

**STATE OF GEORGIA  
DEPARTMENT OF BANKING AND FINANCE**

***APPLICATION TO CHARTER A  
GEORGIA MERCHANT ACQUIRER LIMITED PURPOSE BANK***

**GENERAL INFORMATION AND INSTRUCTIONS**

*This application is used to effect a transaction under the GEORGIA MERCHANT ACQUIRER LIMITED PURPOSE BANK ACT. All questions must be answered with complete and accurate information that is subject to verification. If the answer is "none," "not applicable," or "unknown," so state. Answers of "unknown" should be explained. The questions in the application are not intended to limit the applicant's presentation. Supporting information for all relevant factors, setting forth the basis for applicant's conclusions, should accompany the application.*

*Note the Department of Banking and Finance may request additional information.*

*In the event there are any inconsistencies between this application and the Georgia Merchant Acquirer Limited Purpose Bank Act and the Rules and Regulations promulgated thereunder, the Act and Rules will control over any such inconsistencies in this application.*

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Items to be submitted:

\_\_\_\_ Charter application and exhibits.

\_\_\_\_ Name reservation certificate.

\_\_\_\_ Articles of incorporation and incorporation fee.

\_\_\_\_ Bylaws.

\_\_\_\_ For every proposed executive officer, director, control person, and principal shareholder, unless excused from the scope pursuant to applicable Rules, provide a:

- 1) Biographical information and financial report;
- 2) Income tax returns for two most recent years;
- 3) Background check authorization form;
- 4) Credit report; and
- 5) Fingerprint card.

\_\_\_\_ Application to contract with an eligible organization (if applicable).

\_\_\_\_ Copy of application for Federal Deposit Insurance (if applicable).

\_\_\_\_ Draft notice of public comment period pursuant to Rule 80-12-2-.06.

\_\_\_\_ Verification of lawful presence/citizenship affidavit for applicant and, if applicable, holding company.

\_\_\_\_ Charter application fee made payable to the *Department of Banking and Finance*.

## **Confidentiality**

All information provided to the Department of Banking and Finance by an applicant in response to items identified in the application as “non-public information” which are expressly identified as being responsive to these sections, separately bound, and marked “confidential” shall be treated as confidential pursuant to O.C.G.A. § 7-1-70 and not subject to public disclosure except as authorized under Rule 80-12-5-.08(2).

During the public comment period, all information provided to the Department of Banking and Finance by an applicant in response to items identified in the application as “public information” shall be subject to public inspection pursuant to O.C.G.A. § 7-1-70(d) for the purpose of facilitating public comments. However, if an applicant desires confidential treatment of this information, then it must make a written request for the confidential treatment of the documents prior to or at the time of submission of the information. The request must detail the legal justification for the requested treatment as well as demonstrate the harm that would result from public release of the information. Information for which confidential treatment is requested should be separately bound and marked “confidential treatment requested.” Notwithstanding the fact that the applicant requests confidential treatment of certain documents, the Department of Banking and Finance may determine that the information should be made publically available and deny the request.

After the expiration of the public comment period, all information provided to the Department of Banking and Finance as part of the application shall be treated as confidential pursuant to O.C.G.A. § 7-1-70 and not subject to public disclosure except as authorized under Rule 80-12-5-.08(2).

## **PUBLIC INFORMATION SECTION**

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### **Proposed Merchant Acquirer Limited Purpose Bank (MALPB) Identifying Information**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
ZIP Code

### **Proposed MALPB Holding Company Identifying Information**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street

\_\_\_\_\_  
City

\_\_\_\_\_  
State/Province

\_\_\_\_\_  
ZIP Code

\_\_\_\_\_  
Country

\_\_\_\_\_  
Foreign Mail Code

### **Proposed MALPB Top-Tier Holding Company Identifying Information**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street

\_\_\_\_\_  
City

\_\_\_\_\_  
State/Province

\_\_\_\_\_  
ZIP Code

\_\_\_\_\_  
Country

\_\_\_\_\_  
Foreign Mail Code

## **MALPB Contact Person for Application**

Name		Title/Employer
Street		
City	State	ZIP Code
Telephone Number		E-Mail Address

1. Provide a brief overview of the application. The overview should describe the MALPB's business and any special market niches, providing information on products and services offered, markets served, and any nontraditional activities conducted.
2. Describe the applicant's rationale for seeking an MALPB charter.
3. Provide the names and residences (city, state, country) of all organizers, proposed executive officers, directors, control persons, and principal shareholders of the MALPB's stock.
4. Provide the names and residences (city, state, country) of MALPB holding company proposed executive officers, directors, control persons, and any principal shareholders.
5. If a multi-tier holding company structure, provide the names and residences (city, state, country) of the top-tier holding company proposed executive officers, directors, control persons, and any principal shareholders.

## **NON-PUBLIC INFORMATION SECTION**

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### **1. Overview**

- (a) Describe any issues or questions about the permissibility of the proposal with regard to applicable state or federal laws or regulations. Identify any regulatory waiver requests and provide adequate justification.
- (b) When available, provide a copy of all public or private offering materials and the proposed form stock certificate, including any required restrictive legends.
- (c) Provide a copy of the proposed articles of incorporation and proposed bylaws.
- (d) Provide an organization hierarchy chart that includes the holding company (if any), MALPB, subsidiaries, and all other affiliates. Detail any banking or finance related charters or licenses held, domestically or internationally.
- (e) Identify and briefly describe any proposed eligible or support organizations, including the services to be provided and the nature of the contractual relationship.
- (f) Provide a copy of the business plan, which should address, at a minimum, the topics contained in the Business Plan Guidelines section of this application.

### **2. Management and Staff**

- (a) For each organizer, proposed executive officer, director, control person, and principal shareholder of the MALPB's stock, attach a biographical information and financial report, income tax returns along with any amendments for the previous two completed taxable years, background check authorization form, current credit report, and completed fingerprint card. For each person, indicate all positions and offices currently held or to be held with the MALPB.
- (b) Describe each proposed director's qualifications and experience to serve and oversee management's implementation of the business plan. Describe the extent, if any, to which directors, control persons, or principal shareholders are or will be involved in the day-to-day management of the MALPB. Also, list their forms of compensation, if any.
- (c) Describe each proposed director's position (if any) with the holding company, subsidiaries, or any affiliate, detailing duties, responsibilities and compensation.
- (d) Provide a list of board committees and members.
- (e) Describe any plans to provide ongoing director education or training.
- (f) Detail each proposed executive officer's duties and responsibilities and describe the qualifications and experience to serve in his/her position. If a person has not yet been selected for a proposed executive officer position, list the criteria that will be required in the selection process. Discuss the proposed terms of employment, including compensation and benefits, and attach a copy of all pertinent documents, including an employment contract or compensation arrangement. Provide the aggregate compensation of all proposed executive officers.

- (g) Provide a detailed employee organization chart delineating lines of reporting and responsibility.
- (h) List any employees of the MALPB that are also employees of the holding company or any subsidiary or affiliate. Provide the names of such dual employees, the position and duties performed at the MALPB, the name of affiliate entity, and the position and duties performed at the affiliate entity.
- (i) For all such dual employees, describe the percentage of time spent on MALPB duties and affiliated entity duties. Also, describe the percentage of total compensation paid to each dual employee by the MALPB and by the affiliated entity.
- (j) Describe the MALPB's plan for complying with O.C.G.A. Section 7-9-4 regarding minimum number of employees. If the MALPB plans to contract with an eligible organization, provide a copy of such contract, describe how this other entity qualifies as an eligible organization, and provide a plan for the MALPB to maintain a continued and substantive presence in Georgia.
- (k) Provide a plan for management succession.
- (l) Provide a plan for management and employee training.
- (m) Describe any potential conflicts of interest.
- (n) Describe any existing or proposed transaction, contract, professional fee, credit, or any other type of business relationship involving the MALPB, the holding company, subsidiaries, and its affiliates (if applicable), and any organizer, proposed executive officer, director, principal shareholder, or other insiders. Include professional services or goods with respect to organizational expenses and MALPB premises and fixed asset transactions. (Transactions between affiliates of the holding company that do not involve the MALPB need not be described.)
  - 1) State whether the business relationship is made in the ordinary course of business, is made on substantially the same terms as those prevailing at the time for comparable transactions with non-insiders or non-affiliates, and does not present more than the normal risk of such transaction or present other unfavorable features.
  - 2) Specify those organizers that approved each transaction and whether the transaction was disclosed to proposed directors and prospective shareholders.
  - 3) Provide all relevant documentation, including contracts, independent appraisals, market valuations, and comparisons.
- (o) Describe all stock benefit plans of the MALPB and holding company, including stock options, stock warrants, and other similar stock-based compensation plans, for organizers, proposed executive officers, directors, control persons, principal shareholders, and other insiders. Include in the description:
  - 1) Duration limits;
  - 2) Vesting requirements;
  - 3) Transferability restrictions;
  - 4) Exercise price requirements;
  - 5) Rights upon termination;
  - 6) Any "exercise or forfeiture" clauses; and
  - 7) Number of shares to be issued or covered by the plans.

- (p) Provide a list of stock benefit plan participants, allocation of benefits to each participant, and a copy of each proposed plan. (Plans must conform to applicable regulatory guidelines.)

### **3. Capital and Safeguards**

- (a) For each class of stock, provide the number of authorized shares, the number of shares to be issued, par value, voting rights, convertibility features, liquidation rights, and the projected sales price per share. Indicate the amount of net proceeds to be allocated to common stock, paid-in surplus, and other capital segregations.
- (b) Describe any noncash contributions to capital, and provide supporting documents for assigned values, including an independent evaluation or appraisal.
- (c) Discuss the adequacy of the proposed capital structure relative to internal and external risks and planned operational and financial assumptions, including technology, locations/facilities, and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any off-balance-sheet activities contemplated. Describe any plans for the payment of dividends.
- (d) List all known subscribers of stock. For organizers, proposed executive officers, directors, control persons, principal shareholders, and other insiders, include the number of shares, the dollar amount of anticipated investment, and the dollar amount of direct and indirect borrowings to finance the investment. Discuss how any debt will be serviced.
- (e) List recipients and amounts of any fees, commissions, or other considerations in connection with the sale of stock.
- (f) Indicate whether the MALPB plans to file for S Corporation tax status.
- (g) Provide a copy of any holding company source of strength capital maintenance guaranty and describe the collateral securing any portion for which tier 1 capital treatment is requested along with copies of collateral assignment and safekeeping arrangements.
- (h) Identify the federally insured financial institution(s) authorized to do business in Georgia to which the MALPB will deposit merchant funds, and describe the process by which these merchant funds will be segregated from the MALPB's funds, accounted for by individual merchant, and safeguarded from creditors of the MALPB. Describe the MALPB's authorization and controls for making appropriate deductions from merchant funds for chargebacks, fees, reserves, and other costs related to merchant acquiring services provided.
- (i) Describe the MALPB's fidelity insurance coverage currently held or to be obtained along with information on the provider of that coverage.
- (j) Describe the MALPB's data breach insurance coverage currently held or to be obtained along with information on the provider of that coverage.
- (k) Provide a copy of the required receivership letter of credit.

#### **4. Scope of Market**

**NOTE:** This information must be consistent with the proposed business plan.

- (a) Define and describe the market segments and types of merchant accounts to be served. Identify any high-risk market segments or merchants and detail how the MALPB will manage the risks associated with high-risk businesses.
- (b) Detail the MALPB's plans for complying with the Georgia Merchant Acquirer Limited Purpose Bank Act requirements regarding number of Georgia employees.

#### **5. Premises and Fixed Assets**

- (a) Provide a physical description for all MALPB premises. Indicate the level and type of property insurance to be carried.
- (b) If the permanent premises are to be purchased, provide the name of the seller, the purchase price, the cost and description of necessary repairs and alterations, and the annual depreciation. If the premises are to be constructed, provide the name of the seller, the cost of the land, and the construction costs. Indicate the percentage of the building that will be occupied by the MALPB. Provide a copy of the appraisal.
- (c) If the permanent premises are to be leased, provide the name of the owner, the terms of the lease, and the cost and description of leasehold improvements. Provide a copy of the proposed lease when available.
- (d) If temporary quarters are planned, provide a description of the interim facility, length of use, lease terms, and other associated commitments and costs.
- (e) Outline the security program that will be developed and implemented, including any security devices, related to fixed assets.
- (f) Describe any plan to relocate the main office or establish any other offices/facilities within the first three years. Any acquisition or operating expenses should be reflected in the financial projections.

#### **6. Information Technology Systems**

- (a) Detail the proposed or existing information systems architecture and any proposed changes or upgrades. The information should describe how: (1) the information system will work within existing technology; (2) the information system is suitable to the type of business in which the MALPB will engage; (3) the security hardware, software, and procedures will be sufficient to protect the MALPB from unauthorized tampering or access; and (4) the organizers and directors will allocate sufficient resources to the entire technology plan.
- (b) Provide lists or descriptions of the primary systems and flowcharts of the general processes related to the products and services. The level of detail in these system descriptions should be sufficient to enable verification of the cost projections in the *pro formas*.
- (c) Estimate the start-up budget for the information systems related to the products and services and the expected annual operating and maintenance costs (including telecommunications, hardware, software, and personnel).



- (d) Describe the physical and logical components of security. Describe the security system and discuss the technologies used and key elements for the security controls, internal controls, and audit procedures. Discuss the types of independent testing the MALPB will conduct to ensure the integrity of the system and its controls.
- (e) Describe in detail the policies and procedures established to protect against data compromises.
- (f) Describe in detail the policies and procedures established to prevent data processing errors.
- (g) Describe in detail the information security program that will be in place to safeguard confidential MALPB and customer information.
- (h) List any data processing functions that will be outsourced to third parties, identifying the parties and noting any affiliations. Describe all terms and conditions of the vendor management activities and provide a copy of the proposed agreement when available. Describe the due diligence conducted and the planned oversight and management program of the vendors' or service providers' relationships.

## **7. Operations and Policies**

- (a) List all planned expenses related to the organization of the MALPB and include the name of the recipient, the type of professional service or goods provided, and the cost. Describe how MALPB organization expenses will be paid.
- (b) Provide evidence that the MALPB will obtain sufficient fidelity and data breach insurance coverage to conform to regulatory requirements as well as with payment industry and payment card network standards.
- (c) Provide a copy of the MALPB's policies addressing due diligence, approval criteria, and ongoing oversight of depository institutions as well as contingency plans for transitioning and exiting relationships with depository institutions.
- (d) Provide a copy of the MALPB's policies for: capital adequacy, capital stress testing and capital contingency plans; obtaining, managing and monitoring merchants/customers; discontinuing noncompliant merchants; credit and receivables; payables and other liabilities; vendor management and monitoring; payment card network(s) membership compliance; protection of confidential merchant and consumer information; regulatory compliance; cash and investments; liquidity and funds management, liquidity stress testing, and liquidity contingency plans; limits on interbank liabilities; conflict of interest with affiliates and insiders; chargebacks, holdbacks, returns, and refunds; fraud detection and prevention; internal and external audit; records keeping; dividends; and any other relevant policies.
- (e) Provide a copy of the MALPB's policies and procedures for becoming and/or remaining certified compliant to the Payment Card Industry (PCI) Data Security Standard (DSS) and such other data security standards recognized by the payment card networks in which the MALPB participates. Explain why the chosen standard(s) is appropriate for the MALPB.
- (f) Provide a copy of the MALPB's policies and procedures for complying with the Interagency Guidelines Establishing Information Security Standards as well as

Interagency Guidelines on Response Programs for Unauthorized Access to Customer Information and Customer Notice.

- (g) Provide a copy of the MALPB's policies and procedures for complying with 31 CFR Chapter X including, but not limited to, customer identification standards, suspicious transaction reporting, and anti-money laundering requirements for financial institutions.
- (h) Provide a copy of the MALPB's policies and procedures for complying with Office of Foreign Assets Control laws and regulations.
- (i) Provide a copy of the MALPB's policies and procedures for complying with the Unlawful Internet Gambling Enforcement Act and the related rules and regulations.
- (j) Describe the MALPB's risk calculation policy including the basis and rationale for any adjustments by industry, merchant, or other factor.
- (k) Provide a copy of the MALPB's policies and procedures for mitigating the risks associated with higher risk categories, such as online or mobile transactions; high dollar, extended delivery period, or fragile/perishable products or services; start-up or online-only merchants; subscription, adult only, drug/pharmaceutical, gaming, legal-jurisdiction specific industries; and customers or merchants in high-risk geographies.
- (l) Provide a copy of the MALPB policies and procedures for mitigating settlement risk, chargeback risk and merchant fraud risk.
- (m) Provide a copy of the MALPB's policies and procedures to mitigate risks associated with illegal and/or illicit merchant activities as well as MALPB employee dishonesty and/or defalcations.
- (n) Provide a draft copy of the MALPB's application to join a credit card network as a merchant acquirer bank.
- (o) Describe any formal or informal relationships or arrangements with unaffiliated parties and provide a copy of any contracts and agreements.
- (p) List activities and functions that will be outsourced to third parties, identifying the parties and noting any affiliations. Describe all terms and conditions of the vendor management activities and provide a copy of the proposed agreement when available. Describe the due diligence conducted and the planned oversight and management program of the vendors' or service providers' relationships.
- (q) Describe the MALPB's management information system for reporting to the board of directors on areas such as financial condition/performance and risk. Include examples of reports as exhibits.
- (r) Describe how the board of directors will function in fulfilling its fiduciary duty to oversee the MALPB in accordance with safe and sound merchant acquiring principles.
- (s) What is the expected volume of merchant acquirer activity in relation to proposed capital? What is the maximum target range and what are the plans and procedures established to reduce the ratio of merchant acquirer activity to capital if the target range is exceeded?

- (t) Describe how the MALPB intends on receiving, processing, and resolving merchant and consumer complaints.
- (u) Provide a copy of any agreements with payment card networks.

## **8. Requirement for Annual Certified Independent Audit**

Submit a statement, signed by the proposed directors and executive officers of the proposed MALPB, certifying that the proposed board of directors and executive officers will cause to be performed at least annually an independent audit of the MALPB by a qualified certified public accounting firm, as determined by and at the direction and discretion of the Department, in accordance with generally accepted auditing standards of the United States, with the cost of such independent audit borne solely by the MALPB and with the results of such audit being provided to the Department within thirty (30) days following receipt by the MALPB.

## **9. MALPB Holding Company, Subsidiaries, and Affiliates**

- (a) Provide the name and address of the holding company, provide its date of formation, and describe its business activities and ownership structure. List all subsidiaries and affiliates of the holding company, providing addresses, ownership structure, date formed, and describing the business activities of each.
- (b) For each holding company proposed executive officer, director, control person, and principal shareholder, attach a biographical information and financial report, income tax returns along with any amendments for the previous two completed taxable years, background check authorization form, current credit report, and completed fingerprint card. Indicate all positions and offices currently held or to be held with the holding company or its affiliates. Identify any dominant policy-making proposed executive officers, directors, control persons, or principal shareholders.
- (c) Provide any doing business as (DBA), trade, or former names that the holding company or its affiliates have used or operated under, and provide a list of any mergers or acquisitions involving the holding company or its affiliates.
- (d) Describe all legal licensing/registration requirements under which the holding company, its subsidiaries, or its affiliates operate, providing charter/registration type and number, name of regulatory agency, and address of regulatory agency. Provide letters of good standing from all applicable regulatory agencies.
- (e) Describe the nature, scope, and frequency of any regulatory examination, inspection, or review procedures to which the holding company, its subsidiaries, or its affiliates are subject.
- (f) Provide a copy of holding company, subsidiary, or affiliate responses to regulatory examinations or inspections for the current year and previous two calendar years.
- (g) Provide detail on any formal or informal enforcement action, fine, or penalty (monetary or otherwise) to which the holding company, its subsidiaries, or its affiliates are or have been subject, have agreed to conform, or is pending.
- (h) Indicate the holding company, subsidiaries, and affiliates' level of compliance with PCI DSS and provide a history of the PCI DSS compliance for previous years. Provide a full explanation of the circumstances of any period of noncompliance.

- (i) Has the holding company or any subsidiary or affiliate made an application with a financial services regulator, either in the United States or elsewhere, for a banking charter or license on behalf of itself or for another party? If yes, state the disposition of such application (approved, denied, withdrawn, suspended) and provide detail.
- (j) Has any MALPB, merchant acquirer, and/or financial institution, located in the United States or elsewhere, incurred a loss on any debt to the holding company or its subsidiaries or affiliates? If yes, provide detail.
- (k) Has the holding company or any subsidiary or affiliate, at any time, declared bankruptcy or its equivalent? If yes, provide detail.
- (l) Describe any material or significant judgments or pending litigation with likely outcome involving the holding company or its subsidiaries or affiliates.
- (m) Provide financial statement audit reports and annual reports for the holding company and any subsidiary or affiliate, if performed separately, for the past three years.
- (n) Is the holding company or any subsidiary or affiliate currently subject to an audit or has an assessment ever been issued or has a tax lien ever been recorded by the Internal Revenue Service or any other taxing body located in the United States or elsewhere? If yes, provide detail.
- (o) Has the holding company or any subsidiary or affiliate been involved with or been the victim of any illegal or fraudulent scheme or activity? If yes, provide detail.
- (p) Provide credit ratings for the holding company and its subsidiaries or affiliates for the current year and the previous two calendar years.
- (q) What are the holding company, subsidiaries, and affiliates' levels of interbank activity? What are the holding company, subsidiary, and affiliates' plans and procedures to ensure that interbank activity is not excessive?
- (r) Provide a history of the level of chargebacks (if any) experienced by the holding company and affiliates for the current year and previous five years. What are the plans and procedures to mitigate chargeback risk?
- (s) Provide a history of any data compromises experienced by the holding company, its subsidiaries, and affiliates. What are the plans and procedures to prevent data compromises?

# Business Plan Guidelines

## Preparation and Use

The business plan should be an integral part of the management and oversight of an MALPB. It should establish the MALPB's goals and objectives. It is a written summary of how the MALPB's resources will be organized to meet its goals and how progress will be measured.

The business plan should be comprehensive and based on in-depth planning by the MALPB's organizers and management. It should realistically forecast market demand, customer base, competition, and economic conditions. The plan must reflect sound merchant acquiring principles and demonstrate a realistic assessment of risk in light of economic and competitive conditions in the markets to be served. The business plan for an MALPB should address any special or unique features in detail in the appropriate sections.

The business plan should cover at least a three year forecast period and provide detailed explanations of actions proposed to accomplish the primary merchant acquiring functions of the MALPB. The description should provide enough detail to demonstrate that the MALPB has a reasonable chance for success, will operate in a safe and sound manner, and will have adequate capital to support the risk profile. The business plan should contain a clear and detailed definition of the merchants and industries the MALPB plans to serve and the products and services it will provide through all delivery methods and channels.

## BUSINESS PLAN

### I. Table of Contents

### II. Executive Summary

Describe the highlights of the plan.

### III. Description of Business

- A. Describe in detail the MALPB's business, target market segments, and any special market niche, including, but not limited to, products, markets, services, and nontraditional activities.
- B. Describe any plans to join a payment card network(s) as an MALPB and list the requirements of each such payment card network to become accepted as a merchant acquirer.
- C. If in a holding company structure, discuss the operations of the organization, including a brief detail of the organizational structure and interaction between the MALPB and its subsidiaries and affiliates.
- D. Describe the extent, if any, that there are or will be transactions with affiliated entities or persons. Include the terms of the transactions.
- E. Discuss the legal form and stock ownership of the MALPB and any investment in subsidiaries or joint ventures.
- F. For an operating merchant acquirer, describe the present financial condition and current resources, such as offices/facilities, staff, customer base, and technology resources/capabilities. Specifically discuss the strengths and weaknesses.
- G. Describe the structure of the proposed MALPB main office and any other offices/facilities.
- H. Discuss any growth or expansion plans, via additional offices/facilities, merger, acquisition, or otherwise.

#### IV. Marketing Plan

*A marketing plan should provide detailed factual support that the MALPB has reasonable prospects to achieve its revenue projections, customer volume, and key marketing and income targets. The analysis should be based on the most current data available, and the sources of information should be referenced. This section should contain an in-depth discussion of the major planning assumptions for the market analysis, economic, and competitive components used to develop the plans, objectives, and the basis for the assumptions.*

##### A. Product Strategy

- 1) List and describe in detail the terms of the planned products and services, including activities of any subsidiaries, eligible organizations, or support organizations.
- 2) Discuss how the MALPB will market and offer products and services over the three year forecast period, indicating any variation in the different market areas or distribution methods/channels, and include the timeframe for the introduction and the anticipated cost associated with each.
- 3) Describe the MALPB's plans to provide merchant acquiring products or services to any independent sales organization (ISO) and/or merchant service provider (MSP).
- 4) Describe any plans to provide directly or indirectly merchant acquiring products or services to industries and companies engaged in businesses with a high level of credit, operational, legal or reputational risk (such as online or mobile transactions; high dollar, extended delivery period, or fragile/perishable products or services; start-up or online-only merchants; subscription, adult only, drug/pharmaceutical, gaming, legal-jurisdiction specific industries; and customers or merchants in high-risk geographies). Describe any plans to mitigate the higher level of risk associated with such industries.

##### B. Market Analysis

- 1) Describe the intended target markets transaction type (e.g. debit-PIN, debit-signature, credit), transaction nature (e.g. in-store, online, mobile), transaction characteristics (e.g. high dollar, extended delivery period, fragile/perishable), merchant characteristics (e.g. established-public, established-private, start-up, online), industry characteristics (e.g. subscription, adult only, drug-pharmaceutical, gaming, legal-jurisdiction specific), concentrations (e.g. transaction, merchant, industry, geography).
- 2) Provide key demographics for target market merchants, industries, businesses and services.

##### C. Economic Component

- 1) Describe the economic outlook for the three year forecast period of the plan. The plan should address the most likely scenario as well as moderate and severe economic downturn scenarios.
- 2) Indicate any international, national, regional, or local economic factors that may affect the operations of the MALPB. Include an analysis of any anticipated changes in the market, the factors influencing those changes, and the impact they will have on the MALPB.
- 3) Based on the economic characteristics described previously, discuss the economic factors that influence the products and services to be offered. A more in-depth discussion is warranted when different types of services are identified for different market segments in item A. of the Description of Business section.

- 4) Describe any pending or potential factors or changes (payment card networks, payments industry, governmental, regulatory, economic, etc.) that could affect the MALPB's business plan.

**D. Competitive Analysis**

- 1) Compare and contrast the MALPB's product strategy with its principal competitors in the target market(s). Include expected results in terms of relative strength, market share, and pricing.
- 2) Discuss the overall marketing/advertising strategy, including approaches to reach target markets. Outline the specific medium that will be used, including timing and level of advertising efforts.
- 3) Discuss potential competition in the target market(s).

**V. Records, Systems, and Controls**

- A. Describe the MALPB's current and/or proposed accounting and internal control systems, indicating any use of electronic processing systems.
- B. Describe management's proposed internal audit function. The description should set forth the independence of the department and the scope and frequency of audits. Discuss the experience and education of the audit staff. If external auditors will be used for internal audits, provide similar information for the external auditors.
- C. Describe the compliance management programs (legal, regulatory, payments industry, and payment card networks), addressing independence, scope, frequency, and staff qualifications. Discuss how the MALPB will respond to merchant and consumer complaints.
- D. State plans for an annual audit by independent public accountants.
- E. Discuss the functions that will be outsourced and what the MALPB will do in-house.

**VI. Financial Management Plan**

- A. Capital and Earnings
  - 1) Discuss the MALPB's capital targets and the means to achieve them. Discuss the plan for raising capital and for financing growth, with particular emphasis on conformance with regulatory and payment card network capital requirements. Address capital stress testing and capital contingency plans. Among other items, the discussion should address the level and form of holding company support to serve as a source of strength to the MALPB.
  - 2) Discuss earnings goals and other profitability measurements, and summarize the strategies to achieve those goals.
  - 3) Discuss the adequacy of the proposed capital structure relative to internal and external risks, planned operational and financial assumptions, technology, and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any off-balance-sheet activities contemplated.
  - 4) Describe the debt service requirements for any debt that will be issued by the MALPB (or by the holding company or any subsidiaries or affiliates on behalf of the MALPB).
  - 5) Discuss the use of options, warrants, and/or other benefits associated with the MALPB's capital.

- 6) Summarize the MALPB's dividend policy.

**B. Liquidity and Funds Management**

- 1) Discuss how the MALPB will identify and measure liquidity risk, including the performance of liquidity stress testing and liquidity contingency plans.
- 2) Discuss the MALPB's plan to monitor and control its liquidity risk, including funding sources (borrowings, securitizations). Among other items, the discussion should address the level and form of holding company support to serve as a source of strength to the MALPB.
- 3) Describe any plans to borrow funds from any financial MALPBs or other sources, including the amount, composition, interest rate, maturity, purpose, and collateral.
- 4) Discuss the type of investment securities the MALPB plans to purchase.

**C. Credit and Fraud Risk**

- 1) Discuss how the MALPB will identify and measure credit and fraud risk, including during the merchant/customer underwriting process.
- 2) Describe the merchant credit and fraud risk review program, addressing independence, scope, frequency, and staff qualifications.
- 3) Describe the methodology used to determine any allowance for chargebacks, holdbacks and other reserve accounts.

**VII. Monitoring and Revising the Plan**

- A. Describe how the board of directors will monitor adherence to the business plan.
- B. Describe how the board of directors will adjust and amend the plan to accommodate significant or material economic changes.

**VIII. Contingency Plan**

Describe the MALPB's contingency plan in the case of a service disruption or loss of eligibility to be a member of a payment card network(s).

**IX. Financial Projections**

- A. Provide financial information for opening day pro forma and quarterly projections for the three year forecast period (Balance Sheet, Income Statement and Cash Flow Statement). Also, provide annual totals for the Income Statement.
- B. The financial statements should be presented in two ways: (1) showing the dollar amounts, and (2) as a percentage of total assets.
- C. Describe in detail all of the assumptions used to prepare the projected statements. Also present a thorough justification to support proposed capital, including any off-balance-sheet activities contemplated.
- D. Indicate the amount of lease expense, capital improvements, and furniture, fixtures, and equipment, including information technology systems and equipment upgrades.



- E. Describe the assumptions for the start-up costs, volumes, expected returns/financial benefits, and expected timeframe to introduce each new product and service.