



Eligibility to be a MasterCard Customer

MasterCard welcomes additional risk-appropriate participants operating within the MasterCard Scheme. The following Assessment Criteria outline the considerations MasterCard will have in relation to the risk of participation by Scheme Applicants.

Any entity may apply to become a MasterCard Customer ("Scheme Applicant"). No entity may participate in Activity until that entity is approved to be a MasterCard Customer, has executed the applicable Licenses for the proposed Activity in a form acceptable to the Corporation, and has paid all associated fees and other costs. Scheme Applicants may be asked to take certain actions to mitigate risks during the initial or subsequent assessment process as a condition to granting or maintaining its MasterCard License. The licensing entity will be MasterCard Asia/Pacific Pte Ltd.

The applicant must be able to engage in the card business (or particular Activity being applied for) from a local regulatory perspective.

Assessment Criteria to be a MasterCard Customer

1. ANTI-MONEY LAUNDERING (AML)

Risk sought to be addressed:

- Money Laundering
- Terrorist Financing

A License application must be accompanied by affirmative evidence satisfactory to the Corporation that the applicant is in compliance with the MasterCard Anti-Money Laundering Program (the "AML Program").

The AML Program requires that each Scheme Applicant have policies, procedures, and controls in place to protect against the use of MasterCard systems for money laundering and terrorist financing. Such policies, procedures, and controls must apply to all Activity and include, at minimum, all of the following:

1. Thorough client identification
2. Thorough client due diligence

3. Record-keeping of such identification and due diligence
4. Appropriate limitations on anonymous activities
5. Client activity monitoring to detect suspicious activity
6. Steps to be taken when suspicious activity is detected
7. An audit process to test controls
8. Compliance with U.S. sanctions programs, which require that:
 - a. Each Cardholder, Merchant and agent is checked against the Specially Designated Nationals and Blocked Persons List (the "SDN List") issued by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), at the time the relationship is established and on an ongoing basis. Any Activity with a person or entity found to be on the SDN List is immediately terminated; and
 - b. No Activity is conducted in a country subject to OFAC sanctions programs that impact payment services, or with the government of such a country.

The Corporation has exclusive authority to determine at any time whether an applicant or a Customer is in compliance with the AML Program. Each applicant to be a Customer and each Customer must cooperate with the periodic reviews and any other efforts undertaken by the Corporation to evaluate such applicant's or Customer's compliance with the AML Program. As part of a periodic review, the Corporation may subject a Customer to enhanced due diligence procedures which may include on-site examinations and/or the use of a third party reviewer. Any such examination is at the expense of the Customer, and a copy of the examination results must be provided promptly to the Corporation upon request.

2. DATA SECURITY

Risks sought to be addressed:

- Unauthorised access to personal and commercial data
- Unauthorised use of personal and commercial data
- Fraud

Scheme Applicants must:

- i) be certified as Payment Card Industry/Data Security Standards (PCI/DSS) compliant for the activities subject to the license, or have agreed on a remediation plan with MasterCard to become PCI compliant within one year of being licensed, unless the Scheme Applicant does not process, transfer or store card or privacy data.
- ii) have a formal Business Continuity Program for emergency management, business recovery, disaster recovery, and pandemic events which is revised, updated and tested annually covering the activities subject to this license, or have agreed on a remediation plan with MasterCard to implement a compliant business continuity plan within one year of being licensed.

- iii) not have had an actual or suspected information security incident relating to cardholder data in the prior two years, or it has had an actual or suspected security breach and has shared those details with MasterCard's Sales Manager prior to applying for a license.
- iv) not have had an actual or suspected information security incident relating to personally identifiable information in the prior two years, or it has had an actual or suspected security breach and has shared those details with MasterCard's Sales Manager prior to applying for a license.

3. FINANCIAL CONSIDERATIONS

Risk sought to be addressed:

- Inability to settle 100% of transactions 100% of the time.
- Inability to satisfy all obligations associated with MasterCard transactions.
- Potential for insolvency.
- Reputational damage to MasterCard and its brand.

3.1 Qualitative

Qualitative factors to be reviewed may include:

- Management Strength – key man risk, earnings record, business strategy, succession plans, key management years with the company and in the industry.
- Corporate Governance- Independence and effectiveness of the board of directors, oversight of related party transactions, executive and director remuneration.
- Ownership – group structure/part of holding company, major shareholders and ownership percentage, any support agreements between parent/subsidiary (if applicable)
- Market share and identification of key competitors
- Geographical diversification

3.2 Quantitative

Assessment of an applicant should include assessment of key quantitative dimensions. In addition to ratio analysis, trends in financial performance should be identified and material variances reviewed.

The specific metrics reviewed may vary depending on the type of applicant e.g. financial institution versus commercial enterprise.

3.3 Capital

Capital metrics reviewed may include:

- Total Capital Ratio
- Tier 1 ratio
- Debt to Capital Ratio
- Tangible equity/tangible assets ratio
- Impaired loans less reserves for impaired loans/ equity
- Dividend policy

3.4 Asset Quality

Key asset quality metrics reviewed will depend on the type of applicant, and may include:

- Loan growth (annual)
- Net loans/total assets
- Impaired loans/gross loans
- Reserve for impaired loans/impaired loans
- Acquisition strategy

3.5 Earnings

Key earnings metrics reviewed may include:

- Net interest margin
- Revenue growth
- Gross Margin
- Operating Expense Margin
- EBITDA Margin Return on Average Assets
- Return on average equity

3.6 Liquidity

Key liquidity metrics reviewed may include:

- Loans/deposit ratio
- Interbank ratio
- Cash as a percentage of assets – Quick Ratio
- Operating Cash Flow
- EBITDA Coverage Ratio
- Debt Service Coverage Ratio
- Amount of available debt under open credit lines (Revolver, Lines of Credit, etc...)

3.7 Systemic or Related Party/Parent Support

Expectations of systemic support for financial institutions are based on factors including government policy on whether systemic support can be provided, ownership, role in executing government policy, size and importance in the domestic financial system.

The potential for parental or related party support may be assessed, based on the relationships between the customer and the other parties, and the relative importance of the potential participant to the related parties' overall business. A financial analysis of the related party providing support will be completed to warrant reliance upon such entity and their ability to provide financial support should it be necessary.

3.8 Industry

The analysis of the potential scheme participant's operating environment will take into account the following factors:

- Accounting practices and requirements
- Regulatory environment – standards on licensing, capital, asset quality and liquidity.
- Health of banking system (where appropriate) – systemic loan-deposit ratio, asset quality, capital trend. Fitch's macro-prudential indicator ('MPI').