

Annex 9 to Interim Report

Market review of scheme and processing fees

Mastercard and Visa: (net)
revenue generation

May 2024

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Note: The places in this document where confidential material has been redacted are marked with a [🔒], with the exception of the various charts and figures where lines and bars (etc) have been deleted.

1 Introduction

- 1.1** This Annex sets out our current understanding of, and thinking in relation to, information set out in Mastercard’s and Visa’s internal documents on the (net) revenue generated by their respective businesses.¹ This evidence informs our wider understanding of market outcomes, as set out in Chapter 6 of the Interim Report.
- 1.2** This Annex is based on our analysis of internal documents provided to us by Mastercard and Visa across the course of this market review.²
- 1.3** This analysis should be read in conjunction with our analysis of competitive constraints and our analyses of both Mastercard’s and Visa’s data, as set out in the other Annexes to this Interim Report.
- 1.4** Earlier versions of the analysis set out in Sections 2 and 3 of this Annex were shared, respectively, with Mastercard and Visa in December 2023 (the Revenue Generation Working Papers).³
- 1.5** Mastercard and Visa have both expressed concerns around our analysis of revenue generation, including our reliance on their internal documents. We summarise these representations below.
- 1.6** Mastercard has stated that:
- a. It “disagrees that such an exercise can provide a complete or accurate view of revenue generation”. Mastercard also stated that internal documents are partial views from particular staff members, and do not represent “Mastercard views”.⁴
 - b. It considers the data it had provided to the PSR previously on scheme and switch revenues “to be a far more appropriate source for assessing Mastercard’s revenue generation than data points taken from internal Mastercard documents”.⁵
 - c. No methodology was provided for how we selected, analysed or evaluated the information included in its internal documents.⁶
- 1.7** Mastercard has also raised concerns around our review process, pointing to examples where our conclusions were incomplete or incorrect. In particular, Mastercard stated that [REDACTED] was caused by multiple factors in addition to [REDACTED]. We address these points in more detail in Section 2.

1 Net revenue refers to revenue less incentives and rebates provided by the schemes to their customers.

2 A number of documents provided by Mastercard, and Visa are referred to multiple times in this Annex. Where a document has been referred to previously, we include a reference to the first time that the document has been referenced.

3 As set out in the Interim Report, paragraph 2.24, in December 2023, we shared a series of six confidential working papers with Mastercard and Visa.

4 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

5 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

6 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

- 1.8** Notwithstanding Mastercard's general objection to our reliance on its own internal documents, we note that in its response Mastercard also points to some of the same documents to explain its commercial activity. For example, Mastercard refers to a 'Europe Yield and Deal Analysis' internal document to make points around trends in UK and European yields since 2016.⁷
- 1.9** We consider that Mastercard's reasoning for dismissing its own documents often lacks credibility. For example, a 'Net revenue outlook' detailing potential results to 2026 is dismissed on the basis that "[a]mong various business and economic assumptions, the presentation assumes (not forecasts) [redacted]. Again, it would not be appropriate to consider market participants' aspirations as an accurate forecast of the future".⁸ As explained in Section 2, our appraisal of the outlook set out in the relevant slide is that it is reasonable and pragmatic, and clearly anchored in observed recent commercial outcomes. As such, it is reasonable for us to place reliance on them for the purposes of this market review.
- 1.10** We also disagree with Mastercard's objections around a methodology for our document review processes.⁹ We consider that no such methodology is required, given that the vast majority of Mastercard's internal documents were electronically retrieved from [redacted] senior executives at Mastercard, who are either directly or closely involved in operational and strategic decision-making at Mastercard.¹⁰ Mastercard devised the document production process and, after engagement on scope and search terms, the PSR used this to set out the parameters for the document collection exercise. Mastercard explained to the PSR in April 2023 that these individuals were chosen on the basis that they were most likely to have documents that were responsive to the PSR's s81 request. Where Mastercard has demonstrated that a document was not, in fact, used or prepared in this way (e.g. where it was a draft), we have taken this into account.
- 1.11** For the purposes of this revenue generation analysis, we individually reviewed all of the documents submitted for information regarding trends in or the composition of the net revenue generated by Mastercard. Where information was available analysing Mastercard's UK business, or business in the UK and Ireland, this has been included in preference to comparable information regarding Mastercard's business in Europe overall. We note that in practice only a small number of documents we reviewed contained analysis of Mastercard's business in the UK and/or the UK and Ireland specifically.
- 1.12** Visa has stated that:
- a. our assessment of its revenue generation is inaccurate, which is "potentially a result of the PSR's ... [reliance on] 16 internal Visa documents", and that the analysis "relies on a very limited number of extracts or charts, ignoring relevant contextual information

7 [redacted].

8 [redacted].

9 See also paragraph 1.8 of Annex 1.

10 These individuals are: [redacted]. These individuals were identified by Mastercard following interviews with [redacted] as being the most likely individuals to hold documents responsive to a s81 notice issued in November 2022 (subsequently reissued on 23 June 2023). Mastercard has stated that the documents identified were likely provided to rather than prepared by these nine individuals. Mastercard has also stated that it has not engaged with these individuals in relation to the documents set out in this Annex after they were provided to the PSR, including following receipt of the five confidential working papers in December 2023 (call with we, 12 March 2024).

contained in those documents”;¹¹ (Where appropriate our analysis has been updated to reflect these points. For the purposes of this annex, we have taken into account Visa’s representations and updated our analysis where appropriate; we have also made some additions to the section on ‘[REDACTED] Visa’s business in the UK’.);

- b. our analysis fails to account of client incentive agreements, [REDACTED].¹² (We note that client incentive agreements play an important role in terms of [REDACTED];
- c. our analysis is “missing important historical context”, as it does not take into account: the acquisition of Visa Europe by Visa Inc, which completed on 21 June 2016 (the 2016 transaction); and recent notifications it has made to the PSR of its fee changes; and
- d. the wider context of how it makes commercial decisions which are ‘multi-dimensional’ reflecting not only pricing decisions but also decisions on how it invests and innovates, with decisions also reflecting the different market dynamics for different types of services in the payments value chain.¹³

1.13 As stated above, Visa notes the wider context of how it makes commercial decisions which are ‘multi-dimensional’ reflecting not only pricing decisions but also decisions on how it invests and innovates, with decisions also reflecting the different market dynamics for different types of services in the payments value chain.¹⁴ In particular Visa emphasises the context of its acquisition of Visa Europe by Visa Inc in June 2016 which transformed Visa from being a member owned association to a fully commercial entity. Visa states that as part of this transition it made “several important structural changes to its core fees” and “many of these changes were necessary to reflect the new commercial positioning of Visa and the competitive market in which Visa was now operating”.¹⁵

1.14 Whilst we recognise that it is important to assess internal documents in the round, to the extent that context is not reflected in internal documents they provide an insight into how information is disseminated or understood within an organisation. It may be that in certain instances this indicates certain understandings are assumed within the organisation and therefore not reflected within internal documents. However, where appropriate we have reflected this context in our analysis.

1.15 In terms of the methodology adopted, for the purposes of this revenue generation analysis we individually reviewed all of the documents submitted for information regarding trends in or the composition of the net revenue generated by Visa. Where information was available analysing Visa’s UK business, or business in UK and Ireland, this has been included in preference to comparable information regarding Visa’s business in Europe overall. Moreover, where similar information is included in several documents relating to a specific point, we have not referred to all relevant internal documents to outline or substantiate the relevant point.

11 Visa response to PSR working paper dated 1 December 2023 [REDACTED]. For completeness, we note that Visa’s response also makes reference to: (i) its notifications to the PSR pursuant to General Direction 1, (ii) Visa’s role in an evolving payments sector; and (iii) the competitive threat of alternative payment methods; we agree with Visa that potential constraints to its future revenues from its core business are not necessarily limited to “future cash displacement”.

12 Visa response to PSR working paper dated 1 December 2023 [REDACTED].

13 Visa response to PSR working paper dated 1 December 2023 [REDACTED].

14 Visa response to PSR’s working paper dated 11 August 2023 [REDACTED].

15 Visa response to PSR [REDACTED].

Provisional conclusions

- 1.16** We have considered these representations carefully and do not consider that there is any proper basis for saying these documents are irrelevant or should not be relied upon.
- 1.17** The PSR is entitled to rely on and consider documents provided to it in connection with its work. In so doing, we are mindful of the respective contribution (including limitations and merits) of each evidential source gathered in this market review and we have taken care to ensure that our assessment is based on a considered appraisal of the evidence in the round.
- 1.18** The material from the internal documents has been considered alongside the financial and transaction data provided by the schemes and their submissions throughout this market review. We therefore continue to consider that the schemes' own analysis of their respective revenue structures and growth as set out in their internal documents complements this broader evidence base.
- 1.19** In some instances we have also been able to cross-check the revenue figures included in Mastercard and Visa's internal documents with data on revenues provided to us by Mastercard and Visa in the context of our review. Where this has been possible we reflect the results of any cross-checks in a footnote to the relevant analysis.¹⁶
- 1.20** In light of the above, and as set out further in the following sections of this Annex, our provisional conclusions regarding the net revenue generated by the Mastercard and Visa businesses are as follows.
- 1.21** Regarding Mastercard, these documents indicate that the large majority of Mastercard's UK net revenues are generated [REDACTED].¹⁷ These documents also indicate that [REDACTED] due to the extent of [REDACTED]. The extent of [REDACTED] in the UK has contributed, along with other trends, to Mastercard's [REDACTED].
- 1.22** Regarding Visa, these documents indicate that [REDACTED].

16 We note that in many instances carrying out this cross-check is unfeasible as we do not have the necessary revenue data, or necessary segmentation of Mastercard and Visa's revenue data.

17 We consider references to the schemes' 'core' acquiring/issuing businesses to refer to sales of mandatory services associated with their acquiring/issuing businesses.

2 Mastercard

2.1 This section presents our analysis in relation to Mastercard. It summarises information regarding:

- Mastercard’s performance in the UK (and Ireland) versus other countries, and in Europe versus globally;
- the extent and drivers of changes to Mastercard’s past and predicted (net) revenue in the UK (and Ireland) and Europe; and
- the composition of Mastercard’s (net) revenue and (net) revenue yields¹⁸ in the UK (and Ireland).

2.2 In preparing this analysis we have reviewed nearly 900 documents submitted by Mastercard pursuant to statutory information notices. This review identified around 80 documents relevant to Mastercard’s (net) revenue generation, and we focus in this annex on approximately 20 of these documents; each of these documents is a Mastercard presentation dating from June 2020 to November 2022.

International comparisons

2.3 Given the somewhat limited degree of national analysis included in Mastercard’s internal documents, there was also only limited assessment of the UK in comparison to other regions where Mastercard is active.

2.4 Two Mastercard presentations consider “profitability” in the UK compared to other European countries.¹⁹ [REDACTED].

2.5 The first presentation “Europe Yield and Deal Analysis” (March 2022) [REDACTED].²⁰ This presentation sets out scheme historical yields (page 4), noting “share gains in the UK [REDACTED]. The same slide shows that the UK as a percentage of Europe “Gross Domestic Volume” (GDV), which is the total value of Mastercard payments in the relevant geographic area, [REDACTED].

18 We understand that the various revenue yields set out in the documents considered here have been calculated on a base of Mastercard’s total “gross domestic volume”, or the total value of Mastercard transactions in the relevant region. For example, we understand that if Mastercard were to experience a UK net revenue yield of 11bps this would imply that for every £100 of Mastercard transactions made in the UK Mastercard earns £0.11 in net revenue.

19 We do not necessarily agree or endorse the methodology used by Mastercard in these documents to define or analyse profitability. It is our understanding that the approach adopted by Mastercard in these documents differs from that adopted in our own analysis of Mastercard’s profitability, as set out in Annex 10. In preparing this annex, we have referred to the relevant Mastercard analysis as its analysis of ‘yield’ as our understanding is that these yield figures were derived from gross and net revenues, rather than profitability in the sense of revenues minus costs.

20 [REDACTED].

- 2.6** This analysis is summarised in Figure 1 below.²¹ The UK's yield is shown to have [REDACTED].²² [REDACTED].²³ [REDACTED] and to a lesser extent, [REDACTED] (see Figure 3).²⁴ In addition, Mastercard acknowledges that [REDACTED].²⁵ [REDACTED]. The March 2022 document shows that Mastercard's UK issuer net core revenue yield was [REDACTED]. The March 2022 document indicates that this has been caused by the [REDACTED].²⁶
- 2.7** The final slide sets out UK yields in isolation. It is noted that the impact on [REDACTED]. In relation to [REDACTED] it is noted that [REDACTED].²⁷
- 2.8** We consider the analysis set out in this presentation to be a notably clear articulation of how Mastercard views its UK business relative to its European business, as well as including a comprehensive analysis of key yield metrics in multiple regions.

Figure 1 Mastercard total yields in "Top Markets"

[REDACTED]

- 2.9** The second internal document, [REDACTED] (May 2022), contains similar analysis with a slide stating (in relation to the [REDACTED]) that the [REDACTED]. Elsewhere the document indicates that these share gains in the [REDACTED].^{28, 29}
- 2.10** Consistent with this, the March 2022 internal document³⁰ includes data on [REDACTED]. It is stated that yields are calculated on the "Gross Domestic Volume" (GDV) base, which is the total value of Mastercard payments in each relevant geographic area.³¹
- 2.11** The analysis included in Figure 2 (based on the March 2022 presentation) [REDACTED]. In particular this figure shows:³²
- [REDACTED].³³

21 The yields exclude Mastercard's New Payment Platforms, or NPP. "New Payment Platforms" or NPP is a Mastercard division dedicated to account-based payment solutions (see also [New Payment Platforms – Mastercard | LinkedIn](#)).

22 The countries considered are: [REDACTED].

23 Several countries considered in the sample experienced a [REDACTED].

24 Mastercard submitted that the [REDACTED] has been driven by multiple factors, rather than an [REDACTED]. See Mastercard response to PSR working paper dated 1 December 2023 [REDACTED]. We consider these submissions in more detail below.

25 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

26 [REDACTED].

27 [REDACTED].

28 [REDACTED].

29 We followed up with Mastercard to try and better understand what was meant by the UK being characterised by [REDACTED] and to request that Mastercard [REDACTED].

30 [REDACTED].

31 The European Mastercard divisions are: i) Nordics and Baltics, which is composed of Denmark, Finland, Iceland, Norway, Sweden, Estonia, Latvia and Lithuania; ii) UK and Ireland, which is composed of Ireland and the United Kingdom; iii) Western Europe, which is composed of Belgium, France, Italy, Netherlands, Portugal and Spain; iv) Central Europe, which is composed of Austria, Czech Republic, Cyprus, Germany, Greece, Hungary, Liechtenstein, Malta, Poland, Slovakia, Slovenia and Switzerland; and, v) South-East Europe, which is composed of Albania, Bulgaria, Kosovo, North Macedonia, Bosnia & Herzegovina, Montenegro, Serbia, Romania, Croatia and Israel.

32 [REDACTED]. The composition of Mastercard's overall UK net revenue yield is considered in further detail in the section on "(Net) revenue composition" below.

33 A small proportion is comprised of [REDACTED] and "Other".

- [REDACTED].
- [REDACTED].³⁴

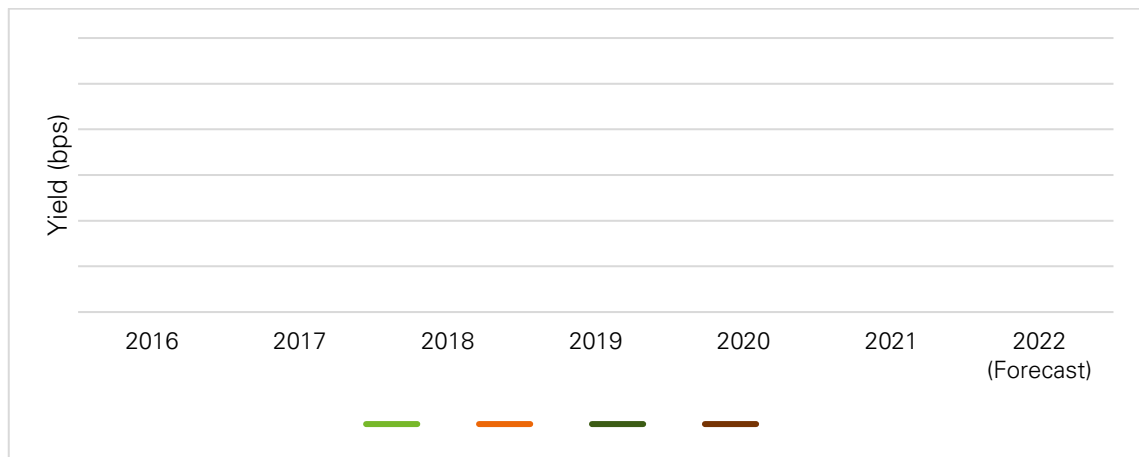
Figure 2 Forecast Mastercard gross issuing core revenue, issuing customer support and net issuing core revenue yields in European regions, 2022

[REDACTED]

2.12 Mastercard has submitted that its relatively [REDACTED] is due to multiple factors, rather than [REDACTED] alone. In particular, Mastercard submitted that [REDACTED].³⁵

2.13 The analysis of yields for the UK and separately for the rest of Europe (excluding the UK and Russia) included in the March 2022 presentation indicates that the [REDACTED]. As set out in Figure 3 between [REDACTED]. Following this, [REDACTED]. Elsewhere in the document it states that [REDACTED].³⁶

Figure 3 Gross and net core acquiring revenue yields in the UK and the rest of Europe (excluding Russia and the UK)



2.14 Mastercard told us that the different trends in the UK and the rest of Europe [REDACTED]. To support this, Mastercard undertook an analysis of the ‘relative difference’ between the change in various data series in the UK, and the rest of Europe (excluding Russia and the UK). [REDACTED]. Mastercard submitted that [REDACTED] relative change can be attributed to [REDACTED], which “accounts for only [REDACTED]”. On the other hand, Mastercard explained that the [REDACTED].³⁷

2.15 However, decomposing the relative change in net core revenue yield separately between the issuing and acquiring sides of Mastercard’s business shows that [REDACTED].

2.16 The overall [REDACTED] was driven by an [REDACTED], and a subsequent [REDACTED] (with no commensurate [REDACTED]). This is set out in Figure 4.

34 [REDACTED].

35 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

36 [REDACTED].

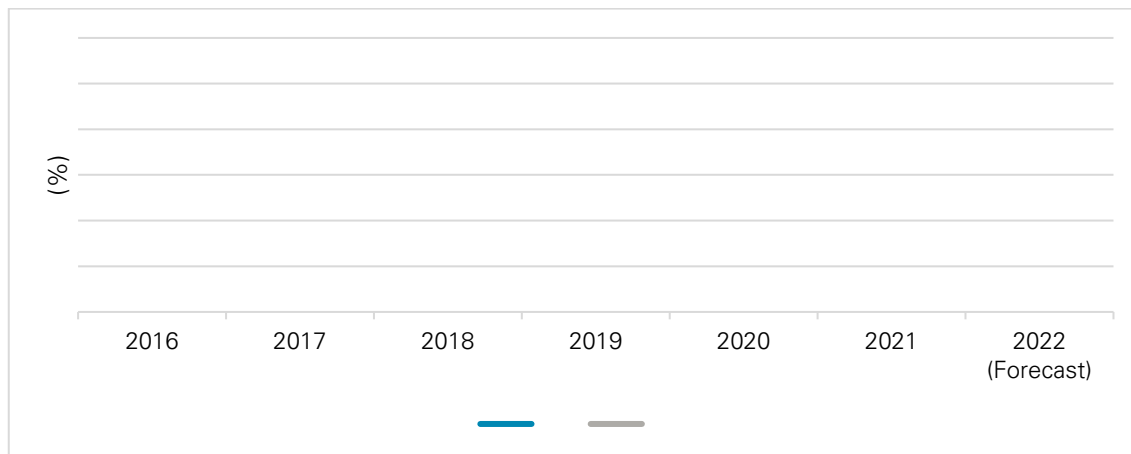
37 [REDACTED].

Figure 4 Mastercard UK gross core revenue yield, issuing customer support yield and net issuing core revenue yield

[REDACTED]

2.17 As a result, issuing [REDACTED], with this shown in Figure 5. By contrast, [REDACTED].

Figure 5 Issuer customer support yield expressed as a proportion of gross core issuing yield in the UK and the rest of Europe



(Net) revenue growth

Analysis of the UK and Ireland

2.18 Some of the documents we reviewed contained analysis of (net) revenue growth in the UK and Ireland specifically. These documents show that Mastercard’s net revenues in the UK and Ireland have been [REDACTED],³⁸ and, as noted in the documents described above, [REDACTED]. A couple of documents also [REDACTED].

2.19 The first, an untitled Mastercard presentation dated July 2020, sets out opportunities for “Revenue Acceleration” in various European regions to mitigate the impact of the COVID19 pandemic.³⁹ [REDACTED]. The slide does not indicate [REDACTED].⁴⁰

2.20 The second, a Mastercard internal document titled “IMK review UK & Ireland” and dated November 2022, was shared with us by Mastercard during the Revenue Generation working paper process.⁴¹ The document sets out expected total net revenue development for 2021–2026 for the UK. It:

- Indicates that net revenue growth (here referring to total net revenue, rather than net revenue yield) [REDACTED]. The document states that [REDACTED] and [REDACTED].
- Forecasts net revenue growth (here referring to total net revenue, rather than net revenue yield) will then [REDACTED]. The document states that [REDACTED]. We understand issuer

38 e.g. [REDACTED].

39 [REDACTED].

40 [REDACTED].

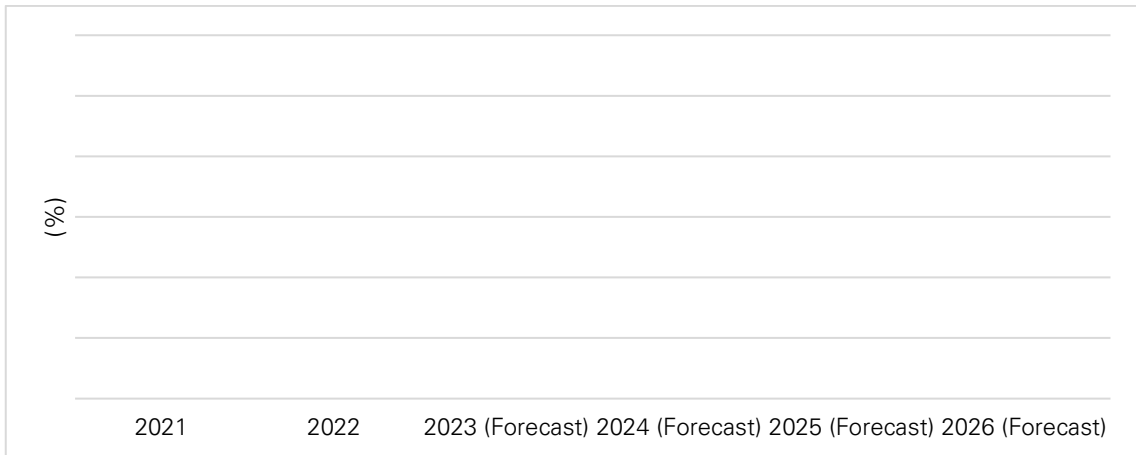
41 [REDACTED].

incentive ratio to mean the financial support provided to an issuer divided by the gross issuer fees paid by the issuer.⁴²

- Forecasts [redacted] (referring to Mastercard winning issuer portfolios).
- The same document also sets out [redacted].

2.21 As shown by Figure 6 the November 2022 document includes data showing that [redacted].

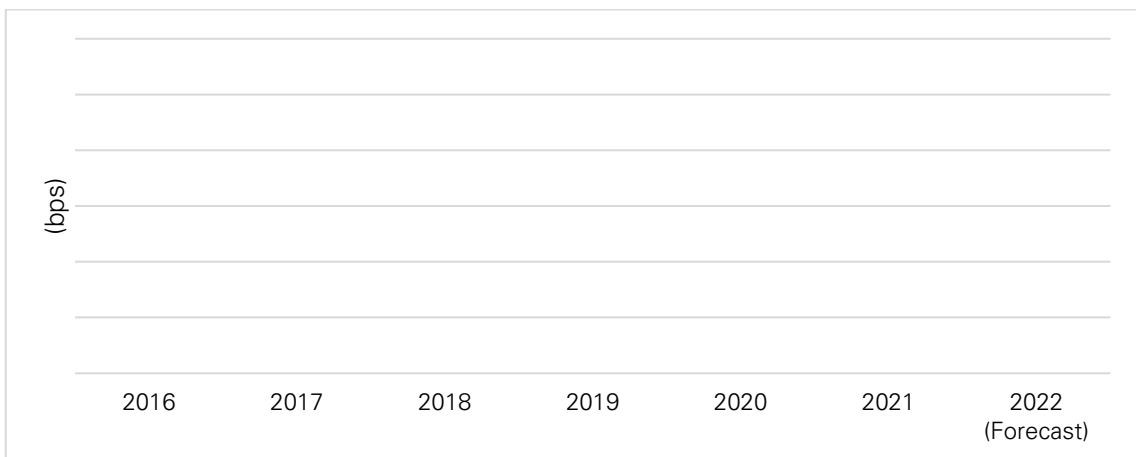
Figure 6 Mastercard Average Market Issuer Incentive Ratio, UK



Overall (net) revenue growth in Europe

2.22 An internal document from 2022 analyses Mastercard’s growth in net revenue yield in the years prior to the COVID pandemic, showing that [redacted]. This analysis is replicated in Figure 7.⁴³

Figure 7 Mastercard yields in Europe (excluding Russia)



2.23 [redacted]; it is stated that this was due to:⁴⁴

42 [redacted].

43 [redacted].

44 [redacted].

- [REDACTED],^{45,46}
- [REDACTED];⁴⁷ and
- [REDACTED].

2.24 [REDACTED]. According to the document, this is due to:

- [REDACTED];
- [REDACTED]; and
- [REDACTED] (see paragraph 2.28).

2.25 [REDACTED]. According to the document this [REDACTED].⁴⁸

2.26 The following internal documents we reviewed analyse [REDACTED] COVID [REDACTED] on Mastercard's business in Europe:

- One presentation dated June 2020 states that [REDACTED]. The deck also states that [REDACTED].⁴⁹ Elsewhere in the document, [REDACTED].⁵⁰
- A slide pack titled "Europe Scheme/2020 Performance Update & 2021 Business Plan and Budget" dated November 2020 outlines [REDACTED].⁵¹
- A presentation dated March 2021 [REDACTED].⁵²

2.27 Some Mastercard documents include projections of future net revenue growth in Europe. For example, a slide deck titled "Europe Strategy" dated February 2022 sets out [REDACTED].^{53, 54, 55} Mastercard stated that "an internal presentation that describes an 'aspiration' for the business cannot be considered a substantiated forecast of how the market is likely to evolve in the future. Mastercard told us that the word 'aspire' was most likely used as it suggests a highly optimistic 'best case' view, rather than what is likely to have been considered readily achievable, let alone certain. Mastercard also told us that the revenue, market share and yields that Mastercard can achieve in the future will clearly depend on numerous factors, including the competitive dynamics".⁵⁶ However, having considered the document in the round, including its content and overall positioning as a Board update, we consider it plausible that the document was intended to represent a considered view of the likely development of Mastercard's business, or that Mastercard has not explained to us during the Revenue generation working paper process why this is not the case.

45 [REDACTED].

46 [REDACTED].

47 [REDACTED].

48 [REDACTED].

49 [REDACTED].

50 [REDACTED].

51 [REDACTED].

52 [REDACTED].

53 [REDACTED].

54 See also [REDACTED].

55 [REDACTED].

56 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

Revenue drivers in Europe

Revenue drivers during COVID-19

2.28 Mastercard's internal documents indicate that [REDACTED].^{57, 58}

2.29 The internal documents report that [REDACTED]. The internal documents also report that [REDACTED]. As such, a couple of documents describe [REDACTED]:

- When discussing the impact of COVID, the July 2020 presentation first described in paragraph 2.19 states that [REDACTED]. The document further states that Mastercard is [REDACTED]. As a result, the document states that [REDACTED].⁵⁹
- Similarly, a presentation dated August 2021 titled "International Markets – Europe Scheme/Q2 2021 Operating Review" states that [REDACTED].⁶⁰

2.30 Notwithstanding the [REDACTED], with internal analysis detailing [REDACTED]:

- The July 2020 internal document first described in paragraph 2.19 sets out [REDACTED], stating that: "[REDACTED]" contributed [REDACTED] to total net revenue, with new pricing (i.e. pricing that was implemented in that calendar year) contributing [REDACTED], with new pricing contributing [REDACTED].⁶¹ Elsewhere in the document, [REDACTED].⁶²
- An internal document dated September 2020 and titled "Part A COVID 19 Reactive Plan/Europe Market Development/3rd Quarter Business Review 2020" contains analysis of 2020 pricing contributions to net revenue growth, with [REDACTED]. The relevant slide also appears to show that [REDACTED] of "pricing", [REDACTED].⁶³ The slide pack also contains [REDACTED].⁶⁴
- An internal document dated March 2021 and titled "Revenue & Drivers/2021 2+10F CEO Review" analyses [REDACTED] stating that: [REDACTED].⁶⁵ A later slide states that [REDACTED].⁶⁶ The presentation later sets out an update on Mastercard's [REDACTED].⁶⁷

Future revenue drivers

2.31 Mastercard's internal documents include outlooks, which set out projections, based on assumptions, for Mastercard's net revenue for coming years. These outlooks are based on assumptions that may or may not be influenced by Mastercard's actions. These outlooks show that net revenue is predicted [REDACTED].

57 [REDACTED].

58 [REDACTED].

59 [REDACTED].

60 [REDACTED].

61 [REDACTED].

62 [REDACTED].

63 [REDACTED].

64 [REDACTED].

65 [REDACTED].

66 [REDACTED].

67 [REDACTED].

2.32 A deck titled “Europe Board/Financial Deck – February 2022” sets out “[k]ey assumptions” underlying Mastercard’s ‘net revenue outlook’ which states that [REDACTED].⁶⁸ In particular, Mastercard assumes:

- **Macro:** that personal consumption expenditure will [REDACTED] where secular shift describes the shift from cash payments to card;⁶⁹
- [REDACTED];
- [REDACTED];
- [REDACTED];
- **Services:** Mastercard’s Cyber & Intelligence and Data & Services (divisions supplying optional services) will [REDACTED]. This is forecast to contribute [REDACTED];
- **NPP (new payment platforms)/Others** [REDACTED];
- **Nationalism:** [REDACTED];⁷⁰ and
- The deck also sets out [REDACTED]. Specifically, this sets out [REDACTED].⁷¹

2.33 In its representations on this document, Mastercard acknowledged that the document “adds further details about the assumptions that would need to be held to achieve the results the business aspires”, noting that “among various business and economic assumptions, the presentation assumes (not forecasts) [REDACTED]. Again, it would not be appropriate to consider market participants’ aspirations as an accurate forecast of the future”.⁷²

2.34 We disagree with Mastercard’s characterisation of this document and our reliance upon it. The forecast in the document is not a view of “market participants” but unnamed Mastercard executives who presented this deck to the board. In reaching our view that this internal document is informative as to the [REDACTED] of Mastercard’s business, we note that the forecasts are cogently articulated. For example, the description of [REDACTED] does not appear to assume a further [REDACTED], and is based on a forecast that Mastercard [REDACTED].⁷³ It is therefore a carefully positioned forecast that draws upon Mastercard’s [REDACTED].

2.35 The September 2020 internal document first described in paragraph 2.30 also describes the possibility that [REDACTED]. It states that [REDACTED].⁷⁴ Elsewhere in the document, it is noted that:

- “[REDACTED]”;⁷⁵ and
- [REDACTED].⁷⁶ The document describes the [REDACTED] tool as a [REDACTED]. A pilot of this pricing tool in Germany is referenced.

68 [REDACTED].

69 [REDACTED].

70 Whilst this slide does not specify the type of government intervention that would be relevant, a later slide details various “scenarios” that are described as potentially disruptive to Mastercard’s business. The scenarios considered include [REDACTED].

71 [REDACTED].

72 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

73 Specifically, the document states [REDACTED].

74 [REDACTED].

75 [REDACTED].

76 [REDACTED].

(Net) revenue composition

Customer type

2.36 Mastercard’s internal documents include analysis on differences between how the acquiring and issuing sides of its business contribute to (net) revenue generation. One detailed internal document also considers the breakdown of revenues generated within the acquiring and issuing sides of its core business in the UK.⁷⁷

(Net) core revenues on the acquiring and issuing sides

2.37 One detailed internal document indicates that in the UK specifically, [REDACTED] (see also paragraph 2.11 above, which considers the rate of customer support provided by Mastercard to issuers in various EU regions). [REDACTED].

2.38 Specifically, the March 2022 internal document first considered in paragraph 2.5 sets out historical and predicted yields for the UK from 2016 to 2022 ([REDACTED]).⁷⁸

2.39 The analysis of yields included in the document [REDACTED]. For Mastercard’s core business, this [REDACTED]. Therefore, we only consider the core net revenue yield in this section.

2.40 In considering this evidence, we are cognisant of Mastercard’s own acknowledgement that “[REDACTED] represent an [REDACTED] share of Mastercard’s revenue”.⁷⁹ The analysis therefore needs to be considered in the round.

2.41 Considering the core net revenue yield⁸⁰, which is comprised of net core issuing and net core acquiring yields, the yields detailed in the document (replicated in Figure 8 below) show that:

- [REDACTED].
- [REDACTED].
- [REDACTED].

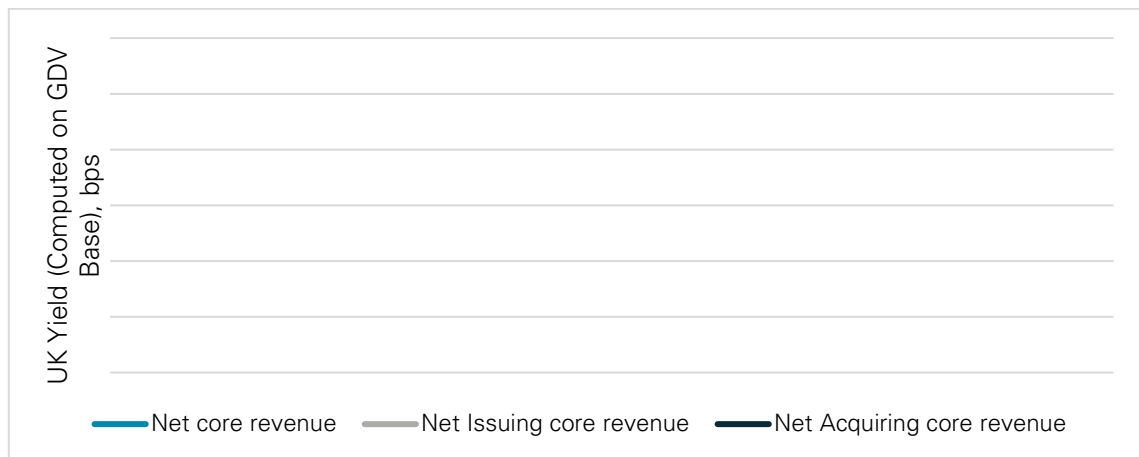
77 [REDACTED].

78 [REDACTED].

79 Mastercard response to PSR working paper dated 1 December 2023 [REDACTED].

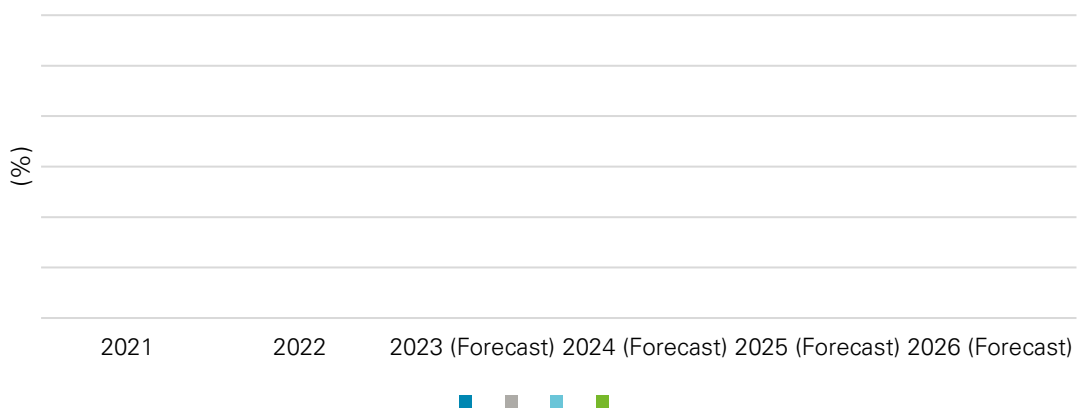
80 See below for consideration of Mastercard’s overall net revenue yield.

Figure 8 Mastercard’s UK net core revenue yields



2.42 The November 2022 document includes a breakdown of Mastercard’s net revenue structure, which is replicated in Figure 9.⁸¹ As with the analysis considered above, Mastercard’s UK core issuing business is shown to be [REDACTED]. The large majority of Mastercard’s UK revenue is shown to be [REDACTED].⁸²

Figure 9 Mastercard net revenue structure (%), UK



Composition of revenues generated on the acquiring side of Mastercard’s core business

2.43 The Mastercard presentation referred to in paragraphs 2.5 and 2.38 also details the composition of Mastercard’s gross acquiring core revenue yield in the UK for 2016–2022, as set out in Figure 10.⁸³ Gross acquiring core revenue yield is comprised of: cross border acquiring yield; “[d]omestic [a]ssessment” yield, which the case team currently assumes to be the yield associated with domestic transactions; “[t]ransaction [p]rocessing” yield which the case team currently assumes to be the yield associated with interbank processing; and “[o]ther [r]evenue” yield, [REDACTED]. To calculate net core acquiring revenue yield the acquirer customer support yield is subtracted from the gross acquiring core

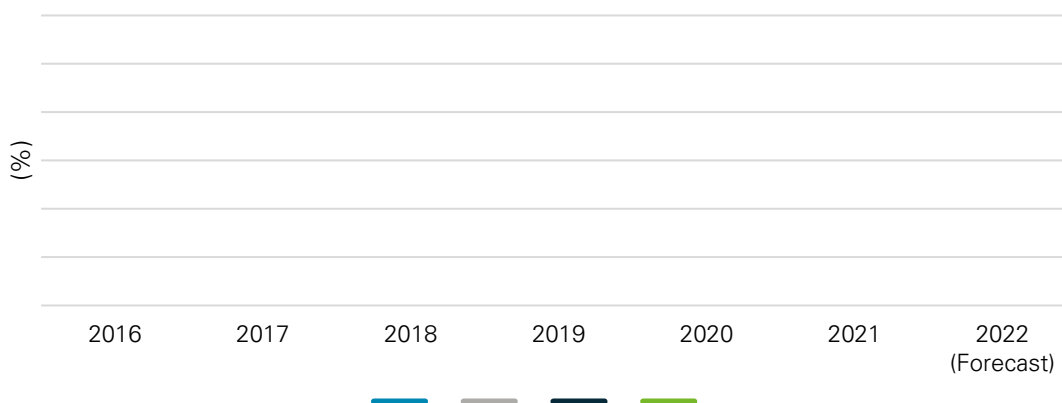
81 [REDACTED].
82 [REDACTED].
83 [REDACTED].

revenue yield. Acquirer customer support yield is primarily comprised of rebates and incentives, and as shown below [redacted] throughout most of the period.

2.44 Analysis of Mastercard’s gross acquiring core revenue yield shows that:

- Cross border acquiring yield [redacted]. However, [redacted].
- Domestic assessment: [redacted].
- The proportion of gross core acquiring revenue yield [redacted].
- Acquirer customer support as a proportion of gross acquirer core revenue yield [redacted].

Figure 10 Composition of Mastercard’s UK gross core acquiring revenue yield



Composition of revenues generated on the issuing side of Mastercard’s core business

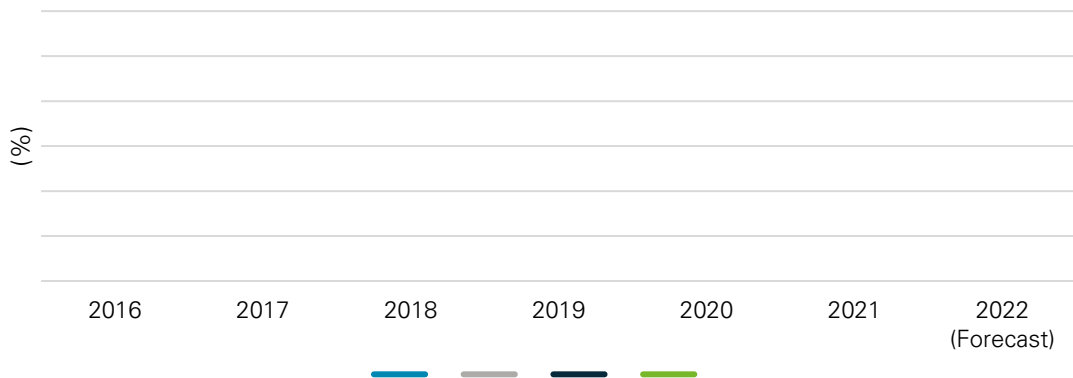
2.45 The March 2022 presentation first considered in paragraph 2.5⁸⁴ details the composition of the gross issuing core revenue yield in the UK, as set out in Figure 11. Gross issuing core revenue yield is comprised of: cross border issuing yield; “[d]omestic [a]ssessment” yield, which we assume to be the yield associated with domestic transactions; “[t]ransaction [p]rocessing” yield which we assume to be the yield associated with interbank processing; and “[o]ther [r]evenue” yield, [redacted]. To calculate net core issuing revenue yield the issuer customer support yield is subtracted from the gross issuing core revenue yield. Issuer customer support yield is primarily comprised of rebates and incentives.

2.46 The analysis shows that:

- Cross border issuing yield accounted for [redacted] of gross core issuing yield at the beginning of the period, at [redacted] in 2016. [redacted].
- Correspondingly, domestic issuing yield accounts for an [redacted] of gross core issuing yield over the period, [redacted].
- Transaction processing yield also accounts for an [redacted] of gross core issuing yield over the period, [redacted].
- Issuing customer support has increased [redacted].

84 [redacted].

Figure 11 Composition of Mastercard's UK gross core issuing revenue yield

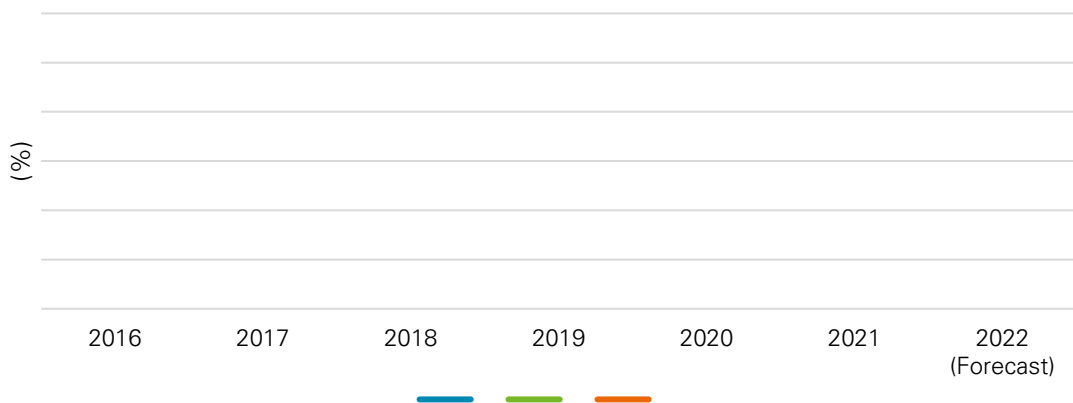


Product type

2.47 The Mastercard presentation first referenced in paragraph 2.5 also⁸⁵ details the composition of Mastercard’s overall net revenue yield in the UK from 2016–2022. This analysis is set out in Figure 12, and shows that [REDACTED]:

- Net core revenue yield [REDACTED].
- [REDACTED].
- [REDACTED].⁸⁶

Figure 12 Composition of Mastercard's overall net revenue yield



2.48 The November 2022 presentation forecasts Mastercard’s UK net revenue structure from 2021 to 2026, with this analysis set out in Figure 13. As shown [REDACTED].^{87, 88}

85 [REDACTED].

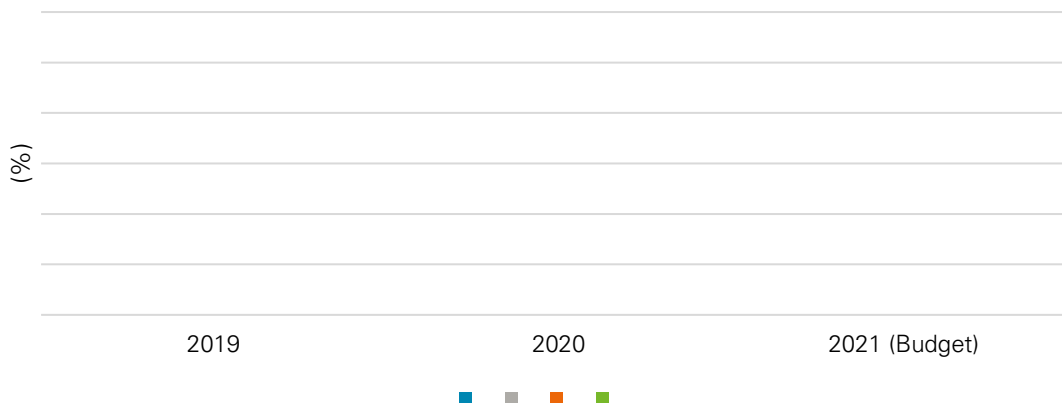
86 [REDACTED].

87 [REDACTED].

88 The analysis considers [REDACTED].

2.49 When considering the UK and Ireland jointly, “Services” and new payment platforms similarly [REDACTED]. A Mastercard presentation dated February 2021 and titled [REDACTED].⁸⁹ The analysis, which is summarised in Figure 13, shows that in [REDACTED].

Figure 13 Mastercard net revenue structure (scheme only), UK and Ireland



2.50 Similarly, another presentation dated June 2022 and titled “UK/I Bank Partnerships” sets out a UKI Summary Profit and Loss statement for May 2022 year to date.⁹⁰ [REDACTED].⁹¹

Provisional assessment

2.51 Based on the information discussed above, our provisional assessment is that the documents indicate the following:

- **International comparisons.** [REDACTED]. Based on Mastercard’s description in the documents reviewed and our analysis of data included in Mastercard’s internal documents, [REDACTED]. However, we consider that changes on the issuing side had a greater impact than changes on the acquiring side on the relative change in the UK’s net revenue yield, compared to the net revenue yield in the rest of Europe.⁹² We have not been able to determine the proportion of Mastercard’s European or global net revenues that are attributable to the UK by analysing the internal documents we reviewed.
- **Past (UK) net revenue growth.** [REDACTED], as well as the impact of the COVID-19 pandemic.
- **Future (UK) net revenue growth.** However, [REDACTED].
- **Customer type.** In the UK, Mastercard’s core issuing business generated [REDACTED].⁹³
- **Product type.** Mastercard’s optional services account for [REDACTED] of its net revenue generated in the UK. [REDACTED].

89 [REDACTED].

90 [REDACTED].

91 Net revenue is [REDACTED].

92 See paragraphs 2.6–2.7 and 2.12–2.17 for discussion of the role of changes on the issuing and acquiring sides on the UK’s overall decline in net revenue yield.

93 [REDACTED].

2.52 Considering the above in the round, our provisional assessment is that Mastercard’s internal documents suggest that Mastercard has been competing for issuer portfolios in the UK in recent years. [REDACTED]. The documents also refer to optional services and indicate that [REDACTED].⁹⁴

2.53 Notwithstanding this, the [REDACTED].

94 Further analysis of optional services is set out in Annex 4. In response to our working paper, Mastercard notes “the competitive process leading to this outcome”. We consider this further in Annex 4 and our Interim Report.

3 Visa

3.1 This section presents our analysis in relation to Visa. It summarises information regarding:

- Visa’s performance in the UK (and Ireland) versus other countries;
- the extent and drivers of changes to Visa’s past and predicted (net) revenue in the UK (and Ireland); and
- the composition of Visa’s (net) revenue in the UK (and Ireland).

3.2 In preparing this analysis we have reviewed roughly 375 documents submitted by Visa pursuant to statutory information notices; each of these documents is a Visa internal document dating from November 2017 to September 2022. This Annex focuses on approximately 15–20 of these documents.

International comparisons

3.3 Visa’s internal documents describe [REDACTED].⁹⁵ For example:

- An internal document titled [REDACTED] states that [REDACTED].⁹⁶
- An internal document titled [REDACTED] states that [REDACTED].^{97, 98}
- An internal document titled [REDACTED] describes [REDACTED].^{99, 100}

3.4 [REDACTED] demonstrates that [REDACTED]. A graph included in the presentation sets out Visa’s [REDACTED]. The diagram shows that [REDACTED].¹⁰¹

3.5 Finally, in addition to [REDACTED] one internal document also indicates that [REDACTED]. An internal document titled [REDACTED] dated September 2021 includes [REDACTED]¹⁰². The slide concludes that the UK [REDACTED].¹⁰³ The diagram shows that [REDACTED], with the analysis summarised in Figure 14. [REDACTED].

Figure 14 [REDACTED]

[REDACTED]

95 Visa submitted that it is “not appropriate” to rely on information not directly relevant to the UK to draw direct conclusions on Visa’s UK operations, such as analyses of the UK and Ireland jointly or analyses of Visa’s European operations. We note that [REDACTED] we are [REDACTED] often unable to comment on the UK independently on the basis of Visa’s internal documents.

96 [REDACTED].

97 [REDACTED].

98 [REDACTED].

99 [REDACTED].

100 [REDACTED].

101 [REDACTED].

102 [REDACTED].

103 [REDACTED].

(Net) revenue growth

3.6 Visa’s internal documents record [X].¹⁰⁴ For example, the internal document titled [X] considered in paragraph 3.3 includes a graph showing that [X].¹⁰⁵

3.7 Visa’s past growth in [X] is described in its internal documents as having been [X]. For example, the internal document titled [X] refers to [X] with the accompanying graph (which is summarised below in Figure 15) showing that [X].¹⁰⁶ The impact of [X] on Visa’s net revenue is discussed in further detail in the sections below. We note that Figure 15 also shows that [X]. We note that incentive agreements [X].

Figure 15 [X]

[X]

3.8 Visa’s internal documents also [X]. For example, a presentation titled [X] includes two versions of a [X]. One version¹⁰⁷ [X] while the other¹⁰⁸ [X].¹⁰⁹

3.9 However, Visa’s documents also describe [X]. This is because Visa anticipates [X]. This is also discussed in further detail below.

Changes in volume

3.10 Generally, Visa’s internal documents show that [X].

3.11 For example, the presentation titled [X] includes [X].¹¹⁰ For instance, [X].^{111, 112}

3.12 Visa’s internal documents describe [X]:¹¹³

- [X].¹¹⁴
- [X].
- [X].¹¹⁵

104 [X].

105 [X].

106 [X]. This document is first referenced in paragraph 3.5.

107 [X].

108 [X].

109 [X].

110 [X].

111 [X].

112 [X]. This document is first referenced in paragraph 3.5.

113 See e.g. [X].

114 [X].

115 [X].

3.13 Visa's documents [X]. For example:

- The internal document titled [X] considered in paragraph 3.3 above states that [X]. The document later identifies [X] as a [X] but points to [X] with there [X] but [X] with Visa noting that [X] though [X]. The document states that [X].¹¹⁶
- [X].¹¹⁷

Changes in prices

3.14 In addition to [X], Visa's internal documents show that [X]. Visa's documents refer [X].^{118, 119} However, these documents also include statements indicating that Visa believed [X]. Examples include:

- [X] (referenced in paragraph 3.3) describes [X]. The document also states that [X] and that [X].¹²⁰
- The presentation titled [X] includes [X] as shown in Figure 15. The annotation accompanying the diagram states that [X]. The slide also includes [X], with a footnote stating that this [X].¹²¹

3.15 Notwithstanding Visa's earlier predictions, more recent documents (as set out below) indicate that [X]:

- An internal document [X] states that [X] and notes that the [X]. The diagram included [X], which is summarised as Figure 16 below, shows that [X], though this is [X]. A separate graph showing [X].¹²²

Figure 16 [X]

[X]

- The [X] referenced in paragraph 3.3 includes a diagram that breaks down [X]. The diagram shows that [X].¹²³

3.16 More recent revenue forecasts appear to suggest that [X]. Specifically, the presentation titled [X] includes [X]. In addition, Visa confirmed that [X].¹²⁴

3.17 However, [X].¹²⁵

116 [X].

117 [X].

118 See e.g.: [X]. This document is first referenced in paragraph 3.4.

119 In 2016, Visa Inc. completed its acquisition of Visa Europe. See further: [Visa Inc. – Visa Inc. Completes Acquisition of Visa Europe](#).

120 [X].

121 [X]. This document is first referenced in paragraph 3.5.




122 [X].






















123 [X].



124 [X]. This document is first referenced in paragraph 3.8.
















125 [X].




Visa's business in the UK (and Ireland)


3.18 The Visa internal documents we have reviewed indicate that . Visa's documents also refer specifically to . Documents also refer to . For example:


- The  (referenced in paragraph 3.3) states that . An annotated graph setting out  indicates that ¹²⁶. The same presentation also highlights the overarching context that Visa .
- The  states that ¹²⁷. The document also predicts that . For example, ¹²⁸. The same presentation highlights .
- A cover page for a presentation from a March 2022 VEL Board Meeting notes that ¹²⁹.
- The  presentation titled  (referenced in paragraph 3.3) states that  and that while the . For example, the document describes ¹³⁰.
- The  presentation  states that in the UK ¹³¹. The presentation also notes  and that ¹³².

3.19 Given these limitations, Visa's internal documents describe . Consistent with this, . For example:


- The internal document titled  which is set out in Figure 15 above. . However , with the slide noting that . The document later states that ^{133, 134}. The document also states that .
- The  states that . In the diagram , which is replicated as Figure 16 above, ¹³⁵.
- The May 2022 presentation titled  notes that the . The document states that . The document also describes a need to  including by ¹³⁶.


3.20 Consistent with Visa's strategy described above, Visa's internal documents show that . Specifically, documents show ¹³⁷ ¹³⁸.

126 .

127 As described above, the document also refers to .


128 . This document is first referenced in paragraph 3.5.

129 .

130 .

131 . This document is first referenced in paragraph 3.8.

132 . This document is first referenced in paragraph 3.8.

133 .

134 . This document is first referenced in paragraph 3.5.

135 . This document is first referenced in paragraph 3.15.

136 . This document is first referenced in paragraph 3.13.

137 .

138 . This document is first referenced in paragraph 3.13.

3.21 However, despite [REDACTED]. For example:

- The internal document titled [REDACTED] includes a graph setting out [REDACTED].¹³⁹
- An internal document titled [REDACTED] includes a [REDACTED].¹⁴⁰

(Net) revenue composition

3.22 In addition to outlining the drivers of recent and future (net) revenue growth in the UK (and Ireland), Visa's internal documents also contain breakdowns of the source of Visa's (net) revenues. [REDACTED], including by:

- **Customer type** [REDACTED].
- **Product type** [REDACTED].

Customer type

3.23 Visa's internal documents [REDACTED]. Certain documents also note [REDACTED].

(Net) revenues on the acquiring and issuing sides

3.24 Multiple documents indicate that [REDACTED].¹⁴¹ For example:

- The [REDACTED] internal document titled [REDACTED] (referenced in paragraph 3.3) includes a graph setting out [REDACTED]. The graph shows that [REDACTED].¹⁴²
- The internal document on [REDACTED] includes a diagram [REDACTED]. The diagram is replicated as Figure 17 below and shows that [REDACTED].¹⁴³ [REDACTED].¹⁴⁴

Figure 17 [REDACTED]

[REDACTED]

- The presentation titled [REDACTED] referenced in paragraph 3.3 [REDACTED] and notes that [REDACTED].¹⁴⁵

3.25 Visa's documents also show that [REDACTED], with one document describing how [REDACTED]:

- A presentation containing [REDACTED] states that [REDACTED] but that [REDACTED]. The accompanying graph shows [REDACTED]. The document also remarks that [REDACTED] and that [REDACTED]. The accompanying graphs include [REDACTED] showing that [REDACTED],¹⁴⁶ [REDACTED]. By contrast, [REDACTED].¹⁴⁷

139 [REDACTED]. This document is first referenced in paragraph 3.13.

140 [REDACTED].

141 [REDACTED].

142 [REDACTED].

143 [REDACTED].

144 [REDACTED]. This document is first referenced in paragraph 3.5.

145 [REDACTED].

146 We note that exact figures are not included in the chart with this percentage representing an estimate of the exact figure.

147 [REDACTED].

- A [redacted] dated [redacted] states that [redacted].¹⁴⁸

Segmentation by issuer

3.26 A Visa presentation titled [redacted] also analyses net revenue [redacted], with this analysis suggesting that [redacted]. The presentation sets out [redacted]. The title of one of the slides states [redacted]. The diagram considers a similar analysis for [redacted].¹⁴⁹

Product type

3.27 Various documents observe that [redacted]. For example:

- The [redacted] presentation titled [redacted] (referenced in paragraph 3.3) includes a breakdown of [redacted] and states that [redacted]. There is noted to be [redacted].¹⁵⁰
- The presentation titled [redacted] states that [redacted]. The slide further notes that [redacted].¹⁵¹
- The [redacted] presentation titled [redacted] states that [redacted] leading to the need to [redacted].¹⁵²

3.28 A presentation titled [redacted] includes a breakdown of [redacted].¹⁵³

Provisional assessment

3.29 Based on the information discussed above, our provisional assessment is that the documents indicate the following:

- **International comparisons.** One internal document including analysis of operating expenditure to income ratios in a sample of countries indicates that the UK [redacted]. The UK is a large and important market for Visa, [redacted].
- **Past (UK) net revenue growth.** Visa has experienced net revenue growth in the UK between FY18 and FY22. Growth occurring between FY18 and FY20 in the UK (and Ireland) is [redacted].
- **Future (UK) net revenue growth.** [redacted].
- **Customer type.** Visa's net revenue in the UK (and Ireland) is primarily generated on the acquirer, rather than the issuer, side of its business [redacted].¹⁵⁴
- **Product type.** A relatively small, but increasing, proportion of net revenue is generated through [redacted].

3.30 Considering the above in the round, our provisional assessment is that Visa's internal documents indicate that [redacted]. The internal documents indicate that [redacted]. Visa's internal documents indicate that [redacted].

148 [redacted].

149 [redacted].

150 [redacted].

151 [redacted]. This document is first referenced in paragraph 3.5.

152 [redacted]. This document is first referenced in paragraph 3.8.

153 [redacted]. This document is first referenced in paragraph 3.3.

154 [redacted].

4 Glossary

Terms used in Mastercard's documents

- [X].
- [X].
- Gross Domestic Volume (GDV) is the total value of Mastercard payments in a relevant geographic area.
- Issuer Incentive Ratio (IIR) is the financial support provided to an issuer divided by the gross issuer fees paid by the issuer. [X].
- New Payment Platforms (NPP) is a Mastercard division dedicated to account-based payment solutions.
- [X].

Terms used in Visa's documents

- Payment volume (PV) is the total value of Visa payments made.¹⁵⁵
- Personal consumption expenditure (PCE) is a measure of consumer spending.
- New flows describe payment types outside of consumer payments, including peer-to-peer payments, government-to-consumer payments, business to business payments and business to consumer payments.¹⁵⁶
- Value added services (VAS) are optional services supplied by Visa.
- XB means cross-border.

155 See [Visa Inc. – Financials](#).

156 See [Visa Inc. – Business overview](#).

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