MASTERCARD INC
Form 10-K
February 18, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-32877

MasterCard Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**13-4172551**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2000 Purchase Street, Purchase, New York	**10577**
(Address of Registrant s principal executive offices)	**(zip code)**

Registrant s telephone number, including area code (914) 249-2000

Securities registered pursuant to Section 12(b):

Title of each Class	**Name of each exchange on which registered**
Class A common stock, par value $.0001 per share	**New York Stock Exchange**
Class B common stock, par value $.0001 per share	
Class M common stock, par value $.0001 per share	

Securities registered pursuant to Section 12(g):

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨
		(do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

The aggregate market value of the registrant s Class A common stock, par value $.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2009, the last business day of the registrant s most recently completed second fiscal quarter) was approximately $19.5 billion. There is currently no established public trading market for the registrant s Class B common stock, par value $.0001 per share, or the registrant s Class M common stock, par value $.0001 per share. As of February 11, 2010, there were 110,441,542 shares outstanding of the registrant s Class A common stock, par value $.0001 per share, 19,977,657 shares outstanding of the registrant s Class B common stock, par value $.0001 per share, and 1,846 shares outstanding of the registrant s Class M common stock, par value $.0001 per share.

The information required to be included in Part III of this Annual Report on Form 10-K will be provided in accordance with Instruction G(3) to Form 10-K no later than April 30, 2010.

Table of Contents

MASTERCARD INCORPORATED

FISCAL YEAR 2009 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

Table of Contents

Forward-Looking Statements

This Report on Form 10-K contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. When used in this Report, the words believe, expect, could, may, would , will and similar words are intended to iden forward-looking statements. These forward-looking statements relate to the Company s future prospects, developments and business strategies and include, without limitation, the Company s belief in the continuing trend from paper-based forms of payment toward electronic forms of payment and its ability to drive growth by: further penetrating its existing customer base and by expanding its role in targeted geographies and higher-growth segments of the global payments industry, pursuing domestic processing opportunities throughout the world and building relationships to expand such opportunities, enhancing its relationships with merchants, expanding points of acceptance for its brands, seeking to maintain unsurpassed acceptance and continuing to invest in its brands, pursuing incremental payment opportunities throughout the world, increasing its volume of business with customers over time, expanding its processing capabilities in the payment value chain (including continuing to develop opportunities to further enhance its Integrated Processing Solutions (IPS) offerings and expanding capabilities through the development of strategic alliances), maintaining a strong business presence in Europe as well as effectively positioning the business as the Single European Payment Area (SEPA) initiative creates a more open and competitive payment market in many European countries and increasing global MasterCard brand awareness preference and usage through integrated advertising, sponsorship and related activities on a global scale. Many factors and uncertainties relating to our operations and business environment, all of which are difficult to predict and many of which are outside of our control, influence whether any forward-looking statements can or will be achieved. Any one of those factors could cause our actual results to differ materially from those expressed or implied in writing in any forward-looking statements made by MasterCard or on its behalf. We believe there are certain risk factors that are important to our business, and these could cause actual results to differ from our expectations. Please see a complete discussion of these risk factors in Part I, Item 1A Risk Factors.

In this Report, references to the Company, MasterCard, we, us or our refer to the MasterCard brand generally, and to the business conducted MasterCard Incorporated and its consolidated subsidiaries, including our principal operating subsidiary, MasterCard International Incorporated (d/b/a MasterCard Worldwide).

Item 1. ***Business***

Overview

MasterCard is a leading global payment solutions company that provides a variety of services in support of the credit, debit and related payment programs of approximately 23,000 financial institutions and other entities that are our customers. Through our three-tiered business model as franchisor, processor and advisor, we develop and market payment solutions, process payment transactions, and provide support services to our customers and, depending upon the service, to merchants and other clients. We manage a family of well-known, widely accepted payment card brands, including MasterCard®, MasterCard Electronic , Maestro® and Cirrus®, which we license to our customers. As part of managing these brands, we also establish and enforce rules and standards surrounding the use of our payment card network. MasterCard generates revenue by charging fees to our customers for providing transaction processing and other payment-related services and assessing our customers based on the dollar volume of activity on the cards that carry our brands.

A typical transaction processed over our network involves four parties in addition to us: the cardholder, the merchant, the issuer (the cardholder s bank) and the acquirer (the merchant s bank). Consequently, the payment network we operate supports what is often referred to as a four-party payment system. Our customers are the financial institutions and other entities that act as issuers and acquirers. Using our transaction processing services, issuers and acquirers facilitate payment transactions between cardholders and merchants throughout the world, providing merchants with an efficient and secure means of receiving payment, and consumers and businesses with a convenient, quick and secure payment method that is accepted worldwide. We guarantee the settlement of many of these transactions among our customers to ensure the integrity of our payment network. In addition, we undertake a variety of marketing activities designed to maintain and enhance the value of our brands. However, cardholder and merchant transaction relationships are managed principally by our customers.

Table of Contents

Accordingly, we do not issue cards, extend credit to cardholders, determine the interest rates (if applicable) or other fees charged to cardholders by issuers, or establish the merchant discount charged by acquirers in connection with the acceptance of cards that carry our brands.

Our business has a global reach and has continued to experience growth. In 2009, we processed 22.4 billion transactions, a 6.9% increase over the number of transactions processed in 2008. Gross dollar volume (GDV) on cards carrying the MasterCard brand as reported by our customers was approximately $2.5 trillion in 2009, a 3.3% decrease in U.S. dollar terms and a 1.4% increase in local currency terms over the GDV reported in 2008.

We believe the trend within the global payments industry from paper-based forms of payment, such as cash and checks, toward electronic forms of payment, such as payment card transactions, creates significant opportunities for the growth of our business over the longer term. Our strategy is to continue to grow by further penetrating our existing customer base and by expanding our role in targeted geographies and higher growth segments of the global payments industry (such as premium/affluent, quick-service/low value, commercial/small business, debit, prepaid and issuer and acquirer processor services), pursuing domestic processing opportunities throughout the world, enhancing our merchant relationships, expanding points of acceptance for our brands, seeking to maintain unsurpassed acceptance and continuing to invest in our brands. We also intend to pursue incremental payment processing opportunities throughout the world. We are committed to providing our customers with coordinated services through integrated and dedicated account teams in a manner that allows us to capitalize on our expertise in payment programs, marketing, product development, technology, processing and consulting and information services for these customers. By investing in strong customer relationships over the long term, we believe that we can increase our volume of business with customers over time.

We operate in a dynamic and rapidly evolving legal and regulatory environment. In recent years, we have faced heightened regulatory scrutiny and other legal challenges, particularly with respect to interchange fees. Interchange fees, which represent a sharing of payment system costs among acquirers and issuers, have been the subject of increased regulatory and legislative scrutiny, as well as litigation, as card-based forms of payment have become relatively more important to local economies. Although we establish certain interchange rates and collect and remit interchange fees on behalf of our customers, we do not earn revenues from interchange fees. However, if issuers were unable to collect interchange fees or were to receive reduced interchange fees, we may experience a reduction in the number of customers willing to participate in a four-party payment card system such as ours and/or a reduction in the rate of number of cards issued, as well as lower overall transaction volumes. Proprietary end-to-end networks or other forms of payment may also become more attractive. Issuers might also decide to charge higher fees to cardholders, thereby making our card programs less desirable and reducing our transaction volumes and profitability. They also might attempt to decrease the expense of their card programs by seeking a reduction in the fees that we charge. In addition to those challenges relating to interchange fees, we are also exposed to a variety of significant lawsuits and regulatory actions, including federal antitrust claims, and claims under state unfair competition statutes. See Risk Factors Legal and Regulatory Risks in Part I, Item 1A.

MasterCard Incorporated was incorporated as a Delaware stock corporation in May 2001. We conduct our business principally through MasterCard Incorporated s principal operating subsidiary, MasterCard International Incorporated (MasterCard International), a Delaware non-stock (or membership) corporation that was formed in November 1966. Our customers are generally either principal members of MasterCard International, which participate directly in MasterCard International s business, or affiliate members of MasterCard International, which participate indirectly in MasterCard International s business through a principal member. In May 2006, we completed a plan for a new ownership and governance structure for MasterCard Incorporated (including an initial public offering of a new class of common stock (the IPO)), which we refer to as the ownership and governance transactions and which included the appointment of a new Board of Directors comprised of a majority of directors who are independent from our customers. For more information about our capital structure, voting rights of our common stock, repurchases of our Class A common stock and conversions of shares of our Class B common stock into shares of our voting Class A common stock, see Note 16 (Stockholders Equity) to the consolidated financial statements included in Part II, Item 8.

Table of Contents

Our Industry

We operate in the global payments industry, which consists of all forms of payment including:

Paper cash, personal checks, money orders, official checks, travelers checks and other paper-based means of transferring value;

Cards credit cards, charge cards, debit cards (including Automated Teller Machine (ATM) cards), pre-paid cards and other types of cards; and

Emerging and Other Forms of Payment wire transfers, electronic benefits transfers, bill payments, Automated Clearing House payments and payments using mobile devices, among others.

The most common card-based forms of payment are general purpose cards, which are payment cards carrying logos that permit widespread usage of the cards within countries, regions or around the world. General purpose cards have different attributes depending on the type of accounts to which they are linked:

pay later cards, such as credit or charge cards, typically access a credit account that either requires payment of the full balance within a specified period (a charge card) or that permits the cardholder to carry a balance in a revolving credit account (a credit card);

pay now cards, such as debit cards, typically access a demand deposit or current account maintained by the cardholder; and

pay before cards, such as prepaid or electronic purse cards, typically access a pool of value previously funded.

Generally, card-based forms of payment involve two types of transactions (depending on the type of card being used): transactions that typically require the cardholder s signature, which are referred to as offline transactions; and transactions that require the cardholder to use a personal identification number (PIN) for verification, which are typically referred to as online transactions. Some purchase transactions outside of the United States, such as those made using cards equipped with a chip, can be PIN-authenticated but are considered offline transactions. In addition, some payment cards are equipped with an RFID (radio frequency identification) microchip, which provides an advanced authentication technique, and technology which allows contactless payments requiring neither signature nor PIN. Many merchants no longer require a signature for low value purchases, and there is no PIN or signature on Internet or other card-not-present transactions. Such transactions are still considered, however, to be offline transactions.

The primary general purpose card brands include MasterCard, Visa®, American Express®, JCB®, Diners Club® and Discover®. Historically, these brands including MasterCard were principally associated with pay later (credit or charge) cards in the United States and other major markets around the world. Today, MasterCard (as well as Visa and others) may issue cards in the pay now and pay before categories as well.

Pay Now cards may be further categorized into several sub-segments:

Signature-based debit cards are cards for which the primary means of cardholder validation at the point of sale is for the cardholder to sign a sales receipt (other than circumstances where an actual signature is not necessary). MasterCard and Visa-branded cards constitute the majority of signature-based debit cards.

PIN-based debit cards are cards with which cardholders generally enter a PIN at a point-of-sale terminal for validation. PIN-based debit card brands include our Maestro brand and Visa s brands. The MasterCard brand also functions as a PIN-based debit brand in the United States.

Cash access cards are cards which permit cardholders to obtain cash principally at ATMs by entering a PIN. The primary global cash access card brands are our Cirrus brand and Visa s Plus® brand.

Table of Contents

Regional and domestic/local PIN-based debit brands are the primary brands in many countries. In these markets, issuers have historically relied on the Maestro and Cirrus brands (and other brands) to enable cross-border transactions, which typically constitute a small portion of the overall number of transactions.

In addition to general purpose cards, private label cards comprise a portion of all card-based forms of payment. Typically, private label cards are pay later cards issued by, or on behalf of, a merchant (such as a department store or gasoline retailer) and can be used only at the issuing merchant s locations.

Payment Services and Solutions

We provide transaction processing and other payment-related services to our customers. We also offer a wide range of payment solutions to enable our customers to design, package and implement programs targeted to the specific needs of their customers (which include cardholders and commercial clients). We deploy customer relationship management teams to our customers to provide them with customized solutions built upon our expertise in payment programs, marketing, product development, payment processing technology and consulting and information services. We also manage and promote our brands for the benefit of all customers through brand advertising, promotional and interactive programs and sponsorship initiatives.

We generate revenues from the fees we charge our customers for providing transaction processing and other payment-related services. We also earn revenues by charging our customers assessments based on the GDV of activity on the cards that carry our brands. Accordingly, our revenues are impacted by the number of transactions that we process and by the use of cards carrying our brands.

Transaction Processing

Introduction. We operate the MasterCard Worldwide Network, which links issuers and acquirers around the globe for transaction processing services and, through them, permits MasterCard cardholders to use their cards at millions of merchants worldwide. A typical transaction processed over our network involves four participants in addition to us: cardholder, merchant, issuer (the cardholder s bank) and acquirer (the merchant s bank). The following diagram depicts a typical point-of-sale card transaction.

In a typical transaction, a cardholder (A) purchases goods or services from a merchant (B) using a card. After the transaction is authorized by the issuer (D) using our network, the acquirer (C) pays the amount of the purchase, net of a discount, to the merchant. This discount, which we refer to as the merchant discount, takes into consideration the amount of the interchange fee described below. The issuer pays the acquirer an amount equal to the value of the transaction minus any interchange fee and posts the transaction to the cardholder s account. Our rules generally guarantee the payment of transactions using MasterCard-branded cards and certain transactions using Cirrus and Maestro-branded cards between issuers and acquirers.

6

Table of Contents

In this four-party payment system, the economics of a payment transaction relative to MasterCard vary widely depending on such factors as whether the transaction is domestic (and, if it is domestic, the country in which it takes place) or cross-border, whether it is a point-of-sale purchase transaction or cash withdrawal, and whether the transaction is processed over our network or a third party network or is handled solely by a financial institution that is both the acquirer for the merchant and the issuer to the cardholder (an on-us transaction).

A significant portion of the merchant discount is generally paid from the acquirer to the issuer (or netted by the issuer against amounts paid to the acquirer) in the form of an interchange fee. The balance of the merchant discount is retained by the acquirer to cover its costs and profit margin. Acquirers may charge merchants processing and related fees in addition to the merchant discount. Issuers may also charge cardholders fees for the transaction, including, for example, fees for extending revolving credit. As described below, we charge issuers and acquirers transaction-based and related fees and assessments for the services we provide them.

Interchange fees represent a sharing of a portion of payment system costs among our customers participating in four-party payment card systems. Generally, interchange fees are collected from acquirers and passed to issuers (or netted by issuers against amounts paid to acquirers) to reimburse the issuers for a portion of the costs incurred by them in providing services that benefit all participants in the system, including acquirers and merchants. In some circumstances, such as cash withdrawal transactions, this situation is reversed and interchange fees are paid by issuers. We establish default interchange fees that apply when there are no other established settlement terms in place between an issuer and an acquirer. We administer the collection and remittance of interchange fees through the settlement process; however, we do not earn revenues from them. As noted above, interchange fees are a significant component of the costs that merchants pay to accept payment cards and are currently subject to regulatory, legislative and/or legal challenges in a number of jurisdictions. We are devoting substantial management and financial resources to the defense of interchange fees and to the other legal and regulatory challenges we face. See Risk Factors Legal and Regulatory Risks in Part I, Item 1A.

MasterCard Worldwide Network. We facilitate the processing of transactions through the MasterCard Worldwide Network, our proprietary, global payment network. Our transaction processing capabilities include our core processing specifically, transaction switching (authorization, clearing and settlement) as well as many value-added payment processing services that extend our capabilities beyond switching in the payment value chain.

The MasterCard Worldwide Network is managed principally through our Global Technology and Operations headquarters in O Fallon, Missouri. We process transactions through our network for approximately 23,000 financial institutions and other entities that are our customers through more than 150 currencies in more than 210 countries and territories. We believe the architecture of our network is unique, featuring a globally integrated structure which provides scalability for our customers and enables them to expand into regional and global markets. Our network also features an intelligent architecture which enables it to adapt to the needs of each transaction by blending two distinct processing structures distributed (peer-to-peer) and centralized (hub-and-spoke). Transactions that require fast, reliable processing, such as those submitted using a MasterCard PayPass®-enabled device in a tollway, use the network s distributed processing structure, ensuring they are processed close to where the transaction occurred. Transactions that require value-added processing, such as real-time access to transaction data for fraud scoring or rewards at the point of sale, or customization of transaction data for unique consumer spending controls, use the network s centralized processing structure, ensuring advanced processing services are applied to the transaction.

Typically operating at about 80% capacity, our network can handle more than 140 million transactions per hour with an average network response time of 140 milliseconds, and can substantially scale capacity to meet demand. Our transaction processing services are available 24 hours per day, every day of the year. Our global payment network provides multiple levels of back-up protection and related continuity procedures in the event of an outage should the issuer, acquirer or payment network experience a service interruption. To date, we have consistently maintained availability of our global processing systems in more than 99.9% of the time.

Table of Contents

Core Processing Capabilities.

Transaction Switching Authorization, Clearing and Settlement. MasterCard provides transaction switching (authorization, clearing and settlement) through the MasterCard Worldwide Network.

Authorization. Authorization refers to the process by which a transaction is approved by the issuer or, in certain circumstances such as when the issuer s systems are unavailable or cannot be contacted, by MasterCard or others on behalf of the issuer in accordance with either the issuer s instructions or applicable rules. For credit and offline debit transactions, the Dual Message System provides for the transmission of authorization requests and results among issuers, acquirers and other transaction processors or networks. For online debit transactions, the Single Message System switches financial messages and provides transaction and settlement reporting. Our rules, which may vary across regions, establish the circumstances under which merchants and acquirers must seek authorization of transactions.

Clearing. Clearing refers to the exchange of financial transaction information between issuers and acquirers after a transaction has been completed. MasterCard clears transactions among customers through our central and regional processing systems. Credit and offline debit transactions using our branded cards are generally cleared via centralized processing through the Global Clearing Management System and the related information is typically routed among customers via the MasterCard Worldwide Network. For online debit transactions, the Single Message System performs clearing between customers and other debit transaction processing networks. MasterCard clearing services can be managed with minimal system development, which has enabled us to accelerate our customers ability to develop customized programs and services.

Settlement. Once transactions have been authorized and cleared, MasterCard helps to settle the transactions by facilitating the exchange of funds between parties. Once clearing is completed, a daily reconciliation is provided to each customer involved in settlement, detailing the net amounts by clearing cycle and a final settlement position. The actual exchange of funds takes place between a clearing bank, designated by the customer and approved by MasterCard, and a settlement bank chosen by MasterCard. Customer settlement occurs in U.S. dollars or in a limited number of other currencies in accordance with our established rules.

Cross-Border and Domestic Processing. The MasterCard Worldwide Network provides our customers with a flexible structure that enables them to provide processing across regions and for domestic markets. The network processes transactions throughout the world on our branded cards where the merchant country and cardholder country are different (cross-border transactions). MasterCard also provides domestic transaction processing services to customers in every region of the world, which allow customers to facilitate payment transactions between cardholders and merchants throughout a particular country. Outside of the United States and a select number of other countries, however, most intra-country (as opposed to cross-border), domestic transaction activity conducted with our branded payment cards is authorized, cleared and/or settled by our customers or other processors without the involvement of the MasterCard Worldwide Network. We continue to invest in our network and build relationships to expand opportunities for domestic transaction processing. In particular, the Single European Payment Area (SEPA) initiative creates a more open and competitive market in many European countries that were previously mandated to process domestic debit transactions with domestic processors. As a result, in addition to cross-border transactions, MasterCard now processes some domestic debit card services in nearly every SEPA country.

Table of Contents

Expanded Processing Capabilities. In addition to transaction switching, we continually invest in ways to strategically expand our processing capabilities in the payment value chain. Whether leveraging our own advanced processing expertise or forging strategic partnerships, we seek to provide our customers with an expanded suite of payment processing solutions that meet the unique processing needs of their market. Examples include:

MasterCard Integrated Processing Solutions (IPS). In April 2008, we introduced MasterCard Integrated Processing Solutions (IPS), a MasterCard-engineered issuer processing platform. IPS is designed to provide medium to large global issuing customers with a complete processing solution to help create differentiated products and services and allow quick deployment of payments portfolios across banking channels. Through a single processing platform, IPS can, among other things, authorize debit and prepaid transactions, assist issuers in managing risk using fraud detection tools, manage the issuer s card base, and manage and monitor the issuer s ATMs. The proprietary MasterCard Portfolio Viewer provides a user-friendly customer interface to IPS, delivering aggregate cardholder intelligence across accounts and product lines to provide our customers with a view of information that can help them customize their products and programs. We continue to develop opportunities to further enhance our IPS offerings and global presence.

Mobile Payments Gateway. In November 2009, MasterCard introduced the Mobile Payments Gateway in Brazil. Mobile Payments Gateway will be a turnkey mobile payment processing platform that facilitates transaction routing and prepaid processing for mobile-initiated transactions.

Strategic Alliances. We have invested in strategic alliances to pursue opportunities in prepaid and acquirer processing. Such alliances include Prepay Solutions, a joint venture with Accor Services which supports prepaid processing in Europe, and Strategic Payment Services, which provides acquirer processing in Asia Pacific. We will continue to evaluate additional opportunities to expand our capabilities through these types of strategic alliances.

Table of Contents

GDV and Processed Transactions

The tables below provide some information regarding two key drivers of our revenue: (1) GDV, which forms the basis of volume-based revenues, and (2) processed transactions.

GDV. The GDV table below provides information regarding the GDV for all MasterCard-branded cards (excluding Cirrus and Maestro) and for both MasterCard credit and charge card programs and MasterCard debit programs in the United States and in all of our other regions for the years ended December 31, 2009 and 2008. Growth rates are provided on both a U.S. dollar and local currency basis for the periods indicated. GDV represents the aggregate dollar amount of purchases made and cash disbursements obtained with MasterCard-branded cards and includes the impact of balance transfers and convenience checks.

	Year ended December 31, 2009	Year-over-year growth U.S. $	Local Currency[2]	Year ended December 31, 2008
		(In billions, except percentages)		
MasterCard Branded GDV[1]				
All MasterCard Branded Programs				
Asia/Pacific/Middle East/Africa	$ 484	14.6%	17.9%	$ 422
Canada	93	(8.8)	(2.7)	102
Europe	725	(6.5)	3.8	775
Latin America	177	(3.8)	9.5	184
United States	976	(7.4)	(7.4)	1,054
Worldwide	$ 2,454	(3.3)%	1.4%	$ 2,537
All MasterCard Credit and Charge Programs				
United States	$ 525	(16.8)%	(16.8)%	$ 631
Worldwide less United States	1,115	(4.5)	3.5	1,167
Worldwide	$ 1,640	(8.8)%	(4.0)%	$ 1,799
All MasterCard Debit Programs				
United States	$ 450	6.5%	6.5%	$ 423
Worldwide less United States	364	15.4	26.2	316
Worldwide	$ 814	10.3%	14.5%	$ 738

* Note that figures in the above table may not sum due to rounding.

1 GDV generated by Maestro and Cirrus cards is not included. The data for GDV is provided by MasterCard customers and includes information with respect to MasterCard-branded transactions that are not processed by MasterCard and for which MasterCard does not earn significant revenues. All data is subject to revision and amendment by MasterCard s customers subsequent to the date of its release, which revisions and amendments may be material.

2 Local currency growth eliminates the impact of currency fluctuations and represents local market performance.

Table of Contents

Processed Transactions. The processed transaction table below provides information regarding all transactions processed by MasterCard, regardless of brand, for the years ended December 31, 2009 and 2008

	Year ended December 31, 2009	Year-over-year growth	Year ended December 31, 2008
	(In millions, except percentages)		
Processed transactions[1]	22,410	6.9%	20,954

1 Data represents all transactions processed by MasterCard, including PIN-based online debit transactions, regardless of brand. The numbers were updated in 2009 to exclude a small number of certain processed transactions initiated with cards that do not bear our brands. All prior period data has been revised to be consistent with this revised methodology. Revenue was not impacted by these changes.

MasterCard Programs

MasterCard offers a wide range of payment solutions to enable our customers to design, package and implement programs targeted to the specific needs of their customers (which include cardholders and commercial clients). Our principal payment programs, which are facilitated through our brands, include consumer credit, debit and prepaid programs, commercial payment solutions and emerging technologies. Our issuer customers determine the competitive features for the cards issued under our programs, including interest rates and fees. We determine other aspects of our card programs such as required services and marketing strategy in order to ensure consistency in connection with these programs.

Consumer Credit and Charge Programs. MasterCard offers a number of consumer credit and charge (pay later) programs that are designed to meet the needs of our customers. For the year ended December 31, 2009, our consumer credit and charge programs generated approximately $1.4 trillion in GDV globally, representing 59% of our total GDV for such year. As of December 31, 2009, the MasterCard brand mark appeared on approximately 675 million consumer credit and charge cards worldwide, representing a 6.7% decline from December 31, 2008.

United States. We offer customized programs to customers in the United States to address specific consumer segments. Our consumer credit programs include Standard (general purpose cards targeted to consumers with basic credit card needs), Gold and Platinum (cards featuring higher credit lines and spending limits and a varying amount of enhancement services) and World and World Elite MasterCard® (cards offered to affluent consumers which feature no required preset spending limit and a revolving option).

Regions Outside of the United States. In addition to programs offered in the United States, MasterCard makes available to customers outside of the United States a variety of consumer card programs in selected markets throughout the world. Examples of such programs include MasterCard Electronic cards (which offer additional control and risk management features designed to curb fraud and control exposure in high risk markets) and cards targeted at affluent consumers (such as the MasterCard Black card in Latin America, World and World Signia MasterCard® cards in Europe and World and Titanium MasterCard cards in Asia/Pacific, Middle East and Africa (APMEA).

General Services. All MasterCard credit cards include additional services, such as lost/stolen card reporting, emergency card replacement and emergency cash advance, which are generally arranged by MasterCard and are provided through third-party service providers.

Consumer Debit Programs. MasterCard supports a range of payment solutions that allow our customers to provide consumers with convenient access to funds on deposit in demand deposit and other accounts. Our deposit access (pay now) programs may be branded with the MasterCard, Maestro and/or Cirrus logo types, and can be

Table of Contents

used to obtain cash in bank branches or at ATMs. In addition, MasterCard and Maestro-branded debit cards may be used to make purchases at the point of sale. Debit products we offer include Maestro and Gold Maestro, as well as Standard, Gold, Platinum, Premium and World Debit MasterCard products.

MasterCard-branded Debit Card Programs. For the year ended December 31, 2009, our MasterCard-branded debit programs generated approximately $814 billion in GDV globally, representing 33% of our total GDV for such year. As of December 31, 2009, the MasterCard brand mark appeared on approximately 262 million debit cards worldwide, representing 17.0% growth from December 31, 2008. MasterCard-branded debit programs issue cards which include functionality for both signature and PIN authenticated transactions, giving consumers a choice at the point of sale. MasterCard-branded debit card programs are offered in the United States, and are also increasingly being introduced in Europe, Asia Pacific and Latin America as a complement to existing Maestro-branded debit programs.

Maestro-branded Debit Card Programs. Maestro is our global online debit program. As of December 31, 2009, the Maestro brand mark appeared on approximately 659 million cards worldwide, representing 2.0% growth from December 31, 2008. As of December 31, 2009, Maestro was accepted for purchases at more than 12.1 million merchant locations globally. Our Maestro brand has a leading position among online debit brands in many markets throughout the world, particularly in Europe. The strong presence of Maestro in Europe positions us well as the SEPA initiative creates a more open and competitive payment market in many European countries that were previously mandated to process domestic debit transactions with domestic processors. The global acceptance of Maestro contributes to the growth of our debit business and adds value to the services that we provide to our customers.

MasterCard Global ATM Solutions. Any debit, credit or ATM accessible prepaid card bearing the MasterCard, Maestro or Cirrus logos had access to cash and account information at approximately 1.7 million participating ATMs around the world as of December 31, 2009. MasterCard Global ATM Solutions provides domestic (in-country) and cross-border access to cards allowing for varied types of transactions, including cash withdrawal (deposit accounts), cash advance (credit accounts), cash drawdown (prepaid accounts), balance inquiries, account transfers and deposits at ATMs in the MasterCard Worldwide Network.

Prepaid Programs. Prepaid (pay before) programs involve a balance that is funded with monetary value prior to use. Holders access funds via a traditional magnetic stripe or chip-enabled payment card. MasterCard customers may implement prepaid payment programs using any of our brands. MasterCard provides processing services (including transaction switching) in support of either magnetic stripe or chip-enabled prepaid card programs. MasterCard has capabilities to provide and customize programs to meet unique commercial and consumer needs in all prepaid segments, including programs such as gift, employee benefit, general purpose, payroll, travel, incentive and government disbursement programs. In particular, our strategy focuses on the top three spend categories: public sector, corporate (programs targeted to achieve to achieve cost savings and efficiencies by moving traditional paper disbursement methods to electronic solutions) and consumer reloadable (programs designed to provide access to underserved individuals who are not traditional users of credit or debit cards).

Commercial Payment Solutions. MasterCard offers commercial payment solutions that help large corporations, mid-sized companies, small businesses and public sector organizations to streamline their payment processes, manage information and reduce administrative costs. In the year ended December 31, 2009, our commercial credit and charge programs generated approximately $192 billion in GDV globally, representing approximately 8% of our total GDV for this period. As of December 31, 2009, the MasterCard-branded mark appeared on approximately 29 million commercial credit and charge cards worldwide, representing a 6.2% decline from December 31, 2008. We offer various corporate payment products, including corporate cards, corporate premium cards, corporate purchasing cards and fleet cards (as well as the MasterCard Corporate Multi Card®, which combines the functionality of one or more of these cards) that allow corporations to manage travel and entertainment expenses and provide corporations with additional transactional detail. We also offer public sector entities a variety of payment programs that are similar to the travel, purchasing, fleet and Multi Card programs offered to corporations. The MasterCard BusinessCard®, the Debit MasterCard BusinessCard , the World MasterCard for Business and the World Elite MasterCard for Business® are targeted at the small-business segment, offering business owners the ability to gain access to working capital, to extend payments and to separate business expenses from personal expenses. MasterCard also has developed programs that aim to facilitate paperless end-to-end corporate purchasing for organizations ranging from small businesses to large corporations. Such programs include the MasterCard Payment Gateway® (processing payments between buyers, sellers and financial institutions), MasterCard ExpenSys® (expense reporting), MasterCard Smart Data (management reporting) and MasterCard Travel Dashboard® (travel and expenses reporting), as well as tools to facilitate integration into enterprise planning systems.

Emerging Technologies. MasterCard contributes to innovation in the payments industry through numerous initiatives, including developments in the areas of electronic commerce, smart cards, mobile commerce, person-to-person payments, corporate electronic payments, transit and emerging technologies. MasterCard encourages new initiatives in the area of electronic commerce by researching and developing (or otherwise acquiring) a range of technologies designed to offer business opportunities to MasterCard and our customers. MasterCard manages smart card development by working with our customers to help them replace traditional payment cards relying solely on magnetic stripe technology with chip-enabled payment cards that offer additional point-of-sale functionality and the ability to provide value-added services to the cardholder. We are also involved in a number of organizations that facilitate the development and use of smart cards globally, including a smart cards standards organization with other participants in the industry that maintains standards and specifications designed to ensure interoperability and acceptance of chip-based payment applications on a worldwide basis. By working with customers and leading technology companies, MasterCard also encourages new initiatives in the area of mobile commerce and wireless payment development such as contactless payment solutions (including MasterCard PayPass), mobile payment and payment-related information services and person-to-person transfers (including our money transfer program, MasterCard MoneySend). In the area of corporate payments between buyers and suppliers, MasterCard offers a payment processing platform supporting card and electronic funds transfer payments. We have also developed an innovative transit platform solution that leverages the contactless functionality in cards and other devices to enable MasterCard acceptance in low-value, high-volume merchant environments. MasterCard is also working to develop standards and programs that will allow consumers to conduct their financial transactions securely using a variety of new point-of-interaction devices.

In addition, in December 2008, MasterCard acquired Orbiscom Ltd., a leading payments solutions software provider for financial institutions. The acquisition builds on the existing partnership between MasterCard and Orbiscom that created MasterCard inControl , an innovative platform featuring an array of advanced authorization, transaction routing and alert controls designed to assist financial institutions in creating new and enhanced payment offerings.

Customer Relationship Management

We are committed to providing our customers with coordinated services through integrated, dedicated account teams in a manner that allows us to take advantage of our expertise in payment programs, marketing, product development, technology, processing and consulting and information services. We have implemented an internal process to manage our relationships with our customers on a global and regional basis to ensure that their priorities are consistently identified and incorporated into our product, brand, processing, technology and related strategies.

We enter into business agreements pursuant to which we offer customers financial incentives and other support benefits to issue and promote our branded cards. Financial incentives may be based on GDV or other performance-based criteria, such as issuance of new cards, launch of new programs or execution of marketing initiatives. We believe that our business agreements with customers have contributed to our strong volume and revenue growth in recent years. In addition, we have standard licensing arrangements with all of our customers that permit them to use our trademarks and subject them to the rules governing our payment programs.

Table of Contents

Our MasterCard Advisors group serves to help differentiate us from our competitors by providing customers with a wide range of consulting and information services designed to help them improve the performance of their payments businesses. Services include strategic consulting and strategy development, information and analytics, marketing management, and risk and operations management advice. MasterCard Advisors charges our customers and other clients fees for its professional services or may offer these services as an incentive under business agreements with certain customers.

Marketing

We manage and promote our brands through brand advertising, promotional and interactive programs and sponsorship initiatives. Our corporate brand, MasterCard Worldwide, reflects our three-tiered business model as franchisor, processor and advisor. Our brand is supported by our corporate vision statement The Heart of Commerce , which represents our strategic vision of advancing commerce globally. Our marketing activities combine advertising, sponsorships, promotions, customer marketing, interactive media and public relations as part of an integrated program designed to increase consumer awareness of MasterCard and usage of MasterCard cards. We also seek to tailor our global marketing messages by customizing them in individual countries, while maintaining a common global theme. Our initiatives are designed to build the value of the MasterCard brand and drive shareholder value.

Our advertising plays an important role in building brand visibility, usage and loyalty among cardholders globally. Our award-winning Priceless® advertising campaign has run in 51 languages in 110 countries. The Priceless campaign promotes MasterCard acceptance and usage benefits that permit cardholders to pay for what they need, when they need it as well as marketing MasterCard credit, debit, prepaid and commercial products and solutions. It also provides MasterCard with a consistent, recognizable message that supports our brand positioning. We continue to support our brand by utilizing digital channels to allow us to engage more directly with our stakeholders and allow consumers and customers to engage directly in brand programs, promotions and merchant offers, as well as provide relevant information on MasterCard products, services and tools. MasterCard has also introduced global and regional specific smart phone applications that provide consumers with on-the-go utility. MasterCard intends to continue to use digital channels to develop preference and usage with consumers and more effectively partner with customers and merchants to help them drive their respective businesses.

We also seek to deliver value to our customers through sponsorship of a variety of sporting and entertainment properties. Our presence in sports aligns with consumer segments important to MasterCard and our customers. Our worldwide partnerships in golf and rugby with the PGA TOUR, PGA European Tour, 2010 Ryder Cup and Rugby World Cup 2011 are intended to help create business building opportunities among a more affluent demographic. We have a long-standing relationship with international soccer and have continued this relationship by sponsoring premiere events, including the Union of European Football Associations Champions League in Europe, as well as two leading Argentinean club teams. MasterCard is also the exclusive payments sponsor to Major League Baseball and a number of its professional teams. We also sponsor individual teams in the National Football League and National Hockey League, as well as a leading cricket team in the Indian Premier League. In addition to our sports portfolio, we align ourselves with diverse properties aimed at multiple target audiences, including a fashion platform in our Asia Pacific region, with the intention of raising our brand awareness with affluent consumers. We also target a broad audience by providing access to music artists and live performances through well-known entertainment properties such as The GRAMMY Awards, Jazz at Lincoln Center in New York, the Brit Awards and a partnership with Cirque du Soleil in Russia.

Acceptance Initiatives

Overview. We estimate that, as of December 31, 2009, cards carrying the MasterCard brand were accepted at 29.9 million acceptance locations, including 1.7 million ATMs and 0.6 million other locations where cash may be obtained. Information on ATM and manual cash access locations is reported by our customers and is partly

Table of Contents

based on publicly-available reports of payment industry associations, government agencies and independent market analysts in Canada and the United States. Cards bearing the Maestro brand mark are accepted at many of these same locations.

Initiatives. We seek to maintain unsurpassed acceptance of MasterCard-branded programs by focusing on three core initiatives. First, we seek to increase the categories of merchants that accept cards carrying our brands. We are focused on expanding acceptance in electronic and mobile commerce environments, quick service businesses (such as fast food restaurants), transportation, and public sector payments (such as those involving taxes, fees, fines and tolls), among other categories. Second, we seek to increase the number of payment channels in which MasterCard programs are accepted, such as by introducing MasterCard acceptance in connection with bill payment applications. We are working with customers to encourage consumers to make bill payments in a variety of categories including rent, utilities and insurance with their MasterCard-branded cards. Third, we seek to increase usage of our programs at selected merchants by sponsoring a wide range of promotional programs on a global basis. We also enter into arrangements with selected merchants under which these merchants receive performance incentives for the increased use of MasterCard-branded programs or indicate a preference for MasterCard-branded programs when accepting payments from consumers.

Contactless Payment Solutions. Our acceptance initiatives include MasterCard PayPass, a contactless payment solution that enables consumers simply to tap or wave their payment card or other payment device, such as a phone, key fob or wristband, on a specially-equipped terminal to complete a transaction. PayPass utilizes radio frequency technology to securely transmit payment details wirelessly to the payment card terminals for processing through our network. Our PayPass program targets low value purchases and is designed to help our customers further expand their businesses by capturing a portion of transactions that were previously cash-based, resulting in increased card activity. PayPass also reduces transaction times, which appeals to merchants in quick service businesses and allows us to expand the number of locations that accept our cards. PayPass programs expanded in 2009 to include customers and merchants in 33 countries as of December 31, 2009, an increase from 28 countries as of December 31, 2008. As of December 31, 2009, more than 70 million PayPass cards and devices were issued globally with acceptance at approximately 200,000 merchant locations worldwide.

Additional Services. In addition, we provide research, marketing support and financial assistance to our customers and their marketing partners in connection with the launch and marketing of co-branded and affinity card programs. Co-branded cards are payment cards bearing the logos or other insignia of an issuer and a marketing partner, such as an airline or retail merchant. Affinity cards are similar to co-branded cards except that the issuer s marketing partner is typically a charity, educational or other non-profit organization.

Merchants. Merchants are an important constituency in the MasterCard payment system and we are working to further develop our relationships with them. We believe that consolidation in the retail industry is producing a set of larger merchants with increasingly global scope. These merchants are having a significant impact on all participants in the global payments industry, including MasterCard. We believe that the growing role of merchants in the payments system represents both an opportunity and a challenge for MasterCard. In particular, large merchants are supporting many of the legal, legislative and regulatory challenges to interchange fees that MasterCard is now defending, since interchange fees represent a significant component of the costs that merchants pay to accept payment cards. See Risk Factors Legal and Regulatory Risks and Risk Factors Business Risks Merchants are increasingly focused on the costs of accepting card-based forms of payment, which may lead to additional litigation and regulatory proceedings and may increase the costs of our incentive programs, which could materially and adversely affect our profitability in Part I, Item 1A. Nevertheless, we believe many opportunities exist to enhance our relationships with merchants and to continue to expand acceptance of our cards. Over the years, for example, we have made available directly to merchants our rules that apply to card acceptance and related activities, thereby increasing the level of transparency and predictability of our payment system for merchants. We have also published the interchange rates applicable to merchants in the United States, have introduced a cap on interchange fees on fuel purchases at petroleum retailers and have published our entire set of operating rules on our website. As an additional example, we have an advisory group

Table of Contents

which brings together merchants, acquirers, issuers and processors twice a year to examine payments innovation at the point of interaction, and to seek to enhance the experience for merchants and consumers at the point of sale or in an online shopping environment for a retail sales transaction. We also continue to develop our acquirer and merchant sales teams around the world. Moreover, we have recently introduced a suite of information products, data analytics and marketing services which can help merchants understand specific activity in their industry, evaluate their sales performance against competitors and focus direct marketing efforts to target desirable prospects and hard to reach segments.

MasterCard Revenue Sources

MasterCard processes transactions denominated in more than 150 currencies through our global system, providing cardholders with the ability to utilize, and merchants to accept, MasterCard cards across multiple country borders. For example, we may process a transaction in a merchant s local currency; however the charge for the transaction would appear on the cardholder s statement in the cardholder s home currency. We process most of the cross-border transactions using MasterCard, Maestro and Cirrus-branded cards and process the majority of MasterCard-branded domestic transactions in the United States, United Kingdom, Canada, Brazil and Australia.

MasterCard generates revenues by charging fees to our customers for providing transaction processing and other payment-related services and assessing our customers based on the dollar volume of activity on the cards that carry our brands. Our net revenues are classified into the following five categories:

Domestic assessments: Domestic assessments are fees charged to issuers and acquirers based primarily on the volume of activity on MasterCard and Maestro-branded cards where the merchant country and the cardholder country are the same. A portion of these assessments is estimated based on aggregate transaction information collected from our systems and projected customer performance and are calculated by converting the aggregate volume of usage (purchases, cash disbursements, balance transfers and convenience checks) from local currency to the billing currency and then multiplying by the specific price. In addition, domestic assessments include items such as card assessments, which are fees charged on the number of cards issued or assessments for specific purposes, such as acceptance development or market development programs. Acceptance development fees are charged primarily to U.S. issuers based on components of volume, and support our focus on developing merchant relationships and promoting acceptance at the point of sale.

Cross-border volume fees: Cross-border volume fees are charged to issuers and acquirers based on the volume of activity on MasterCard and Maestro-branded cards where the merchant country and cardholder country are different. Cross-border volume fees are calculated by converting the aggregate volume of usage (purchases and cash disbursements) from local currency to the billing currency and then multiplying by the specific price. Cross-border volume fees also include fees, charged to issuers, for performing currency conversion services.

Transaction processing fees: Transaction processing fees are charged for both domestic and cross-border transactions and are primarily based on the number of transactions. These fees are calculated by multiplying the number and type of transactions by the specific price for each service. Transaction processing fees include charges for transaction switching (authorization, clearing and settlement) and connectivity.

Other revenues: Other revenues for other payment-related services are primarily dependent on the nature of the products or services provided to our customers but are also impacted by other factors, such as contractual agreements. Examples of other revenues are fees associated with fraud products and services, cardholder service fees, consulting and research fees, compliance and penalty fees, account and transaction enhancement services, holograms and publications.

Table of Contents

Rebates and incentives (contra-revenue): Rebates and incentives are provided to certain MasterCard customers and are recorded as contra-revenue in the same period that performance occurs. Performance periods vary depending on the type of rebate or incentive, including commitments to the agreement term, hurdles for volumes, transactions or issuance of new cards and the launch of new programs or the execution of marketing programs. Rebates and incentives are calculated based on estimated performance, the timing of new and renewed agreements and the terms of the related business agreements.

Our pricing is complex and is dependent on the nature of the volumes, types of transactions and other products and services we offer to our customers. A combination of the following factors determines the pricing:

- Domestic or cross-border
- Signature-based or PIN-based
- Tiered pricing, with rates decreasing as customers meet incremental volume/transaction hurdles
- Geographic region or country
- Retail purchase or cash withdrawal

Cross-border transactions generate greater revenue than do domestic transactions. We review our pricing and implement pricing changes on an ongoing basis and expect pricing to continue to be a component of revenue growth in the future. In addition, standard pricing varies among our regional businesses, and such pricing can be customized further for our customers through incentive and rebate agreements. Revenues from processing cross-border transactions fluctuate with cross-border activities. See Risk Factors Business Risks A decline in cross-border travel could adversely affect our revenues and profitability, as a significant portion of our revenue is generated from cross-border transactions in Part I, Item 1A.

In 2009, net revenues from our five largest customers accounted for approximately $1.4 billion, or 28% of our total revenue. No single customer generated 10% of total revenue.

Membership Standards

We establish and enforce rules and standards surrounding membership in MasterCard International and the use and acceptance of cards carrying our brands.

Rulemaking and Enforcement

Membership in MasterCard International and its affiliates is generally open to financial institutions and other entities that are our customers. Applicants for membership must generally meet specified membership eligibility requirements.

In general, MasterCard grants licenses by territory to applicants able to perform all obligations required of members. Licenses provide members with certain rights, including access to the network and usage of our brands. Anti-money laundering due diligence reviews and customer risk management reviews are conducted on all new members prior to admission, as well as on existing members. All applicants and members must meet the requirements of MasterCard s anti-money laundering program, and MasterCard can block authorization of transactions and ultimately terminate membership for non-compliance with the program. As a condition of our licenses, members agree to comply with our bylaws, policies, rules and operating regulations and procedures (the Standards). MasterCard International and certain of its affiliates are the governing bodies that establish and enforce the Standards, which relate to such matters as membership eligibility and financial soundness criteria; the standards, design and features of cards and card programs; the use of MasterCard trademarks; merchant acquiring activities (including acceptance standards applicable to merchants); and guaranteed settlement and member failures. To help ensure that members conform to the Standards, we review card programs proposed by members.

17

Table of Contents

Customer Risk Management

As a guarantor of certain card obligations of principal members, we are exposed to member credit risk arising from the potential financial failure of any of our approximately 2,400 principal members of MasterCard, Maestro and Cirrus, and approximately 3,500 affiliate debit licensees. Our estimated gross settlement risk exposure for MasterCard-branded transactions, which is calculated using the average daily card charges made during the quarter multiplied by the estimated number of days to settle, was approximately $26.4 billion as of December 31, 2009. Principal members participate directly in MasterCard programs and are responsible for the settlement and other activities of their sponsored affiliate members (approximately 20,400).

To minimize the contingent risk to MasterCard of a failure, we monitor the financial health, economic and political operating environments of, and compliance with our rules and standards by, our principal members, affiliate debit licensees and other entities to which we grant licenses. If the financial condition of a member or the state of the economy in which it operates indicates that it may not be able to satisfy its obligations to us or other MasterCard members or its payment obligations to MasterCard merchants, we may require the member to post collateral, typically in the form of standby letters of credit, bank guarantees or secured cash accounts. As of December 31, 2009, we had members who had posted approximately $2.8 billion in collateral held for settlement exposure for MasterCard-branded transactions. If a member becomes unable or unwilling to meet its obligations to us or other members, we are able to draw upon such member s collateral, if provided, in order to minimize any potential loss to our members or ourselves. In addition to obtaining collateral from members, in situations where a member is potentially unable to meet its obligations to us or other members, we can block authorization and settlement of transactions and ultimately terminate membership. Additionally, and to further preserve payment system integrity, MasterCard reserves the right to terminate a member if, for example, the member fails or refuses to make payments in the ordinary course of business, or if a liquidating agent, conservator or receiver is appointed for the member. In addition to these measures, we have also established a $2.5 billion committed credit facility (which, by its terms, will decrease to $2.0 billion in April 2010 for the final year of the facility) for liquidity protection in the event of member settlement failure. See Risk Factors Business Risks As a guarantor of certain obligations of principal member and affiliate debit licensees, we are exposed to risk of loss or illiquidity if any of our customers default on their MasterCard, Cirrus or Maestro settlement obligations in Part I, Item 1A. See also Risk Factors Business Risks Unprecedented global economic events in financial markets around the world have directly and adversely affected, and may continue to affect, many of our customers, merchants that accept our brands and cardholders who use our brands, which could result in a material and adverse impact on our prospects, growth, profitability, revenue and overall business in Part I, Item 1A.

Payment System Integrity

The integrity of our payment system can be affected by fraudulent activity and illegal uses of our system. Fraud is most often committed in connection with lost, stolen or counterfeit cards or stolen account information, often resulting from security breaches of third party systems that inappropriately store cardholder account data. See Risk Factors Business Risks Account data breaches involving card data stored by us or third parties could adversely affect our reputation and revenue in Part I, Item 1A. Fraud is also more likely to occur in transactions where the card is not present, such as electronic commerce, mail order and telephone order transactions. Security and cardholder authentication for these remote channels are particularly critical issues facing our customers and merchants who engage in these forms of commerce, where a signed cardholder sales receipt or the presence of the card or merchant agent is unavailable.

We monitor areas of risk exposure and enforce our rules and standards to combat fraudulent activity. We also operate several compliance programs to ensure that the integrity of our payment system is maintained by our customers and their agents. Key compliance programs include merchant audits (for high fraud, excessive chargebacks and processing of illegal transactions) and security compliance (including our Site Data Protection Program, which assists customers and merchants in protecting commercial sites from hacker intrusions and

Table of Contents

subsequent account data compromises by requiring proper adherence to the Payment Card Industry (PCI) data security standards). Our customers are also required to report instances of fraud to us in a timely manner so we can monitor trends and initiate action where appropriate.

Our customers are responsible for fraud losses associated with both the cards they issue and their merchants from whom they acquire transactions. However, we have implemented a series of programs and systems to aid them in detecting and preventing the fraudulent use of MasterCard cards. We provide education programs and various risk management tools to help prevent fraud, including MasterCard SecureCode®, a global Internet authentication solution that permits cardholders to authenticate themselves to their issuer using a unique, personal code, and our Site Data Protection program. In addition, we offer several fraud detection and prevention solutions, including our Expert Monitoring Solutions, a comprehensive suite of services designed to help our customers detect and prevent fraudulent activity. Generally, we charge our customers fees for these antifraud programs and services.

Enterprise Risk Management

MasterCard faces a number of risks in operating its business. For a description of material risks, see Risk Factors in Part I, Item 1A. Managing risk is an integral component of our business activities and the degree to which we manage risk is vital to our financial condition and profitability.

We have an Enterprise Risk Management (ERM) program which is integrated with the business and designed to ensure appropriate and comprehensive oversight and management of risk. The ERM program leverages our business processes to, among other things, ensure: allocation of resources to appropriately address risk; establishment of clear accountability for risk management; and provision of transparency of risks to senior management, the Board of Directors and appropriate Board committees. Our ERM program seeks to accomplish these goals by: monitoring key risks; providing an independent view of our risk profile; and strengthening business operations by integrating ERM principles and creating a more risk aware culture within MasterCard. MasterCard s integrated risk management structure balances risk and return by having business units own and manage risk, centralized functions (such as finance and law) provide expertise and have responsibility for key risks, our executive officers set policy and accountability and the Board and committees provide oversight of the process.

Intellectual Property

We own a number of valuable trademarks that are essential to our business, including MasterCard®, Maestro® and Cirrus®, through one or more affiliates. We also own numerous other trademarks covering various brands, programs and services offered by MasterCard to support our payment programs. Through license agreements with our customers, we authorize the use of our trademarks in connection with our customers card issuing and merchant acquiring businesses. In addition, we own a number of patents and patent applications relating to payments solutions, transaction processing, smart cards, contactless, mobile, electronic commerce, security systems and other matters, some of which may be important to our business operations.

Competition

General. MasterCard programs compete against all forms of payment, including paper-based transactions (principally cash and checks), card-based payment systems, including credit, charge, debit, prepaid, private-label and other types of general purpose and limited use cards, and electronic transactions such as wire transfers and Automated Clearing House payments. As a result of a global trend, electronic forms of payment such as payment cards are increasingly displacing paper forms of payment, and card brands such as MasterCard, Visa, American Express and Discover are benefiting from this displacement. However, cash and checks still capture the largest overall percentage of worldwide payment volume.

Table of Contents

Payment Card, Processing and Alternative Competitors.

General Purpose Payment Card Industry. Within the general purpose payment card industry, we face substantial and increasingly intense competition worldwide from systems such as Visa (including Plus, Electron and Interlink), American Express and Discover, among others. Within the global general purpose card industry, Visa has significantly greater volume than we do. Outside of the United States, some of our competitors such as JCB in Japan and China Union Pay® have leading positions in their domestic markets. Regulation can also play a role in determining competitive market advantages for competitors. For example, China Union Pay is the sole domestic processor designated by the Chinese government and operates the sole national cross-bank bankcard information switch network in China due to local regulation. Some governments, such as South Africa and India, are promoting their domestic schemes (Bankserv and India Pay, respectively) and other countries are proposing similar legislation. See Risk Factors Legal and Regulatory Risks Government actions could curtail our ability to compete effectively against providers of domestic payments services in certain countries, which could adversely affect our ability to maintain or increase our revenues in Part I, Item 1A.

Particular Segments. We face competition with respect to particular segments of the payment card industry, including:

Debit. In the debit card sector, we also encounter substantial and increasingly intense competition from ATM and point-of-sale debit networks in various countries, such as Interlink , Plus and Visa Electron (owned by Visa Inc.), Star® (owned by First Data Corporation), NYCE® (owned by FIS), and Pulse (owned by Discover), in the United States, Interac in Canada and Bankserv in South Africa. In addition, in many countries outside the United States, local debit brands serve as the main brands while our brands are used mostly to enable cross-border transactions, which typically represent a small portion of overall transaction volume.

PIN-Based Debit Transactions. In the United States, some of our competitors process a greater number of online, PIN-based debit transactions at the point of sale than we do. In addition, our business and revenues could be impacted adversely by the tendency among U.S. merchants to migrate from offline, signature-based debit transactions to online, PIN-based debit transactions because we generally earn less revenue from the latter types of transactions. In addition, online, PIN-based transactions are more likely to be processed by other domestic ATM/debit point-of-sale networks rather than by us. See Risk Factors Business Risks If we are unable to grow our debit business, particularly in the United States, we may fail to maintain and increase our revenue growth in Part I, Item 1A.

Private-Label. Private-label cards, which can generally be used to make purchases solely at the sponsoring retail store, gasoline retailer or another merchant, also serve as another form of competition.

End-to-End Payment Networks. Our competitors include operators of proprietary end-to-end payment networks that have direct acquiring relationships with merchants and direct issuing relationships with cardholders, such as American Express and Discover. These competitors have certain advantages that we do not enjoy. Among other things, these competitors do not require formal interchange fees to balance payment system costs among issuers and acquirers, because they typically have direct relationships with both merchants and cardholders. Interchange fees, which are a characteristic of four-party payments systems such as ours, are subject to increased regulatory and legislative scrutiny worldwide. See Risk Factors Legal and Regulatory Risks Interchange fees are subject to increasingly intense legal, regulatory and legislative scrutiny worldwide, which may have a material adverse impact on our revenue, our prospects for future growth and our overall business, financial condition and results of operations in Part I, Item 1A. To date, operators of end-to-end payment networks have generally avoided the same regulatory and legislative scrutiny and litigation challenges we face because they do not utilize formal interchange fees. Accordingly, these operators may enjoy a competitive advantage over four-party payments systems.

Table of Contents

Ownership Structures. The ownership structures and regulatory designations of our competitors may provide those competitors with certain advantages with respect to MasterCard. For example, American Express and Discover have become bank holding companies. While bank holding companies are subject to numerous regulatory requirements, in the past year, they also became eligible to request an investment from the U.S. government under the Treasury Department s Troubled Asset Relief Program (TARP) and may be eligible to participate in other similar government programs (such as the Term Asset-Backed Securities Loan Facility (TALF)). MasterCard is not a bank holding company and is not eligible to receive such an investment. A TARP or similar investment could strengthen these MasterCard competitors. Bank holding companies also may have a competitive advantage over MasterCard by using their deposits as an available source of low-cost funding.

Other Four-Party Systems. We compete intensely with other card networks, principally Visa, for the loyalty of our customers. In most countries, including the United States, financial institutions typically issue both MasterCard and Visa-branded payment cards. As a result of this structure, known as duality, we compete with Visa for business on the basis of individual card portfolios or programs. As to debit cards in the United States, Visa s historical debit exclusivity rule had meant that card issuers could issue either MasterCard or Visa debit cards, but not both. As a result of the litigation with the U.S. Department of Justice, however, Visa s debit exclusivity rule is no longer enforceable, and related litigation has been settled. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8. These events have resulted in the potential for duality for debit cards, likely creating more opportunities to compete with Visa for business in this area.

Transaction Processors. We also face competition from transaction processors throughout the world, such as First Data Corporation and Total System Services, Inc., some of which are seeking to enhance their networks that link issuers directly with point-of-sale devices for payment card transaction authorization and processing services. Certain of these transaction processors could potentially displace MasterCard as the provider of these payment processing services.

New Entrants and Alternative Payment Systems. We also compete against relatively new entrants, such as PayPal (a business segment of eBay), which have developed alternative payment systems and payments in electronic commerce and across mobile devices. While PayPal remains the leader in online payments, this is an increasingly competitive area, as evidenced by the proliferation of new online competitors. Among other services, these competitors provide Internet payment services that can be used to buy and sell goods online, and services that support payments to and from deposit accounts or proprietary accounts for Internet, mobile commerce and other applications. A number of these new entrants rely principally on the Internet and potential wireless communication networks to support their services, and may enjoy lower costs than we do. In mobile commerce, we also face competition from established mobile network operators. Whereas the MasterCard approach to mobile commerce centers on the use of the consumer s payment account as established by their card issuer, network operators may apply mobile consumer payments directly to the customer s monthly bill or prepaid mobile account.

Litigation Outcomes. Ongoing litigation has affected, and may continue to affect, our ability to compete in the global payments industry. For example, under the settlement agreement in the U.S. merchant lawsuit in 2003, U.S. merchants now have the right to reject MasterCard-branded debit cards issued in the United States while still accepting other MasterCard-branded cards, which may adversely affect our ability to maintain and grow our debit business in the United States. In addition, as a result of the court s decision in our litigation with the U.S. Department of Justice concerning our former U.S. Competitive Programs Policy (CPP), our customers may now do business with American Express or Discover in the United States, which could adversely affect our business. In recent years, these competitors have started working with issuing and acquiring financial institutions, and thereby replicating certain aspects of end-to-end payment networks. A number of our large customers, including Bank of America, Citibank, Barclays, HSBC, USAA and GE Money now issue American Express and/or Discover-branded cards. See Risk Factors Business Risks Our operating results may suffer because of substantial and increasingly intense competition worldwide in the global payments industry in Part I, Item 1A.

Table of Contents

Finally, suits against us have been filed in several state and federal courts because of our currency conversion practices. Although we have settled these matters, the settlements are still subject to appeal and could be overturned. We cannot predict what the final outcome will be of our various litigations and other regulatory proceedings. For a description of these and other matters, see Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8.

Customers.

Pricing. We face increasingly intense competitive pressure on the prices we charge our customers. In order to stay competitive, we may have to increase the amount of rebates and incentives we provide to our customers and merchants, as we have in the last several years. We seek to enter into business agreements with customers through which we offer incentives and other support to issue and promote our cards. However, our customers can terminate their business agreements with us in a variety of circumstances. See Risk Factors Business Risks We face increasingly intense competitive pressure on the prices we charge our customers, which may materially and adversely affect our revenue and profitability in Part I, Item 1A.

Banking Industry Consolidation. The banking industry has recently undergone substantial accelerated consolidation, and we expect some consolidation to continue in the future. Consolidation represents a competitive threat for MasterCard because our business and pricing strategy is intended to enable MasterCard to achieve targeted financial performance by providing incentives to customers for incremental business. Furthermore, our business strategy contemplates entering into business agreements with our largest customers in exchange for significant business commitments to MasterCard. In recent years, consolidations have included customers with a substantial MasterCard portfolio being acquired by institutions with a strong relationship with a competitor. Significant ongoing consolidation in the banking industry may result in a substantial loss of business for MasterCard. The continued consolidation in the banking industry, whether as a result of an acquisition of a substantial MasterCard portfolio by an institution with a strong relationship with a competitor or the combination of two institutions with which MasterCard has a strong relationship, would also produce a smaller number of large customers, which generally have a greater ability to negotiate pricing discounts with MasterCard. Consolidations could prompt our customers to renegotiate our business agreements to obtain more favorable terms. This pressure on the prices we charge our customers could materially and adversely affect our revenue and profitability. See Risk Factors Business Risks Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenue and profitability in Part I, Item 1A.

Competitive Position. We believe that the principal factors affecting our competitive position in the global payments industry are:

- pricing;
- customer relationships;
- the impact of existing and future litigation, legislation and government regulation;
- the impact of globalization and consolidation of financial institutions and merchants;
- the acceptance base, reputation and brand recognition of payment cards;
- the success and scope of marketing and promotional campaigns;

the quality, security and integrity of transaction processing;

the relative value of services and products offered;

regulation and local laws;

22

- the impact of consolidation in the banking industry;
- new market entrants; and
- the ability to develop and implement competitive new card programs, systems and technologies in both physical and virtual environments.

Government Regulation

General. Government regulation impacts key aspects of our business. We are subject to regulations that affect the payment industry in the many countries in which our cards are used. Regulation of the payments industry has increased significantly in the last several years. In particular, interchange fees associated with four-party payment systems like ours are being reviewed or challenged in various jurisdictions, including in the European Union and Hungary (discussed below).

Furthermore, MasterCard customers are subject to numerous regulations applicable to banks and other financial institutions in the United States and elsewhere, and as a consequence MasterCard is impacted by such regulations. Certain of our operations are periodically reviewed by the U.S. Federal Financial Institutions Examination Council (FFIEC) under its authority to examine financial institutions technology service providers. Examinations by the FFIEC cover areas such as data integrity and data security. In recent years, the U.S. federal banking regulators have adopted a series of regulatory measures affecting credit card payment terms and requiring more conservative accounting, greater risk management and in some cases higher capital requirements for bank credit card activities, particularly in the case of banks that focus on subprime cardholders. In addition, MasterCard Europe operates a retail payment system in Europe and is subject to oversight by the National Bank of Belgium pursuant to standards published by the European Central Bank that are principally targeted at managing financial, legal and operations risk.

In addition, aspects of our operations or business are subject to privacy regulation in the United States, the European Union and elsewhere, as well as regulations imposed by the U.S. Treasury s Office of Foreign Assets Control (OFAC). For example, in the United States, we and our customers are respectively subject to Federal Trade Commission and federal banking agency information safeguarding requirements under the Gramm-Leach-Bliley Act. The Federal Trade Commission s information safeguarding rules require us to develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate for our size and complexity, the nature and scope of our activities, and the sensitivity of any customer information at issue. Our customers in the United States are subject to similar requirements under the guidelines issued by the federal banking agencies. As part of their compliance with the requirements, each of our U.S. customers is expected to have a program in place for responding to unauthorized access to, or use of, customer information that could result in substantial harm or inconvenience to customers.

Interchange. Interchange fees associated with four-party payment systems like ours are being reviewed or challenged in various jurisdictions. Such challenges include regulatory proceedings in the European Union (by the European Commission, as well as such European Union member states as Hungary) and elsewhere, and regulatory inquiries in the United States and other jurisdictions. Interchange fees have also become the topic of increased legislative interest. For example, in the United States, legislation has been introduced seeking to regulate interchange by allowing merchants to collectively seek to lower their payment card acceptance costs. See Risk Factors Legal and Regulatory Risks Interchange fees are subject to increasingly intense legal, regulatory and legislative scrutiny worldwide, which may have a material adverse impact on our revenue, our prospects for future growth and our overall business, financial condition and results of operations in Part I, Item 1A and in Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8.

Data Protection and Information Security. In the United States, during the past several years, a number of bills have been considered by Congress and there have been several congressional hearings to address information safeguarding and data breach issues. Congress continues to consider these issues, which could result

Table of Contents

in legislation that would have an adverse impact on us and our customers. For example, the House of Representatives has again passed comprehensive data security and data breach notification legislation that could impose additional regulatory burdens on us and our customers. Similar legislation has not yet passed the Senate in this Congress, and it is not clear whether legislation of this type will be signed into law. In addition, a large number of U.S. states have enacted security breach legislation, requiring varying levels of consumer notification in the event of a security breach. In Europe, the European Parliament and Council passed the European Directive 95/46/EC (the Directive) on the protection of individuals with regard to the processing of personal data and on the free movement of such data, which obligates the controller of an individual s personal data to take the necessary technical and organizational measures to protect personal data. The Directive has been implemented through local laws regulating data protection in European Union member states to which we and our customers are subject. The Directive establishes general principles with regard to the processing of personal data, including the legal grounds for processing, the rights of individuals with regard to their personal data, restrictions on transfers of the personal data outside the European Economic Area, and the obligation of the controller of that information to take the necessary technical and organizational measures to protect personal data.

Anti-Money Laundering. MasterCard and other participants in the payment industry are also subject to the regulatory requirements of Section 352 of the USA PATRIOT Act, which applies to certain types of financial institutions, including operators of credit card systems. Section 352 of the USA PATRIOT Act requires MasterCard to maintain a comprehensive anti-money laundering program and imposes similar requirements on some of our customers. Our anti-money laundering program must be reasonably designed to prevent our system from being used to facilitate money laundering and the financing of terrorist activities. The program must, at a minimum, include the designation of a compliance officer, provide for the training of appropriate personnel regarding anti-money laundering responsibilities, as well as incorporate policies, procedures, and controls to mitigate money laundering risks, and be independently audited.

OFAC and Related Regulations. We are also subject to regulations imposed by OFAC. OFAC regulations impose restrictions on financial transactions with Cuba, Burma/Myanmar, Iran and Sudan and with persons and entities included in OFAC s list of Specially Designated Nationals and Blocked Persons (the SDN List). Also Cuba, Iran, Sudan and Syria have been identified by the U.S. State Department as terrorist-sponsoring states. While MasterCard has no business operations, subsidiaries or affiliated entities in these countries, a limited number of financial institutions are licensed by MasterCard to issue cards or acquire merchant transactions in certain of these countries. MasterCard takes measures to avoid transactions with persons and entities on the SDN List, however, it is possible that transactions involving persons or entities on the SDN List may be processed through our payment system. It is possible that our reputation may suffer due to our customer financial institutions association with these countries or the existence of any such transactions, which in turn could have a material adverse effect on the value of our stock. Further, certain U.S. states have enacted legislation regarding investments by pension funds and other retirement systems in companies that have business activities or contacts with countries that have been identified as terrorist-sponsoring states and similar legislation may be pending in other states. As a result, pension funds and other retirement systems may be subject to reporting requirements with respect to investments in companies such as ours or may be subject to limits or prohibitions with respect to those investments that may materially and adversely affect our stock price.

Issuer Practice Legislation and Regulation. The Board of Governors of the United States Federal Reserve System is in the process of implementing the Credit CARD Act, which was signed into law in May 2009. The Credit CARD Act will have a significant impact on the disclosures made by our customers and on our customers account terms and business practices. The Credit CARD Act, and its implementing regulations, will make it more difficult for credit card issuers to price credit cards for future credit risk and will have a significant effect on the pricing, credit allocation, and business models of most major credit card issuers. The new law could reduce credit availability, or increase the cost of credit to cardholders, possibly affecting MasterCard transaction volume and revenues.

The Credit CARD Act also includes provisions that impose limits and restrictions on certain prepaid (or pay before) card products, including on fees. The Board of Governors of the United States Federal Reserve System has proposed implementing regulations with respect to these provisions. The statutory provisions and implementing regulations may diminish the attractiveness of these products to our customers and may consequently adversely affect transaction volumes and revenues.

The Board of Governors of the United States Federal Reserve System has also recently adopted regulations regulating overdraft fees imposed in connection with ATM and debit card transactions. These regulations will have the effect of significantly reducing overdraft fees our customers may charge in connection with debit card programs. This may diminish the attractiveness of debit card programs to our customers and may adversely affect transaction volumes and revenues.

Financial Industry Regulation. In June 2009, the administration of the President of the United States proposed legislative language to create a Consumer Financial Protection Agency (the CFPA), which could have significant authority to regulate consumer financial products, including consumer credit, deposit, payment, and similar products. The House of Representatives passed comprehensive financial regulatory reform legislation in December 2009, including provisions substantially similar to those originally introduced to create the CFPA. Under the House-passed legislation, the CFPA s proposed grant of authority is broad and not clearly defined. It is therefore not clear whether the CFPA would be authorized to regulate aspects of payment card network operations. The Senate has not yet addressed this issue and it is therefore unclear what form any such legislation may ultimately take. In addition, in December 2009, the House Financial Services Committee approved a bill that included provisions for the regulation of payment, clearing and settlement systems (determined by the Board of Governors of the United States Federal Reserve System to be systemically important) that could impose upon such systems additional regulatory, reporting, examination or other obligations that may differ from existing legal requirements. These provisions were not included in the financial reform bill adopted by the House of Representatives in December 2009, and it is unclear whether Congress might act with respect to such provisions (either in another bill or on a stand alone basis) and, if so, whether MasterCard would be deemed systematically important . However, the imposition of any additional regulatory or other obligations on MasterCard could result in costly new compliance burdens that could negatively impact our business.

Regulation of Internet Transactions. In October 2006, the U.S. Congress enacted legislation requiring the coding and blocking of payments for certain types of Internet gambling transactions. The legislation applies to payment system participants, including MasterCard and our U.S. customers, and is being implemented through a federal rulemaking process that was completed in December 2008. Compliance will be required by June 1, 2010, although Congress may consider additional legislation to legalize and regulate Internet gambling. These federal rules will require us and our customers to implement compliance programs that could increase our costs and/or decrease our transaction volumes. In addition, the U.S. Congress continues its consideration of regulatory initiatives in the areas of Internet prescription drug purchases, copyright and trademark infringement, and privacy, among others, that could impose additional compliance burdens on us and/or our customers. Some U.S. states are considering a variety of similar legislation. If implemented, these initiatives could require us or our customers to monitor, filter, restrict, or otherwise oversee various categories of payment card transactions, thereby increasing our costs or decreasing our transaction volumes. Various regulatory agencies also continue to examine a wide variety of issues, including identity theft, account management guidelines, privacy, disclosure rules, security and marketing that would impact our customers directly. These new requirements and developments may affect our customers ability to extend credit through the use of payment cards, which could decrease our transaction volumes. In some circumstances, new regulations could have the effect of limiting our customers ability to offer new types of payment programs or restricting their ability to offer our existing programs such as stored value cards, which could materially and adversely reduce our revenue and revenue growth.

Table of Contents

Outside of the United States. Regulators in several countries outside of the United States have become increasingly interested in payment issues beyond interchange fees, some of which have launched official proceedings into payment industry issues. See Risk Factors Legal and Regulatory Risks in Part I, Item 1A.

Seasonality

See Management s Discussion and Analysis of Financial Condition and Results of Operations Seasonality in Part II, Item 7 for a discussion of the impact of seasonality on our business.

Financial Information About Geographic Areas

See Note 24 (Segment Reporting) to the consolidated financial statements included in Part II, Item 8 for certain geographic financial information.

Employees

As of December 31, 2009, we employed approximately 5,100 persons, of which approximately 1,800 were employed outside of the United States. We consider our relationship with employees to be good.

Website and SEC Reports

The Company s internet address is www.mastercard.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available, without charge, for review on our website as soon as reasonably practicable after they are filed with, or furnished to, the U.S. Securities and Exchange Commission (the SEC). The information contained on our website is not incorporated by reference into this Report.

Item 1A. ***Risk Factors***

Legal and Regulatory Risks

Interchange fees are subject to increasingly intense legal, regulatory and legislative scrutiny worldwide, which may have a material adverse impact on our revenue, our prospects for future growth and our overall business, financial condition and results of operations.

Interchange fees, which represent a sharing of payment system costs among the financial institutions participating in a four-party payment card system such as ours, are generally the largest component of the costs that acquirers charge merchants in connection with the acceptance of payment cards. Typically, interchange fees are paid by the merchant bank (the acquirer) to the cardholder bank (the issuer) in connection with transactions initiated with our payment system s cards. Interchange fees, including our default interchange fees, are subject to increasingly intense litigation, regulatory and legislative scrutiny worldwide as card-based forms of payment have become relatively more important to local economies. Regulators and legislative bodies in a number of countries, as well as merchants in the United States, are seeking to reduce these fees through litigation, regulatory action and/or legislative action.

See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 for a detailed description of regulatory proceedings and inquiries into interchange fees. Examples of regulatory proceedings or inquiries into interchange fees include:

- In the European Union, in December 2007, the European Commission issued a negative decision (which we have appealed to the General Court of the European Union) with respect to our cross-border interchange fees for credit and debit cards under European Union competition rules.

Table of Contents

In the United States, the Department of Justice and certain State Attorney Generals have issued information requests and demands to MasterCard (and Visa) concerning points of sale acceptance rules and interchange setting practices.

In the United Kingdom, in February 2007, the Office of Fair Trading commenced a new investigation of our current U.K. credit card interchange fees and so-called immediate debit cards to determine whether such fees contravene U.K. and European Union competition law.

In Poland, the Polish Office for Protection of Competition and Consumers issued a decision that our interchange fees are unlawful under Polish competition law, and imposed fines on our licensed financial institutions the decision was then reversed and all parties are appealing.

In Hungary, MasterCard Europe is appealing the Hungarian Competition Authority December 2009 decision ruling that MasterCard Europe s historic domestic interchange fees violate Hungarian competition law and fining MasterCard Europe approximately US $2,600,000.

In Italy, in July 2009, the Italian Competition Authority commenced a proceeding against MasterCard and a number of its customers concerning MasterCard Europe s Italian domestic interchange fees.

In Australia, the Reserve Bank of Australia enacted regulations in 2002 (which have been subsequently reviewed and not withdrawn) controlling the costs that can be considered in setting interchange fees for four-party payment card systems such as ours.

In South Africa, in December 2008, a special body created by the South Africa Competition Commission published a non-binding report (under active consideration by South African regulators) recommending, among other things, having an independent forum under regulatory control set payment card interchange fees and modifications to payment systems (including MasterCard s) respective honor all cards rules.

In Germany, in January 2006, a German retailers association filed a complaint with the German Federal Cartel Office in Germany alleging that our German domestic interchange fees are not transparent to merchants and include so called extraneous costs.

In Canada, in July 2009 the Canadian Competition Bureau informed MasterCard that it intends to review MasterCard s interchange fees and related rules, such as the honor all cards and no surcharge rules.

Interchange fees and/or related practices (such as the honor all cards rule) are also being reviewed in a number of other jurisdictions, including Belgium, Brazil, Colombia, Czech Republic, Estonia, France, Israel, Mexico, the Netherlands, Switzerland, Turkey and Venezuela. We believe that regulators are increasingly adopting a coordinated approach to interchange matters and, as a result, developments in any one jurisdiction may influence regulators approach to interchange fees in other jurisdictions.

In addition to regulatory action, merchants are seeking to reduce interchange fees through litigation. In the United States, merchants have filed approximately 50 class action or individual suits alleging that MasterCard s interchange fees and acceptance rules violate federal antitrust laws. These suits allege, among other things, that our purported setting of interchange fees constitutes horizontal price-fixing between and among MasterCard and its member banks, and MasterCard, Visa and their member banks in violation of Section 1 of the Sherman Act, which prohibits contracts, combinations or conspiracies that unreasonably restrain trade. The suits seek treble damages, attorneys fees and injunctive relief. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 for more details regarding the allegations contained in these complaints and the status of these proceedings.

Interchange fees also have been the topic of increased legislative interest. For example:

In the United States, in June 2009, the Credit Card Fair Fee Act was introduced in the U.S. House of Representatives. This legislation seeks to regulate interchange by allowing merchants to collectively seek to lower their payment card acceptance costs. Such collective actions would be exempt from the

U.S. antitrust laws under this legislation. The Credit Card Fair Fee Act would require the U.S. Department of Justice to observe collective merchant negotiations with the Company and its customer financial institutions (and separately with Visa and its customer financial institutions) and report results of those negotiations back to the U.S. Congress. Similar legislation was also introduced in the U.S. Senate in June 2009, although the Senate bill would go further than the Credit Card Fair Fee Act by creating a government panel to establish the terms and conditions of payment card acceptance for those merchants who do not reach an agreement as a result of the antitrust exemption. A separate bill introduced in the House The Credit Card Interchange Fees Act of 2009 prior to the Credit Card Fair Fee Act would, among other things, prohibit the inclusion of certain provisions in payment card network rules (*e.g.*, honor all cards) and direct the U.S. Federal Trade Commission to prescribe regulations to ensure, among other things, that such rules are not unfair or deceptive to consumers and merchants. It is not clear whether Congress will act on one or more of these bills, or other types of interchange initiatives, and what form any such legislation may ultimately take. In addition, pursuant to separate legislation, the General Accountability Office (GAO) conducted a study on interchange and submitted the findings and conclusions of that study to Congress. Although the GAO study did not recommend any legislative or regulatory changes pertaining to interchange, it is not clear what impact the study will have on the legislative debate.

In Hungary, in December 2009, legislation was adopted by the Hungarian Parliament limiting, as of March 2010, MasterCard (and Visa) debit, credit and other types of interchange fees at various levels, as well as merchant service charges. In February 2010, the Hungarian Parliament amended this legislation, which had the effect of repealing the limits on interchange fees and postponing the implementation of the limit on merchant service charges until May 2010. The President of Hungary is expected to sign the amended legislation, and MasterCard is considering whether to challenge it.

In South Africa, in February 2009, the South African National Assembly (the National Assembly) adopted amendments to that country s competition laws concerning so-called complex monopolies and criminalizing certain violations of those laws (the South Africa Bill), which the President signed. If and when the South Africa Bill becomes effective, it could have a significant adverse impact on MasterCard s business in South Africa.

In Canada, in June 2009, the Canadian Senate issued a report with the non-binding recommendations that debit interchange be set at zero for three years, merchant surcharging be permitted in Canada and honor all cards rules be modified. In response, the Canadian Department of Finance has proposed a voluntary Code of Conduct on related issues for payment card industry participants in Canada.

In Brazil, in April 2009, the Central Bank of Brazil (together with competition agencies in Brazil) issued a report detailing their findings with respect to the retail payment system in Brazil, including a finding that greater transparency was required in the setting of domestic interchange rates.

If issuers cannot collect, or we are forced to reduce, interchange fees, issuers may be unable to recoup a portion of the costs incurred for their services. This could reduce the number of financial institutions willing to participate in our four-party payment card system, lower overall transaction volumes, and/or make proprietary end-to-end networks or other forms of payment more attractive. Issuers also could charge higher fees to consumers, thereby making our card programs less desirable and reducing our transaction volumes and profitability, or attempt to decrease the expense of their card programs by seeking a reduction in the fees that we charge. We are devoting substantial management and financial resources to the defense of interchange fees in regulatory proceedings, litigation and legislative activity. If we are less successful than Visa in defending interchange fees, we also could be competitively disadvantaged against Visa. If we are ultimately unsuccessful in our defense of interchange fees, any such regulation, legislation and/or litigation may have a material adverse impact on our revenue, our prospects for future growth and our overall business, financial condition and results of operations. In addition, this could result in MasterCard being fined and/or having to pay civil damages.

If the approval of the settlements of our currency conversion cases is undermined by an appeal and we are unsuccessful in any of our various lawsuits relating to our currency conversion practices, our business may be materially and adversely affected.

We generate significant revenue from processing cross-border currency transactions for customers. However, we are defendants in several state and federal lawsuits alleging that our currency conversion practices are deceptive, anti-competitive or otherwise unlawful. In July 2006, MasterCard and other defendants in federal class actions related to these matters entered into agreements to settle or otherwise dispose of such matters. Pursuant to the settlement agreements, MasterCard has paid $72 million to be used for the defendants settlement fund to settle the federal actions and $13 million to settle state cases. While the federal court has granted final approval of the settlement agreements, the settlements are subject to appeals. If an appeal is filed and we are unsuccessful in that appellate proceeding, the settlement agreements will terminate. If that occurs, and we are unsuccessful in defending against these lawsuits or the state currency conversion cases, we may have to pay restitution to cardholders who make claims that they used their cards in another country, or may be required to modify our currency conversion practices. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8.

If we determine in the future that we are required to establish reserves or we incur liabilities for any litigation that has been or may be brought against us, our results of operations, cash flow and financial condition could be materially and adversely affected.

Except as discussed in Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8, we have not established reserves for any of the material legal proceedings in which we are currently involved and we are unable to estimate at this time the amount of charges, if any, that may be required to provide reserves for these matters in the future. We may determine in the future that a charge for all or a portion of any of our legal proceedings is required, including charges related to legal fees. In addition, we may be required to record an additional charge if we incur liabilities in excess of reserves that we have previously recorded. Such charges, particularly in the event we may be found liable in a large class-action lawsuit or on the basis of an antitrust claim entitling the plaintiff to treble damages or under which we were jointly and severally liable, could be significant and could materially and adversely affect our results of operations, cash flow and financial condition, or, in certain circumstances, even cause us to become insolvent. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8.

Limitations on our business and other penalties resulting from litigation or litigation settlements may materially and adversely affect our revenue and profitability.

As a result of the settlement agreement in connection with the U.S. merchant lawsuit in 2003, merchants have the right to reject our debit cards in the United States while still accepting other MasterCard-branded cards, and vice versa. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8. These limitations and any future limitations on our business resulting from litigation or litigation settlements could reduce the volume of business that we do with our customers, which may materially and adversely affect our revenue and profitability.

The payments industry is the subject of increasing global regulatory focus, which may result in the imposition of costly new compliance burdens on us and our customers and may lead to increased costs and decreased transaction volumes and revenues.

We are subject to regulations that affect the payment industry in the many countries in which our cards are used. In particular, many of our customers are subject to regulations applicable to banks and other financial institutions in the United States and abroad, and, consequently, MasterCard is at times affected by such regulations. Regulation of the payments industry, including regulations applicable to us and our customers, has

Table of Contents

increased significantly in the last several years. See Business Government Regulation in Part I, Item 1 for a detailed description of such regulation and related legislation. Examples of such regulation and related legislation include:

- Anti-money laundering regulation, such as Section 352(a) of the USA PATRIOT Act and an anti-money laundering law enacted in India (which imposes requirements on payment systems, such as MasterCard s, and their customers).

- Payment systems regulation, such as the Indian Payments and Settlement Systems Act 2007, under which payment system operators, such as MasterCard, operate under the authority and broad oversight of the Reserve Bank of India. Increased regulatory focus in this area could result in additional obligations or restrictions with respect to the types of products that we may offer to consumers, the countries in which our cards may be used and the types of cardholders and merchants who can obtain or accept our cards.

- Regulations imposed by OFAC, which impose restrictions on financial transactions with certain countries and with persons and entities included on the SDN List. It is possible that transactions involving persons or entities on the SDN List may be processed through our payment system, and that our reputation may suffer due to some of our financial institutions association with these countries or the existence of any such transactions, which in turn could have a material adverse effect on the value of our stock.

- Legislation enacted by certain U.S. states (and pending in other states) regarding investments by pension funds and other retirement systems in companies that have business activities or contacts with countries that have been identified as terrorist-sponsoring states and similar legislation may be pending in other states. As a result of such legislation, pension funds and other retirement systems may be subject to reporting requirements with respect to investments in companies such as ours or may be subject to limits or prohibitions with respect to those investments that may materially and adversely affect our stock price.

- Issuer practices legislation and regulation, including the Credit CARD Act (which is being implemented by the Board of Governors of the United States Federal Reserve System), which will have a significant impact on the disclosures made by our customers and on our customers account terms and business practices by, among other things, making it more difficult for credit card issuers to price credit cards for future credit risk and significantly affecting the pricing, credit allocation, and business models of most major credit card issuers. Additional regulations include recently adopted regulations by the Board of Governors regulating overdraft fees imposed in connection with ATM and debit card transactions.

- Financial industry regulation, such as the proposed CFPA (passed by the U.S. House of Representatives), which could have significant authority to regulate consumer financial products, including consumer credit, deposit, payment, and similar products (although it is not clear whether the CFPA would be authorized to regulate aspects of payment card network operations).

- Regulation of Internet transactions, including legislation enacted by the U.S. Congress (and applicable to payment system participants, including MasterCard and our U.S. customers) requiring the coding and blocking of payments for certain types of Internet gambling transactions, as well as various additional legislative and regulatory activities with respect to Internet transactions which are being considered in the United States.

Increased regulatory focus on us, such as in connection with the matters discussed above, may result in costly compliance burdens and/or may otherwise increase our costs, which could materially and adversely impact our financial performance. Similarly, increased regulatory focus on our customers may cause such customers to reduce the volume of transactions processed through our systems, which would reduce our revenues materially and adversely impact our financial performance. Finally, failure to comply with the laws and regulations discussed above to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations and overall business, as well as have an impact on our reputation.

Table of Contents

Government actions could curtail our ability to compete effectively against providers of domestic payments services in certain countries, which could adversely affect our ability to maintain or increase our revenues.

Governments in certain countries, such as Russia and India, have acted, or could act, to provide resources or protection to selected national payment card and processing providers to support them or to displace us from, prevent us from entering into, or substantially restrict us from participating in, particular geographies. Our efforts to effect change in these countries may not succeed. This could adversely affect our ability to maintain or increase our revenues and extend our global brand.

Regulation in the areas of consumer privacy, data use and/or security could decrease the number of payment cards issued and could increase our costs.

We and our customers are also subject to regulations related to privacy and data protection and information security in the jurisdictions in which we do business, and we and our customers could be negatively impacted by these regulations. For example, in the United States, we and our customers are respectively subject to Federal Trade Commission and banking agency information safeguard requirements under the Gramm-Leach-Bliley Act. The Federal Trade Commission s information safeguards rules require us to develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate to our size and complexity, the nature and scope of our activities and the sensitivity of any customer information at issue. In the United States, over the past several years a number of bills have been considered by Congress and there have been several congressional hearings to address information safeguarding and data breach issues. Congress continues to consider these issues which could result in legislation that would have an adverse impact on us and our customers. For example, the United States House of Representatives has again passed comprehensive data protection and information security legislation, as well as data breach notification legislation, which could impose additional regulatory burdens on us and our customers. Similar legislation has not yet passed in the U.S. Senate, and it is not clear whether legislation of this type will be signed into law. In addition, a large number of states have enacted security breach legislation, requiring varying levels of consumer notification in the event of a security breach, and several other states are considering similar legislation.

In the European Union, the European Parliament and Council have passed the European Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, which obligates the controller of an individual s personal data to take the necessary technical and organizational measures to protect personal data. This Directive has been implemented through local laws regulating data protection in European Union member states to which we and our customers are subject.

Regulation of privacy and data protection and information security in these and other jurisdictions may increase the costs of our customers to issue payment cards, which may decrease the number of our cards that they issue. Any additional regulations in these areas may also increase our costs to comply with such regulations, which could materially and adversely affect our profitability. Finally, failure to comply with the privacy and data protection and security laws and regulations to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations and overall business, as well as have an impact on our reputation.

Table of Contents

Business Risks

Unprecedented global economic events in financial markets around the world have directly and adversely affected, and may continue to affect, many of our customers, merchants that accept our brands and cardholders who use our brands, which could result in a material and adverse impact on our prospects, growth, profitability, revenue and overall business.

The competitive and evolving nature of the global payments industry provides both challenges to and opportunities for the continued growth of our business. Unprecedented events which began during 2008 continued to impact the financial markets around the world, including continued distress in the credit environment, continued equity market volatility and additional government intervention. In particular, the economies of the United States and the United Kingdom have continued to be significantly impacted by this economic turmoil, and it is also impacting other economies around the world. Some existing customers have been placed in receivership or administration or have a significant amount of their stock owned by their governments. Many financial institutions are facing increased regulatory and governmental influence, including potential changes in laws and regulations. Many of our financial institution customers, merchants that accept our brands and cardholders who use our brands have been directly and adversely impacted.

MasterCard s financial results may be negatively impacted by actions taken by individual financial institutions or by governmental or regulatory bodies in response to the economic crisis. The severity of the economic environment may accelerate the timing of or increase the impact of risks to our financial performance that have historically been present. As a result, our revenue growth has been and may be negatively impacted, or we may be impacted, in several ways, including but not limited to the following:

- Declining economies, foreign currency fluctuations and the pace of economic recovery can change consumer spending behaviors; for example, a significant portion of our revenues is dependent on cross border travel patterns, which may continue to change.

- Constriction of consumer and business confidence such as in recessionary environments and those markets experiencing high unemployment may continue to cause decreased spending by cardholders.

- Our customers may restrict credit lines to cardholders or limit the issuance of new cards to mitigate increasing cardholder defaults.

- Uncertainty and volatility in the performance of our customers businesses may make estimates of our revenues, rebates, incentives and realization of prepaid assets less predictable.

- Our customers may implement cost reduction initiatives that reduce or eliminate payment card marketing or increase requests for greater incentives or greater cost stability.

- Our customers may decrease spending for optional or enhanced services.

- Government intervention and/or investments in our customers may have potential negative effects on our business with those banking institutions or otherwise alter their strategic direction away from our products.

- Tightening of credit availability could impact the ability of participating financial institutions to lend to us under the terms of our credit facility.

Our customers may default on their settlement obligations. See Note 22 (Settlement and Travelers Cheque Risk Management) to the consolidated financial statements included in Part II, Item 8 for further discussion of our settlement exposure.

Our business and prospects, as well as our revenue and profitability, could be materially and adversely affected by consolidation of our customers. See Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenue and profitability in this Part I, Item 1A.

In addition, our business is subject to regulation in many countries. Regulatory bodies may seek to impose rules and price controls on certain aspects of our business and the payments industry. For example, see Note 21 (Legal and Regulatory Proceedings) to the Consolidated Financial Statements included in Part II, Item 8, for a discussion of global interchange proceedings.

Any of these developments could have a material adverse impact on our prospects, growth, revenue, profitability and overall business.

Our operating results may suffer because of substantial and increasingly intense competition worldwide in the global payments industry.

The global payments industry is highly competitive. Our payment programs compete against all forms of payment, including paper-based transactions (principally cash and checks), card-based systems, including credit, charge, debit, prepaid, private-label and other types of general purpose and limited use cards, and electronic transactions such as wire transfers and Automated Clearing House payments. See Business Competition in Part I, Item 1. Within the general purpose payment card industry, we face substantial and increasingly intense competition worldwide from systems such as Visa, American Express, Discover and JCB, among others. Within the global general payment card industry, Visa has significantly greater volume than we do, and has greater scale and market share, as well as strong brand recognition, which provides significant competitive advantages. Moreover, some of our traditional competitors, as well as alternative payment service providers, may have substantially greater financial and other resources than we have, may offer a wider range of programs and services than we offer or may use more effective advertising and marketing strategies to achieve broader brand recognition or merchant acceptance than we have. Our ability to compete may also be affected by litigation outcomes. See Business Competition in Part I, Item 1.

Certain of our competitors, including American Express, Discover, private-label card networks and certain alternative payments systems, operate end-to-end payments systems with direct connections to both merchants and consumers, without involving intermediaries. These competitors seek to derive competitive advantages from their business models. For example, operators of end-to-end payments systems tend to have greater control over consumer and merchant customer service than operators of four party payments systems such as ours, in which we must rely on our issuing and acquiring financial institution customers. In addition, these competitors have not attracted the same level of legal or regulatory scrutiny of their pricing and business practices as have operators of four-party payments systems such as ours. Certain competitors may also hold competitive advantages as a result of their organizational structures. See Business Competition in Part I, Item 1.

If we are not able to differentiate ourselves from our competitors, drive value for our customers and/or effectively align our resources with our goals and objectives, we may not be able to compete effectively against these threats. Our competitors may also more effectively introduce innovative programs and services that adversely impact our growth. As a result, our revenue or profitability could decline. We also compete against new entrants that have developed alternative payment systems and payments in electronic commerce and for mobile devices. A number of these new entrants rely principally on the Internet to support their services and may enjoy lower costs than we do, which could put us at a competitive disadvantage.

We also expect that there may be other changes in the competitive landscape in the future, including:

- Parties that process our transactions in certain countries may try to eliminate our position as an intermediary in the payment process. For example, merchants could process transactions directly with issuers, or processors could process transactions directly between issuers and acquirers. Large scale consolidation within processors could result in these processors developing bilateral agreements or in some cases processing the entire transaction on their own network, thereby dis-intermediating MasterCard.

Competitors, customers and other industry participants may develop products that compete with or replace value-added services we currently provide to support our transaction processing which could, if significant numbers of cardholders choose to use them, replace our own processing services or could force us to change our pricing or practices for these services.

Participants in the payments industry may merge, create joint ventures or form other business combinations that may strengthen their existing business services or create new payment services that compete with our services.

Our failure to compete effectively against any of the foregoing competitive threats could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

We face increasingly intense competitive pressure on the prices we charge our customers, which may materially and adversely affect our revenue and profitability.

We generate revenue from the fees that we charge our customers for providing transaction processing and other payment-related services and from assessments on the dollar volume of activity on cards carrying our brands. In order to increase transaction volumes, enter new markets and expand our card base, we seek to enter into business agreements with customers through which we offer incentives, pricing discounts and other support to customers that issue and promote our cards. In order to stay competitive, we may have to increase the amount of these incentives and pricing discounts. Over the past several years, we have experienced continued pricing pressure. The demand from our customers for better pricing arrangements and greater rebates and incentives moderates our growth. We may not be able to continue our expansion strategy to process additional transaction volumes or to provide additional services to our customers at levels sufficient to compensate for such lower fees or increased costs in the future, which could materially and adversely affect our revenue and profitability. In addition, increased pressure on prices enhances the importance of cost containment and productivity initiatives in areas other than those relating to customer incentives. We may not succeed in these efforts.

Our strategy is to grow our business by, among other things, focusing on our customers and entering into customized business agreements with customers around the globe. In the future, we may not be able to enter into such agreements on terms that we consider favorable, and we may be required to modify existing agreements in order to maintain relationships and to compete with others in the industry. Some of our competitors are larger and have greater financial resources than we do and accordingly may be able to charge lower prices to our customers. In addition, to the extent that we offer discounts or incentives under such agreements, we will need to further increase transaction volumes or the amount of services provided thereunder in order to benefit incrementally from such agreements and to increase revenue and profit, and we may not be successful in doing so. Our customers also may implement cost reduction initiatives that reduce or eliminate payment card marketing or increase requests for greater incentives or greater cost stability. Furthermore, a number of customers from which we earn substantial revenue are principally aligned with one of our competitors. A significant loss of our existing revenue or transaction volumes from these customers could have a material adverse impact on our business.

Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenue and profitability.

Over the last several years, the banking industry has undergone substantial accelerated consolidation, and we expect some consolidation to continue in the future. Consolidation represents a competitive threat to us because our strategy contemplates entering into business agreements with our largest customers in exchange for significant business commitments. Recent consolidations have included customers with a substantial MasterCard portfolio being acquired by institutions with a strong relationship with a competitor. Significant ongoing consolidation in the banking industry may result in the substantial loss of business for MasterCard, which could have a material adverse impact on our business and prospects. In addition, one or more of our customers could seek to merge with, or acquire, one of our competitors, and any such transaction could also have a material adverse impact on our business and prospects.

The continued consolidation in the banking industry, whether as a result of an acquisition of a substantial MasterCard portfolio by an institution with a strong relationship with a competitor or the combination of two institutions with which MasterCard has a strong relationship, would also produce a smaller number of large customers, which could increase the bargaining power of our customers. This consolidation could lead to lower prices and/or more favorable terms for our customers. Any such lower prices and/or more favorable terms could materially and adversely affect our revenue and profitability.

Our revenue could fluctuate and decrease significantly in the longer term if we lose a significant portion of business from one or more of our largest significant customers, which could have a material adverse long-term impact on our business.

Most of our customer relationships are not exclusive and in certain circumstances may be terminated by our customers. Our customers can reassess their commitments to us at any time in the future and/or develop their own competitive services. Accordingly, our business agreements with customers may not reduce the risk inherent in our business that customers may terminate their relationships with us in favor of relationships with our competitors, or for other reasons, or might not meet their contractual obligations to us.

In addition, a significant portion of our revenue is concentrated among our five largest customers. In 2009, the net revenues from these customers represented an aggregate of approximately $1.4 billion, or 28%, of total revenue. Loss of business from any of our large customers could have a material adverse impact on our business.

Merchants are increasingly focused on the costs of accepting card-based forms of payment, which may lead to additional litigation and regulatory proceedings and may increase the costs of our incentive programs, which could materially and adversely affect our profitability.

We rely on merchants and their relationships with our customers to expand the acceptance of our cards. Consolidation in the retail industry is producing a set of larger merchants with increasingly global scope. We believe that these merchants are having a significant impact on all participants in the global payments industry, including MasterCard. For instance, as a result of the settlement agreement in connection with the U.S. merchant lawsuit, merchants have the right to reject our debit cards in the United States while still accepting other MasterCard-branded cards, and vice versa. See Note 19 (Obligations Under Litigation Settlements) and Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8. In addition, some large merchants are supporting many of the legal, regulatory and legislative challenges to interchange fees that MasterCard is now defending, since interchange fees represent a significant component of the costs that merchants pay to accept payment cards. See Risk Factors Legal and Regulatory Risks Interchange fees are subject to increasingly intense legal, regulatory and legislative scrutiny worldwide, which may have a material adverse impact on our revenue, our prospects for future growth and our overall business, financial condition and results of operations. The increasing focus of merchants on the costs of accepting various forms of payment may lead to additional litigation and regulatory proceedings. Merchants are also able to negotiate incentives from us and pricing concessions from our customers as a condition to accepting our payment cards. As merchants consolidate and become even larger, we may have to increase the amount of incentives that we provide to certain merchants, which could materially and adversely affect our revenues and profitability.

A decline in cross-border travel could adversely affect our revenues and profitability, as a significant portion of our revenue is generated from cross-border transactions.

We process substantially all cross-border transactions using MasterCard, Maestro and Cirrus-branded cards and generate a significant amount of revenue from cross-border volume fees and transaction processing fees. Revenue from processing cross-border and currency conversion transactions for our customers fluctuates with

Table of Contents

cross-border travel and our customers need for transactions to be converted into their base currency. Cross-border travel may be adversely affected by world geopolitical, economic and other conditions. These include the threat of terrorism and outbreaks of flu (such as H1N1), viruses (such as SARS) and other diseases. Any such decline in cross-border travel could adversely affect our revenues and profitability.

Certain customers have exclusive, or nearly- exclusive, relationships with our competitors to issue payment cards, and these relationships may adversely affect our ability to maintain or increase our revenues.

Certain customers have exclusive, or nearly-exclusive, relationships with our competitors to issue payment cards, and these relationships may make it difficult or cost-prohibitive for us to do significant amounts of business with them to increase our revenues. In addition, these customers may be more successful and may grow faster than the customers that primarily issue our cards, which could put us at a competitive disadvantage. Furthermore, we earn substantial revenue from customers with exclusive or nearly-exclusive relationships with our competitors. Such relationships could provide advantages to the customers to shift business from MasterCard to the competitors with which they are principally aligned. A significant loss of our existing revenue or transaction volumes from these customers could have a material adverse impact on our business.

We depend significantly on our relationships with our customers to manage our payment system. If we are unable to maintain those relationships, or if our customers are unable to maintain their relationships with cardholders or merchants that accept our cards for payment, our business may be materially and adversely affected.

We are, and will continue to be, significantly dependent on our relationships with our issuers and acquirers and their further relationships with cardholders and merchants to support our programs and services. We do not issue cards, extend credit to cardholders or determine the interest rates (if applicable) or other fees charged to cardholders using cards that carry our brands. Each issuer determines these and most other competitive card features. In addition, we do not establish the discount rate that merchants are charged for card acceptance, which is the responsibility of our acquiring customers. As a result, our business significantly depends on the continued success and competitiveness of our issuing and acquiring customers and the strength of our relationships with them. In turn, our customers success depends on a variety of factors over which we have little or no influence. If our customers become financially unstable, we may lose revenue or we may be exposed to settlement risk as described below.

With the exception of the United States and a select number of other jurisdictions, most in-country (as opposed to cross-border) transactions conducted using MasterCard, Maestro and Cirrus cards are authorized, cleared and settled by our customers or other processors without involving our central processing systems. Because we do not provide domestic processing services in these countries and do not, as described above, have direct relationships with cardholders or merchants, we depend on our close working relationships with our customers to effectively manage our brands, and the perception of our payment system among regulators, merchants and consumers in these countries. From time to time, our customers may take actions that we do not believe to be in the best interests of our payment system overall, which may materially and adversely impact our business. If our customers actions cause significant negative perception of the global payments industry or our brands, cardholders may reduce the usage of our programs, which could reduce our revenues and profitability.

In addition, our competitors may process a greater percentage of domestic transactions in jurisdictions outside the United States than we do. As a result, our inability to control the end-to-end processing on cards carrying our brands in many markets may put us at a competitive disadvantage by limiting our ability to maintain transaction integrity or introduce value-added programs and services that are dependent upon us processing the underlying transactions.

Table of Contents

We rely on the continuing expansion of merchant acceptance of our brands and programs. Although our business strategy is to invest in strengthening our brands and expanding our acceptance network, there can be no guarantee that our efforts in these areas will continue to be successful. If the rate of merchant acceptance growth slows or reverses itself, our business could suffer.

Our business may be materially and adversely affected by the marketplace s perception of our brands and reputation.

Our brands and their attributes are key assets of our business. The ability to attract and retain cardholders to our branded products depends highly upon the external perception of our company and industry. Our business may be affected by actions taken by our customers that impact the perception of our brands. From time to time, our customers may take actions that we do not believe to be in the best interests of our brands, such as creditor practices that may be viewed as predatory. Moreover, adverse developments with respect to our industry may also, by association, impair our reputation, or result in greater regulatory or legislative scrutiny. Such perception and damage to our reputation could have a material and adverse effect to our business.

If we are unable to grow our debit business, particularly in the United States, we may fail to maintain and increase our revenue growth.

In recent years, industry-wide offline and online debit transactions have grown more rapidly than credit or charge transactions. However, in the United States, transactions involving our brands account for a smaller share of all offline, signature-based debit transactions than they do credit or charge transactions. In addition, many of our competitors process a greater number of online, PIN-based debit transactions at the point of sale than we do, since our Maestro brand has relatively low penetration in the United States. We may not be able to increase our penetration for debit transactions in the United States since many of our competitors have long-standing and strong positions. We may also be impacted adversely by the tendency among U.S. consumers and merchants to migrate from offline, signature-based debit transactions to online, PIN-based transactions because we generally earn less revenue from the latter types of transactions. In addition, online, PIN-based transactions are more likely to be processed by other ATM/debit point-of-sale networks rather than by us. Any of these factors may inhibit the growth of our debit business, which could materially and adversely affect our revenues and overall prospects for future growth.

General economic and global political conditions may adversely affect trends in consumer spending, which may materially and adversely impact our revenue and profitability.

The global payments industry depends heavily upon the overall level of consumer, business and government spending. General economic conditions (such as unemployment and changes in interest rates) and other political conditions (such as devaluation of currencies and government restrictions on consumer spending) in key countries in which we operate may adversely affect our financial performance by reducing the number or average purchase amount of transactions involving payment cards carrying our brands. Also, as we are principally based in the United States, a negative perception of the United States could impact the perception of our company, which could adversely affect our business prospects and growth.

As a guarantor of certain obligations of principal members and affiliate debit licensees, we are exposed to risk of loss or illiquidity if any of our customers default on their MasterCard, Cirrus or Maestro settlement obligations.

We may incur liability in connection with transaction settlements if an issuer or acquirer fails to fund its daily settlement obligations due to technical problems, liquidity shortfalls, insolvency or other reasons. If a principal member or affiliate debit licensee of MasterCard International is unable to fulfill its settlement obligations to other customers, we may bear the loss even if we do not process the transaction. In addition, although we are not obligated to do so, we may elect to keep merchants whole if an acquirer defaults on its

Table of Contents

merchant payment obligations. Our estimated MasterCard-branded gross legal settlement exposure, which is calculated using the average daily card charges made during the quarter multiplied by the estimated number of days to settle, was approximately $26 billion as of December 31, 2009. We have a revolving credit facility in the amount of $2.5 billion (which, by its terms, will decrease to $2.0 billion in April 2010 for the final year of the facility) which could be used to provide liquidity in the event of one or more settlement failures by our customers. In the event that MasterCard International effects a payment on behalf of a failed member, MasterCard International may seek an assignment of the underlying receivables from its members. Subject to approval by our Board of Directors, such members may be charged for the amount of any settlement loss incurred during these ordinary course activities of MasterCard. While we believe that we have sufficient liquidity to cover a settlement failure by any of our largest customers on their peak day, concurrent settlement failures of more than one of our largest customers or of several of our smaller customers may exceed our available resources and could materially and adversely affect our business and financial condition. In addition, even if we have sufficient liquidity to cover a settlement failure, we may not be able to recover the cost of such a payment and may therefore be exposed to significant losses, which could materially and adversely affect our results of operations, cash flow and financial condition. Moreover, during 2009, many of our financial institution customers were directly and adversely impacted by the unprecedented events that occurred in the financial markets and the economic turmoil that ensued around the world. These events present increased risk that we may have to perform under our settlement guarantees. For more information on our settlement exposure as of December 31, 2009, see Note 22 (Settlement and Travelers Cheque Risk Management) to the consolidated financial statements included in Part II, Item 8.

If our transaction processing systems are disrupted or we are unable to process transactions efficiently or at all, our revenue or profitability would be materially reduced.

Our transaction processing systems may experience service interruptions as a result of process or other technology malfunction, fire, natural or man-made disasters, power loss, disruptions in long distance or local telecommunications access, fraud, terrorism, accident or other catastrophic events. A disaster or other problem at our primary and/or back-up facilities or our other owned or leased facilities could interrupt our services. Our visibility in the global payments industry may also attract terrorists and hackers to attack our facilities or systems, leading to service interruptions, increased costs or data security compromises. Additionally, we rely on third-party service providers for the timely transmission of information across our global data transportation network. If one of our service providers fails to provide the communications capacity or services we require, as a result of natural disaster, operational disruption, terrorism or any other reason, the failure could interrupt our services, adversely affect the perception of our brands reliability and materially reduce our revenue or profitability.

Account data breaches involving card data stored by us or third parties could adversely affect our reputation and revenue.

We, our customers, and other third parties store cardholder account and other information in connection with payment cards bearing our brands. In addition, our customers may sponsor third-party processors to process transactions generated by cards carrying our brands. A breach of the systems on which sensitive cardholder data and account information are stored could lead to fraudulent activity involving cards carrying our brands, damage the reputation of our brands and lead to claims against us. In recent years, there have been several high-profile account data compromise events involving merchants and third party payment processors that process, store or transmit payment card data, which affected millions of MasterCard, Visa, Discover and American Express cardholders. As a result of such data security breaches, we may be subject to lawsuits involving payment cards carrying our brands. While most of these lawsuits do not involve direct claims against us, in certain circumstances, we could be exposed to damage claims, which, if upheld, could materially and adversely affect our profitability. In addition, any damage to our reputation or that of our brands resulting from an account data breach could decrease the use and acceptance of our cards, which in turn could have a material adverse impact on our transaction volumes, revenue and future growth prospects, or increase our costs by leading to additional regulatory burdens being imposed upon us.

Table of Contents

An increase in fraudulent activity using our cards could lead to reputational damage to our brands and could reduce the use and acceptance of our cards.

Criminals are using increasingly sophisticated methods to capture cardholder account information to engage in illegal activities such as counterfeit or other fraud. As outsourcing and specialization become a more acceptable way of doing business in the payments industry, there are more third parties involved in processing transactions using our cards. Increased fraud levels involving our cards could lead to regulatory intervention, such as mandatory card re-issuance, adoption of new technologies or enhanced security requirements, and damage to our reputation and financial damage to our brands, which could reduce the use and acceptance of our cards or increase our compliance costs, and thereby have a material adverse impact on our business.

If we are not able to keep pace with the rapid technological developments in our industry to provide customers, merchants and cardholders with new and innovative payment programs and services, the use of our cards could decline, which could reduce our revenue and income or limit our future growth.

The payment card industry is subject to rapid and significant technological changes, including continuing developments of technologies in the areas of smart cards, radio frequency and proximity payment devices (such as contactless cards), electronic commerce and mobile commerce, among others. We cannot predict the effect of technological changes on our business. We rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to new technologies. We expect that new services and technologies applicable to the payments industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently use in our card programs and services. In addition, our ability to adopt new services and technologies that we develop may be inhibited by a need for industry-wide standards, by resistance from customers or merchants to such changes or by intellectual property rights of third parties. We have received, and we may in the future receive, notices or inquiries from other companies suggesting that we may be infringing a pre-existing patent or that we need to license use of their patents to avoid infringement. Such notices may, among other things, threaten litigation against us. Our future success will depend, in part, on our ability to develop or adapt to technological changes and evolving industry standards.

Adverse currency fluctuations and foreign exchange controls could decrease revenue we receive from our operations outside of the United States.

During 2009, approximately 54.5% of our revenue was generated from activities outside the United States. Some of the revenue we generate outside the United States is subject to unpredictable currency fluctuations (including devaluations of currencies) where the values of other currencies change relative to the U.S. dollar. Resulting exchange gains and losses are included in our net income. Our risk management activities provide protection with respect to adverse changes in the value of only a limited number of currencies and are based on estimates of exposures to these currencies. Furthermore, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our other revenue currencies into U.S. dollars. The occurrence of any of these factors could decrease the value of revenues we receive from our international operations and have a material adverse impact on our business.

Any acquisitions or strategic investments that we make could disrupt our business and harm our financial condition.

We may evaluate or make strategic acquisitions of, or acquire interests in joint ventures or other entities related to, complementary businesses, products or technologies. While we from time to time evaluate potential acquisitions of businesses, products and technologies, anticipate continuing to make these evaluations, and have made certain recent acquisitions (including interests in joint ventures and other alliances), we have no present understandings, commitments or agreements with respect to any material acquisitions. If we do make such an acquisition, however, we may not be able to successfully finance the business following the acquisition as a result of costs of operations, including any litigation risk which may be inherited from the acquisition. Furthermore, we may not be able to successfully integrate any such acquired businesses, products or technologies. In particular, the integration of any acquisition (including efforts related to an acquisition of an interest in a joint venture or other entity) may divert management s time and resources from our core business and disrupt our operations. Moreover, we may spend time and money on projects that do not increase our revenue. In addition, to the extent we pay the purchase price of any acquisition in cash, it would reduce our cash reserves available to us for other uses, and to the extent the purchase price is paid with our stock, it could be dilutive to our stockholders.

Risks Related to our Class A Common Stock and Governance Structure

Future sales of our shares of Class A common stock could depress the market price of our Class A common stock.

The market price of our Class A common stock could decline as a result of sales of a large number of shares in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us or our stockholders to sell equity securities in the future. As of February 11, 2010, we had 110,441,542 outstanding shares of Class A common stock of which 13,496,933 shares were owned by The MasterCard Foundation (the Foundation). Under the terms of the donation, the Foundation may sell its shares of our Class A common stock commencing on the fourth anniversary of the consummation of the IPO to the extent necessary to comply with charitable disbursement requirements. Under Canadian tax law, the Foundation is generally required each year to disburse at least 3.5% of its assets not used in administration of the Foundation in qualified charitable disbursements. However, the Foundation has obtained permission from the Canadian tax authorities to defer its annual disbursement requirement for up to ten years and meet its total deferred disbursement obligations at the end of the ten-year period. Despite this permission to defer annual disbursements, the Foundation may decide to meet its disbursement obligations on an annual basis or to settle previously accumulated obligations during any given year. In addition, the Foundation will be permitted to sell all of the remaining shares held by it starting twenty years and eleven months after the consummation of the IPO.

In addition, our amended and restated certificate of incorporation provides that holders of our Class B common stock would be eligible, through conversion transactions in amounts and at times to be designated by the Company, to convert their shares of Class B common stock into shares of our Class A common stock on a one-for-one basis for subsequent transfer or sale to an eligible holder, subject to annual aggregate amounts and other limits. The Company has completed four such voluntary conversion programs, including one program in 2009. After May 31, 2010, holders of our Class B common stock will have the option to convert all of their shares of Class B common stock into shares of Class A common stock on a one-for-one basis for subsequent sale to the public, without aggregate amounts or similar limitations. All of the shares of Class A common stock issuable upon conversion of such shares will be freely tradable without restriction or registration under the Securities Act of 1933, as amended, by persons other than our affiliates. These future sales, or the perception that such sales may occur, could depress the market price of our Class A common stock.

The market price of our common stock may be volatile.

Securities markets worldwide experience significant price and volume fluctuations and have experienced increased volatility in connection with recent unpredictable economic events around the world. This market volatility, as well as the factors listed below, among others, could affect the market price of our common stock:

- the continuation of unprecedented economic events around the world in financial markets as well as political conditions and other factors unrelated to our operating performance or the operating performance of our competitors;

- quarterly variations in our results of operations or the results of operations of our competitors;

Table of Contents

changes in earning estimates, investors perceptions, recommendations by securities analysts or our failure to achieve analysts earning estimates;

the announcement of new products or service enhancements by us or our competitors;

announcements related to litigation, regulation or legislative activity;

potential acquisitions by us of other companies; and

developments in our industry.

There are terms in our charter documents and under Delaware law that could be considered anti-takeover provisions or could have an impact on a change in control.

Provisions contained in our amended and restated certificate of incorporation and bylaws and Delaware law could delay or prevent entirely a merger or acquisition that our stockholders consider favorable. These provisions may also discourage acquisition proposals or have the effect of delaying or preventing entirely a change in control, which could harm our stock price. For example, subject to limited exceptions, our amended and restated certificate of incorporation prohibits any person from beneficially owning more than 15% of any of the Class A common stock, the Class B common stock or any other class or series of our stock with general voting power, or more than 15% of our total voting power. Further, no member or former member of MasterCard International, or any operator, member or licensee of any competing general purpose payment card system, or any affiliate of any such person, may beneficially own any share of Class A common stock or any other class or series of our stock entitled to vote generally in the election of directors. In addition,

our board of directors is divided into three classes, with approximately one-third of our directors elected each year;

up to three of our directors (but no more than one-quarter of all directors) are elected by the holders of our Class M common stock;

any representative of a competitor of MasterCard or of the Foundation is disqualified from service on our board of directors;

our directors, other than the directors elected by the holders of our Class M common stock (who may be removed without cause by the holders of the Class M common stock), may be removed only for cause and only upon the affirmative vote of at least 80% in voting power of all the shares of stock then entitled to vote at an election of directors, voting together as a single class;

our stockholders are not entitled to the right to cumulate votes in the election of directors;

holders of our Class A common stock are not entitled to act by written consent;

our stockholders must provide timely notice for any stockholder proposals and director nominations;

we have adopted limited liability provisions that eliminate the personal liability of directors and the members of our European Board for monetary damages for actions taken as a director or member, with certain exceptions; and a vote of 80% or more of all of the outstanding shares of our stock then entitled to vote is required to amend certain sections of our amended and restated certificate of incorporation and for stockholders to amend any provision of our bylaws.

A substantial portion of our voting power is held by the Foundation, which is restricted from selling shares for an extended period of time and therefore may not have the same incentive to approve a corporate action that may be favorable to the other public stockholders. In addition, the ownership of Class A common stock by the Foundation and the restrictions on transfer could discourage or make more difficult acquisition proposals favored by the other holders of the Class A common stock.

The Foundation owns 13,496,933 shares of Class A common stock, representing, as of February 11, 2010, approximately 12% of our general voting power. The Foundation may not sell or otherwise transfer its shares of Class A common stock prior to the date which is twenty years and eleven months following the IPO, except to the extent necessary to satisfy its charitable disbursement requirements starting on the fourth anniversary of the IPO. The directors of the Foundation are required to be independent of us and our members. The ownership of Class A common stock by the Foundation, together with the restrictions on transfer, could discourage or make more difficult acquisition proposals favored by the other holders of the Class A common stock. In addition, because the Foundation is restricted from selling its shares for an extended period of time, it may not have the same interest in short or medium-term movements in our stock price as, or incentive to approve a corporate action that may be favorable to, our other stockholders.

The holders of our Class M common stock have the right to elect up to three of our directors and to approve significant corporate transactions, and their interests in our business may be different from those of our other stockholders.

Our amended and restated certificate of incorporation requires us to obtain the approval of the holders of our Class M common stock, voting separately as a class, for a variety of enumerated actions. For example, the approval of the holders of our Class M common stock is required to make certain amendments to our certificate of incorporation, to approve the sale, lease or exchange of all or substantially all of our assets, to approve the consummation of mergers or consolidations of MasterCard or for us to cease to engage in the business of providing core network authorization, clearing and settlement services for branded payment card transactions. In addition, the holders of our Class M common stock have the right to elect up to three of our directors. Because shares of the Class M common stock do not have any economic rights, the holders of the Class M common stock may not have the same incentive to approve a corporate action that may be favorable for the holders of Class A common stock, or their interests may otherwise conflict with those of the holders of Class A common stock.

Our ability to pay regular dividends to our holders of Class A common stock and Class B common stock is subject to the discretion of our board of directors and will be limited by our ability to generate sufficient earnings and cash flows.

MasterCard intends to pay cash dividends on a quarterly basis on our shares of Class A common stock and Class B common stock. Our board of directors may, in its discretion, decrease the level of dividends or discontinue the payment of dividends entirely. The payment of dividends is dependent upon our ability to generate earnings and cash flows so that we may pay our obligations and expenses and pay dividends to our stockholders. However, sufficient cash may not be available to pay such dividends. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, settlement guarantees, operating results, available cash and current and anticipated cash needs. If, as a consequence of these various factors, we are unable to generate sufficient earnings and cash flows from our business, we may not be able to make or may have to reduce or eliminate the payment of dividends on our shares of Class A common stock and Class B common stock.

Table of Contents

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

As of December 31, 2009, MasterCard and its subsidiaries owned or leased 98 commercial properties. We own our corporate headquarters, a 472,600 square foot building located in Purchase, New York. There is no outstanding debt on this building. Our principal technology and operations center is a 528,000 square foot leased facility located in O Fallon, Missouri, known as Winghaven . The term of the lease on this facility is 10 years, which commenced on March 1, 2009. For more information on Winghaven, see Note 15 (Consolidation of Variable Interest Entity) to the consolidated financial statements included in Part II, Item 8. Our leased properties in the United States are located in 10 states, Puerto Rico and in the District of Columbia. We also lease and own properties in 47 other countries. These facilities primarily consist of corporate and regional offices, as well as our operations centers.

We believe that our facilities are suitable and adequate for the business that we currently conduct. However, we periodically review our space requirements and may acquire new space to meet the needs of our business, or consolidate and dispose of facilities that are no longer required.

Item 3. ***Legal Proceedings***

Refer to Notes 19 (Obligations Under Litigation Settlements) and 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8.

Item 4. ***Submission of Matters to a Vote of Security Holders***

Not applicable.

Table of Contents

PART II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Price Range of Common Stock

Our Class A common stock commenced trading on the New York Stock Exchange under the symbol MA on May 25, 2006. The following table sets forth the intra-day high and low sale prices for our Class A common stock for the four quarterly periods in each of 2009 and 2008, as reported by the New York Stock Exchange. At February 11, 2010, the Company had 42 stockholders of record for its Class A common stock. We believe that the number of beneficial owners is substantially greater than the number of record holders, because a large portion of our Class A common stock is held in street name by brokers.

2009	High	Low
First Quarter	$ 171.41	$ 117.06
Second Quarter	188.77	149.34
Third Quarter	225.83	158.57
Fourth Quarter	259.00	196.95

2008	High	Low
First Quarter	$ 230.35	$ 160.82
Second Quarter	320.30	219.85
Third Quarter	290.96	150.60
Fourth Quarter	184.30	113.05

There is currently no established public trading market for our Class B common stock or Class M common stock. There were approximately 677 holders of record of our Class B common stock as of February 11, 2010. There were approximately 1,846 holders of record of our Class M common stock as of February 11, 2010

Dividend Declaration and Policy

During the years ended December 31, 2009 and 2008, we paid the following quarterly cash dividends per share on our Class A common stock and Class B Common stock:

2009	Dividend per Share
First Quarter	$ 0.15
Second Quarter	0.15
Third Quarter	0.15
Fourth Quarter	0.15

2008	Dividend per Share
First Quarter	$ 0.15
Second Quarter	0.15
Third Quarter	0.15
Fourth Quarter	0.15

In addition, on February 10, 2010, we paid quarterly cash dividends of $0.15 per share on our Class A common stock and Class B common stock for the first quarter of the year ending December 31, 2010. Also, on February 2, 2010, our Board of Directors declared a quarterly cash dividend of $0.15 per share, payable on May 10, 2010 to holders of record on April 9, 2010, of our Class A common stock and Class B common stock for the second quarter of the year ending December 31, 2010.

44

Table of Contents

Subject to legally available funds, we intend to pay a quarterly cash dividend on our outstanding Class A common stock and Class B common stock. However, the declaration and payment of future dividends is at the sole discretion of our Board of Directors after taking into account various factors, including our financial condition, settlement guarantees, operating results, available cash and current and anticipated cash needs. Prior to the IPO, we did not pay any cash dividends on our shares of outstanding common stock.

Pursuant to our amended and restated certificate of incorporation, holders of our Class M common stock are not entitled to receive dividends.

Table of Contents

Item 6. ***Selected Financial Data***

The statement of operations data presented below for the years ended December 31, 2009, 2008 and 2007, and the balance sheet data as of December 31, 2009 and 2008, were derived from the audited consolidated financial statements of MasterCard Incorporated included in Part II, Item 8. The statement of operations data presented below for the years ended December 31, 2006 and 2005, and the balance sheet data as of December 31, 2007, 2006 and 2005, were derived from audited consolidated financial statements not included in this Report. The data set forth below should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and Notes thereto included in Part II, Item 8.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenues, net	$ 5,098,684	$ 4,991,600	$ 4,067,599	$ 3,326,074	$ 2,937,628
Total operating expenses	2,838,576	5,526,105	2,959,487	3,096,579	2,544,444
Operating income (loss)	2,260,108	(534,505)	1,108,112	229,495	393,184
Net income (loss) attributable to MasterCard	1,462,532	(253,915)	1,085,886	50,190	266,719
Basic earnings (loss) per share	11.19	(1.94)[2]	7.98[2]	0.37[2]	1.98[1,2]
Diluted earnings (loss) per share	11.16	(1.94)[2]	7.96[2]	0.37[2]	1.98[1,2]
Balance Sheet Data:					
Total assets	$ 7,470,279	$ 6,475,849	$ 6,260,041	$ 5,082,470	$ 3,700,544
Long-term debt	21,598	19,387	149,824	229,668	229,489
Obligations under litigation settlements, long-term	263,236	1,023,263	297,201	359,640	415,620
Equity	3,511,867	1,931,975[3]	3,031,927[3]	2,368,979[3]	1,173,768[3]
Cash dividends declared per share	0.60	0.60	0.60	0.18	

1 In connection with the ownership and governance transaction completed in 2006 and as more fully described in Note 16 (Stockholders Equity) to the consolidated financial statements included in Part II, Item 8, our shares were reclassified and accordingly our 2005 earnings per share (EPS) was retroactively restated in the financial statements.

2 As more fully described in Note 1 (Summary of Significant Accounting Policies) and Note 2 (Earnings (Loss) Per Share) to the consolidated financial statements included in Part II, Item 8, on January 1, 2009, a new accounting standard was adopted related to EPS which required retrospective adjustment of EPS for the years ended December 31, 2008 and prior.

3 As more fully described in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Part II, Item 8, on January 1, 2009, a new accounting standard was adopted related to non-controlling interests, previously referred to as minority interest, which required retrospective adjustment to Equity for the years ended December 31, 2008 and prior.

[Table of Contents](#)

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the consolidated financial statements and notes of MasterCard Incorporated and its consolidated subsidiaries, including MasterCard International Incorporated (MasterCard International) and MasterCard Europe sprl (MasterCard Europe) (together, MasterCard or the Company) included elsewhere in this Report.

Non-GAAP Financial Information

Non-GAAP financial information is defined as a numerical measure of a company s performance that excludes or includes amounts so as to be different than the most comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP). Pursuant to the requirements of Regulation S-K, portions of this Management s Discussion and Analysis of Financial Condition and Results of Operations include a comparison of certain non-GAAP financial measures to the most directly comparable GAAP financial measures. The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for the Company s related financial results prepared in accordance with GAAP.

MasterCard has presented non-GAAP financial measures to enhance an investor s evaluation of MasterCard s ongoing operating results and to aid in forecasting future periods. MasterCard s management uses these non-GAAP financial measures to, among other things, evaluate its ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of performance-based compensation. More specifically, with respect to the non-GAAP financial measures presented in this discussion:

Operating expenses Litigation settlements have been excluded since MasterCard monitors litigation settlements separately from ongoing operations and evaluates ongoing operating performance without these settlements. See Operating Expenses for a table which provides a reconciliation of operating expenses excluding litigation settlements to the most directly comparable GAAP measure to allow for a more meaningful comparison of results between periods.

Effective income tax rate The income tax impacts associated with litigation settlements have been excluded to provide a comparison of the effective income tax rate associated with ongoing operations of the business. See Income Taxes for a table which provides a reconciliation of the effective income tax rate excluding litigation settlements to the most directly comparable GAAP measure to allow for a more meaningful comparison of results between periods.

Overview

MasterCard is a leading global payment solutions company that provides a variety of services in support of the credit, debit and related payment programs of approximately 23,000 financial institutions and other entities that are our customers. We develop and market payment solutions, process payment transactions, and provide support services to our customers and, depending upon the service, to merchants and other clients. We manage a family of well-known, widely accepted payment card brands, including MasterCard®, MasterCard Electronic , Maestro® and Cirrus®, which we license to our customers. As part of managing these brands, we also establish and enforce rules and standards surrounding the use of our payment card network. We generate revenues from the fees that we charge our customers for providing transaction processing and other payment-related services and by assessing our customers based primarily on the dollar volume of activity on the cards that carry our brands. Cardholder and merchant relationships are managed principally by our customers. Accordingly, we do not issue cards, extend credit to cardholders, determine the interest rates (if applicable) or other fees charged to cardholders by issuers, or establish the merchant discount charged by acquirers in connection with the acceptance of cards that carry our brands.

We recorded net income of $1.5 billion, or $11.16 per diluted share, in 2009 versus a net loss of $254 million, or ($1.94) per diluted share, in 2008 and net income of $1.1 billion, or $7.96 per diluted share, in 2007. As of December 31, 2009, our liquidity and capital positions remained strong, with $2.9 billion in cash and cash equivalents and current available-for-sale securities and $3.5 billion in equity. In addition, we generated cash flows from operations of $1.4 billion in the year ended December 31, 2009.

Our net revenues increased 2.1% in 2009, primarily due to increased transactions, pricing changes and increases in the volume of activity on cards carrying our brands, partially offset by approximately 1.8 percentage points relating to the U.S. dollar average exchange rates strengthening versus the euro and Brazilian real average exchange rates. Historically, we experienced greater growth in net revenues than the revenue growth in 2009. Revenue growth in 2008 was 22.7%.

Our lower revenue growth rate primarily reflects the impact of the present global economic environment, which is negatively affecting our customers and their cardholders. Our revenues depend heavily upon the overall level of consumer, business and government spending. Changes in cardholder spending behavior, influenced in 2009 by recessionary environments and rising unemployment, have impacted and may continue to impact our ability to grow our revenues. Our revenues are primarily based on volumes and transactions. Our volumes are impacted by the number of transactions and the dollar amount of each transaction. During 2009, our processed transactions increased 6.9%; however, our volumes only increased 1.4% on a local currency converted basis and therefore the average amount per transaction declined. In 2009, volume-based revenues (domestic assessments and cross-border volume fees) decreased compared to 2008 and transaction-based revenues (transaction processing fees) increased in 2009. During 2008, our processed transactions increased 11.7% and volumes on a local currency basis increased 10.9%.

During 2009, net pricing actions contributed approximately 6 percentage points to our net revenue growth. These net pricing actions included price increases in April 2009 and October 2009 partially offset by an increase in cross-border rebates and the repeal of pricing relating to our interim arrangement with the European Commission. Overall, revenue growth was moderated by an increase in rebates and incentives relating to customer and merchant agreement activity and an increase to cross-border rebates to encourage certain behaviors of customers. Rebates and incentives as a percentage of gross revenues were 24.1%, 22.7% and 24.6% in 2009, 2008 and 2007, respectively.

Our operating expenses decreased 48.6% in 2009, compared to 2008, primarily due to lower litigation settlements. Excluding the impact of special items specifically identified in the reconciliation table included in Operating Expenses , operating expenses declined 6.9% in 2009 compared to 2008. In 2009, we realigned our resources and implemented contingency plans in response to the current global economic and business environment. General and administrative expenses decreased 3.1% in 2009 due to lower expenses for professional fees and travel, partially offset by increased personnel expenses as a result of severance costs incurred related to the realignment of our resources. Advertising and marketing expenses declined 19.2% in 2009 due to reduced spending on sponsorship and promotional activities reflecting cost management initiatives and market realities.

Our ratios of operating income (loss) as a percentage of net revenues, or operating margins, were 44.3% in 2009 versus (10.7%) in 2008 and 27.2% in 2007. Excluding the impact of special items, our operating margins were 44.5% in 2009, versus 39.0% in 2008 and 27.3% in 2007.

Other income (expense) varies depending on activities not core to our operations. In 2009, we did not have significant activity comparable to gains realized in 2008 and 2007.

We believe the trend within the global payments industry from paper-based forms of payment, such as cash and checks, toward electronic forms of payment, such as payment card transactions, creates significant opportunities for the growth of our business over the longer term. See Business Environment for a discussion of environmental considerations related to our long-term strategic objectives.

Business Environment

We process transactions from more than 210 countries and territories and in more than 150 currencies. Revenue generated in the United States was approximately 45.5%, 47.2% and 49.7% of total revenues in 2009, 2008 and 2007, respectively. No individual country, other than the United States, generated more than 10% of total revenues in any period, but differences in market maturity, economic health, price changes and foreign exchange fluctuations in certain countries have increased the proportion of revenues generated outside the United States over time. While the global nature of our business helps protect our operating results from adverse economic conditions in a single or a few countries, the significant concentration of our revenues generated in the United States makes our business particularly susceptible to adverse economic conditions in the United States.

The competitive and evolving nature of the global payments industry provides both challenges to and opportunities for the continued growth of our business. Unprecedented events which began during 2008 continued to impact the financial markets around the world, including continued distress in the credit environment, continued equity market volatility and additional government intervention. In particular, the economies of the United States and the United Kingdom have continued to be significantly impacted by this economic turmoil, and it is also impacting other economies around the world. Some existing customers have been placed in receivership or administration or have a significant amount of their stock owned by their governments. Many financial institutions are facing increased regulatory and governmental influence, including potential changes in laws and regulations. Many of our financial institution customers, merchants that accept our brands and cardholders who use our brands have been directly and adversely impacted.

MasterCard s financial results may be negatively impacted by actions taken by individual financial institutions or by governmental or regulatory bodies in response to the economic crisis. The severity of the economic environment may accelerate the timing of or increase the impact of risks to our financial performance that have historically been present. As a result, our revenue growth has been and may be negatively impacted, or the Company may be impacted, in several ways, including but not limited to the following:

- Declining economies, foreign currency fluctuations and the pace of economic recovery can change consumer spending behaviors; for example, a significant portion of our revenues is dependent on cross-border travel patterns, which may continue to change.

- Constriction of consumer and business confidence such as in recessionary environments and those markets experiencing rising unemployment may continue to cause decreased spending by cardholders.

Our customers may restrict credit lines to cardholders or limit the issuance of new cards to mitigate increasing cardholder defaults.

Uncertainty and volatility in the performance of our customers businesses may make estimates of our revenues, rebates, incentives and realization of prepaid assets less predictable.

Our customers may implement cost reduction initiatives that reduce or eliminate payment card marketing or increase requests for greater incentives or greater cost stability.

Our customers may decrease spending for optional or enhanced services.

Government intervention and/or investments in our customers may have potential negative effects on our business with those banking institutions or otherwise alter their strategic direction away from our products.

Tightening of credit availability could impact the ability of participating financial institutions to lend to us under the terms of our credit facility.

Our customers may default on their settlement obligations. See Note 22 (Settlement and Travelers Cheque Risk Management) to the consolidated financial statements included in Part II, Item 8 for further discussion of our settlement exposure.

Our business and prospects, as well as our revenue and profitability, could be materially and adversely affected by consolidation of our customers. See Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenues and profitability in Part I, Item 1A.

In addition, our business is subject to regulation in many countries. Regulatory bodies may seek to impose rules and price controls on certain aspects of our business and the payments industry. For example, see Note 21 (Legal and Regulatory Proceedings) to the Consolidated Financial Statements included in Part II, Item 8, for a discussion of global interchange proceedings.

Our strategy is to continue to grow by further penetrating our existing customer base and by expanding our role in targeted geographies and higher-growth segments of the global payments industry (such as premium/affluent, quick-service/low value, commercial/small business, debit, prepaid and issuer and acquirer processor services), pursuing domestic processing opportunities throughout the world, enhancing our merchant relationships, expanding points of acceptance for our brands, seeking to maintain unsurpassed acceptance and continuing to invest in our brands. We also intend to pursue incremental payment processing opportunities throughout the world. We are committed to providing our customers with coordinated services through integrated and dedicated account teams in a manner that allows us to capitalize on our expertise in payment programs, marketing, product development, technology, processing and consulting and information services for these customers. By investing in strong customer relationships over the long term, we believe that we can increase our volume of business with customers over time.

Table of Contents

Financial Results

As part of a review of its presentation of certain financial information, during 2009, the Company: (1) modified its presentation of details of the Company s major revenue categories included within the Management s Discussion and Analysis of Financial Condition and Results of Operations (the MD&A) section of filings with the U.S. Securities and Exchange Commission (the SEC) and (2) reclassified certain cardholder-related enhancement expenses. In each case, the Company s intent was to better align such information with the way in which management views the underlying drivers of the business and analyzes the Company s results of operations. The modifications to the presentation within the MD&A of the detail of the Company s revenue categories did not result in any changes to the Company s historical financial statements and had no effect on the overall calculation of net revenue presented in the financial statements. The reclassification of certain cardholder-related enhancement expenses did not result in any impact to the Company s overall operating expenses. See Operating Expenses for more information.

Our operating results for the years ended December 31, 2009, 2008 and 2007, are as follows:

	For the Years Ended December 31,			Percent Increase (Decrease)	
	2009	2008	2007	2009	2008
	(In millions, except per share, percentages and GDV amounts)				
Revenues, net	$ 5,099	$ 4,992	$ 4,068	2.1%	22.7%
General and administrative	1,935	1,997	1,857	(3.1)%	7.5%
Advertising and marketing	755	935	1,002	(19.2)%	(6.7)%
Litigation settlements	7	2,483	3	(99.7)%	** %
Depreciation and amortization	141	112	98	26.2%	14.7%
Total operating expenses	2,839	5,526	2,959	(48.6)%	86.7%
Operating income (loss)	2,260	(535)	1,108	522.8%	(148.2)%
Total other income (expense)	(42)	151	563	(127.8)%	(73.1)%
Income (loss) before income taxes	2,218	(383)	1,671	678.8%	(122.9)%
Income tax expense (benefit)	755	(129)	586	684.3%	(122.1)%
Net income (loss)	1,463	(254)	1,086	676.0%	(123.4)%
Income attributable to non-controlling interests				**	**
Net Income (Loss) Attributable to MasterCard	$ 1,463	$ (254)	$ 1,086	676.0%	(123.4)%
Basic Earnings (Loss) per Share[1]	$ 11.19	$ (1.94)[1]	$ 7.98[1]	676.8%	(124.3)%
Basic Weighted Average Shares Outstanding	130	130	135	(0.2)%	(3.5)%
Diluted Earnings (Loss) per Share[1]	$ 11.16	$ (1.94)[1]	$ 7.96[1]	675.3%	(124.4)%
Diluted Weighted Average Shares Outstanding	130	130	135	0.1%	(3.7)%
Effective income tax rate	34.1%	33.7%	35.0%	**	**
Gross dollar volume (GDV) on a U.S. dollar converted basis (in billions)	$ 2,454	$ 2,537	$ 2,273	(3.3)%	11.6%
Processed transactions[2]	22,410	20,954	18,752	6.9%	11.7%

* Note that figures in the above table may not sum due to rounding.

** Not meaningful.

[1] As more fully described in Note 1 (Summary of Significant Accounting Policies) to the consolidated financial statements included in Part II, Item 8, on January 1, 2009, a new accounting standard related to the EPS effects of instruments granted in share-based payment transactions became effective for the Company resulting in the retrospective adjustment of EPS for prior periods.

[2] Data represents all transactions processed by MasterCard, including PIN-based online debit transactions, regardless of brand. The numbers were updated in 2009 to exclude a small number of certain processed transactions initiated with cards that do not bear our brands. All prior period data has been revised to be consistent with this revised methodology. Revenue was not impacted by these changes.

Table of Contents

Impact of Foreign Currency Rates

Our overall operating results are impacted by changes in foreign currency exchange rates, especially the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real. The functional currency of MasterCard Europe, our principal European operating subsidiary, is the euro, and the functional currency of our Brazilian subsidiary is the Brazilian real. Accordingly, the strengthening or weakening of the U.S. dollar versus the euro and Brazilian real impacts the translation of our European and Brazilian subsidiaries operating results into the U.S. dollar. For 2009 as compared to 2008, the U.S. dollar average exchange rates strengthened against the euro and Brazilian real, which resulted in lower revenues and expenses. For 2008 as compared to 2007, the U.S. dollar weakened against the euro and Brazilian real, which increased revenues and expenses.

In addition, changes in foreign currency exchange rates directly impact the calculation of gross dollar volume and gross euro volume (GEV), which are used in the calculation of our domestic assessments, cross-border volume fees and volume related rebates and incentives. In most non-European regions, GDV is calculated based on local currency spending volume converted to U.S. dollars using average exchange rates for the period. In Europe, GEV is calculated based on local currency spending volume converted to euros using average exchange rates for the period. As a result, our domestic assessments, cross-border volume fees and volume related rebates and incentives are impacted by the strengthening or weakening of the U.S. dollar versus most non-European local currencies and the strengthening or weakening of the euro versus European local currencies. The strengthening or weakening of the U.S. dollar is evident when GDV on a U.S. dollar converted basis is compared to GDV on a local currency basis. In 2009 and 2008, GDV on a U.S. dollar converted basis declined 3.3% and increased 11.6%, respectively, versus GDV growth on a local currency basis of 1.4% and 10.9%, respectively.

Revenues

Revenue Descriptions

MasterCard s business model involves four participants in addition to us: cardholders, merchants, issuers (the cardholders banks) and acquirers (the merchants banks). Our gross revenues are typically based on the volume of activity on cards that carry our brands, the number of transactions we process for our customers or the nature of other payment-related services we provide to our customers. Our revenues are based upon transactional information accumulated by our systems or reported by our customers. Our primary revenue billing currencies are the U.S. dollar, euro and Brazilian real.

We process transactions denominated in more than 150 currencies through our global system, providing cardholders with the ability to utilize, and merchants to accept, MasterCard cards across multiple country borders. We process most of the cross-border transactions using MasterCard, Maestro and Cirrus-branded cards and process the majority of MasterCard-branded domestic transactions in the United States, United Kingdom, Canada, Brazil and Australia.

Our pricing is complex and is dependent on the nature of the volumes, types of transactions and other products and services we offer to our customers. A combination of the following factors determines the pricing:

- Domestic or cross-border
- Signature-based (credit and offline debit) or PIN-based (on-line debit, including automated teller machine (ATM) cash withdrawals and retail purchases)
- Tiered pricing, with rates decreasing as customers meet incremental volume/transaction hurdles
- Geographic region or country
- Retail purchase or cash withdrawal

Table of Contents

Cross-border transactions generate greater revenue than do domestic transactions since cross-border fees are higher than domestic fees. We review our pricing and implement pricing changes on an ongoing basis and expect pricing to continue to be a component of revenue growth in the future. In addition, standard pricing varies among our regional businesses, and such pricing can be customized further for our customers through incentive and rebate agreements.

The Company classifies its net revenues into the following five categories:

1. **Domestic assessments:** Domestic assessments are fees charged to issuers and acquirers based primarily on the volume of activity on MasterCard and Maestro-branded cards where the merchant country and the cardholder country are the same. A portion of these assessments is estimated based on aggregate transaction information collected from our systems and projected customer performance and is calculated by converting the aggregate volume of usage (purchases, cash disbursements, balance transfers and convenience checks) from local currency to the billing currency and then multiplying by the specific price. In addition, domestic assessments include items such as card assessments, which are fees charged on the number of cards issued or assessments for specific purposes, such as acceptance development or market development programs. Acceptance development fees are charged primarily to U.S. issuers based on components of volume, and support our focus on developing merchant relationships and promoting acceptance at the point of sale.

2. **Cross-border volume fees:** Cross-border volume fees are charged to issuers and acquirers based on the volume of activity on MasterCard and Maestro-branded cards where the merchant country and the cardholder country are different. Cross-border volume fees are calculated by converting the aggregate volume of usage (purchases and cash disbursements) from local currency to the billing currency and then multiplying by the specific price. Cross-border volume fees also include fees, charged to issuers, for performing currency conversion services.

3. **Transaction processing fees:** Transaction processing fees are charged for both domestic and cross-border transactions and are primarily based on the number of transactions. These fees are calculated by multiplying the number and type of transactions by the specific price for each service. Transaction processing fees include charges for the following:

   Transaction Switching Authorization, Clearing and Settlement.

   a. *Authorization* refers to a process in which a transaction is approved by the issuer or, in certain circumstances such as when the issuer s systems are unavailable or cannot be contacted, by MasterCard or other on behalf of the issuer in accordance with either the issuer s instructions or applicable rules. MasterCard s rules, which vary across regions, establish the circumstances under which merchants and acquirers must seek authorization of transactions. Fees for authorization are primarily paid by issuers.

   b. *Clearing* refers to the exchange of financial transaction information between issuers and acquirers after a transaction has been completed. Fees for clearing are primarily paid by issuers.

   c. *Settlement* refers to facilitating the exchange of funds between parties. Fees for settlement are primarily paid by issuers.

   Connectivity fees are charged to issuers and acquirers for network access, equipment and the transmission of authorization and settlement messages. These fees are based on the size of the data being transmitted through and the number of connections to the Company s network.

4. **Other revenues**: Other revenues for other payment-related services are primarily dependent on the nature of the products or services provided to our customers but are also impacted by other factors, such as contractual agreements. Examples of other revenues are fees associated with the following:

Fraud products and services used to prevent or detect fraudulent transactions. This includes warning bulletin fees which are charged to issuers and acquirers for listing invalid or fraudulent accounts either electronically or in paper form and for distributing this listing to merchants.

Cardholder services fees are for benefits provided with MasterCard-branded cards, such as insurance, telecommunications assistance for lost cards and locating automated teller machines.

Consulting and research fees are primarily generated by MasterCard Advisors, the Company s professional advisory services group. The Company s business agreements with certain customers and merchants may include consulting services as an incentive. The contra-revenue associated with these incentives is included in rebates and incentives.

The Company also charges for a variety of other payment-related services, including compliance and penalty fees, account and transaction enhancement services, holograms and publications.

Rebates and incentives (contra-revenue): Rebates and incentives are provided to certain MasterCard customers and are recorded as contra-revenue in the same period that performance occurs. Performance periods vary depending on the type of rebate or incentive, including commitments to the agreement term, hurdles for volumes, transactions or issuance of new cards and the launch of new programs or the execution of marketing programs. Rebates and incentives are calculated based on estimated performance, the timing of new and renewed agreements and the terms of the related business agreements.

Revenue Analysis

In 2009 and 2008, gross revenues grew 4.0% and 19.8%, respectively. Revenue growth in 2009 was primarily due to changes in pricing, increased transactions and increases in the volume of activity on cards carrying our brands, partially offset by unfavorable foreign currency exchange impacts. The revenue growth in 2008 was the result of increased transactions and GDV, as well as price increases and currency fluctuation. Rebates and incentives as a percentage of gross revenues were 24.1%, 22.7% and 24.6% in 2009, 2008 and 2007, respectively. Our net revenues in 2009 and 2008 increased 2.1% and 22.7% versus 2008 and 2007, respectively.

Pricing changes increased net revenues by approximately 6 percentage points in 2009. The price increases primarily related to increases to transaction processing fees in April 2009 and cross-border volume fees in October 2009. The net price change include approximately 1 percentage point decrease relating to an increase in cross-border rebates to encourage certain behaviors of customers and approximately 1 percentage point decrease relating to the October 2008 pricing changes which were repealed at the end of June 2009 as part of our interim arrangement with the European Commission. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 for more information.

A significant portion of our revenue is concentrated among our five largest customers. In 2009, the net revenues from these customers were approximately $1.4 billion, or 28%, of total net revenues. The loss of any of these customers or their significant card programs could adversely impact our revenues and net income. See Risk Factors Business Risks Consolidation or other changes affecting the banking industry could result in a loss of business for MasterCard and may result in lower prices and/or more favorable terms for our customers, which may materially and adversely affect our revenue and profitability in Part I, Item 1A. In addition, as part of our business strategy, MasterCard, among other efforts, enters into business agreements with customers. These agreements can be terminated in a variety of circumstances. See Risk Factors Business Risks We face increasingly intense competitive pressure on the prices we charge our customers, which may materially and adversely affect our revenue and profitability in Part I, Item 1A.

Table of Contents

The significant components of our revenues were as follows:

	For the Years Ended December 31,			Dollar Increase (Decrease)		Percent Increase (Decrease)	
	2009	2008	2007	2009	2008	2009	2008
	(In millions, except percentages)						
Domestic assessments	$ 2,382	$ 2,386	$ 2,099	$ (4)	$ 287	(0.2)%	13.7%
Cross-border volume fees	1,509	1,547	1,180	(38)	367	(2.5)%	31.1%
Transaction processing fees	2,042	1,777	1,490	265	287	14.9%	19.3%
Other revenues	784	751	622	33	129	4.4%	20.7%
Gross revenues	6,717	6,461	5,391	256	1,070	4.0%	19.8%
Rebates and incentives (contra-revenues)	(1,618)	(1,469)	(1,324)	(149)	(145)	10.1%	11.0%
Net revenues	$ 5,099	$ 4,992	$ 4,068	$ 107	$ 924	2.1%	22.7%

* Note that figures in the above table may not sum due to rounding.

Domestic assessments There was a decrease in domestic assessments of 0.2% in 2009, as compared to a 13.7% increase in 2008. These variances were due to:

GDV increased 1.4% during 2009, when measured in local currency terms, and declined 3.3% when measured on a U.S. dollar-converted basis, versus 2008. In 2008, GDV increased 10.9% when measured in local currency terms, and 11.6% when measured on a U.S. dollar-converted basis, versus 2007.

The impact of foreign currency relating to the translation of domestic assessments from our functional currencies to U.S. dollars contributed approximately 2 percentage points to the decrease in 2009 and 2 percentage points to the increase in 2008.

The decrease in 2009 was partially offset by pricing changes implemented in April 2009 and October 2008. These price changes favorably impacted domestic assessments in 2009 by approximately 4 percentage points, of which approximately 1 percentage point was associated with certain October 2008 pricing changes which were repealed at the end of June 2009 as part of our interim arrangement with the European Commission. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 for more information.

Cross-border volume fees There was a decrease in cross-border volume fees of 2.5% in 2009, as compared to a 31.1% increase in 2008. These variances were due to:

Cross-border volumes increased 0.3% in 2009, when measured in local currency terms, and decreased 6.0%, when measured on a U.S. dollar-converted basis. In 2008, cross-border volumes increased 16.6%, when measured in local currency terms, and 19.0%, when measured on a U.S. dollar-converted basis.

The impact of foreign currency relating to the translation of cross-border volume fees from our functional currencies to U.S. dollars contributed approximately 2 percentage points to the decrease in 2009. In 2008, the impact contributed approximately 3 percentage points to the increase.

The decrease in 2009 was partially offset by approximately 7 percentage points relating to pricing changes. During 2009, the cross-border pricing actions also included an increase to cross-border rebates as discussed in the rebates and incentives discussion below. In addition, approximately 1 percentage point of the 7 percentage point pricing increase was associated with certain pricing changes implemented in October

2008 and repealed at the end of June 2009 as part of our interim arrangement with the European Commission. See Note 21 (Legal and Regulatory Proceedings) to the consolidated financial statements included in Part II, Item 8 for more information. The increase in 2008 included approximately 21 percentage points of pricing changes related to acquiring cross-border volumes.

Table of Contents

Transaction processing fees The increases in transaction processing fees of 14.9% and 19.3% during 2009 and 2008, respectively, were due to:

- Pricing changes which represented approximately 8 percentage points of the increase in 2009.
- Processed transactions increased 6.9% and 11.7% during 2009 and 2008, respectively.
- The impact of foreign currency relating to the translation of transaction processing fees from our functional currencies to U.S. dollars offset the 2009 increase by approximately 2 percentage points. In 2008, the impact contributed approximately 2 percentage points to the increase.

Other revenues The increases in 2009 and 2008 of 4.4% and 20.7%, respectively, were offset by approximately 1 percentage point and contributed approximately 2 percentage points to the increase, respectively, for the impact of foreign currency relating to the translation of other revenues from our functional currencies to U.S. dollars. Additionally:

- In 2009 compared to 2008, there were increased fees for compliance and penalty fees, implementation fees, cardholder services fees and fraud products and services partially offset by a decline in consulting and research fees.
- In 2008 compared to 2007, there were increased fees for account and transaction enhancement services and cardholder service fees.