

## **Expand Globally**

- *Expand our payments services into additional countries.* We evaluate many factors when choosing to enter a new country, including market opportunity, technology adoption, and the regulatory environment. The payments landscape outside the United States is largely dominated by adherence to EMV chip-and-pin standards, which requires a purpose-built hardware pin pad. We believe software-based pin entry on a seller's mobile device is more secure, flexible, and affordable than current hardware-based specifications. We will continue to advocate for an open mobile-pin standard that we believe will lower hardware costs for sellers and broaden payment card acceptance worldwide. We currently offer payments services in the United States, Japan, and Canada. We plan to expand into additional countries to broaden payment card acceptance worldwide and to increase our market opportunity.
- *Deploy non-payments-based services to accelerate global efforts.* In countries where regulatory or payment card network requirements constrain our market entry, we may enter first with services other than payments. For example, we currently make Square Register freely available separate from our payments processing services for sellers worldwide to record and analyze their business trends without direct payments offerings from us. We will look for other opportunities to introduce new products and services into these markets, including software offerings and Caviar.

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### **Payment Processing Overview**

Processing payment card transactions requires close coordination among a number of industry participants that provide the services and infrastructure required to enable such transactions. These participants consist of payment service providers, acquiring processors, card networks, and issuing banks. Within this landscape, Square serves as a payment service provider, acting as the touch point for the seller to the rest of the payment chain. The definitions and graphic below outline this payment chain and the typical flow of a Square payment transaction, along with the types of fees typically paid and received at each stage.

**Payment Service Provider (PSP):** Provider of the payment services that holds the direct relationship with the seller and facilitates the rest of the payment transaction on behalf of the seller. A PSP is also the merchant of record for the transaction.

**Acquiring Processor:** Provider of the back-end technology that facilitates the flow of payment information through the Card Networks to the Issuing Bank. Our agreements with acquiring processors typically have terms of two to four years.

**Card Networks (e.g. Visa, MasterCard):** Provider of the infrastructure for card payment information to flow from the Acquiring Bank to the Acquiring Processor.

**Issuing Bank:** The financial institution that issues the Buyer's payment card.

**Acquiring Bank:** The financial institution associated with the Acquiring Processor.

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