUs vested at December 31, 2008 ¹	<u>224</u>	<u>\$132</u>	<u>1.5</u>	<u>\$ 32,083</u>

¹ Includes PSUs for participants which are eligible to retire and thus have fully earned their awards.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

The fair value of each PSU is the closing price on the New York Stock Exchange of the Company's Class A common stock on the date of grant. With regard to the performance units granted in 2008, the ultimate number of shares to be received by the employee upon vesting will be determined by the Company's performance against predetermined net income (two-thirds weighting) and operating margin (one-third weighting) goals for the three-year period commencing January 1, 2008. With regard to the performance units granted in 2007, the ultimate number of shares to be received by the employee upon vesting will be determined by the Company's performance against equally weighted predetermined net income and return on equity goals for the three-year period commencing January 1, 2007. The weighted average grant-date fair value of PSUs granted during the year ended December 31, 2007 was \$106.29. There were no PSUs granted prior to this period. There were no PSUs converted into shares of Class A common stock during the years ended December 31, 2007 and 2006. As of December 31, 2008, there was \$43,261 of total unrecognized compensation cost related to non-vested PSUs. The cost is expected to be recognized over a weighted average period of 1.8 years.

On July 18, 2006, the Company's stockholders approved the MasterCard Incorporated 2006 Non-Employee Director Equity Compensation Plan (the "Director Plan"). The Director Plan provides for awards of Deferred Stock Units ("DSUs") to each director of the Company who is not a current employee of the Company. There are 100 shares of Class A common stock reserved for DSU awards under the Director Plan. During the years ended December 31, 2008 and 2007, the Company granted 4 DSUs and 8 DSUs, respectively. The fair value of the DSUs was based on the average of the high and low stock price on the New York Stock Exchange of the Company's Class A common stock on the date of grant. The weighted average grant-date fair value of DSUs granted during the years ended December 31, 2008, 2007 and 2006 was \$284.92, \$139.27 and \$45.79, respectively. The DSUs vested immediately upon grant and will be settled in shares of the Company's Class A common stock on the fourth anniversary of the date of grant. Accordingly, the Company recorded general and administrative expense of \$1,209, \$1,051 and \$1,050 for the DSUs for the years ended December 31, 2008, 2007 and 2006, respectively. The total income tax benefit recognized in the income statement for DSUs was \$371, \$413 and \$381 for the years ended December 31, 2008, 2007 and 2006, respectively.

For the years ended December 31, 2008, 2007 and 2006, the Company recorded compensation expense for the equity awards of \$59,761, \$57,162 and \$18,131, respectively. The total compensation expense for equity awards recognized during 2006 included \$4,109 of incremental compensation cost primarily related to adjustments for performance premiums upon the conversion of awards, partially offset by assumed forfeitures of equity awards. The total income tax benefit recognized for the equity awards was \$18,323, \$19,828 and \$6,091 for the years ended December 31, 2008, 2007 and 2006, respectively. Included in the total income tax benefit of \$18,323 recognized during 2008, is \$13,466 of income tax benefit related to stock options exercised during 2008.

Additionally, upon conversion of the awards in 2006, the Company reclassified \$51,209 of liabilities related to awards issued under the EIP Plans to additional paid-in capital for the equity awards. The additional paid-in capital balance attributed to the equity awards was \$135,538 and \$114,637 as of December 31, 2008 and 2007, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Note 17. Commitments

At December 31, 2008, the Company had the following future minimum payments due under non-cancelable agreements:

	Total	Capital Leases	Operating Leases	Sponsorship, Licensing & Other
2009	\$372,320	\$ 8,435	\$ 40,327	\$323,558
2010	140,659	2,758	18,403	119,498
2011	80,823	1,978	11,555	67,290
2012	50,099	1,819	9,271	39,009
2013	50,012	36,837	7,062	6,113
Thereafter	21,292	—	19,380	1,912
Total	<u>\$715,205</u>	<u>\$51,827</u>	<u>\$105,998</u>	<u>\$557,380</u>

Included in the table above are capital leases with imputed interest expense of \$9,483 and a net present value of minimum lease payments of \$42,343. In addition, at December 31, 2008, \$92,300 of the future minimum payments in the table above for leases, sponsorship, licensing and other agreements was accrued. Consolidated rental expense for the Company's office space, which is recognized on a straight line basis over the life of the lease, was approximately \$42,905, \$35,614 and \$31,467 for the years ended December 31, 2008, 2007 and 2006, respectively. Consolidated lease expense for automobiles, computer equipment and office equipment was \$7,694, \$7,679 and \$8,419 for the years ended December 31, 2008, 2007 and 2006, respectively.

In January 2003, MasterCard purchased a building in Kansas City, Missouri for approximately \$23,572. The building is a co-processing data center which replaced a back-up data center in Lake Success, New York. During 2003, MasterCard entered into agreements with the City of Kansas City for (i) the sale-leaseback of the building and related equipment which totaled \$36,382 and (ii) the purchase of municipal bonds for the same amount which have been classified as municipal bonds held-to-maturity. The agreements enabled MasterCard to secure state and local financial benefits. No gain or loss was recorded in connection with the agreements. The leaseback has been accounted for as a capital lease as the agreement contains a bargain purchase option at the end of the ten-year lease term on April 1, 2013. The building and related equipment are being depreciated over their estimated economic life in accordance with the Company's policy. Rent of \$1,819 is due annually and is equal to the interest due on the municipal bonds. The future minimum lease payments are \$45,781 and are included in the table above. A portion of the building was subleased to the original building owner for a five-year term with a renewal option. As of December 31, 2008, the future minimum sublease rental income is \$4,416.

Note 18. Obligations Under Litigation Settlements

On October 27, 2008, MasterCard and Visa Inc. ("Visa") entered into a settlement agreement (the "Discover Settlement") with Discover Financial Services, Inc. ("Discover") relating to the U.S. federal antitrust litigation amongst the parties. The Discover Settlement ended all litigation between the parties for a total of \$2,750,000. In July 2008, MasterCard and Visa had entered into a judgment sharing agreement that allocated responsibility for any judgment or settlement of the Discover action between the parties. Accordingly, the MasterCard share of the Discover Settlement was \$862,500, which was paid to Discover in November 2008. In addition, in connection with the Discover Settlement, Morgan Stanley, Discover's former parent company, paid MasterCard \$35,000 in November 2008, pursuant to a separate agreement. The net impact of \$827,500 is included in litigation settlements for the year ended December 31, 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

On June 24, 2008, MasterCard entered into a settlement agreement (the “American Express Settlement”) with American Express Company (“American Express”) relating to the U.S. federal antitrust litigation between MasterCard and American Express. The American Express Settlement ended all existing litigation between MasterCard and American Express. Under the terms of the American Express Settlement, MasterCard is obligated to make 12 quarterly payments of up to \$150,000 per quarter beginning in the third quarter of 2008. MasterCard’s maximum nominal payments will total \$1,800,000. The amount of each quarterly payment is contingent on the performance of American Express’s U.S. Global Network Services business. The quarterly payments will be in an amount equal to 15% of American Express’s U.S. Global Network Services billings during the quarter, up to a maximum of \$150,000 per quarter. If, however, the payment for any quarter is less than \$150,000, the maximum payment for subsequent quarters will be increased by the difference between \$150,000 and the lesser amount that was paid in any quarter in which there was a shortfall. MasterCard assumes American Express will achieve these financial hurdles. MasterCard recorded the present value of \$1,800,000, at a 5.75% discount rate, or \$1,649,345 for the year ended December 31, 2008.

In 2003, MasterCard entered into a settlement agreement (the “U.S. Merchant Lawsuit Settlement”) related to the U.S. merchant lawsuit described under the caption “U.S. Merchant and Consumer Litigations” in Note 20 (Legal and Regulatory Proceedings) and contract disputes with certain customers. Under the terms of the U.S. Merchant Lawsuit Settlement, the Company was required to pay \$125,000 in 2003 and \$100,000 annually each December from 2004 through 2012. In addition, in 2003, several other lawsuits were initiated by merchants who opted not to participate in the plaintiff class in the U.S. merchant lawsuit. The “opt-out” merchant lawsuits were not covered by the terms of the U.S. Merchant Lawsuit Settlement and all have been individually settled.

We recorded liabilities for certain litigation settlements in prior periods. Total liabilities for litigation settlements changed from December 31, 2006, as follows:

Balance as of December 31, 2006	\$ 476,915
Provision for litigation settlements (Note 20)	3,400
Interest accretion on U.S. Merchant Lawsuit	38,046
Payments	<u>(113,925)</u>
Balance as of December 31, 2007	404,436
Provision for Discover Settlement	862,500
Provision for American Express Settlement	1,649,345
Provision for other litigation settlements	6,000
Interest accretion on U.S. Merchant Lawsuit Settlement	32,879
Interest accretion on American Express Settlement	44,300
Payments on American Express Settlement	<u>(300,000)</u>
Payments on Discover Settlement	<u>(862,500)</u>
Payment on U.S. Merchant Lawsuit Settlement	<u>(100,000)</u>
Other payments and accretion	<u>(662)</u>
Balance as of December 31, 2008	<u><u>\$1,736,298</u></u>

See Note 20 (Legal and Regulatory Proceedings) for additional discussion regarding the Company’s legal proceedings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

Note 19. Income Tax

The total income tax provision for the years ended December 31 is comprised of the following components:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current			
Federal	\$ 118,387	\$371,250	\$140,548
State and local	13,124	36,661	5,803
Foreign	223,143	183,127	54,200
	<u>354,654</u>	<u>591,038</u>	<u>200,551</u>
Deferred			
Federal	(481,783)	(8,666)	41,291
State and local	2,002	5,429	2,575
Foreign	(4,171)	(2,255)	(435)
	<u>(483,952)</u>	<u>(5,492)</u>	<u>43,431</u>
Total income tax expense (benefit)	<u><u>\$(129,298)</u></u>	<u><u>\$585,546</u></u>	<u><u>\$243,982</u></u>

The domestic and foreign components of earnings (loss) before income taxes for the years ended December 31 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
United States	\$(986,175)	\$ 959,977	\$146,575
Foreign	602,962	711,455	147,597
	<u><u>\$(383,213)</u></u>	<u><u>\$1,671,432</u></u>	<u><u>\$294,172</u></u>

MasterCard has not provided for U.S. federal income and foreign withholding taxes on approximately \$706,691 of undistributed earnings from non-U.S. subsidiaries as of December 31, 2008 because such earnings are intended to be reinvested indefinitely outside of the United States. If these earnings were distributed, foreign tax credits may become available under current law to reduce the resulting U.S. income tax liability, however, the amount of the tax and credits is not practically determinable.

The provision for income taxes differs from the amount of income tax determined by applying the appropriate statutory U.S. federal income tax rate to pretax income (loss) for the years ended December 31, as a result of the following:

	<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Income (loss) before income tax expense (benefit) . . .	<u><u>\$(383,213)</u></u>		<u><u>\$1,671,432</u></u>		<u><u>\$294,172</u></u>	
Federal statutory tax	\$(134,125)	35.0%	\$ 585,001	35.0%	\$102,960	35.0%
State tax effect, net of federal benefit	11,140	(2.9)	27,359	1.6	5,444	1.8
Non-deductible, charitable stock contribution	—	—	—	—	138,175	47.0
Foreign tax effect, net of federal benefit	1,969	(0.5)	(12,069)	(0.7)	(5,699)	(1.9)
Non-deductible expenses and other differences	2,260	(0.7)	(2,918)	(0.2)	13,086	4.4
Tax exempt income	(10,542)	2.8	(11,827)	(0.7)	(9,984)	(3.4)
Income tax expense (benefit)	<u><u>\$(129,298)</u></u>	<u><u>33.7%</u></u>	<u><u>\$ 585,546</u></u>	<u><u>35.0%</u></u>	<u><u>\$243,982</u></u>	<u><u>82.9%</u></u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

Effective Income Tax Rate

The effective income tax rates for the years ended December 31, 2008, 2007 and 2006 were 33.7%, 35.0% and 82.9%, respectively. The decrease in the effective income tax rate in 2008 compared to 2007 was primarily due to the impact of the charges associated with the Discover Settlement and American Express Settlement. These charges caused a change in the geographic distribution of pretax income (loss) resulting in pretax income in lower tax jurisdictions and pretax loss in higher tax jurisdictions. The resulting tax benefit of the loss was offset by a tax charge for the remeasurement of deferred tax assets as a result of a change in the Company's state effective tax rate. As a result of the remeasurement, the Company's deferred tax assets were reduced by \$20,605 and an income tax expense was recorded for the same amount. The change in the effective income tax rate in 2007 compared to 2006 primarily relates to a non-deductible charitable contribution of shares of MasterCard Class A common stock to the Foundation during 2006. MasterCard recorded a significant expense equal to the value of the Class A common stock donated to the Foundation. Under the terms of the contribution to the Foundation, this donation is generally not deductible to MasterCard for tax purposes. This transaction is discussed in more detail in Note 14 (Stockholders' Equity).

Deferred Taxes

Deferred tax assets and liabilities represent the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. The net deferred tax asset at December 31 was comprised of the following:

	Assets (Liabilities)			
	2008		2007	
	Current	Non-current	Current	Non-current
Accrued liabilities (including litigation settlements)	\$268,376	\$386,608	\$ 61,996	\$111,271
Deferred compensation and benefits	5,670	72,163	4,250	52,003
Stock based compensation	—	50,621	—	39,287
Intangible assets	—	(49,476)	—	(43,897)
Property, plant and equipment	—	(23,406)	—	(13,941)
State taxes and other credits	21,513	31,589	21,513	40,197
Other items	(11,764)	29,760	(9,505)	16,277
Redecard unrealized gain	—	—	(33,729)	—
Valuation allowance	—	(4,810)	—	(9,332)
	<u>\$283,795</u>	<u>\$493,049</u>	<u>\$ 44,525</u>	<u>\$191,865</u>

The 2008 and 2007 valuation allowances relate to the Company's ability to recognize tax benefits associated with state net operating losses. If not utilized, approximately \$17,234 of state carryforward net operating losses will begin to expire commencing in 2011.

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FIN 48

On July 13, 2006, the FASB issued FIN 48. The adoption of FIN 48 on January 1, 2007 required the Company to inventory, evaluate, and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that would not be sustained, or would only partially be sustained, upon examination by the relevant taxing authorities.

A reconciliation of beginning and ending tax benefits for the years ended December 31, is as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$134,826	\$109,476
Additions:		
Current year tax positions	20,447	40,288
Prior year tax positions	15,654	4,544
Reductions:		
Prior year tax positions, due to changes in judgments	(2,613)	(4,886)
Settlements with tax authorities	(1,397)	(11,990)
Expired statute of limitations	(3,732)	(2,606)
Ending balance	<u>\$163,185</u>	<u>\$134,826</u>

The entire balance of \$163,185 of unrecognized tax benefits, if recognized, would affect the effective tax rate. There are no positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will increase or decrease significantly within the next twelve months.

The Company is subject to tax in the United States, Belgium and various state and other foreign jurisdictions. With few exceptions, the Company is no longer subject to federal, state, local and foreign examinations by tax authorities for years before 2001.

It is the Company's policy to account for interest expense related to income tax matters as interest expense in its statement of operations, and to include penalties related to income tax matters in the income tax provision. At December 31, 2008 and 2007, the Company had recognized net interest payable of \$14,014 and \$5,897, respectively, in its consolidated balance sheets. For the years ended December 31, 2008 and 2007, the Company recorded interest expense of \$8,118 and \$800, respectively, in its consolidated statements of operations. At December 31, 2008 and 2007, the Company had recognized \$2,609, respectively, of penalties payable in its consolidated balance sheets.

Note 20. Legal and Regulatory Proceedings

MasterCard is a party to legal and regulatory proceedings with respect to a variety of matters in the ordinary course of business. Some of these proceedings involve complex claims that are subject to substantial uncertainties and unascertainable damages. Therefore, the probability of loss and an estimation of damages are not possible to ascertain at present. Accordingly, except as discussed below, MasterCard has not established reserves for any of these proceedings. MasterCard has recorded liabilities for certain legal proceedings which have been settled through contractual agreements. Except for those matters described below, MasterCard does not believe that any legal or regulatory proceedings to which it is a party would have a material impact on its results of operations, financial position, or cash flows. Although MasterCard believes that it has strong defenses for the litigations and regulatory proceedings described below, it could in the future incur judgments or fines,

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enter into settlements of claims or be required to change its business practices in ways that could have a material adverse effect on its results of operations, financial position or cash flows. Notwithstanding MasterCard's belief, in the event it were found liable in a large class-action lawsuit or on the basis of a claim entitling the plaintiff to treble damages or under which it were jointly and severally liable, charges it may be required to record could be significant and could materially and adversely affect its results of operations, cash flow and financial condition, or, in certain circumstances, even cause MasterCard to become insolvent. Moreover, an adverse outcome in a regulatory proceeding could result in fines and/or lead to the filing of civil damage claims and possibly result in damage awards in amounts that could be significant and could materially and adversely affect the Company's results of operations, cash flows and financial condition.

Department of Justice Antitrust Litigation and Related Private Litigations

In October 1998, the U.S. Department of Justice ("DOJ") filed suit against MasterCard International, Visa U.S.A., Inc. and Visa International Corp. in the U.S. District Court for the Southern District of New York alleging that both MasterCard's and Visa's governance structure and policies violated U.S. federal antitrust laws. First, the DOJ claimed that "dual governance"—the situation where a financial institution has a representative on the Board of Directors of MasterCard or Visa while a portion of its card portfolio is issued under the brand of the other association—was anti-competitive and acted to limit innovation within the payment card industry. Second, the DOJ challenged MasterCard's Competitive Programs Policy ("CPP") and a Visa bylaw provision that prohibited financial institutions participating in the respective associations from issuing competing proprietary payment cards (such as American Express or Discover). The DOJ alleged that MasterCard's CPP and Visa's bylaw provision acted to restrain competition.

On October 9, 2001, District Court judge Barbara Jones issued an opinion upholding the legality and pro-competitive nature of dual governance. However, the judge also held that MasterCard's CPP and the Visa bylaw constituted unlawful restraints of trade under the federal antitrust laws. On November 26, 2001, the judge issued a final judgment that ordered MasterCard to repeal the CPP insofar as it applies to issuers and enjoined MasterCard from enacting or enforcing any bylaw, rule, policy or practice that prohibits its issuers from issuing general purpose credit or debit cards in the United States on any other general purpose card network. The Second Circuit upheld the final judgment and the Supreme Court denied certiorari. The parties agreed that October 15, 2004 would serve as the effective date of the final judgment. The final judgment also provided for a two-year period of rescission rights for an issuer to enter into an agreement with American Express or Discover.

On September 18, 2003, MasterCard filed a motion before the District Court judge in the DOJ case seeking to enjoin Visa from enforcing a newly-enacted bylaw requiring Visa's 100 largest issuers of debit cards in the United States to pay a so-called "settlement service" fee if they reduce their Visa debit volume by more than 10%. This bylaw was later modified to clarify that the settlement service fee would only be imposed if an issuer shifted its portfolio of debit cards to MasterCard. Visa implemented this bylaw provision following the settlement of the U.S. merchant lawsuit described under the heading "U.S. Merchant and Consumer Litigations" below. On June 7, 2007, the District Court judge issued an opinion and order finding that the SSF violated the final judgment in the DOJ litigation. The Court's order requires Visa to repeal the SSF and also permits any of Visa's largest 100 debit issuers who entered into an agreement relating to debit card issuance with Visa while the SSF was in place to terminate its agreement with Visa in order to enter into an agreement with MasterCard to issue MasterCard-branded debit cards. On July 29, 2008, in connection with the execution of the judgment sharing agreement in the Discover litigation described below, and as separate consideration to MasterCard reflected in the allocation provisions of that agreement, Visa agreed to dismiss its appeal and MasterCard released any potential claims that it may have against Visa in connection with the SSF.

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On February 25, 2008, the Antitrust Division of the DOJ issued a Civil Investigative Demand (“CID”) to MasterCard seeking information regarding a potential violation of the final judgment in the DOJ litigation discussed in the preceding paragraphs. The CID sought documents, data and narrative responses to several interrogatory and document requests which focused on whether early termination and waiver provisions in agreements between MasterCard and issuers violated the DOJ final judgment. On February 10, 2009, the DOJ informed MasterCard that it had closed its investigation that led to the issuance of this CID.

On October 4, 2004, Discover Financial Services, Inc. filed a complaint against MasterCard, Visa U.S.A. Inc. and Visa International Services Association. The complaint was filed in the U.S. District Court for the Southern District of New York and was designated as a related case to the DOJ litigation, and was assigned to Judge Barbara Jones, the same judge who issued the DOJ decision described above. In an amended complaint filed on January 7, 2005, Discover alleged that the implementation and enforcement of MasterCard’s CPP, Visa’s bylaw provision and the Honor All Cards rule violated Sections 1 and 2 of the Sherman Act in an alleged market for general purpose card network services and an alleged market for debit card network services. Discover sought treble damages in an amount to be proved at trial along with attorneys’ fees and costs. On June 7, 2007, Discover filed a second amended complaint that mirrored the claims in its amended complaint but deleted allegations relating to MasterCard’s Honor All Cards rule as well as Discover’s Section 2 monopolization and attempted monopolization claims against MasterCard based upon an earlier ruling by the court dismissing those claims. Fact discovery was completed on May 31, 2007. Discover submitted expert reports purporting to demonstrate that it had incurred damages in excess of \$6,000,000 before trebling. MasterCard submitted expert reports countering the damages arguments made in Discover’s reports and concluding that damages are negative. Trial was scheduled to commence on October 14, 2008. On July 29, 2008, MasterCard and Visa entered into a judgment sharing agreement that provided for the apportionment of certain costs and liabilities which MasterCard and Visa might incur, jointly and/or severally, in the event of an adverse judgment or settlement in the Discover litigation. The judgment sharing agreement provided that Visa would be responsible for the substantial majority of any judgment or settlement in the litigation, based primarily on relevant volumes. On October 27, 2008, MasterCard and Visa entered into a settlement agreement with Discover, ending all litigation between the parties for a total of \$2,750,000. The MasterCard share of the settlement, paid to Discover in November 2008, was \$862,500. In addition, in connection with the Discover Settlement and pursuant to a separate agreement, Morgan Stanley, Discover’s former parent company, paid MasterCard \$35,000 in November 2008.

On November 15, 2004, American Express filed a complaint against MasterCard, Visa and eight member banks, including JPMorgan Chase & Co., Bank of America Corp., Capital One Financial Corp., U.S. Bancorp, Household International Inc., Wells Fargo & Co., Provident Financial Corp. and USAA Federal Savings Bank. The complaint, which was filed in the U.S. District Court for the Southern District of New York, was designated as a related case to the DOJ litigation and was assigned to Judge Jones. The complaint alleges that the implementation and enforcement of MasterCard’s CPP and Visa’s bylaw provision violated Sections 1 and 2 of the Sherman Act in an alleged market for general purpose card network services and a market for debit card network services. In November 2007, Visa and the remaining bank defendants reached a settlement with American Express and were dismissed from the case. On June 24, 2008, MasterCard entered into a settlement agreement with American Express to resolve all current litigation between American Express and MasterCard, following which Judge Jones dismissed the case without prejudice, pending full payment. Under the terms of the settlement agreement, MasterCard is obligated to make twelve quarterly payments of up to \$150,000 per quarter. See Note 18 (Obligations under Litigation Settlements) for additional discussion. MasterCard’s maximum nominal payments will total \$1,800,000. The amount of each quarterly payment is contingent on the performance of American Express’ U.S. Global Network Services business. The quarterly payments will be in an amount equal to 15% of American Express’s U.S. Global Network Services billings during the quarter, up to a maximum

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of \$150,000 per quarter. If, however, the payment for any quarter is less than \$150,000, the maximum payment for subsequent quarters will be increased by the difference between \$150,000 and the lesser amount that was paid in any quarter in which there was a shortfall. MasterCard assumes American Express will achieve these financial hurdles. Beginning September 9, 2008, MasterCard made two quarterly payments in the maximum amount required by the settlement agreement as American Express had met the performance criteria set forth in the agreement. Total future payments discounted at 5.75% over the payment term, or \$1,649,345, are reflected on MasterCard's Statement of Operations as a litigation settlement for the twelve months ended December 31, 2008.

Currency Conversion Litigations

MasterCard International, together with Visa U.S.A., Inc. and Visa International Corp., are defendants in a state court lawsuit in California. The lawsuit alleges that MasterCard and Visa wrongfully imposed an asserted one percent currency conversion "fee" on every credit card transaction by U.S. MasterCard and Visa cardholders involving the purchase of goods or services in a foreign country, and that such alleged "fee" is unlawful. This action, titled *Schwartz v. Visa Int'l Corp., et al.*, was brought in the Superior Court of California in February 2000, purportedly on behalf of the general public. Trial of the Schwartz matter commenced on May 20, 2002 and concluded on November 27, 2002. The Schwartz action claims that the alleged "fee" grossly exceeds any costs the defendants might incur in connection with currency conversions relating to credit card purchase transactions made in foreign countries and is not properly disclosed to cardholders. MasterCard denies these allegations.

On April 8, 2003, the trial court judge issued a final decision in the Schwartz matter. In his decision, the trial judge found that MasterCard's currency conversion process does not violate the Truth in Lending Act or regulations, nor is it unconscionably priced under California law. However, the judge found that the practice is deceptive under California law, and ordered that MasterCard mandate that members disclose the currency conversion process to cardholders in cardholder agreements, applications, solicitations and monthly billing statements. As to MasterCard, the judge also ordered restitution to California cardholders. The judge issued a decision on restitution on September 19, 2003, which requires a traditional notice and claims process in which consumers have approximately nine months to submit their claims. The court issued its final judgment on October 31, 2003. On December 29, 2003, MasterCard appealed the judgment. The final judgment and restitution process have been stayed pending MasterCard's appeal. On August 6, 2004, the court awarded plaintiff's attorneys' fees and costs in the amount of \$28,224 to be paid equally by MasterCard and Visa. Accordingly, during the three months ended September 30, 2004, MasterCard accrued amounts totalling \$14,112. MasterCard subsequently filed a notice of appeal on the attorneys' fee award on October 1, 2004. With respect to restitution, MasterCard believes that it is likely to prevail on appeal. In February 2005, MasterCard filed an appeal regarding the applicability of Proposition 64, which amended sections 17203 and 17204 of the California Business and Professions Code, to this action. On September 28, 2005, the appellate court reversed the trial court, finding that the plaintiff lacked standing to pursue the action in light of Proposition 64. On May 8, 2007, the trial court dismissed the case.

MasterCard International, Visa U.S.A., Inc., Visa International Corp., several member banks including Citibank (South Dakota), N.A., Chase Manhattan Bank USA, N.A., Bank of America, N.A. (USA), MBNA, and Citicorp Diners Club Inc. are also defendants in a number of federal putative class actions that allege, among other things, violations of federal antitrust laws based on the asserted one percent currency conversion "fee." Pursuant to an order of the Judicial Panel on Multidistrict Litigation, the federal complaints have been consolidated in MDL No. 1409 before Judge William H. Pauley III in the U.S. District Court for the Southern District of New York. In January 2002, the federal plaintiffs filed a Consolidated Amended Complaint ("MDL Complaint") adding MBNA Corporation and MBNA America Bank, N.A. as defendants. This pleading asserts two theories of antitrust conspiracy under Section 1 of the Sherman Act: (i) an alleged "inter-association"

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conspiracy among MasterCard (together with its members), Visa (together with its members) and Diners Club to fix currency conversion “fees” allegedly charged to cardholders of “no less than 1% of the transaction amount and frequently more;” and (ii) two alleged “intra-association” conspiracies, whereby each of Visa and MasterCard is claimed separately to have conspired with its members to fix currency conversion “fees” allegedly charged to cardholders of “no less than 1% of the transaction amount” and “to facilitate and encourage institution—and collection—of second tier currency conversion surcharges.” The MDL Complaint also asserts that the alleged currency conversion “fees” have not been disclosed as required by the Truth in Lending Act and Regulation Z.

On July 20, 2006, MasterCard and the other defendants in the MDL action entered into agreements settling the MDL action and related matters, as well as the Schwartz matter. Pursuant to the settlement agreements, MasterCard paid \$72,480 to be used for defendants’ settlement fund to settle the MDL action and \$13,440 to settle the Schwartz matter. On November 8, 2006, Judge Pauley granted preliminary approval of the settlement agreements. The settlement agreements are subject to final approval by Judge Pauley, and resolution of all appeals. The hearing on final approval of the settlement agreements was held on March 31, 2008 and Judge Pauley reserved decision on final approval. On November 15, 2006, the plaintiff in one of the New York state court cases appealed the preliminary approval of the settlement agreement to the U.S. Court of Appeals for the Second Circuit. On June 6, 2007, the appellate court granted MasterCard’s motion to defer briefing until a final settlement is approved in the MDL action.

With regard to other state court currency conversion actions, MasterCard has reached agreements in principle with the plaintiffs for a total of \$3,557, which has been accrued. Settlement agreements have been executed with plaintiffs in the Ohio, Pennsylvania, Florida, Texas, Arkansas, Tennessee, Arizona, New York, Minnesota and Illinois actions, but such an agreement has not been executed with plaintiffs in the Missouri action. At this time, it is not possible to predict with certainty the ultimate resolution of these matters.

U.S. Merchant and Consumer Litigations

Commencing in October 1996, several class action suits were brought by a number of U.S. merchants against MasterCard International and Visa U.S.A., Inc. challenging certain aspects of the payment card industry under U.S. federal antitrust law. Those suits were later consolidated in the U.S. District Court for the Eastern District of New York. The plaintiffs claimed that MasterCard’s “Honor All Cards” rule (and a similar Visa rule), which required merchants who accept MasterCard cards to accept for payment every validly presented MasterCard card, constituted an illegal tying arrangement in violation of Section 1 of the Sherman Act. Plaintiffs claimed that MasterCard and Visa unlawfully tied acceptance of debit cards to acceptance of credit cards. On June 4, 2003, MasterCard International signed a settlement agreement to settle the claims brought by the plaintiffs in this matter, which the Court approved on December 19, 2003. On January 24, 2005, the Second Circuit Court of Appeals issued an order affirming the District Court’s approval of the settlement agreement. Accordingly, the settlement is now final.

In addition, individual or multiple complaints have been brought in 19 different states and the District of Columbia alleging state unfair competition, consumer protection and common law claims against MasterCard International (and Visa) on behalf of putative classes of consumers. The claims in these actions largely mirror the allegations made in the U.S. merchant lawsuit and assert that merchants, faced with excessive merchant discount fees, have passed these overcharges to consumers in the form of higher prices on goods and services sold. MasterCard has been successful in dismissing cases in seventeen of the jurisdictions as courts have granted MasterCard’s motions to dismiss for failure to state a claim or plaintiffs have voluntarily dismissed their complaints. However, there are outstanding cases in New Mexico and California. The parties are awaiting a

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decision on MasterCard's motion to dismiss in New Mexico. In December 2008, MasterCard reached an agreement in principle to resolve the California state court actions described above for a payment by MasterCard of \$6,000. The parties are negotiating a settlement agreement that will be subject to court approval. On January 7, 2008, MasterCard executed a settlement agreement, in which it agreed to resolve the West Virginia consumer action for a payment by MasterCard of \$3,400, which is consistent with the reserve that MasterCard had established for the case in the second quarter of 2007. The court granted final approval of this settlement on August 22, 2008.

At this time, it is not possible to determine the outcome of, or, except as indicated above in the West Virginia and California consumer actions, estimate the liability related to, the remaining consumer cases and no provision for losses has been provided in connection with them. The consumer class actions are not covered by the terms of the settlement agreement in the U.S. merchant lawsuit.

On April 29, 2005, a complaint was filed in California state court on behalf of a putative class of consumers under California unfair competition law (Section 17200) and the Cartwright Act. The claims in this action seek to piggyback on the portion of the DOJ antitrust litigation in which the United States District Court for the Southern District of New York found that MasterCard's CPP and Visa's bylaw constitute unlawful restraints of trade under the federal antitrust laws. See "—Department of Justice Antitrust Litigation and Related Private Litigations." MasterCard and Visa moved to dismiss the complaint and the court granted the defendants' motion to dismiss the plaintiffs' Cartwright Act claims but denied the defendants' motion to dismiss the plaintiffs' Section 17200 unfair competition claims. MasterCard filed an answer to the complaint on June 19, 2006 and the parties are proceeding with discovery. In November 2008, MasterCard and Visa moved for summary judgment seeking to dismiss plaintiffs remaining causes of action. The parties are currently briefing the motion. At this time, it is not possible to determine the outcome of, or estimate the liability related to, this action and no provision for losses has been provided in connection with it.

eFunds Litigation

On December 13, 2006, MasterCard notified eFunds Corporation ("eFunds") that it was terminating the Marketing Sales and Services Alliance Agreement (the "Agreement") whereby the parties agreed to work together to provide debit processing services to financial institutions. On or about January 30, 2007, eFunds filed a verified complaint against MasterCard in Superior Court for the State of Arizona, alleging that MasterCard's termination of the Agreement was improper. On December 23, 2008, the parties executed a settlement agreement resolving the action. The settlement involved no financial payment by either party, and MasterCard and eFunds agreed to a mutually satisfactory commercial resolution.

Interchange Litigation and Regulatory Proceedings

Interchange fees represent a sharing of payment system costs among the financial institutions participating in a four-party payment card system such as MasterCard's. Typically, interchange fees are paid by the acquirer to the issuer in connection with transactions initiated with the payment system's cards. These fees reimburse the issuer for a portion of the costs incurred by it in providing services which are of benefit to all participants in the system, including acquirers and merchants. MasterCard or its customer financial institutions establish default interchange fees in certain circumstances that apply when there is no other interchange fee arrangement between the issuer and the acquirer. MasterCard establishes a variety of interchange rates depending on such considerations as the location and the type of transaction, and collects the interchange fee on behalf of the institutions entitled to receive it and remits the interchange fee to eligible institutions. As described more fully below, MasterCard's interchange fees are subject to regulatory or legal review and/or challenges in a number of

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jurisdictions. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, any of the interchange proceedings described below. No provision for losses has been provided in connection with them.

United States. On October 8, 2004, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court for the Northern District of California against MasterCard International, Visa U.S.A., Inc., Visa International Corp. and several member banks in California alleging, among other things, that MasterCard's and Visa's interchange fees contravene the Sherman Act and the Clayton Act. The plaintiffs seek damages and an injunction against MasterCard (and Visa) setting interchange and engaging in "joint marketing activities," which plaintiffs allege include the purported negotiation of merchant discount rates with certain merchants. MasterCard moved to dismiss the claims in the complaint for failure to state a claim and, in the alternative, also moved for summary judgment with respect to certain of the claims. On July 25, 2005, the court issued an order granting MasterCard's motion to dismiss and dismissed the complaint with prejudice which plaintiffs have appealed. Oral argument on the appeal was held on June 11, 2007. On March 7, 2008, the Court of Appeals affirmed the district court's dismissal of the complaint. The time in which plaintiffs could file a petition for certiorari with the Supreme Court has expired.

On June 22, 2005, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court of Connecticut against MasterCard International Incorporated, Visa U.S.A., Inc. Visa International Service Association and a number of member banks alleging, among other things, that MasterCard's and Visa's purported setting of interchange fees violates Section 1 of the Sherman Act. In addition, the complaint alleges MasterCard's and Visa's purported tying and bundling of transaction fees also constitutes a violation of Section 1 of the Sherman Act. The suit seeks treble damages in an unspecified amount, attorneys' fees and injunctive relief. Since the filing of this complaint, there have been approximately fifty similar complaints (the majority styled as class actions although a few complaints are on behalf of individual plaintiffs) filed on behalf of merchants against MasterCard and Visa (and in some cases, certain member banks) in federal courts in California, New York, Wisconsin, Pennsylvania, New Jersey, Ohio, Kentucky and Connecticut. On October 19, 2005, the Judicial Panel on Multidistrict Litigation issued an order transferring these cases to Judge Gleeson of the U.S. District Court for the Eastern District of New York for coordination of pre-trial proceedings in MDL No. 1720. On April 24, 2006, the group of purported class plaintiffs filed a First Amended Class Action Complaint. Taken together, the claims in the First Amended Class Action Complaint and in the complaints brought on the behalf of the individual merchants are generally brought under Sections 1 and 2 of the Sherman Act. Specifically, the complaints contain some or all of the following claims: (i) that MasterCard's and Visa's setting of interchange fees (for both credit and offline debit transactions) violates Section 1 of the Sherman Act; (ii) that MasterCard and Visa have enacted and enforced various rules, including the no surcharge rule and purported anti-steering rules, in violation of Section 1 or 2 of the Sherman Act; (iii) that MasterCard's and Visa's purported bundling of the acceptance of premium credit cards to standard credit cards constitutes an unlawful tying arrangement; and (iv) that MasterCard and Visa have unlawfully tied and bundled transaction fees. In addition to the claims brought under federal antitrust law, some of these complaints contain certain unfair competition law claims under state law based upon the same conduct described above. These interchange-related litigations also seek treble damages in an unspecified amount (although several of the complaints allege that the plaintiffs expect that damages will range in the tens of billions of dollars), as well as attorneys' fees and injunctive relief. On January 29, 2009, the class plaintiffs filed a Second Consolidated Class Action Complaint. The allegations and claims in this complaint generally mirror those in the first amended class action complaint described above although plaintiffs have added additional claims brought under Sections 1 and 2 of the Sherman Act against MasterCard, Visa and a number of banks alleging, among other things, that the networks and banks have continued to fix interchange fees following each network's initial public offering. The time in which MasterCard can respond to the complaint is currently running.

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On June 9, 2006, MasterCard answered the complaint and moved to dismiss or, alternatively, moved to strike the pre-2004 damage claims that were contained in the First Amended Class Action Complaint and moved to dismiss the Section 2 claims that were brought in the individual merchant complaints. On September 7, 2007, Magistrate Judge Orenstein issued a report and recommendation that MasterCard's motion to dismiss the pre-2004 damages claims should be granted in its entirety. On January 8, 2008, the district court adopted the magistrate judge's report and recommendation and dismissed the plaintiffs' pre-2004 damage claims. On January 11, 2008, the magistrate judge issued a report and recommendation that MasterCard's motion to dismiss the individual merchant defendants' Section 2 claims should be denied. On February 15, 2008, MasterCard filed objections to the magistrate judge's report and recommendation. On May 14, 2008, the court issued an order rejecting MasterCard's objections and adopted the magistrate's recommendation denying MasterCard's motion to dismiss. Fact discovery has been proceeding and was generally completed by November 21, 2008. Briefing on class certification was completed on January 29, 2009, and briefing on case dispositive motions is to be completed by March 8, 2010. No trial date has been scheduled. On July 5, 2006, the group of purported class plaintiffs filed a supplemental complaint alleging that MasterCard's initial public offering of its Class A Common Stock in May 2006 (the "IPO") and certain purported agreements entered into between MasterCard and its member financial institutions in connection with the IPO: (1) violate Section 7 of the Clayton Act because their effect allegedly may be to substantially lessen competition, (2) violate Section 1 of the Sherman Act because they allegedly constitute an unlawful combination in restraint of trade and (3) constitute a fraudulent conveyance because the member banks are allegedly attempting to release without adequate consideration from the member banks MasterCard's right to assess the member banks for MasterCard's litigation liabilities in these interchange-related litigations and in other antitrust litigations pending against it. The plaintiffs seek unspecified damages and an order reversing and unwinding the IPO. On September 15, 2006, MasterCard moved to dismiss all of the claims contained in the supplemental complaint. On February 12, 2008, Magistrate Judge Orenstein issued a report and recommendation that granted in part and denied in part MasterCard's motion to dismiss. Specifically, Magistrate Orenstein recommended that MasterCard's motion to dismiss plaintiffs' fraudulent conveyance claims be granted but he allowed plaintiffs leave to replead those claims. Magistrate Orenstein otherwise recommended the denial of all other aspects of MasterCard's motion to dismiss plaintiffs' Section 7 and Section 1 claims described above. On April 4, 2008, MasterCard filed objections to Magistrate Orenstein's report and recommendation. On November 25, 2008, the court agreed with MasterCard's objections and reversed the portion of Magistrate Orenstein's report that had recommended the denial of MasterCard's motion to dismiss. As such, the court granted MasterCard's motion to dismiss the plaintiffs' supplemental complaint in its entirety with leave to file an amended complaint. On January 29, 2009, the class plaintiffs replied their complaint that is directed at MasterCard's IPO by filing a First Amended Supplemental Class Action Complaint. The causes of action in the complaint generally mirror those in the plaintiffs' original IPO-related complaint although the plaintiffs have attempted to expand their factual allegations based upon discovery that has been garnered in the case. The class plaintiffs seek unspecified damages and injunctive relief including, but not limited to, an order reversing and unwinding the IPO. MasterCard's time in which to answer or move to dismiss the complaint is currently running. The parties have also entered into court-recommended mediation.

On October 10, 2008, the Antitrust Division of the DOJ issued a CID to MasterCard and other payment industry participants seeking information regarding certain rules relating to merchant acceptance, particularly with respect to merchants' ability to steer customers to payment forms preferred by merchants. The CID seeks documents, data and narrative responses to several interrogatory and document requests which focus on reasons merchants may have decreased their acceptance of certain cards, information on penetration rates by merchant category, co-brand cards and transactions in various countries. MasterCard is cooperating with the DOJ in connection with the CID.

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European Union. In September 2000, the European Commission issued a “Statement of Objections” challenging Visa International’s cross-border default interchange fees under European Community competition rules. On July 24, 2002, the European Commission announced its decision to exempt the Visa interchange fees from these rules through the end of 2007 based on certain changes proposed by Visa to its interchange fees. Among other things, in connection with the exemption order, Visa agreed to adopt a cost-based methodology for calculating its interchange fees similar to the methodology employed by MasterCard, which considers the costs of certain specified services provided by issuers, and to reduce its interchange rates for debit and credit transactions to amounts at or below certain specified levels.

On September 25, 2003, the European Commission issued a Statement of Objections challenging MasterCard Europe’s cross-border default interchange fees. On June 23, 2006, the European Commission issued a supplemental Statement of Objections covering credit, debit and commercial card fees. On November 14 and 15, 2006, the European Commission held hearings on MasterCard Europe’s cross-border default interchange fees. On March 23, 2007, the European Commission issued a Letter of Facts, also covering credit, debit and commercial card fees and discussing its views on the impact of the IPO on the case. MasterCard Europe responded to the Statements of Objections and Letter of Facts and made presentations on a variety of issues at the hearings.

The European Commission announced its decision on December 19, 2007. The decision applies to MasterCard’s default cross-border interchange fees for MasterCard and Maestro branded consumer payment card transactions in the European Economic Area (“EEA”) (the European Commission refers to these as “MasterCard’s MIF”), but not to commercial card transactions (the European Commission stated publicly that it has not yet finished its investigation of commercial card interchange fees). The decision applies to MasterCard’s MIF for cross-border consumer card payments and to any domestic consumer card transactions that default to MasterCard’s MIF, of which currently there are none.

The decision required MasterCard to cease applying the MasterCard MIF, to refrain from repeating the infringement, and not to apply its then recently adopted (but never implemented) Maestro SEPA and Intra-Eurozone default interchange fees to debit card payment transactions within the Eurozone. MasterCard understood that the decision gave MasterCard until June 21, 2008 to comply, with the possibility that the European Commission could have extended this time at its discretion. The decision also required MasterCard to issue certain specific notices to financial institutions and other entities that participate in its MasterCard and Maestro payment systems in the EEA and make certain specific public announcements, regarding the steps it has taken to comply. The decision does not impose a fine on MasterCard, but provides for a daily penalty of up to 3.5% of MasterCard’s daily consolidated global turnover in the preceding business year (which MasterCard presently estimates to be approximately \$500 U.S. per day) in the event that MasterCard fails to comply.

On March 1, 2008, MasterCard filed an application for annulment of the European Commission’s decision with the EU Court of First Instance. MasterCard also has the right to seek interim relief to prevent the decision from becoming effective before the outcome of its appeal or with respect to other aspects of the decision, although it is uncertain whether MasterCard would receive any such relief.

On March 26, 2008, the European Commission announced that it has opened formal antitrust proceedings against Visa Europe Limited, under Article 81 of the EC Treaty, in relation to Visa’s multilateral interchange fees for cross-border consumer payment card transactions within the EEA and Visa’s ‘honor all cards’ rule as it applies to these transactions.

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

The decision permits MasterCard to establish other default cross-border interchange fees for MasterCard and Maestro branded consumer payment card transactions in the EEA if MasterCard can demonstrate by empirical proof to the European Commission's satisfaction that the new interchange fees create efficiencies that outweigh the restriction of competition alleged by the European Commission, that consumers get a fair share of the benefits of the new interchange fees, that there are no less restrictive means of achieving the efficiencies of MasterCard's payment systems, and that competition is not eliminated altogether. MasterCard has entered into discussions with the European Commission about, among other things, the nature of the empirical proof it would require for MasterCard to establish other default cross-border interchange fees consistent with the decision and so as to understand more fully the European Commission's position as to how it may comply with the decision. MasterCard requested an extension of time to comply with the decision and, on April 26, 2008, the European Commission informed MasterCard that it had rejected such request.

On June 12, 2008 MasterCard announced that, effective June 21, 2008, MasterCard would temporarily repeal its then current default intra-EEA cross-border consumer card interchange fees in conformity with the decision. Discussions are continuing between MasterCard and the European Commission concerning what interchange fee setting methodology MasterCard might employ and what level of interchange fees it might establish in compliance with the decision.

On October 17, 2008, MasterCard received an information request from the European Commission in connection with the decision concerning certain pricing changes that MasterCard implemented as of October 1, 2008. MasterCard submitted its response on November 13, 2008. While MasterCard does not believe that the pricing changes contravene either the decision or European Community law, the European Commission could make such a determination, in which case it could also fine MasterCard and order it to repeal the pricing increases. MasterCard could appeal such a decision but, if its appeal were unsuccessful, MasterCard could be liable for substantial fines and subject to civil suits, and its ability to compete in the European Union, including the Company's results of operations, cash flows and financial condition, could be materially and adversely affected.

Although MasterCard believes that any business practices it would implement in response to the decision would be in compliance with the decision, the European Commission may deem any such practice not in compliance with the decision, or in violation of European competition law, in which case MasterCard may be assessed fines for the period that it is not in compliance. Furthermore, because a balancing mechanism like default cross-border interchange fees constitutes an essential element of MasterCard Europe's operations, the decision could also significantly impact MasterCard International's European customers' and MasterCard Europe's business. The European Commission decision could also lead to competition authorities in one or more EU Member States commencing investigations or proceedings regarding domestic interchange fees. In addition, the European Commission's decision could lead to the filing of private actions against MasterCard Europe by merchants and/or consumers which, if MasterCard is unsuccessful in its appeal of the decision, could result in MasterCard owing substantial damages.

United Kingdom Office of Fair Trading. On September 25, 2001, the Office of Fair Trading of the United Kingdom ("OFT") issued a Rule 14 Notice under the U.K. Competition Act 1998 challenging the MasterCard default interchange fees and multilateral service fee ("MSF"), the fee paid by issuers to acquirers when a customer uses a MasterCard-branded card in the United Kingdom either at an ATM or over the counter to obtain a cash advance. Until November 2004, the interchange fees and MSF were established by MasterCard U.K. Members Forum Limited ("MMF") (formerly MasterCard Europay U.K. Ltd.) for domestic credit card transactions in the United Kingdom. The notice contained preliminary conclusions to the effect that the MasterCard U.K. default interchange fees and MSF infringed U.K. competition law and did not qualify for an exemption in their present forms. On February 11, 2003, the OFT issued a supplemental Rule 14 Notice, which

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

also contained preliminary conclusions challenging MasterCard's U.K. interchange fees (but not the MSF) under the Competition Act. On November 10, 2004, the OFT issued a third notice (now called a Statement of Objections) claiming that the interchange fees infringed U.K. and European Union competition law.

On November 18, 2004, MasterCard's board of directors adopted a resolution withdrawing the authority of the U.K. members to set domestic MasterCard interchange fees and MSFs and conferring such authority exclusively on MasterCard's President and Chief Executive Officer.

On September 6, 2005, the OFT issued its decision, concluding that MasterCard's U.K. interchange fees that were established by MMF prior to November 18, 2004 contravene U.K. and European Union competition law. The OFT decided not to impose penalties on MasterCard or MMF. MMF and MasterCard appealed the OFT's decision to the U.K. Competition Appeals Tribunal. On June 19, 2006, the U.K. Competition Appeals Tribunal set aside the OFT's decision, following the OFT's request to the Tribunal to withdraw the decision and end its case against MasterCard's U.K. default interchange fees in place prior to November 18, 2004.

Shortly thereafter, OFT commenced a new investigation of MasterCard's current U.K. default credit card interchange fees and announced on February 9, 2007 that the investigation would also cover so-called "immediate debit" cards. To date, the OFT has issued a number of requests for information to MasterCard Europe and financial institutions that participate in MasterCard's payment system in the United Kingdom. MasterCard understands that the OFT is considering whether to commence a formal proceeding through the issuance of a Statement of Objections. If the OFT ultimately determines that any of MasterCard's U.K. interchange fees contravene U.K. and European Union competition law, it may issue a new decision and possibly levy fines accruing from the date of its first decision. MasterCard would likely appeal a negative decision by the OFT in any future proceeding to the Competition Appeals Tribunal. Such an OFT decision could lead to the filing of private actions against MasterCard by merchants and/or consumers which, if its appeal of such an OFT decision were to fail, could result in an award or awards of substantial damages.

Poland. In April 2001, in response to merchant complaints, the Polish Office for Protection of Competition and Consumers (the "PCA") initiated an investigation of MasterCard's (and Visa's) domestic credit and debit card default interchange fees. MasterCard Europe filed several submissions and met with the PCA in connection with the investigation. In January 2007, the PCA issued a decision that MasterCard's (and Visa's) interchange fees are unlawful under Polish competition law, and imposed fines on MasterCard's (and Visa's) licensed financial institutions. PCA also decided that MasterCard (and Visa) had not violated the law. MasterCard and the financial institutions appealed the decision. On November 12, 2008, the appeals court reversed the decision of the PCA and also rejected MasterCard's appeal on the basis that MasterCard did not have a legal interest in the PCA's decision because its conduct was not found to be in breach of the relevant competition laws. MasterCard has appealed this part of the appeals court's decision because it has significant interest in the outcome of the case. The PCA has appealed other parts of the decision. If on appeal, the PCA's decision is ultimately allowed to stand, it could have a significant adverse impact on the revenues of MasterCard's Polish customers and on MasterCard's overall business in Poland.

New Zealand. In November 2003, MasterCard assumed responsibility for setting domestic default interchange fees in New Zealand, which previously had been set by MasterCard's customer financial institutions in New Zealand. In early 2004, the New Zealand Competition Commission (the "NZCC") commenced an investigation of MasterCard's domestic interchange fees. MasterCard cooperated with the NZCC in its investigation, made a number of submissions concerning its New Zealand domestic default interchange fees and met with the NZCC on several occasions to discuss its investigation. In November 2006, the NZCC filed a lawsuit alleging that MasterCard's (and Visa's) domestic default interchange fees and certain other of

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (In thousands, except percent and per share data)

MasterCard's practices including its "honor all cards" rule do not comply with New Zealand competition law, and seeking penalties. Several large merchants subsequently filed similar lawsuits seeking damages and injunctive relief. The litigations are currently in the written evidentiary phase and are not expected to go to trial until October 2009. A negative decision in these lawsuits could have a significant adverse impact on the revenues of MasterCard's New Zealand customers and on MasterCard's overall business in New Zealand.

Australia. In 2002, the Reserve Bank of Australia ("RBA") announced regulations under the Payments Systems (Regulation) Act of 1998 applicable to four-party credit card payment systems in Australia, including MasterCard's. Those regulations, among other things, mandate the use of a formula for determining domestic interchange fees that effectively caps their weighted average at 50 basis points. Operators of three-party systems, such as American Express and Diners Club, were unaffected by the interchange fee regulation. In 2007, the RBA commenced a review of such regulations and, on September 26, 2008, the RBA released its final conclusions. These indicate that the RBA is willing to withdraw its regulations if MasterCard and Visa make certain undertakings regarding the future levels of their respective credit card interchange fees and other practices including their "honor all cards" rules. If the undertakings are not made, the RBA is considering imposing in 2009 additional regulations that could further reduce the domestic interchange fees of MasterCard and Visa in Australia. The effect of the undertakings or any such additional regulations could put MasterCard at an even greater competitive disadvantage relative to competitors in Australia that purportedly do not operate four-party systems, which could have a significant adverse impact on MasterCard's business in Australia.

South Africa. On August 4, 2006, the South Africa Competition Commission ("SACC") created a special body, the Jali Enquiry (the "Enquiry"), to examine competition in the payments industry in South Africa, including interchange fees. After nearly two years of investigation, including several rounds of public hearings in which MasterCard participated, on June 25, 2008, the Enquiry published an Executive Summary of its findings. The Enquiry's full report was made public on December 12, 2008. The Enquiry recommends, among other things, that an independent authority be established to set payment card interchange fees in South Africa and that payment systems' (including MasterCard's) respective "honor all cards" rules be modified to give merchants greater freedom to choose which types of cards to accept. The Enquiry's report is non-binding but is under active consideration by South African regulators. If adopted, the Enquiry's recommendations could have a significant adverse impact on MasterCard's business in South Africa.

On October 21, 2008, the South African National Assembly (the "NA") adopted amendments to that country's competition laws concerning so-called "complex monopolies" and criminalizing violations of those laws (the "Bill"). On January 29, 2009, the President of South Africa referred the Bill back to the National Assembly for further consideration and, recently, indicated that he may submit the Bill to that country's Constitutional Court for examination if the NA fails to act on his request. If the Bill is ultimately determined to be constitutional and becomes law, it could have a significant adverse impact on MasterCard's business in South Africa.

Other Jurisdictions. In January 2006, a German retailers association filed a complaint with the Federal Cartel Office in Germany concerning MasterCard's (and Visa's) domestic default interchange fees. The complaint alleges that MasterCard's (and Visa's) German domestic interchange fees are not transparent to merchants and include so-called "extraneous costs". MasterCard understands that the Federal Cartel Office is continuing to review the complaint.

In January 2008, the Hungarian Competition Authority notified MasterCard that it has commenced a formal investigation of MasterCard Europe's domestic interchange fees. This follows an informal investigation that the Authority had been conducting since the middle of 2007.

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

MasterCard is aware that regulatory authorities and/or central banks in certain other jurisdictions including Brazil, Colombia, Czech Republic, Mexico, Venezuela, Estonia, Israel, Italy, Norway, Portugal, Switzerland and Turkey are reviewing MasterCard's and/or its members' interchange fees and/or related practices (such as the "honor all cards" rule) and may seek to regulate the establishment of such fees and/or such practices.

Note 21. Settlement and Travelers Cheque Risk Management

MasterCard International's rules generally guarantee the payment of certain MasterCard, Cirrus and Maestro branded transactions between its principal members. The term and amount of the guarantee are unlimited. Settlement risk is the exposure to members under MasterCard International's rules ("Settlement Exposure"), due to the difference in timing between the payment transaction date and subsequent settlement. Settlement Exposure is estimated using the average daily card charges during the quarter multiplied by the estimated number of days to settle. The Company has global risk management policies and procedures, which include risk standards, to provide a framework for managing the Company's settlement risk. Member-reported transaction data and the transaction clearing data underlying the settlement risk calculation may be revised in subsequent reporting periods.

In the event that MasterCard International effects a payment on behalf of a failed member, MasterCard International may seek an assignment of the underlying receivables. Subject to approval by the Board of Directors, members may be charged for the amount of any settlement loss incurred during the ordinary activities of the Company.

MasterCard requires certain members that are not in compliance with the Company's risk standards in effect at the time of review to post collateral, typically in the form of letters of credit and bank guarantees. This requirement is based on management review of the individual risk circumstances for each member that is out of compliance. In addition to these amounts, MasterCard holds collateral to cover variability and future growth in member programs. The Company also holds collateral to pay merchants in the event of merchant bank/acquirer failure. Although it is not contractually obligated under MasterCard International's rules to effect such payments, the Company may elect to do so to protect brand integrity. MasterCard monitors its credit risk portfolio on a regular basis and the adequacy of collateral on hand. Additionally, from time to time, the Company reviews its risk management methodology and standards. As such, the amounts of estimated settlement risk are revised as necessary.

Estimated Settlement Exposure, and the portion of the Company's uncollateralized Settlement Exposure for MasterCard-branded transactions that relates to members that are deemed not to be in compliance with, or that are under review in connection with, the Company's risk management standards, were as follows:

	<u>2008</u>	<u>2007</u>
MasterCard-branded transactions:		
Gross Settlement Exposure	\$21,179,044	\$22,783,200
Collateral held for Settlement Exposure	<u>(1,813,171)</u>	<u>(2,161,754)</u>
Net uncollateralized Settlement Exposure	<u>\$19,365,873</u>	<u>\$20,621,446</u>
Uncollateralized Settlement Exposure attributable to non-compliant members		
	<u>\$ 56,795</u>	<u>\$ 108,141</u>
Cirrus and Maestro transactions:		
Gross Settlement Exposure	<u>\$ 3,236,175</u>	<u>\$ 3,347,853</u>

MASTERCARD INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

Although MasterCard holds collateral at the member level, the Cirrus and Maestro estimated settlement exposures are calculated at the regional level. Therefore, these settlement exposures are reported on a gross basis, rather than net of collateral.

Of the total estimated Settlement Exposure under the MasterCard brand, net of collateral, the U.S. accounted for approximately 49% and 43% at December 31, 2008 and December 31, 2007, respectively. The second largest country that accounted for this Settlement Exposure was the United Kingdom, at approximately 10% and 11% at December 31, 2008 and December 31, 2007, respectively. Of the total uncollateralized Settlement Exposure attributable to non-compliant members, five members represented approximately 48% and 64% at December 31, 2008 and December 31, 2007, respectively.

MasterCard guarantees the payment of MasterCard-branded travelers cheques in the event of issuer default. The guarantee estimate is based on all outstanding MasterCard-branded travelers cheques, reduced by an actuarial determination of cheques that are not anticipated to be presented for payment. The term and amount of the guarantee are unlimited. MasterCard calculated its MasterCard-branded travelers cheques exposure under this guarantee as \$446,679 and \$563,087 at December 31, 2008 and 2007, respectively. The reduction in travelers cheques exposure is attributable to a decision by the Company's two largest issuers to stop selling MasterCard-branded travelers cheques.

A significant portion of the Company's travelers cheques risk is concentrated in one MasterCard travelers cheques issuer. MasterCard has obtained an unlimited guarantee estimated at \$348,995 and \$452,134 at December 31, 2008 and 2007, respectively, from a financial institution that is a member, to cover all of the exposure of outstanding travelers cheques with respect to such issuer. In addition, MasterCard has obtained a limited guarantee estimated at \$15,949 and \$18,004 at December 31, 2008 and 2007, respectively, from a financial institution that is a member in order to cover the exposure of outstanding travelers cheques with respect to another issuer. These guarantee amounts have also been reduced by an actuarial determination of travelers cheques that are not anticipated to be presented for payment.

During 2008, many of the Company's financial institution customers were directly and adversely impacted by the unprecedented events that occurred in the financial markets and the economic turmoil around the world that ensued. These events present increased risk that the Company may have to perform under its settlement and travelers cheque guarantees. The Company's global risk management policies and procedures, which are revised and enhanced from time to time, continue to be effective as evidenced by the historically low level of losses that the Company has experienced from customer financial institution failures, including no losses in the last several years. Accordingly, a negligible amount of reserves has been established as of December 31, 2008 and 2007 to mitigate this risk.

MASTERCARD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued) **(In thousands, except percent and per share data)**

Note 22. Foreign Exchange Risk Management

The Company enters into foreign currency forward contracts to minimize risk associated with anticipated receipts and disbursements which are either transacted in a non-functional currency or valued based on a currency other than our functional currencies. The Company also enters into contracts to offset possible changes in value due to foreign exchange fluctuations of assets and liabilities denominated in foreign currencies. At December 31, 2008, all contracts to purchase and sell foreign currency had been entered into with customers of MasterCard International. MasterCard's forward contracts are classified by functional currency as summarized below:

U.S. Dollar Functional Currency

	December 31, 2008		December 31, 2007	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Commitments to purchase foreign currency	\$292,538	\$21,913	\$39,933	\$(286)
Commitments to sell foreign currency	154,187	12,227	22,088	388

Euro Functional Currency

	December 31, 2008		December 31, 2007	
	Notional	Estimated Fair Value	Notional	Estimated Fair Value
Commitments to sell foreign currency	\$66,405	\$(409)	\$49,698	\$(275)

The currencies underlying the foreign currency forward contracts consist primarily of the euro, U.K. pound sterling, Australian dollar, and Norwegian Krone. The fair value of the foreign currency forward contracts generally reflects the estimated amounts that the Company would receive or (pay), on a pre-tax basis, to terminate the contracts at the reporting date based on broker quotes for the same or similar instruments. The terms of the foreign currency forward contracts are generally less than 18 months. The Company had no deferred gains or losses in accumulated other comprehensive income as of December 31, 2008 and December 31, 2007 as there were no derivative contracts accounted for under hedge accounting.

The Company's derivative financial instruments are subject to both credit and market risk. Credit risk is the risk of loss due to failure of the counterparty to perform its obligations in accordance with contractual terms. Market risk is the potential change in an instrument's value caused by fluctuations in interest rates and other variables related to currency exchange rates. Credit and market risk related to derivative instruments were not material at December 31, 2008 and December 31, 2007, respectively.

Generally, the Company does not obtain collateral related to forward contracts because of the high credit ratings of the counterparties. The amount of loss the Company would incur if the counterparties failed to perform according to the terms of the contracts is not considered material.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(In thousands, except percent and per share data)

Note 23. *Segment Reporting*

In accordance with SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” MasterCard has one reportable segment, “Payment Solutions.” All of the Company’s activities are interrelated, and each activity is dependent upon and supportive of the other. Accordingly, all significant operating decisions are based upon analyses of MasterCard as one operating segment. The President and Chief Executive Officer has been identified as the chief operating decision-maker.

Revenue by geographic market is based on the location of the Company’s customer that issued the cards which are generating the revenue. Revenue generated in the U.S. was approximately 47.2%, 49.7% and 52.3% of net revenues in 2008, 2007 and 2006, respectively. No individual country, other than the U.S., generated more than 10% of total revenues in those periods. MasterCard does not maintain or measure long-lived assets by geographic location.

MasterCard did not have any one customer that generated greater than 10% of net revenues in 2008 or 2007. MasterCard had one customer that generated greater than 10%, or \$359,319, of net revenues in 2006.

Note 24. *Other Income*

During the year ended December 31, 2008, the Company recognized \$75,000, pre-tax, in other income, related to the termination of a customer business agreement for a customer exiting a specific line of business. During the year ended December 31, 2007, the Company recognized \$90,000, pre-tax, in other income related to a settlement agreement to discontinue its relationship with the organization which operates the World Cup soccer events and not sponsor the 2010 and 2014 World Cup soccer events.

MASTERCARD INCORPORATED
SUMMARY OF QUARTERLY DATA (Unaudited)
(In thousands, except per share data)

	2008 Quarter Ended				2008 Total
	March 31	June 30	September 30	December 31 ¹	
Revenue	\$1,182,084	\$ 1,246,504	\$1,338,178	\$1,224,834	\$4,991,600
Operating income (loss)	515,607	(1,233,204)	(279,264)	462,356	(534,505)
Net income (loss)	446,878	(746,653)	(193,582)	239,442	(253,915)
Net income (loss) per share (basic) ²	\$ 3.40	\$ (5.74)	\$ (1.49)	\$ 1.85	\$ (1.95)
Weighted average shares outstanding					
(basic)	131,426	130,073	129,536	129,572	130,148
Net income (loss) per share (diluted) ²	\$ 3.38	\$ (5.74)	\$ (1.49)	\$ 1.84	\$ (1.95)
Weighted average shares outstanding					
(diluted)	132,220	130,073	129,536	130,404	130,148

	2007 Quarter Ended				2007 Total
	March 31	June 30	September 30	December 31 ¹	
Revenue	\$ 915,103	\$ 996,959	\$1,082,850	\$1,072,687	\$4,067,599
Operating income	313,938	268,816	353,303	172,055	1,108,112
Net income	214,906	252,286	314,461	304,233	1,085,886
Net income per share (basic)	\$ 1.58	\$ 1.86	\$ 2.32	\$ 2.28	\$ 8.05 ²
Weighted average shares outstanding					
(basic)	135,847	135,865	135,357	133,548	134,887
Net income per share (diluted)	\$ 1.57	\$ 1.85	\$ 2.31	\$ 2.26	\$ 8.00 ²
Weighted average shares outstanding					
(diluted)	136,594	136,687	136,228	134,448	135,695

¹ Portions of our business can be seasonal. Our gross revenue has historically reflected progressively increased card purchasing volume throughout the year, particularly in the fourth quarter during the holiday shopping period. Similarly, customer and merchant incentives, which are recorded as contra-revenue, and advertising and marketing expenses have historically increased in the fourth quarter, generally causing our profitability to decline. Fourth quarter results in 2008 reflect an opposite trend as a result of the global economic slowdown; purchasing volumes have decreased, rebates and incentives are correspondingly smaller and advertising and marketing expenses have been curtailed.

² As more fully described in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Item 8 of this Report, these amounts will be revised in accordance with the adoption of Financial Accounting Standards Board Staff Position Emerging Issues Task Force 03-6-1 on January 1, 2009.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

MasterCard Incorporated's management, including the President and Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on that evaluation, the Company's President and Chief Executive Officer and Chief Financial Officer concluded that MasterCard Incorporated had effective disclosure controls and procedures for (i) recording, processing, summarizing and reporting information that is required to be disclosed in its reports under the Securities Exchange Act of 1934, as amended, within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) ensuring that information required to be disclosed in such reports is accumulated and communicated to MasterCard Incorporated's management, including its President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

In addition, MasterCard Incorporated's management assessed the effectiveness of MasterCard's internal control over financial reporting as of December 31, 2008. In a report included in Item 8 of this Report, management concluded that based on its assessment, MasterCard's internal control over financial reporting was effective as of December 31, 2008. The attestation report of PricewaterhouseCoopers LLP, our independent registered public accounting firm, is also included in Item 8 of this Report.

There was no change in MasterCard's internal control over financial reporting that occurred during the three months ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, MasterCard's internal control over financial reporting.

Item 9B. *Other Information*

On February 12, 2009, the Company, in the ordinary course of business, issued 53 shares of its Class M common stock to new principal members of MasterCard International, which was offset by the retirement of 16 shares of Class M common stock due to the terminations of principal members, pursuant to the amended and restated certificate of incorporation of the Company (the "Charter"). In the aggregate, these issuances of new shares of Class M common stock were more than one percent of the total number of shares of Class M common stock outstanding. Pursuant to Article IV, Section 4.3(G) of the Charter, the Company issues a share of Class M common stock upon each principal member of MasterCard International becoming a member and executing a license agreement with MasterCard International. The shares of Class M common stock were issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended, on the basis that the transaction, the issuance of a share upon the issuance of a license, did not involve any public offering.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item with respect to our directors and executive officers, code of ethics, procedures for recommending nominees, audit committee and audit committee financial experts appear in our definitive proxy statement to be filed with the SEC and delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on June 9, 2009 (the "Proxy Statement").

The information regarding compliance with Section 16(a) of the Exchange Act also appears in the Proxy Statement.

The aforementioned information in the Proxy Statement is incorporated by reference into this Report.

Item 11. *Executive Compensation*

The information required by this Item with respect to executive officer and director compensation appears in the Proxy Statement and is incorporated by reference into this Report.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item with respect to security ownership of certain beneficial owners and management equity and compensation plans appear in the Proxy Statement and is incorporated by reference into this Report.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item with respect to transactions with related persons, the review, approval or ratification of such transactions and director independence appear in the Proxy Statement and is incorporated by reference into this Report.

Item 14. *Principal Accountant Fees and Services*

The information required by this Item with respect to auditors' services and fees appears in the Proxy Statement and is incorporated by reference into this Report.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) The following documents are filed as part of this Report:

1. Consolidated Financial Statements

See Index to Consolidated Financial Statements in Part II, Item 8 of this Report.

2. Consolidated Financial Statement Schedules

None.

3. The following exhibits are filed as part of this Report or, where indicated, were previously filed and are hereby incorporated by reference:

Refer to the Exhibit Index herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

MASTERCARD INCORPORATED

(Registrant)

Date: February 19, 2009

By: /s/ ROBERT W. SELANDER
Robert W. Selander
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: February 19, 2009

/s/ ROBERT W. SELANDER
Robert W. Selander
President and Chief Executive Officer; Director
(Principal Executive Officer)

Date: February 19, 2009

/s/ MARTINA HUND-MEJEAN
Martina Hund-Mejean
Chief Financial Officer
(Principal Financial Officer)

Date: February 19, 2009

/s/ TARA MAGUIRE
Tara Maguire
Corporate Controller
(Principal Accounting Officer)

Date: February 19, 2009

/s/ SILVIO BARZI
Silvio Barzi
Director

Date: February 19, 2009

/s/ DAVID R. CARLUCCI
David R. Carlucci
Director

Date: February 19, 2009

/s/ STEVEN FREIBERG
Steven Freiberg
Director

Date: February 19, 2009

/s/ BERNARD S.Y. FUNG
Bernard S.Y. Fung
Director

Date: February 19, 2009

/s/ RICHARD HAYTHORNTHWAITE
Richard Haythornthwaite
Chairman of the Board; Director

Date: February 19, 2009

/s/ NANCY J. KARCH

Nancy J. Karch
Director

Date: February 19, 2009

/s/ MARC OLIVIÉ

Marc Olivié
Director

Date: February 19, 2009

/s/ JOSÉ OCTAVIO REYES LAGUNES

José Octavio Reyes Lagunes
Director

Date: February 19, 2009

/s/ MARK SCHWARTZ

Mark Schwartz
Director

Date: February 19, 2009

/s/ JACKSON TAI

Jackson Tai
Director

Date: February 19, 2009

/s/ EDWARD SUNING TIAN

Edward Suning Tian
Director

EXHIBIT INDEX

- 3.1(a) Amended and Restated Certificate of Incorporation of MasterCard Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed August 1, 2007 (File No. 001-32877)).
- 3.1(b) Amended and Restated Bylaws of MasterCard Incorporated (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 5, 2008 (File No. 001-32877)).
- 3.2(a) Amended and Restated Certificate of Incorporation of MasterCard International Incorporated (incorporated by reference to Exhibit 3.2 (a) to the Company's Quarterly Report on Form 10-Q filed August 2, 2006 (File No. 001-32877)).
- 3.2(b) Amended and Restated Bylaws of MasterCard International Incorporated (incorporated by reference to Exhibit 3.2(b) to the Company's Annual Report on Form 10-K filed February 28, 2007 (File No. 001-32877)).
- 10.1 \$2,500,000,000 Credit Agreement, dated as of April 28, 2006, among MasterCard Incorporated, MasterCard International Incorporated, the several lenders, Citigroup Global Markets Inc., as sole lead arranger and sole book manager, Citibank N.A., as co-administrative agent, JPMorgan Chase Bank, N.A. as co-administrative agent, and J.P. Morgan Securities Inc., as co-arranger (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 2, 2006 (File No. 000-50250)).
- 10.2 Lease, dated as of August 31, 1999, between MasterCard International O'Fallon 1999 Trust and MasterCard International Incorporated, relating to \$149,380,000 7.36% Series A Senior Secured Notes due September 1, 2009 of MasterCard International O'Fallon 1999 Trust and up to \$5,000,000 Series B Senior Secured Notes due September 1, 2009 of MasterCard International O'Fallon 1999 Trust (incorporated by reference to Exhibit 10.3 to Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form S-4 filed November 9, 2001 (File No. 333-67544)).
- 10.3 Guarantee, dated as of August 31, 1999, made by MasterCard International Incorporated in favor of State Street Bank and Trust Company of Missouri, N.A., as Indenture Trustee for the Noteholders under the Indenture, dated as of August 31, 1999 between MasterCard International O'Fallon 1999 Trust and the Indenture Trustee (incorporated by reference to Exhibit 10.4 to Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form S-4 filed November 9, 2001 (File No. 333-67544)).
- 10.3.1 First Amendment To Guarantee, dated as of November 23, 2004, between MasterCard International Incorporated, MasterCard Incorporated and UMB Bank & Trust, N.A. (incorporated by reference to Exhibit 10.4.1 to the Company's Annual Report on Form 10-K filed March 2, 2005 (File No. 000-50250)).
- 10.4 Indenture, dated as of August 31, 1999, from MCI O'Fallon 1999 Trust to State Street Bank and Trust Company of Missouri, N.A., relating to the MasterCard Wingham facility (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed August 8, 2003 (File No. 000-50250)).
- 10.5 Lease, dated as of April 1, 2003, between MasterCard International, LLC and City of Kansas City, Missouri relating to the Kansas City facility (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed August 8, 2003 (File No. 000-50250)).
- 10.6* Agreement, dated as of January 1, 2004, by and among MasterCard International Incorporated, Citibank, N.A., et al. (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q filed August 5, 2004 (File No. 000-50250)).

- 10.7* Master Agreement, dated as of February 8, 2005, between MasterCard International Incorporated and JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 9, 2005 (File No. 000-50250)).
- 10.8* Member Business Agreement, dated July 1, 2003, by and between MasterCard International Incorporated, HSBC Bank USA and HSBC Bank Nevada, N.A., as successor to Household Bank (SB), N.A. (incorporated by reference to Exhibit 10.25 to Pre-Effective Amendment No. 8 to the Company's Registration Statement on Form S-1 filed May 23, 2006 (File No. 333-128337)).
- 10.9* Amendment to Member Business Agreement by and between MasterCard International Incorporated and HSBC Bank USA and Household Bank (SB), N.A. dated December 27, 2006 (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed February 28, 2007 (File No. 001-32877)).
- 10.10* Amended and Restated Customer Business Agreement, dated December 27, 2006, between MasterCard International Incorporated and Bank of America, N.A. (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K filed February 28, 2007 (File No. 001-32877)).
- 10.10.1* First Amendment to Amended and Restated Customer Business Agreement, dated January 8, 2008, between MasterCard International Incorporated and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed April 29, 2008 (File No. 001-32877)).
- 10.10.2* Second Amendment to Amended and Restated Customer Business Agreement, dated June 19, 2008, between MasterCard International Incorporated and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 1, 2008 (File No. 001-32877)).
- 10.11 + Form of Employment Agreement between MasterCard International Incorporated and Executive Officers other than the President and Chief Executive Officer (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed March 7, 2003 (File No. 333-67544)).
- 10.11.1+ Form of Change-in-Control Agreement between MasterCard International Incorporated and Executive Officers other than the President and Chief Executive Officer (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed March 7, 2003 (File No. 333-67544)).
- 10.11.2+ Letter from MasterCard International Incorporated to Alan J. Heuer, dated March 22, 2004 (incorporated by reference to Exhibit 10.10.1 to the Company's Annual Report on Form 10-K filed February 28, 2007 (File No. 001-32877)).
- 10.11.3+ Agreement dated December 23, 2008 by and between MasterCard International Incorporated and Alan Heuer (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed December 29, 2008 (File No. 001-32877)).
- 10.12+ Annual Base Salary for Certain Named Executive Officers of MasterCard Incorporated, as of March 1, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 8, 2008 (File No. 001-32877)).

- 10.13+ Employment Agreement between Robert W. Selander and MasterCard International dated December 31, 2008 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed January 2, 2009 (File No. 001-32877)).
- 10.14+ Employment Agreement between Noah J. Hanft and MasterCard International dated December 30, 2008 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed January 2, 2009 (File No. 001-32877)).
- 10.15+ Employment Agreement between Chris A. McWilton and MasterCard International dated December 30, 2008 (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed January 2, 2009 (File No. 001-32877)).
- 10.16+ Employment Agreement between Martina Hund-Mejean and MasterCard International dated December 30, 2008 (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed January 2, 2009 (File No. 001-32877)).
- 10.17+ MasterCard International Incorporated Executive Incentive Plan as Amended and Restated Effective January 1, 2004 (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed March 4, 2004 (File No. 000-50250)).
- 10.18+ MasterCard International Incorporated Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2008.
- 10.19+ MasterCard International Incorporated Value Appreciation Program (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed November 19, 2004 (File No. 000-50250)).
- 10.20+ MasterCard International Incorporated Annual Incentive Compensation Plan (AICP), as amended and restated, effective January 1, 2005 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed March 2, 2005 (File No. 000-50250)).
- 10.21+ MasterCard International Senior Executive Annual Incentive Compensation Plan, amended and restated effective October 3, 2007 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed October 31, 2007 (File No. 001-32877)).
- 10.22+ MasterCard International Incorporated Restoration Program, as amended and restated as of January 1, 2007 unless otherwise provided.
- 10.23+ Schedule of Non-Employee Directors' Annual Compensation (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed August 2, 2006 (File No. 001-32877)).
- 10.24+ MasterCard International Incorporated Senior Executive Incentive Plan, effective January 1, 2005 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed August 4, 2005 (File No. 000-50250)).
- 10.25+ MasterCard Incorporated Deferral Plan, as amended and restated effective December 1, 2008 for account balances established after December 31, 2004.
- 10.26+ MasterCard Incorporated 2006 Long Term Incentive Plan, amended and restated effective October 13, 2008.
- 10.27+ Form of Restricted Stock Unit Agreement for awards under 2006 Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 2, 2007 (File No. 001-32877)).

- 10.28+ Form of Stock Option Agreement for awards under 2006 Long Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed February 2, 2007 (File No. 001-32877)).
- 10.29+ Form of Performance Unit Agreement for awards under 2006 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 2, 2007 (File No. 001-32877)).
- 10.30+ Form of MasterCard Incorporated Long Term Incentive Plan Non-Competition and Non-Solicitation Agreement for named executive officers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 2, 2007 (File No. 001-32877)).
- 10.31+ 2006 Non-Employee Director Equity Compensation Plan, amended and restated as of December 1, 2008.
- 10.32+ Form of Deferred Stock Unit Agreement for awards under 2006 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 1, 2006 (File No. 001-32877)).
- 10.33 Form of Indemnification Agreement between MasterCard Incorporated and each of its directors (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 2, 2006 (File No. 000-50250)).
- 10.34 Form of Indemnification Agreement between MasterCard Incorporated and each of its director nominees (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed May 2, 2006 (File No. 000-50250)).
- 10.35 Deed of Gift between MasterCard Incorporated and The MasterCard Foundation (incorporated by reference to Exhibit 10.28 to Pre-Effective Amendment No. 5 to the Company's Registration Statement on Form S-1 filed May 3, 2006 (File No. 333-128337)).
- 10.36 Settlement Agreement, dated as of June 4, 2003, between MasterCard International Incorporated and Plaintiffs in the class action litigation entitled In Re Visa Check/MasterMoney Antitrust Litigation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 8, 2003 (File No. 000-50250)).
- 10.37 Stipulation and Agreement of Settlement, dated July 20, 2006, between MasterCard Incorporated, the several defendants and the plaintiffs in the consolidated federal class action lawsuit titled In re Foreign Currency Conversion Fee Antitrust Litigation (MDL 1409), and the California state court action titled Schwartz v. Visa Int'l Corp., et al. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 1, 2006 (File No. 001-32877)).
- 10.38 Release and Settlement Agreement, dated June 24, 2008, by and among MasterCard Incorporated, MasterCard International Incorporated and American Express (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed August 1, 2008. (File No. 001-32877)).
- 10.39* Judgment Sharing Agreement between MasterCard and Visa in the Discover Litigation, dated July 29, 2008, by and among MasterCard Incorporated, MasterCard International Incorporated, Visa Inc., Visa U.S.A. Inc. and Visa International Service Association (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed August 1, 2008. (File No. 001-32877)).
- 10.40 Release and Settlement Agreement dated as of October 27, 2008 by and among MasterCard, Discover and Visa (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 4, 2008. (File No. 001-32877)).

- 10.41 Agreement dated as of October 27, 2008, by and among MasterCard International Incorporated, MasterCard Incorporated, Morgan Stanley, Visa Inc., Visa U.S.A. Inc. and Visa International Association (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 4, 2008. (File No. 001-32877)).
- 18.1 Letter re change in accounting principles by PricewaterhouseCoopers LLP dated May 8, 2003 (incorporated by reference to Exhibit 18.1 to the Company's Quarterly Report on Form 10-Q filed May 14, 2003 (File No. 000-50250)).
- 21 List of Subsidiaries of MasterCard Incorporated.
- 23.1 Consent of PricewaterhouseCoopers LLP.
- 31.1 Certification of Robert W. Selander, President and Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Martina Hund-Mejean, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Robert W. Selander, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Martina Hund-Mejean, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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- + Management contracts or compensatory plans or arrangements.
- * Exhibit omits certain information that has been filed separately with the Securities and Exchange Commission and has been granted confidential treatment.

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MasterCard Board of Directors

Silvio Barzi¹

Executive Vice President
UniCredit Group

David R. Carlucci² (Chair)

Chairman, Chief Executive Officer and President
IMS Health Incorporated

Steven J. Freiberg

Executive Vice President
Citibank NA

Bernard S. Y. Fung²

Chairman and Chief Executive Officer
Aon Asia Pacific Region

Richard Haythornthwaite^{1, 3} (Chair)

President
PSA Energy Holdings SPC
Chairman
MasterCard Incorporated

Nancy J. Karch^{1, 3}

Director Emeritus
McKinsey & Company

Marc Olivie^{1, 2}

President and Chief Executive Officer
W. C. Bradley Co.

José Octavio Reyes Lagunes²

President, Latin America Group
The Coca-Cola Company

Mark Schwartz¹ (Chair), ³

Chairman
MissionPoint Capital Partners LLC

Robert W. Selander

President and Chief Executive Officer
MasterCard Incorporated

Jackson P. Tai³

Former Vice Chairman and Chief Executive Officer
DBS Group and DBS Bank Ltd.

Edward Suning Tian³

Chairman, China Broadband
Capital Partners, L.P.

MasterCard Executive Committee

Gary J. Flood

President, Global Products and Solutions

Noah J. Hanft

General Counsel, Chief Payment System Integrity
& Compliance Officer and Corporate Secretary

Martina Hund-Mejean

Chief Financial Officer

Walter M. Macnee

President, International Markets

Chris A. McWilton

President, U.S. Markets

Robert Reeg

President, Global Technology and Operations

Robert W. Selander

President and Chief Executive Officer

Stephanie E. Voquer

Chief Human Resources Officer

(1) Audit Committee

(2) Human Resources and Compensation Committee

(3) Nominating and Corporate Governance Committee

MasterCard Information and Resources

Global and Regional Offices

Global Headquarters

2000 Purchase Street
Purchase, New York 10577 U.S.A.
Telephone: 1.914.249.2000

Global Technology and Operations

St. Louis, Missouri, U.S.A.

Asia/Pacific Regional Headquarters

Singapore

Canada Regional Headquarters

Toronto, Ontario, Canada

Europe Regional Headquarters

Waterloo, Belgium

Latin America and Caribbean Regional Headquarters

Miami, Florida, U.S.A.

U.S. Regional Headquarters

Purchase, New York, U.S.A.

South Asia, Middle East and Africa Regional Headquarters

Dubai, United Arab Emirates

Shareholder Information

Investor Relations

1.914.249.4565
investor_relations@mastercard.com

Shareholder Information

Copies of the company's Annual Report on Form 10-K and Form 10-Q reports as filed with the U.S. Securities and Exchange Commission (SEC) are available upon request from the company.

Visit our website, www.mastercardworldwide.com, for updated news releases, stock performance, financial reports, recent investments, community presentations, SEC filings, corporate governance and other investor information.

Annual Stockholders' Meeting

The 2009 Annual Meeting of Stockholders of MasterCard Incorporated will be held on Tuesday, June 9, 10 a.m., at the MasterCard Corporate Headquarters, 2000 Purchase Street, Purchase, New York.

Stock Listing and Symbol

New York Stock Exchange
Symbol: MA

On June 20, 2008, MasterCard Incorporated filed with the New York Stock Exchange (NYSE) its Annual CEO Certification pursuant to Section 303A.12(a) of the NYSE Listed Company Manual.

Transfer Agent

BNY Mellon Shareowner Services
480 Washington Blvd., 27th Floor
Jersey City, New Jersey 07310-1900
For Class A common stockholders:
U.S. Telephone: 1.800.837.7579
Non-U.S. Telephone: 1.201.680.6578

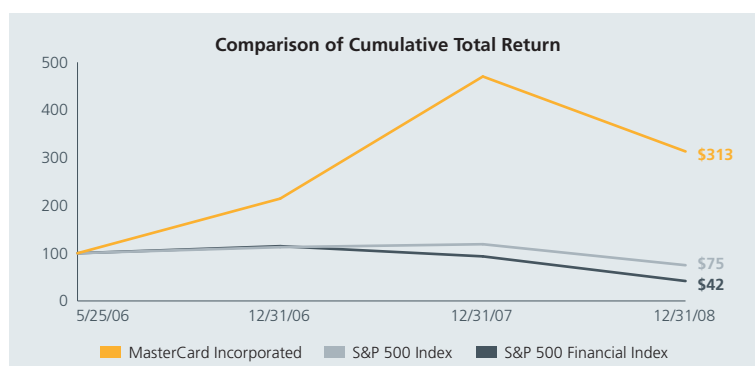
For Class B common stockholders:
U.S. Telephone: 1.866.337.6318
Non-U.S. Telephone: 1.201.680.6656
Facsimile: 1.201.680.4668

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
New York, New York

Stock Performance

The graph to the right and the table below compare the cumulative total stockholder return of MasterCard Incorporated Class A common stock, the S&P 500 Index and the S&P 500 Financials for the period beginning on the close of trading on the New York Stock Exchange (NYSE) on May 25, 2006, and ending on the close of trading on the NYSE on December 31, 2008. The graph assumes a \$100 investment in our Class A common stock and each of the indices, and the reinvestment of dividends. MasterCard Incorporated's Class B common stock and Class M common stock are not publicly traded or listed on any exchange or dealer quotation system.



Total Return to Shareholders

(Includes reinvestment of dividends)

Company / Index	Indexed Returns Years Ending			
	Base Period 5/25/06	12/31/06	12/31/07	12/31/08
MasterCard Incorporated	100.00	214.37	470.21	313.20
S&P 500 Index	100.00	112.65	118.84	74.87
S&P 500 Financials	100.00	114.73	93.36	41.72



We are proud to print our annual report entirely on Forest Stewardship Council (FSC)-certified paper. FSC certification ensures that the paper in our annual report contains fiber from well-managed and responsibly harvested forests that meet strict environmental and socioeconomic standards.

Reconciliation to Net Income, Earnings Per Share and Total Operating Expenses*

(\$ million except percentages)	For the year ended 12/31/08			For the year ended 12/31/07			Year-Over-Year Growth
	Actual	Special Items	As Adjusted	Actual	Special Items	As Adjusted	As Adjusted
Revenues, Net	\$ 4,992	\$ —	\$ 4,992	\$ 4,068	—	\$ 4,068	22.7%
Operating Expenses							
General and Administrative	1,914	—	1,914	1,758	—	1,758	8.8%
Advertising and Marketing	1,018	—	1,018	1,080	—	1,080	(5.8)%
Litigation Settlements	2,483	2,483 ¹	—	3	3 ¹	—	NM
Charitable Contributions to The MasterCard Foundation	—	—	—	20	—	20	(100.0)%
Depreciation and Amortization	112	—	112	98	—	98	14.7%
Total Operating Expenses	5,526	2,483	3,043	2,959	3	2,956	2.9%
Operating Income (loss)	(535)	2,483	1,948	1,108	3	1,111	75.3%
Operating Margin	(10.7)%	—	39.0%	27.2%	—	27.3%	11.7 ppt.
Other Income (expense)							
Investment Income, Net	183	—	183	530	—	530	(65.5)%
Interest Expense	(104)	—	(104)	(57)	—	(57)	80.9%
Other Expense, Net	72	75 ²	(3)	90	90 ³	—	NM
Total Other Income (expense)	151	75	76	563	90	473	(83.9)%
Income (loss) before Income Taxes	(383)	2,408	2,025	1,671	(87)	1,584	27.8%
Income Tax Expense (benefit)	(129)	914	785	586	30	556	41.2%
Net Income (loss)	\$ (254)	\$ 1,494	\$ 1,239	\$ 1,086	\$ (57)	\$ 1,029	20.4%
Basic Net Income (loss) per Share	\$ (1.95)	\$ 11.47	\$ 9.52	\$ 8.05	\$ (0.42)	\$ 7.63	24.8%
Diluted Net Income (loss) per Share	\$ (1.95)	\$ 11.40	\$ 9.45	\$ 8.00	\$ (0.42)	\$ 7.58	24.7%

(1) Litigation settlements.

(2) Gain from the termination of a customer business agreement.

(3) Other income related to a settlement agreement to discontinue the company's sponsorship of the 2010 and 2014 World Cup soccer events.

NM = not meaningful

*Note that figures in this table may not sum due to rounding.

This annual report contains forward-looking information pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, the ability of MasterCard to advance commerce in markets around the world, continue the trend of growth being led by expanding use and acceptance of MasterCard-branded cards in markets outside the United States, and help its customers optimize their portfolios, maximize efficiencies, mitigate risks and reduce charge-offs; and the expectation that net revenue growth in 2009 will be restrained by recessionary conditions in many economies. Although MasterCard believes that its expectations are based on reasonable assumptions, it can give no assurance that its objectives will be achieved. Actual results may differ materially from such forward-looking statements for a number of reasons, including changes in financial condition, estimates, expectations or assumptions, or changes in general economic or industry conditions, or other circumstances such as those set forth in MasterCard Incorporated's filings with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2008, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that it has filed with the SEC. MasterCard disclaims any obligation to update publicly or revise any forward-looking information.

www.mastercardworldwide.com

