PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES

PUBLIC DISCLOSURE OF VISA EUROPE LIMITED (VEL'S) SELF-ASSESSMENT 2024

SELF-ASSESSMENT SUBMITTED TO THE BANK OF ENGLAND (as authority overseeing Visa Europe) ON 13 NOVEMBER 2024

For further information, please contact: Tel: +44 (0)20 7795 5777 (enquiries) or Tel: +44 (0)20 7937 8111 (switchboard) or Email: enquiries.europe@visa.com

This disclosure can also be found at: Visa in Europe | Visa

Executive Summary

Purpose of the Principles

The Principles for Financial Market Infrastructures (PFMI) are the international standards for financial market infrastructures, which includes payment systems, considered essential to strengthening and preserving financial stability. The Bank of England (BoE) supervises Visa Europe Limited (VEL) in accordance with these principles.

This document provides VEL's self-assessment of how it meets the PFMI, as required by the BoE.

Business model overview

VEL is a private limited company, incorporated in England and Wales, and is a wholly owned subsidiary of Visa Europe Holdings Limited and part of the Visa Inc. group.[1] VEL is responsible for representing the Visa brand name and facilitating commerce across the Europe Region, which encompasses 38 countries, including the UK, EU/EEA countries, Turkey, Israel, Switzerland, and European microstates.

Visa is one of the world's leaders in digital payments. Our purpose is to uplift everyone, everywhere by being the best way to pay and be paid. Visa facilitates global commerce and money movement across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, and government entities through innovative technologies.

Since Visa's early days in 1958, Visa has been in the business of facilitating payments between consumers and businesses. We are focused on extending, enhancing, and investing in our proprietary advanced transaction processing network, VisaNet, to offer a single connection point for facilitating payment transactions to multiple endpoints through various form factors. As a "network of networks" enabling global movement of money through all available networks, Visa is working to provide payment solutions and services for everyone, everywhere.

[1] Whilst part of the wider Visa Inc. group, VEL is supported by a number of subsidiaries, branch, and representative offices, all of which provide a range of Member liaison, business development, and general support services to VEL throughout the region. VEL, however, is the principal contracting entity for the operation of Visa within the Europe Region.

- **We facilitate secure, reliable, and efficient money movement among consumers, issuing and acquiring financial institutions, and merchants.** We have traditionally referred to this structure as the "four party" model. As the payments ecosystem continues to evolve, we have broadened this model to include digital banks, digital wallets and a range of financial technology companies (fintechs), governments, and non-governmental organisations. We provide transaction processing services (primarily authorisation, clearing, and settlement) to our financial institution and merchant clients through VisaNet.
- **We offer a wide range of Visa-branded payment products** globally that Visa's clients, including 14,500 financial institutions, use to develop and offer payment solutions or services, including credit, debit, prepaid, and cash access programmes for individual, business, and government account holders.
- **We take an open, partnership approach** and seek to provide value by enabling access to Visa's global network, including offering our technology capabilities through application programming interfaces (APIs). We partner with both traditional and emerging players to innovate and expand the payments ecosystem, allowing them to use the resources of our platform to scale and grow their businesses more quickly and effectively.
- **We are accelerating the migration to digital payments** through our "network of networks" strategy, enabling money movement for businesses, governments, and consumers regardless of which network is used to start or complete the transaction, and this model ultimately helps to unify a complex payments ecosystem. Visa's network of networks approach creates opportunities by facilitating person-to-person, business-to-consumer, business-to-business, and government-to-consumer payments, in addition to consumer to business payments.
- **We provide value-added services** to our clients, including issuing solutions, acceptance solutions, risk and identity solutions, and advisory services.
- **We invest in and promote our brand** to the benefit of our clients and partners through advertising, promotional, and sponsorship initiatives – including with the International Olympic Committee and the International Paralympic Committee and the National Football League (NFL), among others. In addition, Visa Europe was the first ever sponsor of UEFA women's football. We also use these sponsorship assets to showcase our payment innovations.

Objective of the self-assessment

The objective of the self-assessment is to provide an overview of VEL's observance of the PFMI, reflective of the policies, processes, and procedures VEL has in place and to identify appropriate remediation activity if required. VEL's observance of the principles are identified as broadly observed, partly observed, or not observed.

The content of the self-assessment is accurate as of November 2024 unless explicitly noted otherwise.

Approach to the self-assessment

The self-assessment has been completed by subject matter experts (SMEs) from within VEL's First Line of Defence. Guidance, challenge, and input has then been provided by both VEL Risk and Legal functions as the Second Line of Defence (SLoD).

The approach included consideration of each Principle, their underlying Key Considerations, and the questions set out in the "PFMI: Disclosure Framework and Assessment Methodology", with the response for each developed accordingly.

A robust governance process has facilitated review, challenge, and confirmation of each response:

- Relevant SMEs have been consulted during the review process.
- Each Principle was assigned to a relevant member of VEL's Europe Leadership Team (ELT) for review.
- The VEL Chief Risk Officer (CRO) and General Counsel reviewed and approved this document.
- The Europe Risk Committee (ERC) reviewed and approved this document.

Scope of the self-assessment

Seven of the 24 PFMI Principles are not applicable to VEL and were not assessed against. Of these, four (Principles 6, 14, 20, and 24) are not relevant as they do not apply to a payment system, and three (Principles 10, 11, and 12) is not relevant as VEL does not operate a payment system that settles transactions involving the settlement of two linked obligations.

It should be noted that the self-assessment is not intended to test the effectiveness of VEL's policies, processes, procedures, and associated controls. These are tested through alternative mechanisms such as VEL's Risk and Internal Audit functions, and also by external independent parties where required.

Informational sources

VEL's internal documentation is the primary source of information for this self-assessment. Such sources include frameworks; policy and procedure documentation; internal governance material and management information; formal rules, standards, and guidelines issued by VEL and the Visa Inc. group; and internally produced analysis and expertise held within VEL. In addition, the assessment has considered external sources of information and expertise such as external audit reports, relevant regulatory and supervisory publications, and industry guidance and standards.

General overview of the FMI

How we create value

As a network of networks, Visa enables the global movement of money and works to provide payment solution and services for everyone, everywhere. We facilitate secure, reliable, and efficient money movement among consumers, financial institutions, and merchants. We continuously strive to identify and invest in new capabilities, work with clients to help secure the payments environment, and take action to improve the security, integrity, and resiliency of our network.

Maintaining the integrity and trust of the digital payments landscape is crucial for Visa's role in the ecosystem. We use security tools that help keep our clients and consumers safe. We also invest significantly in our comprehensive approach to cybersecurity. We deploy security technologies to protect data confidentiality, the integrity of our network service availability, and to strengthen our core cybersecurity capabilities to minimise risk. Our payments fraud disruption team continually monitors threats to the payments ecosystem to help ensure attacks are detected and prevented efficiently and effectively.

Visa is also committed to operating as a responsible, ethical, inclusive, and sustainable company. As one of the global leaders in digital payments, Visa strives to join with clients, partners, and other stakeholders to empower people, businesses, and communities to thrive, to be an industry leader in addressing the corporate responsibility and sustainability topics most significant to our role as a payments technology company, and to meet and exceed our expectations for performance and transparency. Visa's purpose is to uplift everyone, everywhere by being the best way to pay and be paid. We believe deeply in our purpose, and we are focused on empowering people and economies; securing commerce and protecting customers; investing in our workforce; protecting the planet; and operating responsibly.

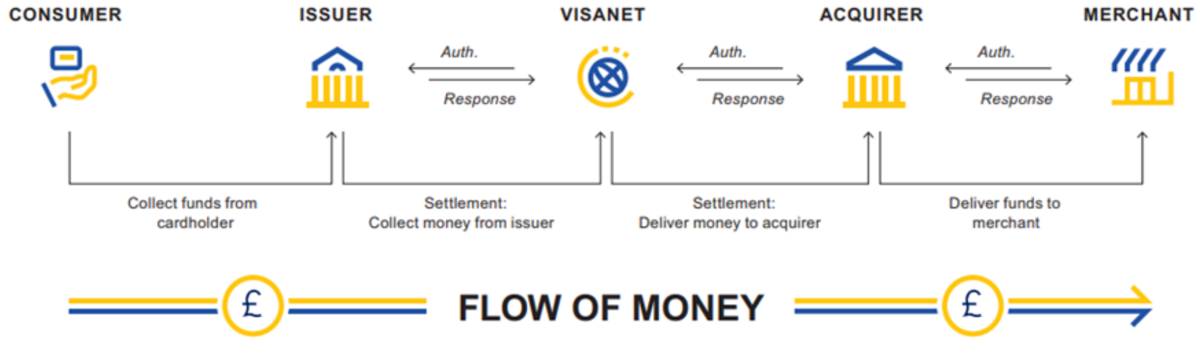
The global payments industry continues to undergo dynamic and rapid change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology, and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. We compete against all forms of payment. This includes paper-based payments, primarily cash and cheques, and all forms of electronic payments.

We believe our fundamental value proposition of security, convenience, speed, and reliability, as well as the number of credentials and our acceptance footprint, help us to succeed. In addition, we understand the needs of the individual markets in which we operate and partner with local financial institutions, merchants, fintechs, governments, non-governmental organisations, and business organisations to provide tailored and innovative solutions. We will continue to utilise our network of networks strategy to facilitate the movement of money. We believe Visa is well-positioned competitively due to our global brand, our broad set of payment products and services, and our proven track record of processing payment transactions securely and reliably.

Our core business

In an example of a typical Visa consumer-to-business payment transaction, the consumer purchases goods or services from a merchant using a Visa card or payment product. The merchant presents the transaction data to an acquirer, usually a bank or third-party processing firm that supports acceptance of Visa cards or payment products, for verification and processing. Through VisaNet, the acquirer presents the transaction data to Visa, which in turn contacts the issuer to check the account holder's account or credit line for authorisation. After the transaction is authorised, the issuer effectively pays the acquirer an amount equal to the value of the transaction, minus the interchange reimbursement fee, and then posts the transaction to the consumer's account. The acquirer pays the amount of the purchase, minus the Merchant Discount Rate (MDR), to the merchant.

VEL earns revenue by facilitating money movement across the Europe Region among a global set of consumers, merchants, financial institutions, and government entities, through innovative technologies. Net revenues consist of service revenues, data processing revenues, international transaction revenues, and other revenues, minus client incentive arrangements that we have with our clients. We have one reportable segment, which is Payment Services. We generally do not experience any pronounced seasonality in our business.



Visa is not a financial institution. We do not issue cards, extend credit, or set rates and fees for account holders of Visa products, nor do we earn revenues from, or bear credit risk, with respect to any of these activities. Interchange reimbursement fees reflect the value merchants receive from accepting our products and play a key role in balancing the costs and benefits that account holders and merchants derive from participating in our payment's networks. Generally, interchange reimbursement fees are paid by acquirers to issuers. We establish default interchange reimbursement fees that apply, absent other established settlement terms. These default interchange reimbursement fees are set independently from the revenue we receive from issuers and acquirers. Our acquiring clients are responsible for setting the fees that they charge to merchants for the MDR and for soliciting merchants. Visa sets fees to acquirers independently from any fees that acquirers may charge merchants. Therefore, the fees we receive from issuers and acquirers are not derived from interchange reimbursement fees or MDRs.

Core products

The core products we provide are as follows:

- **Credit:** Credit cards and digital credentials allow consumers and businesses to access credit to pay for goods and services. Credit cards are affiliated with programmes operated by financial institution clients, co-brand partners, fintechs, and affinity partners.
- **Debit:** Debit cards and digital credentials allow consumers and small businesses to purchase goods and services using funds held in their deposit accounts. Debit cards enable account holders to transact in person, online, or via mobile without accessing a line of credit. The Visa/PLUS Global ATM network also provides debit, credit, and prepaid account holders with cash access, and other banking capabilities, in more than 200 countries and territories worldwide

through issuing and acquiring partnerships with both financial institutions and independent ATM operators.

- **Prepaid:** Prepaid cards and digital credentials draw from a designated balance funded by individuals, businesses, or governments. Prepaid cards address many use cases and needs, including general purpose reloadable, payroll, government and corporate disbursements, healthcare, gift, and travel. Visa-branded prepaid cards also play an important role in financial inclusion, bringing payment solutions to those with limited or no access to traditional banking products.

Enablers

We enable consumer payments and help our clients grow as digital commerce, new technologies, and new participants continue to transform the payments ecosystem. Some examples include:

- **Tap to Pay:** Since we introduced Tap to Pay technology over ten years ago, it has emerged as the preferred way to pay amongst consumers in many countries around the world. Tap to Pay adoption is growing and many consumers have come to expect this seamless experience.
- **Tokenisation:** Visa Token Service (VTS) brings additional security to digital commerce innovation. As consumers increasingly rely on digital transactions, VTS is designed to enhance the digital ecosystem through improved authorisation, reduced fraud, and improved customer experience. VTS helps protect digital transactions by replacing 16-digit Visa account numbers with a token that includes a surrogate account number, cryptographic information, and other data to protect the underlying account information.
- **Click to Pay:** Click to Pay provides a simplified and more consistent cardholder checkout experience online by removing time-consuming key entry of personal information and enabling consumer and transaction data to be passed securely between payments network participants. Based on the EMV® Secure Remote Commerce industry standard, Click to Pay brings a standardised and streamlined approach to online checkout. To further innovate the checkout experience, we are integrating Click to Pay with the Visa Payment Passkey Service, enabling a customer to authenticate themselves using passkeys, such as biometrics.

Services

Visa Advisory Services offer deep payments expertise through a global consulting practice, proprietary analytics models, data scientists and economists, marketing services, and managed services to deliver insights for issuers, acquirers, merchants, fintechs, and other partners that help them make better business decisions and scale their operations. Operating as the payments consulting arm of Visa, Visa Consulting and Analytics (VCA) utilises our payments expertise and economic intelligence to identify actionable insights, make recommendations, and help implement solutions in a number of areas, including artificial intelligence, that drive measurable outcomes for our clients. VCA Managed Services embeds Visa employees within client organisations to help execute key initiatives.

Visa's Value-Added Services (VAS) represent opportunity for us to diversify our revenue with products and solutions that help our clients and partners optimise their performance, differentiate their offerings, and create better experiences for their customers. Our VAS strategy has three areas of focus: (1) provide services that improve functionality and security for Visa transactions, (2) deliver network-agnostic services for all transaction types, and (3) provide services that go beyond payments. Examples of this include:

- **Issuing solutions:** We provide a range of services and digital solutions to issuers, such as account controls, digital issuance, and branded consumer experiences.
- **Acceptance solutions:** We provide modular VAS in addition to the traditional gateway function of connecting merchants to payment processing. These capabilities provide new and enhanced payment integrations with ecommerce platforms, enabling sellers and acquirers to provide tailored commerce experiences with payments seamlessly embedded. We also provide secure, reliable services for merchants and acquirers that reduce friction and drive acceptance, such as token management to protect customers' sensitive personal information, and dispute management services.
- **Risk and identity solutions:** We transform data into insights for near real-time decisions and facilitate account holder authentication to help financial institutions and merchant clients prevent fraud and protect account holder data.

We are also focused on driving digitisation and improving the payments and money movement experience across all payment flows through our network of networks. Examples of this include:

- **Visa Commercial Solutions:** The needs of businesses are distinct from those of consumers, and we offer a holistic suite of tailored solutions – providing payment, reconciliation, and data to manage working capital and drive efficiency, set spend controls, manage expenses, and automate payment processes. Our portfolio of commercial payment solutions includes small business cards, corporate (travel) cards, purchasing cards, virtual cards, and digital credentials.

- **Visa Direct Platform:** We facilitate domestic and cross-border money movement, enabling clients to collect, convert, hold, and send funds across a network.

VEL legal and regulatory framework

Legal framework

Visa Members are issuers and/or acquirers. Typically, VEL does not have a direct relationship with any cardholders or merchants; it is the issuing and acquiring Members of Visa that have contractual relationships with cardholders and merchants. The obligations and liabilities of Members towards VEL and other Members of Visa are set out in the VEL Membership Regulations. VEL's activities and those of Visa Members are subject to specific European and national legislation. This includes, most notably, the following.

- The Interchange Fee Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 (IFR) on interchange fees for card-based payment transactions contains wide-ranging legislation. It caps domestic and cross-border interchange fees for consumer cards within the European Economic Area (EEA) as of 9 December 2015 and requires the separation of VEL's scheme and processing services as of 9 June 2016. The provisions of the IFR have been incorporated into UK law.
- The Payment Services Directive (2007/64) (PSD) and revised Payment Services Directive (2015/2366) (PSD2). As of January 2018, EU Member states have implemented PSD2, replacing the PSD. Some of the more technical provisions are subject to secondary legislation, i.e., the Regulatory Technical Standards on strong customer authentication, which came into effect from September 2019. The PSD2 changed, amongst other things, rules for the access to payment accounts by third parties (known as Open Banking), banned surcharging for consumer payments, and prescribes how to authenticate payment transactions and cardholders.

Regulatory framework

In March 2015, HM Treasury categorised VEL as a recognised "payment system" for the purposes of Part 5 of the Banking Act 2009. As a result, the BoE assumed oversight of VEL pursuant to its statutory responsibility for the oversight of designated payment systems and, more broadly, for the monetary and financial stability of the UK. The BoE's supervisory regime in this regard follows the CPMI-IOSCO[2] PFMI and includes securities settlement systems, central counterparties, and recognised payment systems such as VEL.

In addition to BoE oversight, VEL is subject to regulatory oversight by the following European and national regulatory bodies.

- **Payment Systems Regulator (PSR):** as of 1 April 2015, VEL is subject to the oversight of the PSR. The PSR is tasked with supervising payment systems to ensure that they are governed and operated in a way that considers and promotes the interests of users and customers, as well as promoting effective competition and innovation.
- **European Central Bank (ECB), Eurosystem, and National Oversight:** as of 2008, VEL is subject to the oversight of the ECB and the Eurosystem of national central banks in accordance with the Oversight Framework for Card Payment Schemes – Standards (2008), and in relation to which VEL has submitted self-assessments previously. VEL is also subject to the ECB's Revised Oversight Framework for Retail Payment Systems.
- **De Nederlandsche Bank NV (DNB):** VEL was granted an authorisation by the DNB on 26 May 2021 to operate in the Netherlands as a payment processing service provider as referred to in Article 2:3.0l of the Financial Supervision Act (Wet op het financieel toezicht) and is accordingly supervised by it.
- **Narodowy Bank Polski (NBP):** following VEL's designation as a recognised payment scheme on 8 February 2017, VEL is subject to the oversight of the NBP.

---

[2] The Committee on Payments and Market Infrastructure (CPMI) (previously known as Committee on Payment and Settlement Systems (CPSS)) and Technical Committee of the International Organization of Securities Commissions (IOSCO) published the PFMI. As noted in the PFMI, the main public policy objectives of the CPMI and IOSCO in setting forth the principles were "to enhance safety and efficiency in payment, clearing, settlement, and recording arrangements, and more broadly, to limit systemic risk and foster transparency and financial stability".

Summary Assessment

This section provides a summary of any major changes in how VEL observes each Principle since the 2023 self-assessment.

Following VEL's self-assessment against the PFMI in 2023, the 2024 self-assessment reflects changes made to strengthen governance and operational resilience activities.

Principle 1: Legal Basis

- Visa Inc. has undertaken a corporate reorganisation that has inserted new holding companies in VEL's ownership chain, including a new direct parent company, Visa Europe Holdings Limited. Visa Inc. remains the ultimate owner of VEL.
- As of October 2024, Visa has changed the name of its online client resource hub. The hub was previously named Visa Online (VOL) and is now named Visa Access.

Principle 2: Governance

- In early 2024, a risk restructure was undertaken with a focus on getting closer to our Strategic & Growth Risk areas, modernising our ecosystem risk integrity and compliance programmes, and ensuring regulatory engagements and governance are our strength.
- An additional risk committee was created, the Emerging Risk Operating Committee (EROC), to add additional focus on the identification, mitigation, and ownership of emerging risks in the fast-moving payments environment.

Principle-by-Principle summary disclosure

This section contains VEL's self-assessment against each of the Principles within the PFMI.

Principle 1: Legal Basis

A Financial Market Infrastructure (FMI) should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

VEL's incorporation under the laws of England and Wales and the requirement for Members to execute a Membership Agreement (and incorporated documents) provides Visa with a legal basis that has a high degree of certainty across the Europe Region. This legal basis includes Visa's rules and procedures which are drafted, reviewed, and approved to ensure they are clear, understandable, and consistent with laws and regulations, whilst allowing for local laws to take precedence where necessary. This mitigates the risk arising from potential conflict of law issues. VEL is committed to regular reviews and updates of its legal framework to ensure it remains relevant and compliant with changing laws and regulations. VEL also has proactive engagement with regulatory authorities and is committed to transparency with stakeholders. VEL provides clear, understandable, and accessible information to all relevant parties, including participants and customers. VEL has robust governance processes for changes to its legal basis, which include comprehensive review by the Legal team and approval from the VEL Head of Scheme Operations and the Visa Rules Committee.

The legal basis is articulated to stakeholders through multiple channels, including Visa Access, disclosures to regulators, and publicly, where appropriate.

Assessment of Principle

Observed.

Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

VEL has a clearly defined strategy, with supporting objectives, that is regularly reviewed to assess the company's performance, and which covers financial stability, VEL's overall resilience, and broader public interest considerations.

The governance arrangements of VEL are well documented and publicised through appropriate Charters, Matters Reserved for the Board, and the VEL Individual Accountability Model, ensuring that there are clear and distinct lines of responsibility and accountability.

There are documented procedures for managing conflicts of interest for the Board and all VEL employees. Performance of the Board is assessed periodically, and the ELT members are assessed as part of the VEL Performance Development Review Cycle.

VEL has a defined Enterprise Risk Management Framework (ERMF), Risk Management Process, and risk appetite, whilst assigning responsibilities appropriately utilising a three lines of defence model. The CRO, General Counsel, and Chief Information Security Officer have sufficient independence and access to the Board.

VEL continues to make changes to further enhance its governance and will continue to monitor the effectiveness of its arrangements.

Assessment of Principle
Observed.

Principle 3: Framework for the Comprehensive Management of Risks

An FMI should have a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

VEL has a robust risk management framework in place that includes the RMP and the ERMF. These tools assist the company in identifying, measuring, monitoring, and managing the risks it faces effectively. The frameworks are subject to periodic governance reviews and incorporate industry standards and best practices.
The Third Party Lifecycle Management Programme ensures that material dependencies with service providers are managed appropriately, mitigating potential risks. VEL also plays a significant role in the payments ecosystem, encouraging its Members to proactively manage the risks that they could pose to Visa and the payment system. These include security, fraud, operational resilience, and financial risk.

VEL's business continuity programme, which includes business impact analyses and response and recovery plans, supports the identification of scenarios that could prevent VEL from providing its critical operations. The Financial Recovery Plan (FRP) outlines how VEL can recover its services in the event of a financial shock.

Additionally, the Orderly Wind Down Plan ensures that VEL can operate its critical services in an orderly manner while in a winding down scenario.

Assessment of Principle
Observed.

Principle 4: Credit Risk
An FMI should effectively measure, monitor, and manage its credit exposure to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

Financial risk is a significant element of the ERMF at VEL. This includes identifying, measuring, and managing current and potential credit exposures from Members and VEL's business operations. The Credit Settlement Risk (CSR) Policy, VEL Capital Management and Dividend Policy, and the Treasury Policy help manage these risks, supported by tools for timely credit risk assessment.

VEL complies with an agreed upon risk appetite, covering its credit exposure to higher risk Members through collateral collection, accepting credit risk for better rated clients, and retaining enough capital to absorb potential losses from the failure of its largest credit risk participants. This ensures VEL can fully cover current and potential future exposures from its settlement operations.

Additionally, VEL has explicit rules under the Visa Core Rules and Visa Product and Service Rules (VCR/VPSR) to address credit losses, including the right to collect funds from Members who fail to meet their settlement obligations. In case of need, VEL can invoke loss sharing among Members, as detailed in the FRP.

Assessment of Principle
Observed.

Principle 5: Collateral
An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

VEL's CSR Policy outlines the requirements for collecting and using collateral from Members relating to both domestic and cross border exposures, limiting it to assets with low credit, liquidity, and market risks.
The custodian performs a daily mark-to-market of collateral. Haircuts are applied to securities to cover market price changes. When required, securities are assessed

individually to determine appropriate haircuts, considering factors like the issuer's quality, whether securities are fixed or floating, and remaining maturity. If ongoing monitoring identifies a collateral shortfall, VEL seeks additional collateral from the Member.

The exposure and collateral management tool are in place to ensure quick identification of collateral shortfalls. VEL uses a robust collateral management system, and Program Collateral Deeds grant VEL legal rights over the collateral.

Assessment of Principle
Observed.

Principle 6: Margin

This principle is not applicable to payment systems.

Principle 7: Liquidity Risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

VEL's current practices are effective and appropriate for its risk profile. Financial risk, with a focus on liquidity risk, is a major category within the ERMF at VEL. The Treasury Policy provides the framework for managing liquidity risk from Members, settlement banks, and other stakeholders within the context of the ERMF. VEL has in place appropriate tools that allow it to identify, measure, and monitor its liquidity risk and exposures on an intraday and forward-looking basis.

VEL ensures access to sufficient liquidity to complete same-day settlement even if the Member with the largest forecast net debit position fails to settle. Sufficient resources are held to cover VEL's largest exposure over the next 13 months for both settled and pipeline positions. Liquidity resources are available on a same-day basis and are all held in either A-rated Money Market Funds (MMFs) or central/commercial bank deposits. The size of this liquidity is assessed through various stress events, and its composition, which includes own funds, intraday overdrafts, and MMFs, ensures high reliability of these arrangements.

Through the Internal Financial Resources Adequacy Assessment (IFRAA), VEL applies stress tests to its liquid resources. The FRP outlines the tools available to VEL to replenish such resources if necessary. This comprehensive approach to managing liquidity risk ensures that VEL can effectively meet its financial obligations and operate in a safe and sound manner.

Assessment of Principle
Observed.

Principle 8: Settlement Finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

The VCR/VPSR clearly define the point at which settlement within Visa is final. Rules are set out when unsettled payments cannot be revoked by Members and must instead be corrected through the submission of disputes. VEL has mechanisms in place to ensure that final settlement is completed no later than the end of the value date. These procedures and rules contribute to the robustness and efficiency of the Visa payment system, providing certainty to all Members.

Assessment of Principle
Observed.

Principle 9: Money Settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

VEL executes settlements in central bank money when feasible. If not, settlement banks are chosen based on creditworthiness, security, operational efficiency, and cost, in accordance with the Treasury Policy. When settlements occur in commercial bank money, VEL vigilantly monitors associated risks. It also ensures settlement account balances are minimal at the end of the day.

Assessment of Principle
Observed.

Principle 10: Physical Deliveries

This principle is not applicable because Visa does not settle transactions that involve the settlement of two linked obligations.

Principle 11: Central Securities Depositories

This principle is not applicable because Visa does not settle transactions that involve the settlement of two linked obligations.

Principle 12: Exchange of Value Settlement systems

This principle is not applicable because Visa does not settle transactions that involve the settlement of two linked obligations.

Principle 13: Participant Default Rules & Procedures

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

VEL has robust procedures in place to manage potential Member defaults, as outlined in the VCR/VPSR, CSR policy, and Emergency BIN[3] Blocking/Closure Process. These documents define clear responsibilities and provide tools for resource replenishment.

Before a default, the CSR team focuses on risk mitigation to reduce procyclical adjustments and protect the payment ecosystem. This includes requesting and returning excess collateral to Members. This collateral, deposited at a custodian bank, is not VEL's money but is readily available to pay merchants on the same day if needed.

The public VCR/VPSR includes reference to VEL's ability to decrease Member risk. Regular stress tests, part of the IFRAA and FRP, evaluate the financial impact of a default and test VEL's access to liquidity to ensure its availability when required.

Assessment of Principle

Observed.

Principle 14: Segregation and Portability

This principle is not applicable to payment systems.

[3] A BIN is a 6-digit number assigned by the International Organization for Standardization (ISO) to Visa Inc. and used to identify a customer, Member, or Visa system processor for authorisation, clearing, or settlement processing.

Principle 15: General Business Risk

An FMI should identify, monitor and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind down of critical operations and services.

General business risk is an inherent risk within VEL's ERMF and risk taxonomy. The financial impact is considered as part of the risk scoring methodology, ensuring that VEL can identify, monitor, and manage business risks. These could include losses from poor execution of business strategy, negative cash flows, or unexpectedly large operating expenses.

To mitigate potential losses from business risk, VEL's Capital Management and Dividend Policy includes a provision for business losses as part of the minimum capital that VEL must retain. All equity is held in the form of liquid net assets, covering both credit and general business risk requirements.

The general business risk amount is currently based on forward-looking six-month operating expenses, which is the higher of three provisions used in calculating the risk requirement. This approach ensures that VEL is adequately prepared to handle potential losses and maintain operational stability. This highlights the conservative approach VEL takes to risk management.

Assessment of Principle

Observed.

Principle 16: Custody and Investment Risks

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market and liquidity risks.

VEL deposits its liquid net assets with regulated, high investment-grade MMFs, commercial banks, and central banks, ensuring same-day availability. VEL's Treasury Policy outlines the objectives and requirements for managing the investment portfolio, aiming to minimise associated risks. This aim is achieved by limiting allowable investment types, setting minimum rating requirements, and establishing maximum counterparty limits for these investments.

Daily monitoring of compliance with Investment Guidelines and monthly reporting of key risk metrics (Capital and Liquidity coverage ratios) help manage concentration risk across VEL's portfolio. VEL's Financial Risk Sub-Committee enhances SLoD oversight and challenge, ensuring a robust risk management framework. The ERC and Board Risk Committee receive quarterly updates on key risk metrics as well as additional updates on any risks when required, and they approve the Treasury Policy on an annual basis.

Assessment of Principle
Observed.

Principle 17: Operational Risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business Continuity Management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a widescale or major disruption.

VEL has separate frameworks for the management of operational and technology risks, both being key components of VEL's ERMF. This is supported by a wide variety of policies, procedures, and tools to enable VEL to identify, monitor, and manage the operational risks faced by the organisation. Frameworks and supporting arrangements allow VEL to identify, monitor, and manage risks posed to and from stakeholders.

Technology change management frameworks have been designed to enable VEL to implement changes appropriately. Capacity procedures are designed to provide VEL with the ability to handle increasing volumes and dedicated physical and information security policies and procedures are designed to ensure VEL is adequately protected from vulnerabilities and threats. These are all dovetailed within the Technology Risk Management Framework.

VEL has defined operational reliability objectives, which have policies, procedures, and processes in place to support the achievement of these objectives. This is supported by a dedicated business continuity programme, and incident detection and correction control mechanisms.

The roles and responsibilities of VEL's senior management relating to operational resilience are reinforced through regular crisis simulation exercises. These include annual exercises with key clients and regulators to validate and enhance crisis engagement and communication protocols. The exercises also allow VEL to embed our response protocols and more broadly improve processes that support operational resilience.

Assessment of Principle
Observed.

Principle 18: Access & Participation Requirements

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

VEL maintains fair and open access and participation criteria grounded in risk-related requirements. This includes mitigating money laundering, financial, and operational risks to Visa and its Members. Procedures for onboarding new Members and reviewing financial risk are periodically reviewed and approved.

VEL monitors compliance with access criteria on an ongoing basis through dedicated reviews and compliance monitoring with Visa rules and procedures. In cases of non-compliance, VEL's rules and procedures provide mechanisms for the orderly suspension or termination of a Member.

Recognising the evolving landscape of the payment's ecosystem, Visa continually updates its processes to ensure fair and open access. Programs like Fintech-in-a-box,[4] Nurture,[5] and Path to Growth[6] have been developed to accommodate new market participants, often less established or sophisticated, wishing to enter the ecosystem as a Visa client.

Assessment of Principle
Observed.

Principle 19: Tiered Participation Arrangements

Tiered participation arrangements: An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

[4] "Fintech-in-a-box" is aimed at enabling fintech startups to gain easy access to Visa's payment technology. The goal of the programme is to simplify the process of integrating with Visa's systems, allowing these companies focus on developing innovative products and services for their customers. The "box" typically includes access to APIs, developer tools, and other resources that help startups build and launch their payment solutions faster and more efficiently.

[5] The Nurture Programme allows entities to onboard with Visa without the need for a risk review, subject to ongoing monitoring and compliance with the programme's terms.

[6] The "Path to Growth" for Visa Members is a strategic initiative that involves providing them with a range of resources and tools to help them grow their businesses. This programme includes a variety of offerings such as personalised advice, educational materials, and access to an extensive network of industry experts.

VEL has implemented processes to identify and monitor the risks associated with tiered participation within its Membership structure. It collects relevant information for its indirect Members and has procedures in place to ensure timely identification of material dependencies between Members and significant activity from indirect Members.

Assessment of Principle
Observed.

Principle 20: FMI Links
This principle is not applicable to payment systems.

Principle 21: Efficiency and Effectiveness
An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

VEL operates within a competitive and dynamic environment, and it is designed to meet the needs of its Members and the market it serves. This is demonstrated through its Member-centric and market-focused approach, its operating structure, the processing and other services it offers, the range of payment products it provides, and the use of technology and procedures within its operations.
The Visa Europe Region Corporate Scorecard and Key Risk Indicators ensure that VEL has clearly defined goals and objectives regarding efficiency and effectiveness that are regularly assessed and reviewed. VEL's Internal Audit function, ERMF, Risk Assessment Framework, and Controls Standard, as well as external mechanisms such as the Payment Card Industry Data Security Standard (PCI-DSS) and International Standards for Assurance Engagements 3402 (ISAE3402) assessments, ensure that established mechanisms are in place for assessing the overall effectiveness of VEL's control environment.

Assessment of Principle
Observed.

Principle 22: Communication Procedures and Standards
An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

VEL effectively uses and accommodates internationally accepted communication and processing standards like ISO 8583[7] and EMVCo[8] specifications. It also works collaboratively with key players in the payment industry to develop, implement, and promote new and improved standards. This ensures efficient and seamless payment, clearing, settlement, and recording processes.

Assessment of Principle
Observed.

Principle 23: Disclosure of Rules, Key Procedures, and Market Data
An FMI must have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

The VCR/VPSR and Visa Europe Operating Regulations (VEOR)–Processing clearly and comprehensively set out the rules and procedures applicable to all Members, including their rights and obligations. A version of the VCR/VPSR is publicly disclosed. VEL also ensures Members have access to sufficient information on Visa's design and operations and utilises various means, such as implementation guides and other mechanisms, to ensure Members understand their role in implementing changes required to ensure continued access to Visa.

In addition, VEL has a suite of Member communication channels to Visa and offers training services and programmes to ensure Members understand and can manage the risks and obligations of participation.

VEL provides fee schedules to Members, which include information on its pricing structures.

VEL submits its PFMI self-assessment to the BoE and also publicly discloses it.

Assessment of Principle
Observed.

---

[7] ISO 8583 is an international standard for financial transaction card originated interchange messaging.

[8] EMV is an open-standard set of specifications for smart card payments and acceptance devices. EMVCo manages and evolves EMV specifications and supporting programmes that enable card-based payment products to work together seamlessly and securely worldwide.

Principle 24: Disclosure of Market Data by Trade Repositories

This principle is not applicable to payment systems.

Summary of Principle Observance[9]

Principle	Observed	Broadly observed	Partly observed	Not observed	Update on VEL's observance and remediation activity and rating rationale
Principle 1: Legal Basis	2021–2024	2019			VEL's incorporation under the laws of England and Wales and the requirement for Members to execute a Membership Agreement (and incorporated documents) provides Visa with a legal basis that has a high degree of certainty across the Europe Region. This mitigates the risk arising from potential conflict of law issues. The legal basis is articulated to stakeholders through multiple channels, including Visa Access, disclosures to regulators, and publicly, where appropriate.
Principle 2: Governance	2019, 2021–2024				VEL continues to maintain clear and transparent governance arrangements comprising Board-level and internal governance. VEL considers that its governance arrangements are robust and effective, enabling VEL to

[9] Please note that in 2020, VEL only provided a summary of major changes against the PFMI compared to its 2019 self-assessment, rather than a full self-assessment against all of the Principles. This was due to the Covid-19 pandemic. Therefore, whether the Principles were observed in 2020 has not been included in this table.

Principle	Observed	Broadly observed	Partly observed	Not observed	Update on VEL's observance and remediation activity and rating rationale
					deliver reliable, secure, effective, and innovative payment services for its Members and their customers.
Principle 3: Framework for the Comprehensive Management of Risks	2022–2024	2019, 2021			Prudent risk management is a central feature of VEL's systems and controls and is delivered through VEL's Risk Management Policy and Enterprise Risk Management Framework across a Three Lines of Defence model.
Principle 4: Credit Risk	2019, 2021–2024				VEL is exposed to credit risk primarily from Visa Members who have settlement obligations to VEL. VEL's Risk Appetite Framework considers credit risk as part of its overall risk appetite for financial risk. To support this, VEL has adopted a CSR Policy and supporting procedures that enable VEL to assess the credit health of its Members and, in particular, VEL's credit exposure to institutions on a Member-by-Member and portfolio basis.

Principle	Observed	Broadly observed	Partly observed	Not observed	Update on VEL’s observance and remediation activity and rating rationale
Principle 5: Collateral	2019, 2021–2024				Where financial safeguards, in the form of collateral, are required, VEL has in place robust policies and processes to guide the request and management of such safeguards.
Principle 7: Liquidity Risk	2019, 2021–2024				Similar to credit risk, VEL’s liquidity risk primarily arises as a result of a Member failing to meet its settlement obligations in a timely manner. VEL assesses on an ongoing basis that it has sufficient available liquidity to ensure that payments due to Members can still be made as per the Visa Core Rules and Visa Product and Service Rules (VCR/VPSR).
Principle 8: Settlement Finality	2019, 2021–2024				VEL operates a deferred net settlement system on a batch processing basis; it does not operate on a real-time settlement basis. Settlement of obligations to Members are made using irrevocable and unconditional payment methods. The VCR/VPSR provides the framework for the settlement process and acknowledges and describes the obligations

Principle	Observed	Broadly observed	Partly observed	Not observed	Update on VEL's observance and remediation activity and rating rationale
					between VEL and Visa Members in relation to the settlement and discharge of payments.
Principle 9: Money Settlements	2019, 2021–2024				VEL holds most of its liquid assets in cash. VEL's investment strategy is set out within the Treasury Policy, which governs the management of VEL's cash assets. VEL's internal documentation and reporting on concentration risk ensure associated risks are managed appropriately.
Principle 13: Participant-Default Rules and Procedures	2021–2024	2019			VEL has effective and clearly defined rules (e.g., VCR/VPSR) and procedures to manage Member default. If a Member is clearly unable to meet its financial obligations, VEL will use its own liquidity to meet the Member's settlement obligations before seeking reimbursement from the Member.

Principle	Observed	Broadly observed	Partly observed	Not observed	Update on VEL's observance and remediation activity and rating rationale
Principle 15: General Business Risk	2019, 2021–2024				To mitigate against extreme losses from general business risks, VEL holds capital in the form of liquid net assets. The amount is based on stress testing, which has resulted in a higher provision for general business risk than the minimum required to conduct an orderly wind down of the company, as evaluated in the Orderly Wind Down Plan, or expected operational expenses over a six-month period.
Principle 16: Custody and Investment Risks	2019, 2021–2024				VEL holds most of its liquid assets in cash. VEL's investment strategy is set out within the Treasury Policy which governs the management of both VEL's own, and its Members', cash assets. VEL's internal documentation and reporting on concentration risk ensure associated risks are managed appropriately.
Principle 17: Operational Risk	2022–2024	2021	2019		Major components of VEL's risk taxonomy are operational risks, for which VEL has a defined risk appetite. Various policies and procedures are in place to ensure that operational risks are appropriately

Principle	Observed	Broadly observed	Partly observed	Not observed	Update on VEL's observance and remediation activity and rating rationale
					managed and to enable VEL to meet its operational reliability objectives.
Principle 18: Access and Participation Requirements	2019, 2021–2024				VEL operates open and transparent Membership criteria for Visa in compliance with access requirements under Article 35 of PSD2, which requires payment systems to maintain objective and non-discriminatory access criteria.
Principle 19: Tiered Participation Arrangements	2019, 2021–2024				All Visa Members in the Europe Region are required to comply with prescribed access and participation requirements, and have a contractual relationship with VEL. This gives VEL powers to monitor the activities of all Members and to take action where a Member is outside of VEL's acceptable risk appetite.
Principle 21: Efficiency and Effectiveness	2019, 2021–2024				Providing services in an efficient and effective way is vital to VEL's business. VEL operates in a highly competitive and dynamic market. VEL must therefore continually innovate to meet the evolving needs and options of service-users, including customers, whilst

Principle	Observed	Broadly observed	Partly observed	Not observed	Update on VEL's observance and remediation activity and rating rationale
					also managing costs to ensure profitability and provide Members with a cost-effective service.
Principle 22: Communication Procedures and Standards	2019, 2021–2024				VEL continues to use internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.
Principle 23: Disclosure of Rules, Key Procedures, and Market Data	2021–2024	2019			VEL maintains a rigorous and well-documented procedure for the updating of Rules and other documentation, and for keeping Members informed of their obligations.