

# Mastercard Clearing Management System - PFMI Disclosure Report by Mastercard Europe SA

## Responding Institution:

Mastercard Europe SA (Mastercard Europe)  
Registered office: Chaussée de Tervuren 198A, 1410 Waterloo, Belgium

## Jurisdiction(s) in which the FMI operates:

Mastercard Europe operates in the Europe Region through its subsidiaries, branches and representative offices established within the geographical divisions of the Europe Region.

## Authority(ies) regulating, supervising or overseeing the FMI:

The European Central Bank (ECB) and the National Bank of Belgium (NBB) are responsible for overseeing Mastercard Europe as the operator of the Mastercard Clearing Management System which has been designated as a Systemically Important Payment System (SIPS) in the Eurozone.

The date of this disclosure is 6 May 2021.

This disclosure can also be found at: <https://www.mastercard.com/europe/en/home.html>

For further information, please contact us at: <https://www.mastercard.us/en-us/personal/get-support/ask-mastercard-webform.html>.



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## Executive Summary

Mastercard is a technology group of companies in the global payments industry that connects consumers, financial institutions, merchants, governments, digital partners, businesses and other organizations worldwide, enabling them to use electronic forms of payment instead of cash and checks. Mastercard is a multi-rail network. Through its core global payments processing network, Mastercard facilitates the switching (authorization, clearing and settlement) of payment transactions and delivers related products and services for its customers.

Mastercard Europe SA (Mastercard Europe) is part of the Mastercard group of companies and is a wholly-owned subsidiary of Mastercard Incorporated, which is publicly traded on the New York Stock Exchange. Mastercard Europe operates in the Europe Region through its subsidiaries, branches and representative offices established within the geographical divisions of the Europe Region.

As a Mastercard Group company, Mastercard Europe has implemented a governance structure that benefits from the support and expertise of a global organization but has strong local empowerment within the Mastercard Europe Region.

Mastercard Europe's customers are mostly financial institutions and other entities that issue payment cards to cardholders (issuers) and/or acquire merchants to accept Mastercard-branded products and services (acquirers) as well as merchants, governments, payment service providers and other non-financial institutions (hereinafter referred to as customers). Mastercard Europe typically does not have any contractual relationships with cardholders.

Mastercard Europe's customers are bound by the Mastercard Standards, consisting of inter alia the License agreement, the Mastercard Rules, and other standards covering specific topics, e.g. clearing or settlement.

The purpose of this disclosure report is to provide a summary of Mastercard Europe's observance to the relevant Principles for Financial Market Infrastructures (PFMI), as set out by the Committee on Payments and Market Infrastructure (CPMI) and the International Organization of Securities Commissions (IOSCO).<sup>1</sup>

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<sup>1</sup> [https://www.bis.org/cpmi/info\\_pfmi.htm](https://www.bis.org/cpmi/info_pfmi.htm)



## Summary of major changes since the last update of the disclosure

This is the first publication of the PFMI Disclosure Report by Mastercard Europe. Summaries of any major changes from this update will be included in subsequent publications.



# General background on the FMI

## General description of the FMI and the markets it serves

Mastercard is a technology group of companies in the global payments industry that connects consumers, financial institutions, merchants, governments, digital partners, businesses and other organizations worldwide, enabling them to use electronic forms of payment instead of cash and checks.

Mastercard makes payments easier and more efficient by creating a wide range of payment scheme solutions and services through a family of well-known brands, such as Mastercard®, Maestro® and Cirrus®. Mastercard also provides value-added offerings such as safety and security products, information services and consulting, loyalty and reward programs as well as issuer and acquirer processing, gateway services and switching solutions (authorization, clearing and settlement).

Mastercard enables transactions for customers through its core network in more than 150 currencies and in more than 210 countries and territories. Mastercard Europe operates in the Europe Region through its subsidiaries, branches and representative offices established within the geographical divisions of the Europe Region covering the following countries and territories:

	EEA		EEA		Non-EEA		Non-EEA
1	Austria	16	Latvia	31	Albania	46	Russian Federation
2	Belgium	17	Liechtenstein	32	Andorra	47	San Marino
3	Bulgaria	18	Lithuania	33	Armenia	48	Serbia
4	Croatia	19	Luxembourg	34	Azerbaijan	49	Switzerland
5	Czech Republic	20	Malta	35	Belarus	50	Tajikistan
6	Denmark	21	The Netherlands	36	Bosnia-Herzegovina	51	Turkey
7	Estonia	22	Norway	37	Georgia	52	Turkmenistan
8	Finland	23	Poland	38	Israel	53	Ukraine
9	France	24	Portugal	39	Kazakhstan	54	United Kingdom
10	Germany	25	Cyprus	40	Kosovo	55	Uzbekistan
11	Greece	26	Romania	41	Kyrgyzstan		
12	Hungary	27	Slovakia	42	Macedonia		
13	Iceland	28	Slovenia	43	Moldova		
14	Ireland	29	Spain	44	Monaco		
15	Italy	30	Sweden	45	Montenegro		

## System design and operations

Mastercard's core network links issuers and acquirers around the globe to facilitate the switching of transactions, permitting account holders to use a Mastercard product at millions of acceptance locations worldwide. Our core network facilitates an efficient and secure means for receiving payments, a convenient, quick and secure payment method for consumers to access their funds and a channel for businesses to receive insight through information that is derived from our network.

Through our core network, we enable the routing of a transaction to the issuer for its approval, facilitate the exchange of financial transaction information between issuers and acquirers after a successfully conducted transaction, and help to settle the transaction by facilitating the exchange of funds between parties via settlement banks chosen by us and our customers.

Our core network features a globally integrated structure that provides scale for our issuers, enabling them to expand into regional and global markets. It is based largely on a distributed (peer-to-peer)



architecture with an intelligent edge that enables the network to adapt to the needs of each transaction. Our core network accomplishes this by performing intelligent routing and applying multiple value-added services (such as fraud scoring, tokenization services, etc.) to appropriate transactions in real time. Our core network's architecture enables us to connect all parties regardless of where or how the transaction is occurring. It has 24-hour a day availability and world-class response time.

## **General organization of the FMI**

### Company Organization

Mastercard Europe SA (Mastercard Europe) is a Belgian limited liability company, with Belgian enterprise number RPR 0448038446, having its registered office at 198/A, Chaussée de Tervuren, 1410 Waterloo, Belgium. Mastercard Europe is part of the Mastercard group of companies and is a wholly-owned subsidiary of Mastercard Incorporated, which is publicly traded on the New York Stock Exchange.

Since 9 June 2016, in compliance with Article 7 of the EU Interchange Fee Regulation<sup>2</sup>, Mastercard Europe has separated its scheme business (internally defined as "EEA Scheme"<sup>3</sup>) from its processing business (internally defined as "EEA Switch"<sup>4</sup>) in terms of accounting, organization and decision-making process (functional separation).

### Management Structure

The management of Mastercard Europe is composed of representatives of each business function and representatives of the geographical divisions (e.g. Country Managers, Divisional Presidents, etc.). In compliance with the scheme and processing separation requirements under the EU Interchange Fee Regulation, the Mastercard Europe management has separate representatives for its EEA Scheme and EEA Switch operating independently from each other and with different reporting lines. The responsibility of Mastercard Europe's senior management is to implement the long-term strategy defined by the Mastercard Europe Board and define the specific business needs and strategies to achieve the set objectives.

### Governance arrangements

As a Mastercard Group company, Mastercard Europe has implemented a governance structure that benefits from the support and expertise of a global organization but has strong local empowerment within the Mastercard Europe Region, supporting stakeholder stability objectives for local economies.

Mastercard Europe maintains a robust and transparent governance structure, based on effective governance at the Mastercard Europe Board<sup>5</sup> level and Board committees' level as well as internal divisional/business units governance. The governance arrangements of Mastercard Europe are laid down in its Articles of Association which are published in the Belgian Gazette ("Belgisch Staatsblad – Moniteur Belge") as well as the Mastercard Europe Terms of Reference.

The Mastercard Europe Board has the broadest powers to manage Mastercard Europe's affairs, to adopt all acts necessary or useful for the realization of Mastercard Europe's interest, and to represent Mastercard Europe except to the extent provided otherwise by applicable law and the Articles of

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<sup>2</sup> Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions.

<sup>3</sup> Mastercard Europe's business division entrusted with management of Mastercard Europe's scheme business in the EEA, in accordance with the EU Interchange Fee Regulation.

<sup>4</sup> Mastercard Europe's business division entrusted with management of Mastercard Europe's processing business in the EEA, in accordance with the EU Interchange Fee Regulation.

<sup>5</sup> Board of directors of Mastercard Europe SA.



Association. The role of the Board is to pursue the long-term success of Mastercard Europe by providing entrepreneurial leadership and enabling risks to be assessed and managed. The composition of the Mastercard Europe Board and Leadership team are published on the Mastercard Europe website at <https://www.mastercard.com/europe/en/home.html>.

The Mastercard Europe Board has set up two specialized committees and delegated specific tasks to those committees. The Board determines the terms of reference of each committee with respect to the organization, procedures, policies, and activities of each committee. The Board also delegates special and well-delineated powers to natural persons of their choice in order to facilitate day to day business continuity.

EEA Switching Committee: Article 7 of the EU Interchange Fee Regulation requires a separation of the payment card scheme and processing business in that payment card scheme and processing businesses have to be independent in terms of accounting, organization and decision-making process.

In order to implement these requirements, the Mastercard Europe Board has set up the EEA Switching Committee, as a sub-committee to the Board, empowered with (i) overseeing the EEA Switch business strategy, pricing, operations, and related risks; as well as (ii) addressing customer-specific product/service requirements.

Payments Network Committee: The Mastercard Europe Board has set up the Payments Network Committee, as a sub-committee to the Board. The Committee's focus is on the objectives of the Payments Network, including its reliability, availability, resilience, security and financial stability. Payments Network refers to critical payments network services provided under legal contract by Mastercard Europe (or its subsidiaries) to its customers that enable Mastercard Europe's multi-rail strategy.

## **Legal and regulatory framework**

Mastercard Europe is established under the Belgian Companies and Associations Code.

Mastercard Europe's customers are mostly financial institutions and other entities that issue payment cards to cardholders (issuers) and/or acquire merchants to accept Mastercard-branded products and services (acquirers) as well as merchants, governments, payment service providers and other non-financial institutions (hereinafter referred to as customers). Mastercard Europe typically does not have any contractual relationships with cardholders.

Mastercard Europe's customers are bound by the Mastercard Standards, consisting of inter alia the License agreement, the Mastercard Rules, and further standards covering specific topics, e.g. clearing or settlement.

With its decision of 4 May 2020, the ECB designated the Mastercard Clearing Management System as a Systemically Important Payment System (SIPS) in the Eurozone with Mastercard Europe as the SIPS operator.

Payments legislation and regulatory requirements in the legal system governing Mastercard Europe in the Eurozone include:

- ECB SIPS Regulation
- EU Interchange Fee Regulation
- ECB Oversight Standards for Card Payment Schemes
- EU Funds Transfer Regulation
- EU General Data Protection Regulation
- EU Regulation on Cross-border Payments



National legislation that relates to the electronic processing of payments includes:

- The Belgian implementation of Payment Services Directive 2 (PSD2)
- The Belgian implementation of the Anti-Money Laundering Directive
- The Belgian implementation of the Electronic Money Directive
- Belgian law on payment processors
- Dutch Financial Supervision Act





## Scope

This disclosure report has been conducted in relation to Mastercard Europe's operations. Not all PFMI are relevant for Mastercard Europe. Given Mastercard Europe operates a payment system, the following principles were not assessed:

- Principle 6: Margin
- Principle 10: Physical deliveries
- Principle 11: Central securities depositories
- Principle 14: Segregation and portability
- Principle 20: FMI links
- Principle 24: Disclosure of market data by trade repositories

In addition, Principle 12 Exchange-of-value Settlement systems-applies only to FMIs that settle transactions that involve the settlement of two linked obligations. Mastercard Europe does not settle these types of transactions. Therefore, Principle 12 does not apply to Mastercard Europe.

All other principles were assessed.



## Principle-by-principle summary narrative disclosure

PFMI Principle/ SIPS Regulation Article	Approach to observing the Principle
<p><b>Principle 1: Legal basis (SIPS Article 3)</b></p> <p><i>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</i></p>	<p>Mastercard Europe SA (Mastercard Europe) is a Belgian limited liability company. It is part of the Mastercard group of companies and is a wholly-owned subsidiary of Mastercard Incorporated, which is publicly traded on the New York Stock Exchange.</p> <p>Via license agreements, Mastercard Europe's customers are bound by a set of rules that govern the functioning of the payment system. This set of rules is clear and transparent with respect to rights and obligations. Mastercard Europe has obtained legal opinions to confirm the high degree of legal certainty for each material aspect of its activities in all relevant jurisdictions.</p> <p>All organizational and contractual matters are covered with rigor and appropriate resourcing, including the use of external advisors where appropriate.</p>
<p><b>Principle 2: Governance (SIPS Article 4)</b></p> <p><i>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</i></p>	<p>Mastercard as a whole, and Mastercard Europe specifically, fulfills its commitment to safety, efficiency and stability, in part, through its governance structure including policies and processes. As a Mastercard Group company, Mastercard Europe has implemented a governance structure that benefits from the support and expertise of a global organisation but has strong local empowerment within the Europe Region, supporting stakeholder stability objectives for local economies.</p> <p>More specifically, the governance arrangements of Mastercard Europe are laid down in its Articles of Association as well as the Mastercard Europe Terms of Reference, and subject to the Belgian Code on Companies and Associations. The Articles of Association determine the process via which the Mastercard Europe Board members are appointed, the general organizational structure of Mastercard Europe and decision-making procedures for the Board. Further, the Mastercard Europe Terms of Reference provide for a detailed overview of the governance arrangements, including the role and functioning of the Board and its committees as well as the management of conflicts of interest.</p> <p>The Mastercard Europe Board has established clear strategic aims for Mastercard Europe and places a high priority on the safety and efficiency of Mastercard Europe and its payments network. Moreover, the Board supports financial stability and ensures that any other public interest considerations it deems relevant are appropriately taken into account, in particular when taking major decisions affecting Mastercard Europe's technical and functional setup, rules, and overall strategy. It is composed of non-executive directors, executive directors, and independent non-executive directors.</p>

	<p>The Mastercard Europe Board delegates specific tasks to the specialized Board committees which have been set up. The respective Terms of Reference of each Board committee details the expected roles and responsibilities for that committee.</p> <p>The Mastercard Europe Board oversees a comprehensive framework that facilitates management of key risks faced across its business. Mastercard Europe's risk appetite statement and risk taxonomy align with the risks that the company faces. Risk management processes are resourced using a Three Lines of Defense model to own and manage, monitor compliance, and provide independent assurance over risks. As the 'Third Line of Defence', Mastercard's Internal Audit Function provides independent and objective assurance over risk management, internal controls, and governance processes.</p> <p>All of the corporate details of Mastercard Europe are published in the Crossroads database of corporate entities. This includes an overview of the shareholding of Mastercard Europe and the composition of the Mastercard Europe Board. The Articles of Association are published in the Belgian Gazette.</p>
<p><b>Principle 3: Framework for the comprehensive management of risks (SIPS Article 5)</b></p> <p><i>An FMI should have a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</i></p>	<p>Mastercard Europe has an established enterprise risk management framework that is intended comprehensively to identify, assess, treat, monitor, report and escalate the risks inherent to Mastercard Europe's payment network or posed to the network by its customers and critical service providers. In addition to a risk appetite statement, risk taxonomy, and an enterprise risk management policy, a number of specific policies govern the management of legal, credit, liquidity, operational and other risks.</p> <p>Risk identification is accomplished through periodic risk assessments and monitoring activities performed by key first and second-line functions at the enterprise, process, product or program level. In line with the Three Lines of Defence model, risk monitoring, compliance and audit activities are independent from day-to-day operation functions.</p> <p>Mastercard Europe employs scenario planning to identify risks that may prevent it from providing critical operations and services in the Eurozone and has developed detailed response plans to address the most likely scenarios. Mastercard Europe incorporates scenario planning into its capital, recovery, and wind-down planning. In addition, scenario planning is a key component of Mastercard Europe's enterprise resilience program, which covers business continuity, crisis management, technical recovery, and disaster recovery.</p> <p>Mastercard's Rules and Standards define minimum expectations of customers and other payments network participants and establish the appropriate incentives for the management of risk across the network.</p> <p>To identify, measure, and manage the risks associated with third party dependencies, the Mastercard Group has a comprehensive, global Third-Party Risk Management program and function. The program covers information security, enterprise resilience / business continuity, data privacy, legal and regulatory compliance, and financial risks.</p>
<p><b>Principle 4: Credit risk (SIPS Article 6)</b></p>	<p>Under the Mastercard Rules, Mastercard International Incorporated guarantees settlement of amounts due to customers in the event one or more other customers fail to settle with the network (the "Settlement Guarantee"). While the term</p>

<p><i>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.</i></p>	<p>and amount of the guarantee are unlimited, the duration of settlement exposure is short term and typically limited to a few days.</p> <p>Mastercard has global risk management policies and procedures, which include risk standards, to provide a framework for managing the company's credit risk and exposure. In the event of a failed customer, Mastercard may pursue one or more remedies available under the company's rules to recover potential losses, including the liquidation of any collateral. Historically, Mastercard has experienced a low level of losses from customer failures.</p>
<p><b>Principle 5: Collateral (SIPS Article 7)</b></p> <p><i>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</i></p>	<p>Mastercard requires certain customers to post collateral, such as cash or letters of credit. This requirement is based on a review of the individual risk circumstances for each customer. Collateral which is accepted has low credit, liquidity and market risks.</p> <p>Mastercard monitors its credit risk portfolio on a regular basis and the adequacy of collateral on hand. Concentration limits are in place and are duly monitored.</p>
<p><b>Principle 7: Liquidity risk (SIPS Article 8)</b></p> <p><i>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</i></p>	<p>Mastercard International Incorporated management is responsible for defining and implementing a liquidity risk management strategy in accordance with the company's risk tolerance. The strategy includes guidelines for managing both short and long-term liquidity requirements. The company maintains sufficient financial resources to cover its liquidity and capital requirements and conducts stress tests both at the Mastercard International and Mastercard Europe levels to ensure its liquidity and capital resources are sufficient to cover market risks resulting from extreme but plausible scenarios.</p> <p>The company's liquidity resources include operating cash flow, cash held in deposits, money market funds, and short term, highly-liquid, highly-rated fixed income securities, and committed credit facilities from a diversified set of highly-rated financial institutions. The company also maintains relationships with a broad set of highly-rated foreign exchange providers to ensure availability of foreign currency liquidity as required.</p>
<p><b>Principle 8: Settlement finality (SIPS Article 9)</b></p>	<p>Mastercard operates a deferred net settlement system on a batch processing basis; it does not operate on a real time settlement basis.</p>

<p><i>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</i></p>	<p>Mastercard instructs the settlement agent to transfer funds to customers in a net receipt position (acquirers) on the value date indicated on the settlement advisement. These payments are categorized as urgent to ensure the highest prioritization for processing and settlement.</p>
<p><b>Principle 9: Money settlements (SIPS Article 10)</b></p> <p><i>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.</i></p>	<p>Mastercard settles using central bank accounts where possible and practical. In some circumstances, commercial banks need to be used as neither Mastercard nor its customers have direct access to all relevant central bank accounts or it is not practical to use central bank accounts due to the cross-border nature of a settlement service. Where it is not possible or practical to effect settlement using central bank money, settlement is made using settlement agents selected on the basis of their credit standing, security and operational effectiveness. This is to minimize credit and liquidity risk. Commercial banks are regularly reviewed and monitored for their continued creditworthiness and operational effectiveness.</p>
<p><b>Principle 13: Participant-default rules and procedures (SIPS Article 12)</b></p> <p><i>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</i></p>	<p>The rules relating to participant default are contained in the Mastercard Rules, which are publicly available.</p> <p>Mastercard monitors customers to continually assess the risk the customer poses to the network, and what, if any, measures should be put in place to mitigate the risk. In some instances, a customer may be subject to a license suspension and/or termination because the risk is deemed too significant to be effectively mitigated, or there may be a prohibition from conducting business with certain customers based on government measures.</p>
<p><b>Principle 15: General business risk (SIPS Article 13 )</b></p> <p><i>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net</i></p>	<p>Mastercard implements controls as a means to identify and manage risks, including reviewing strategy, business performance and forecasts that could impact its ability to remain a going concern. Mastercard's Risk Taxonomy identifies potential sources of general business risk.</p> <p>Mastercard Europe has Capital &amp; Recovery and Wind-down Plans for its operations in the Eurozone that evaluate several stress scenarios and the potential effects on its liquidity and capital positions.</p> <p>Principle 15 requires that the FMI holds sufficient liquid net assets ("LNA") funded by equity to cover potential general business losses. Mastercard Europe monitors LNA against benchmarks to ensure it maintains sufficient capital funded by liquid net assets and has identified capital recovery mechanisms within a Capital &amp; Recovery Plan. In the unlikely event</p>

<p><i>assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</i></p>	<p>LNA levels cannot be recovered, an orderly wind-down of Mastercard Europe’s critical operations is outlined within a Wind-down Plan.</p>
<p><b>Principle 16: Custody and investment risks (SIPS Article 14)</b></p> <p><i>An FMI should safeguard its own and its participants’ assets and minimise the risk of loss on and delay in access to these assets. An FMI’s investments should be in instruments with minimal credit, market, and liquidity risks.</i></p>	<p>Mastercard safeguards its assets by selecting custodians using several factors including the regulatory environment, credit agency ratings, operational infrastructure, control environment, and global reach. Mastercard further assesses financial exposure to custodian banks across all lines of business, including, but not limited to cash deposits, securities owned, collateral balances, and settlement exposure.</p> <p>Mastercard may require customers to post collateral. One commonly employed type of collateral is a cash deposit. Customers’ cash deposits are held in accounts opened in the name of Mastercard at selected banks; for European customers, the custodian banks used for this purpose are located either in the United Kingdom or the United States. They are substantial, investment-grade rated institutions, subject to rigorous supervision and regulation. Cash collateral held on behalf of customers is available to Mastercard at sight.</p> <p>For corporate investments, Mastercard selects custodians that are highly regulated financial institutions with significant and long-standing expertise in providing custody services, a diversified global client base, and significant assets under custody. All investments held in custody are in Mastercard’s name and Mastercard has full legal access to the securities.</p> <p>The majority of Mastercard’s monetary assets are held in cash or money market funds. Some cash may be held in deposits. Fixed income securities are not a significant portion of overall liquidity and are limited to high quality, investment grade, and highly liquid fixed income securities.</p>
<p><b>Principle 17: Operational risk (SIPS Article 15)</b></p> <p><i>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI’s obligations, including in the event of a wide-scale or major disruption.</i></p>	<p>Mastercard’s Risk Taxonomy identifies potential sources of operational risk. Risks are mitigated through various policies, including:</p> <ul style="list-style-type: none"> <li>• The Technology Policy which is intended to ensure the continuous and reliable operation of the network.</li> <li>• The Enterprise Resilience Policy, which defines how Mastercard ensures continuity of critical business processes if a major event occurs. If there is a disruption, Mastercard has 24/7 monitoring through the Security Operations Centre to ensure a timely response and recovery actions are taken to enable the resumption of services. Business Continuity Plans form a vital element of this policy and are tested and reviewed regularly.</li> </ul>

<p><b>Principle 18: Access and participation requirements (SIPS Article 16)</b></p> <p><i>An FMI should have objective, risk based, and publicly disclosed criteria for participation, which permit fair and open access.</i></p>	<p>Mastercard has non-discriminatory access and participation criteria for direct and where relevant, indirect participants.</p> <p>Eligibility requirements to become a customer are in Chapter 1 of the Mastercard Rules, which is dedicated to participation in the Mastercard scheme and are publicly available on the Mastercard website.</p> <p>These criteria and requirements reflect matters key to the ongoing safety and efficiency of the network. For example, all applicants must demonstrate they are in compliance with the Mastercard Anti-Money Laundering Program and satisfy minimum financial requirements.</p>
<p><b>Principle 19: Tiered participation arrangements (SIPS Article 17)</b></p> <p><i>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</i></p>	<p>Mastercard offers "Indirect Participation" to its (prospective) customers by the means of becoming a so-called Affiliate License holder. An Affiliate is defined as "A Customer that participates indirectly in Activity through the Sponsorship of a Principal or, solely with respect to Mastercard Activity, through the Sponsorship of an Association".</p> <p>An Affiliate, like any other Mastercard customer, is at all times entirely responsible for and in control of all aspects of its Activities, and the establishment and enforcement of all management and operating policies applicable to its Activities, in accordance with the Mastercard Standards.</p> <p>Mastercard gathers information about indirect participation at the onboarding stage as well as throughout the lifecycle of the customer, allowing Mastercard to identify, monitor and manage risks related to participation in the Mastercard scheme.</p> <p>How Mastercard evaluates the risks arising from tiered participation is embedded in the Mastercard Rules, which are applicable to all customers, including direct and indirect participants, and provide clear guidance in terms of roles and responsibilities of each participant.</p>
<p><b>Principle 21: Efficiency and effectiveness (SIPS Article 18)</b></p> <p><i>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</i></p>	<p>Mastercard is able to meet the needs of its customers by enabling card payments on behalf of issuers and acquirers through the global acceptance promise, whilst maintaining the highest security standards. Mastercard continues to strive for network efficiency and capability.</p> <p>A prospective customer can apply to become either a Principle or an Affiliate customer, depending on their specific needs. Customer and market needs are met through continuous customer engagement via the Global Customer Care team, as well as through regional and local events. Customers also have access to the Mastercard Academy, a powerful online learning platform to help understand Mastercard solutions and the latest payment trends.</p>
<p><b>Principle 22: Communication procedures and standards (SIPS Article 19)</b></p>	<p>The Mastercard network makes use of internationally accepted communications procedures and standards in order to facilitate efficient payment, clearing, settlement and recording. Mastercard uses the same operational procedures globally.</p>

<p><i>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</i></p>	<p>Message formats are based on ISO Standards and Mastercard recommends the use of the International Bank Account Number (IBAN)-based bank account number structure for effective cross-border payments for all settlement services, in addition to where it has been mandated by the European Union.</p>
<p><b>Principle 23: Disclosure of rules, key procedures, and market data (SIPS Article 20)</b></p> <p><i>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</i></p>	<p>Mastercard is dedicated to making payments safe, simple and smart. For that purpose Mastercard has developed a set of standards ("the Standards") that provide customers with clear direction as to their responsibilities. The Standards include the information contained in the Mastercard Rules and other manuals, along with guides, bulletins and policies that may be updated from time to time.</p> <p>The Standards enable growth for Mastercard and for customers while ensuring integrity and reliability. They are developed under a set of principles that guide Mastercard in its actions and provide a framework under which we operate.</p> <p>The Standards include:</p> <ul style="list-style-type: none"> <li>• Mastercard Rules</li> <li>• Mastercard Switch Rules</li> <li>• Transaction Processing Rules</li> <li>• Customer Interface Specifications</li> <li>• Integrated Product Messages (IPM) Clearing Formats</li> <li>• Security Rules and Procedures Manual</li> <li>• Global Clearing Management System (GCMS) Reference Manual</li> <li>• Settlement Manual</li> <li>• Quick Reference Booklet</li> </ul> <p>The Standards are available to customers through a secured platform called "Mastercard Connect". The Standards are also available on request to prospective applicants.</p> <p>The Mastercard Rules, the Mastercard Switch Rules, the Chargeback Guide, the Transaction Processing Rules, the Security Rules and the Procedures - Merchant Edition are publicly disclosed on Mastercard's website.</p> <p>Mastercard provides all necessary and appropriate documentation and training (mainly via the Mastercard Academy) to facilitate customers' understanding of its rules and procedures and the risks they face from participating in Mastercard's activities.</p> <p>Mastercard issues bulletins (providing sufficient notice of several months) to its customers in which changes to the Standards (including services and fees) are mentioned.</p>



## List of publicly available resources

- Mastercard website - <https://www.mastercard.com/global.html>
- Mastercard Europe website – <https://www.mastercard.com/europe/en/home.html>
- Mastercard Code of Conduct - <https://investor.mastercard.com/corporate-governance/policies-and-reports/default.aspx>
- European Addendum to Mastercard Code of Conduct Separation of Switch and Scheme – <https://www.mastercard.com/content/dam/public/mastercardcom/eu/europe-ffi/regulatoryimagesandall/01cocaddendum.pdf>
- Mastercard Rules – <https://www.mastercard.us/content/dam/mccom/global/documents/mastercard-rules.pdf>
- Mastercard Switch Rules – <https://www.mastercard.us/content/dam/mccom/global/documents/mastercard-switch-rules-manual.pdf>
- Mastercard Transaction Processing Rules - <https://www.mastercard.us/content/dam/mccom/global/documents/transaction-processing-rules.pdf>
- European Central Bank website - <https://www.ecb.europa.eu>
- National Bank of Belgium website - <https://www.nbb.be/en>
- Belgian Gazette ("Belgisch Staatsblad – Moniteur Belge") website - [http://www.ejustice.just.fgov.be/cgj\\_tsv/tsv.pl](http://www.ejustice.just.fgov.be/cgj_tsv/tsv.pl)
- Principles for Financial Market Infrastructures (PFMI) - [https://www.bis.org/cpmi/info\\_pfmi.htm](https://www.bis.org/cpmi/info_pfmi.htm)

