

Form B - General Direction 3

Please complete the form below. The **main headings** relate to the reporting requirements of general direction 3. The sub-headings provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

GD3.3.3 Self-assessment on compliance of access requirements contained in regulation 103 of the Payment Services Regulations 2017.	
<p>GD3.3.3b Please state whether you have or have not complied with the obligation contained in regulation 103 of the PSRs 2017.</p> <p>Please include a summary relevant to your response.</p>	<p>Mastercard considers it has been fully compliant with regulation 103 of the Payment Services Regulations 2017 throughout the relevant period.</p> <p>Mastercard’s access requirements are contained within its Rules at Chapter 1: The Licence and Participation. There are 3 basic obligations outlined in sections 1.1, 1.2 and 1.3 of the Rules, respectively. Section 1.1 requires a potential licensee to be authorised and supervised to provide financial services. Section 1.2 requires a potential licensee to provide evidence that it complies with Mastercard’s Anti-Money Laundering (AML) programme. Section 1.3 requires a potential licensee to satisfy minimum financial requirements. Section 1.4 allows Mastercard to impose special conditions, primarily in order to support compliance with sections 1.2 and 1.3.</p> <p>The core requirement of regulation 97/103 of the Payment Services Regulations 2009/2017 is that those access requirements should be objective, proportionate and non-discriminatory. We will briefly address each in turn in order to demonstrate how the relevant Rules demonstrably comply with those requirements both in terms of how they are drafted and how they are applied.</p> <p>Objective</p> <p>Mastercard’s access requirements are objectively justifiable both in terms of their conditions and the manner in which they are applied. The section 1.1 requirement to be authorised to provide financial services is a necessary minimum legal requirement. The section 1.2 requirement to demonstrate compliance with Mastercard’s AML programme is similarly a necessary minimum designed to protect</p>

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	<p>both Mastercard and the potential licensee. The section 1.3 requirement to satisfy minimum financial requirements is essential to support Mastercard’s settlement guarantee, which is the core element of the services provided by Mastercard and the basis for the engagement of all parties. Section 1.4 allows Mastercard to require potential licensees to provide collateral, which is the essential means by which merchants can be protected and be assured of receiving payment.</p> <p>Proportionate</p> <p>As outlined above, the requirements in section 1 are necessary basic conditions without which Mastercard would be unable to provide its services, with the result that consumers, merchants and the integrity of the payment system would not be adequately protected. As such, they are entirely proportionate to the significant risk of harm which they are specifically designed to address. They are carefully targeted at the highlighted risks and do not impose any broader obligations than necessary which might otherwise unjustifiably benefit Mastercard or adversely affect the potential licensee.</p> <p>Non-Discriminatory</p> <p>The requirements in section 1 are applied consistently to all potential licensees. Inevitably, the outcomes will be determined on a case by case basis, but differing outcomes result from the different circumstances of each applicant e.g. its financial status or provision of adequate evidence of AML compliance. They do not result from differences in how Mastercard applies the requirements. In addition, the requirements are not drafted in such a way as to favour one type of potential licensee over another. As explained above, they are objectively justifiable and proportionate on their own merits.</p>
<p>GD3.3.3c1 Please highlight all occasions over the past 12-months where access has been withdrawn or modified for an existing service user.</p>	<p>There have been 4 instances where access has been modified/suspended/is in the process of termination due to suspension of the customer’s regulatory license:</p> <ul style="list-style-type: none"> - One Stop Money Manager Limited – suspended by FCA 04/12/2019 - customer applied for voluntary termination on 11/02/2020 - Merchant Optimisation Services Limited – suspended by FCA 04/12/2019 - customer applied for voluntary termination on 13/02/2020 - ePayments Systems Limited – suspended by FCA 11/02/2020 – next steps TBC

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	<ul style="list-style-type: none"> - Virgin Money Plc – terminated on 13/05/2020 – due to merger with Clydesdale Bank Plc (to which the Virgin Money portfolio was transferred) 			
<p>GD3.3.3 Details of expressions of interest in potentially securing direct access or direct technical access and the response to, and outcome of, such expression of interest.</p>				
<p>GD3.3.3c2 all occasions in the relevant 12-month period when another party had expressed interest in potentially securing direct access or direct technical access to the payment system</p>	<p>Mastercard does not monitor or receive formal expressions of interest in the manner envisaged by the PSR. Rather (up until April 2020) the first stage in the process was for the customer to request access to the 'New Customer Onboarding' tool. Following such a request, Mastercard would take 1-3 business days to create an 'NCO Work Object', which was the first stage in the process which Mastercard tracks. Following creation of the 'NCO Work Object' on its system, Mastercard then took a further 2-3 business days to grant the customer access to that 'NCO Work Object' i.e. to the onboarding tool. Therefore, a customer would typically receive access to Mastercard's system (in order to submit a licence application) within a week of requesting it. The next stage in the process was for the customer actually to submit the application. Mastercard had no control over how long a customer may decide to wait until submitting an application. Some did so within a few days, whilst others might have put it on hold for several months. On receipt of an application, Mastercard would carefully consider it according to its rules, following which process a license is almost always granted. From April 2020 onward, this process changed in order to improve efficiencies. Customers now submit applications via email whereby the NCO work object is then created. Conversations with Account Teams may take place before receipt of this application but the first contact (which Mastercard tracks) is receipt of said application via email. <i>NB:- This is reflected in Annex 1, whereby from April 2020 onwards the date of NCO creation matches the date of application being received.</i></p>			
	<p>Expressions of interest</p>	<p>Signed letters of intent</p>	<p>New members during reporting period</p>	<p>No. of participants</p>
	<p>N.A. – see above</p>	<p>Mastercard does not provide letters of intent, but at 30 September we had 6 outstanding applications from potential direct participants under review. Mastercard did not cancel the applications of any potential licensees due to</p>	<p>Mastercard has approved 22 applications during the period.</p>	<p>Mastercard had a total of 132 direct participants on 30 September 2020.</p>

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GD3.3.3c3 the initial response to the expression of interest, and the outcome at the conclusion of the process	See Annex 1				
GD3.3.3 Details of any enquiries or objections regarding potential changes to access requirements and details of the response and outcome.					
GD3.3.3d details of all occasions in the relevant 12-month period where you engaged with, and considered the views of PSPs and other interested parties on the operation and effectiveness of your access requirements	<p>Mastercard’s UK business is deliberately structured entirely around engaging with customers and responding to any issues or concerns which they may raise. The vast majority of staff employed by the UK business are directly engaged in account management roles, interacting with customers on a very regular (if not daily) basis. It is their job to have an acute sense and understanding of their customers’ needs and expectations and to be extremely responsive to any issues or concerns which arise.</p> <p>In addition to this highly developed account management function, Mastercard engages with its customers and other interested parties in a wide variety of other fora including:-</p> <ul style="list-style-type: none"> • <i>UK Finance</i> – Mastercard is a member of UK Finance, having taking up a position on the Board and with close involvement in all of its payments work. This provides the opportunity to engage with issuing and acquiring PSPs on access and a wide variety of other issues of interest or concern; • <i>Merchant and industry associations</i> – Mastercard engages positively with several merchant and similar associations; • <i>Quarterly Business Reviews</i> – detailed customer meetings typically attended by a range of representatives from both Mastercard and the customer, at which a wide range of issues are raised and discussed; • <i>Customer events</i> – Mastercard hosts a number of events from larger conferences to smaller roundtables at which it engages with its customers on a variety of issues; 				

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- *Industry engagement* – Mastercard attends a plethora of industry events at which a wide range of issues are raised.

Mastercard maintains dedicated UK-based regulatory staff who attend and engage in all of the above, in order to hear from customers directly. This ensures that any customer concerns related to access or other regulatory matters can be effectively identified, monitored and escalated accordingly.

In terms of the specifics of the access and licensing process itself, Mastercard engages very directly with potential licensees throughout that process. As can be seen in relation to the responses above to GD3.3.3c2, the number of licence applications which Mastercard receives is limited and therefore each application can be carefully considered and each applicant directly engaged from start to finish. It is straightforward for any applicant to get in touch and make representations to Mastercard at any point during the process.

Mastercard has not received any objections to its access requirements or licensing process. This is unsurprising as the process is both limited and straightforward for potential licensees, on average takes just 11 weeks for a typical application leading to a licence being granted in the vast majority of cases.

Mastercard has a very good understanding of how effectively it operates for potential licensees and whether they encounter substantive difficulties at any stage. It is clear to Mastercard that that is not the case and that for applicants which are able to provide the (limited and necessary) information and documentation required, the process proceeds extremely smoothly.

Once licensees are onboard and operational, they may enter into Mastercard's extensive account management process described above, which is extremely receptive and responsive to any issues or objections which they may raise on any matter.

GD3.3.3 Details of any anticipated review, or engagement with *payment service providers* and other interested parties in relation to *access requirements*.

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<p>GD3.3.3e details of any anticipated review of your access requirements, or any engagement with service-users and other interested parties, that you plans to take over the following 12-month period</p>	<p>Mastercard is not currently planning to amend its access requirements during the next 12 months.</p> <p>However, access and onboarding issues are continually kept under review and we therefore welcome comments which the PSR may have in that regard, specifically in relation to any areas of non-compliance with regulation 103 of the Payment Services Regulations 2017.</p>
<p>GD3.3.3 Details of any anticipated future developments, material updates or changes to <i>access requirements</i>.</p>	
<p>GD3.3.3f details of any anticipated future developments that you may require or material updates or changes to your access requirements</p>	<p>Mastercard is not aware of any anticipated future developments which may require or justify material updates or changes to its access requirements.</p>