Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10- K, before making an investment decision with respect to our securities. If any of the following risks develop into actual events, our business, results of operations or financial condition could be materially and adversely affected, and you may lose all or part of your investment. Competitive and Business Risks We operate in a competitive business environment and may not be able to compete effectively. The markets for our products and services are highly competitive from new and existing competitors. Our principal competitors include other vendors and providers of financial services technology and payment systems, data processing affiliates of large companies, processing centers owned or operated as user cooperatives, financial institutions, independent sales organizations (" ISOs "), independent software vendors, payments companies and payment network operators. Our competitors vary in size and in the scope and breadth of the services they offer. Many of our larger existing and potential clients have historically developed their key applications in- house. As a result, we may compete against our existing or potential clients' in- house capabilities. In addition, we expect that the markets in which we compete will continue to attract new technologies and well- funded competitors, including large technology, telecommunication, media and other companies not historically in the financial services and payments industries, start- ups and international providers of products and services similar to ours. In addition, participants in the financial services, payments and technology industries may merge, create joint ventures or engage in other business combinations, alliances and consolidations that may strengthen their existing products and services or create new products and services that compete with ours. We cannot provide any assurance that we will be able to compete successfully against current or future competitors or that competitive pressures faced by us in the markets in which we operate will not materially and adversely affect our business, results of operations and financial condition. If we fail to keep pace with technological change **, including as a result of artificial intelligence** , we could lose clients or have trouble attracting new clients, and our ability to grow may be limited. The markets for our products and services are characterized by constant and rapid technological change, evolving industry standards, frequent introduction of new products and services, and increasing client expectations. Our ability to respond timely to these changes, including by enhancing our current products and services and developing and introducing new products and services, will significantly affect our future success. In addition, the success of certain of our products and services rely, in part, on financial institutions, business partners and other third parties promoting the use of or distributing our products and services. If we are unsuccessful in developing, marketing and selling products or services that gain market acceptance, or if third parties insufficiently promote or distribute our products and services, it would likely have a material adverse effect on our ability to retain existing clients, to attract new ones and to grow profitably **. We believe that data, and the insights enabled by data, can be used to create or enhance the products and services that we offer to our clients. As a result, we are using, and expect to continue to expand our use of, artificial intelligence and machine learning. However, legislation that would govern the development or use of artificial intelligence is under consideration in the U. S. at the state and local level, as well as abroad. As a result, the ability to use artificial intelligence and machine learning may be constrained by current or future laws, regulatory or self- regulatory requirements** . If we are unable to renew contracts on favorable terms or if contracts are terminated prematurely, we could lose clients and our results of operations and financial condition may be adversely affected. Failure to achieve favorable renewals of client contracts could negatively impact our business. At the end of the contract term, clients have the opportunity to renegotiate their contracts with us or to consider whether to engage one or more of our competitors to provide products and services or to perform the services in- house. Some of our competitors may offer more attractive prices, features or other services that we do not offer, and some clients may desire to perform the services themselves. Larger clients may be able to seek lower prices from us when they renew or extend a contract or the client' s business has significant volume changes. In addition, larger clients may reduce the services we provide if they decide to move services in- house. Further, our small merchant business clients may seek reduced fees due to pricing competition, their own financial condition or pressure from their customers. We also have contracts with U. S. federal, state and local governments. The contracts with these clients may contain terms that are not typical for non- government clients, such as the right to terminate for convenience, the right to unilaterally modify or reduce work to be provided under the contract, significant or unlimited indemnification obligations and being subject to appropriation of funds for the government contract program. In addition, if any of our government contracts were to be terminated for default, we could be suspended or debarred from contracting with that entity in the future, which could also provide other government clients the right to terminate. These factors could result in lower revenue from a client than we had anticipated based on our agreement with that client. If we are not successful in achieving high contract renewal rates and favorable contract terms, if contracts are terminated, or if we are prevented from performing work for these clients in the future, our results of operations and financial condition may be materially and adversely affected . Our business depends, in part...... Annual Report on Form 10- K . Changes in card association and debit network fees or products could increase costs or otherwise limit our operations. From time to time, card associations and debit networks, including the card networks which we own and operate, increase the processing and other fees (including what is commonly called " interchange fees ") that they charge. It is possible that competitive and other pressures will result in us absorbing a portion of such increases in the future, or not being able to increase our own fees, which would increase our operating costs, reduce our profit margin, limit our growth, and adversely affect our business, results of operations and financial condition. In addition, the various card associations and networks prescribe certain capital requirements. Any increase in the capital level required would further limit our use of capital for other purposes. Our business depends,in part,on our merchant relationships and alliances,and if we are unable to maintain these relationships and alliances,our business may be adversely affected.Under our alliance program,a bank or other institution forms an alliance with us,generally on an exclusive basis,either contractually or through a separate legal entity.Merchant contracts may be contributed to the alliance by us and / or the bank or institution.The banks and other institutions generally provide card association sponsorship,clearing and settlement services and typically act as a merchant referral source when the institution has an existing banking or other relationship with such merchant.We provide transaction processing and related functions to the alliance.Both we and our alliance partners may also provide management,sales,marketing and other administrative services.The alliance structure allows us to be the processor for multiple financial institutions,any one of which may be selected by the merchant as its bank partner.Our merchant acquiring business depends,in part,on our merchant relationships,alliances and other distribution channels.There can be no guarantee that we will achieve growth in our merchant relationships,alliances or other distribution channels.In addition,our contractual arrangements with merchants and merchant alliance partners are for fixed terms and may allow for early termination upon the occurrence of certain events.There can be no assurance that we will be able to renew our contractual arrangements with these merchants or merchant alliance partners on similar terms or at all.The loss of merchant relationships or alliance partners could negatively impact our business and have a material adverse effect on our results of operations and financial condition **.** Consolidations in the banking and financial services industry could adversely affect our revenue by eliminating existing or potential clients and making us more dependent on fewer clients. Mergers, consolidations and failures of financial institutions reduce the number of our clients and potential clients, which could adversely affect our revenue. If our clients merge with or are acquired by other entities that are not our clients, or that use fewer of our services, they may discontinue or reduce their use of our services. Our alliance strategy could also be negatively affected by consolidations, especially where the financial institutions involved are committed to their internal merchant processing businesses that compete with us. It is also possible that the larger financial institutions that result from mergers or consolidations could have an increased ability to negotiate terms with us or could decide to perform in- house some or all of the services which we currently provide or could provide. Any of these developments could have a material adverse effect on our business, results of operations and financial condition. Operational and Security Risks Security incidents or other technological risks involving our systems and data, or those of our clients, partners or vendors, could expose us to liability or damage our reputation. Our operations depend on receiving, storing, processing and transmitting sensitive information pertaining to our business, our employees, our clients and their customers. Under the card network rules, various federal, state and international laws, and client contracts, we are responsible for information provided to us by financial institutions, merchants, ISOs, third- party service providers and others. Preserving the confidentiality of sensitive business and personal information is critical to our business. Any unauthorized access, intrusion, infiltration, network disruption, ransom, denial of service or similar incident could disrupt the integrity, continuity, security and trust of our systems or data, or the systems or data of our clients, partners or vendors. These incidents are often difficult to detect and are constantly evolving. We expect that unauthorized parties will continue to attempt to gain access to our systems or facilities, and those of our clients, partners and vendors, through various means and with increasing sophistication, particularly as cybercriminals attempt to profit from increased online banking, e- commerce and other online activity. These events could create costly litigation, significant financial liability, increased regulatory scrutiny, financial sanctions and a loss of confidence in our ability to serve clients and cause current or potential clients to choose another service provider, all of which could have a material adverse impact on our business. In addition, we **have invested and** expect to continue to invest significant resources to maintain and enhance our information security and controls or to investigate and **mitigate** ~~remediate any~~ security vulnerabilities. Although we believe that we maintain a robust program of information security and controls and that none of the events that we have encountered to date have materially ~~impacted~~ **affected** us, we cannot be certain that the security measures and procedures we have in place to detect security incidents and protect sensitive data ~~, including protection against unauthorized access and use by our employees~~ , will be successful or sufficient to counter all current and emerging risks and threats. The impact of a material event involving our systems and data, or those of our clients, partners or vendors, could have a material adverse effect on our business, results of operations and financial condition. Operational failures and resulting interruptions in the availability of our products or services could harm our business and reputation. Our business depends heavily on the reliability of our systems. An operational failure that results in an interruption in the availability of our products and services could harm our business or cause us to lose clients. An operational failure could involve the hardware, software, data, networks or systems upon which we rely to deliver our services and could be caused by our actions, the actions of third parties or events over which we may have limited or no control. Events that could cause operational failures include, but are not limited to, hardware and software defects or malfunctions, ransomware, denial- of- service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, pandemics, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. In the event of operational failures or damage or disruption to our business due to these occurrences, we may not be able to successfully or quickly recover all of our critical business functions, assets and data through our business continuity program. Implementation delays, interruptions of service or hardware device defects could damage our relationship with clients and could cause us to incur substantial expenses, including those related to the payment of service credits, product recalls or other liabilities. A prolonged interruption of our services or network could cause us to experience data loss or a reduction in revenue, and significantly impact our clients' businesses and the customers they serve. In addition, a significant interruption of service or product recall could have a negative impact on our reputation and could cause our current and potential clients to choose another service provider. As a provider of payments solutions and other financial services, clients, regulators and others may require enhanced business continuity and disaster recovery plans including frequent testing of such plans. Meeting these various requirements may require a significant investment of time and money. Any of these developments could have a material adverse impact on our business, results of operations and financial condition. Disruptions of operations of other participants in the global financial system could prevent us from delivering our products and services. The operations and systems of many participants in the global financial system are interconnected. Many of the transactions involving our products and services rely on multiple participants in the global financial system to move funds and communicate information to the next participant in the transaction chain. A disruption for any reason of the operations of a participant in the global financial system could impact our ability to obtain or provide information or cause funds to be moved in a manner to successfully deliver our products and services. Although we work with other participants to avoid any disruptions, there is no assurance that such efforts will be effective. Such a disruption could lead to our inability to deliver products and services, reputational damage, lost clients and revenue, loss of clients' and their customers' confidence, as well as additional costs, all of which could have a material adverse effect on our business, results of operations and financial condition. We rely on third parties to provide products and services and if we are unable to obtain such products or services in the future or if these third parties fail to perform these services adequately, our business may be materially and adversely affected. We rely on third parties we do not control to provide us with products and services, including payment card networks, acquiring processors, payment card issuers, financial institutions and the Automated Clearing House (" ACH ") network which transmit transaction data, process chargebacks and refunds, and perform clearing services in connection with our settlement activities. If, for example, such third parties stop providing clearing services or limit our volumes, we would need to find other financial institutions to provide those services. In the event these third parties fail to provide these services adequately or in a timely manner, including as a result of errors in their systems or events beyond their control, or refuse to provide these services on terms acceptable to us or at all, and we are not able to find timely suitable alternatives, we may no longer be able to provide certain services to customers, which could expose us and our clients to information security, financial, compliance and reputational risks. We may be negatively impacted by a disruption to our supply chain or third- party delivery service providers, including if the factories that manufacture our point- of- sale devices, payment cards or computer chips for payment cards, or paper stock are temporarily closed or experience workforce shortages; shipping services are interrupted or delayed; there are increased lead times, shortages or higher costs for certain materials and components; or there are workforce shortages at our third- party customer support, software development or technology hosting facilities. If we are unable to renew our existing contracts with key vendors and service providers, we might not be able to replace the related product or service at all or at the same cost. Any of these risks could have a material adverse effect on our business, results of operations and financial condition. We may experience software defects, development delays or installation difficulties, which would harm our business and reputation and expose us to potential liability. Our services are based on sophisticated software and computer systems and we may encounter delays when developing new applications and services. Further, the software underlying our services may contain undetected errors or defects when first introduced or when new versions are released. We may also experience difficulties in installing or integrating our technology on systems or with other programs used by our clients. Defects in our software, errors or delays in the processing of electronic transactions or other difficulties could result in interruption of business operations, delay in market acceptance, additional development and remediation costs, diversion of technical and other resources, loss of clients or client data, negative publicity or exposure to liability claims. Although we attempt to limit our potential liability through disclaimers and limitation of liability provisions in our license and client agreements, we cannot be certain that these measures will successfully limit our liability. Global Market Risks Our business may be adversely affected by geopolitical and other risks associated with operations outside of the U. S. and, as we continue to expand internationally, we may incur higher than anticipated costs and may become more susceptible to these risks. We offer merchant acquiring, processing and issuing services outside of the U. S., including in the U. K., Germany, Mexico, Uruguay, Argentina, India and Brazil. Our facilities outside of the U. S., and those of our suppliers and vendors, including manufacturing, customer support, software development and technology hosting facilities, are subject to risks, including natural disasters, public health crises, political crises, terrorism, war ~~(such as the war in Ukraine)~~ , political instability and other events outside of our or our suppliers' control. As we continue to expand internationally and grow our client base outside of the U. S., we may face challenges due to the presence of more established competitors and our relative lack of experience in such non- U. S. markets, and we may incur higher than anticipated costs. If we are unable to successfully manage the risks associated with the international operation and expansion of our business, our results of operations and financial condition could be negatively impacted. Our business **is** ~~has been and may continue to be adversely~~ impacted by U. S. and global market and economic conditions. For the foreseeable future, we expect to continue to derive revenue primarily from products and services we provide to the financial services industry and from our merchant acquiring business. Given this focus, we are exposed to global economic conditions and adverse economic trends may accelerate the timing, or increase the impact of, risks to our financial performance. Such trends may include, but are not limited to, the following: • inflation, foreign currency fluctuations, declining economies, social unrest, natural disasters, public health crises, including the occurrence of a contagious disease or illness, and the pace of economic recovery can change consumer spending behaviors, on which a significant portion of our revenues are dependent; • low levels of consumer and business confidence typically associated with recessionary environments and those markets experiencing relatively high inflation and / or unemployment, may cause decreased spending by cardholders; • budgetary concerns in the U. S. and other countries around the world could affect the U. S. and other specific sovereign credit ratings, impact consumer confidence and spending, and increase the risks of operating in those countries; • emerging market economies tend to be more volatile than the more established markets we serve in the U. S. and Europe, and adverse economic trends, including high rates of inflation, may be more pronounced in such emerging markets; • financial institutions may restrict credit lines to cardholders or limit the issuance of new cards to mitigate cardholder defaults; • uncertainty and volatility in the performance of our clients' businesses may make estimates of our revenues, rebates, incentives, and realization of prepaid assets less predictable; • our clients may decrease spending for value- added services; and • government intervention, including the effect of laws, regulations, treaties and / or government investments in our clients, may have potential negative effects on our business, operations and our relationships with our clients or otherwise alter their strategic direction away from our products. A ~~further~~ weakening in the economy or competition from other retailers could ~~also~~ force some retailers to close, resulting in exposure to potential credit losses and declines in transactions, and reduced earnings on transactions due to a potential shift to large discount merchants. Additionally, credit card issuers may reduce credit limits and become more selective in their card issuance practices. A prolonged poor economic environment, including a potential recession in the U. S. or other economies in which our business operates, could result in significant decreases in demand by current and potential clients for our products and services and in the number and dollar amount of transactions we process or accounts we service, which could have a material adverse effect on our business, results of operations and financial condition ~~. In Europe, we are continuing to assess the implications of the U. K. leaving the E. U. (" Brexit "). We cannot predict the impact that Brexit, including any future trade agreements, divergence in law or currency fluctuations, will have on our business and our clients, and it is possible that it may adversely affect our operations and financial results~~ . Potential tariffs or trade wars could increase the cost of our products, which could adversely impact the competitiveness of our products and our financial results. The U. S. has imposed tariffs on certain imports from China, including on some of our hardware devices manufactured in China. If the U. S. administration imposes additional tariffs, or if additional tariffs or trade restrictions are implemented by the U. S. or other countries, our hardware devices produced in China could be impacted. Although it is difficult to predict how current or future tariffs on items imported from China or elsewhere will impact our business, the cost of our products manufactured in China and imported into the U. S. or other countries could increase, which in turn could adversely affect the demand for these products and have a material adverse effect on our business and results of operations. Regulatory and Compliance Risks If we or third parties with whom we partner or contract fail to comply with applicable laws and regulations, we could be subject to liability and our business could be harmed. **Our businesses are subject** ~~If we or third parties with whom we partner or contract fail~~ to ~~comply with~~ **state, federal, and foreign** laws and regulations ~~applicable to our business~~ , including ~~state and federal~~ payment, cybersecurity, consumer protection, ~~trade and~~ **money transmission,** data privacy **, anti- money laundering, economic and trade sanctions, payment institution, electronic money licensing, credit reporting and debt collection** laws and regulations ~~, we could be exposed to litigation or regulatory proceedings, our client relationships and reputation could be harmed, and our ability to obtain new clients could be inhibited, which could have a material adverse impact on our business, results of operations and financial condition~~ . Our clients are also subject to numerous laws and regulations applicable to banks, financial institutions and card issuers in the U. S. and abroad, and, consequently, we are at times affected by these federal, state, local and foreign laws and regulations. These laws and regulations are subject to change, and new laws, regulations and interpretations are regularly adopted ~~. Certain of our subsidiaries are licensed as money transmitters and are required, among other matters, to demonstrate and maintain certain levels of net worth and liquidity and to file periodic reports. Our direct- to- consumer payments businesses are subject to state and federal regulations in the U. S., including state money transmission regulations, anti- money laundering regulations, economic and trade sanctions administered by the U. S. Treasury Department' s Office of Foreign Asset Control (" OFAC ") and certain privacy regulations, such as the U. S. Gramm- Leach- Bliley Act. Our Money Network Financial, LLC subsidiary must meet the requirements of the Financial Crimes Enforcement Network because it is the program manager for various prepaid card programs. We operate businesses that are subject to credit reporting and debt collection laws and regulations in the U. S. and certain of our subsidiaries are subject to privacy, anti- money laundering, debt collection, and payment institution or electronic money licensing regulations outside the U. S~~ . We operate our business around the world, including in certain foreign countries with developing economies where companies often engage in business practices that are prohibited by laws applicable to us, including the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act. These laws prohibit, among other things, improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. We also derive revenue from transactions involving sales to U. S. federal, state and local governments and their respective agencies, and are subject to various procurement laws, regulations, and contract provisions relating to those contracts. We have implemented policies and training programs to comply with applicable laws, regulations and obligations; however, there can be no assurance that all of our employees, consultants and agents will comply with our policies and all applicable laws and any noncompliance could subject us to fines, penalties and loss of business. ~~We are also subject to certain economic and trade sanctions programs, including those that are administered by OFAC, which prohibit or restrict transactions to or from, or dealings with, specified countries, their governments, individuals and entities that are specially- designated nationals of those countries, narcotics traffickers and terrorists or terrorist organizations. Similar anti- money laundering, counter terrorist financing and proceeds of crime laws apply to movements of currency and payments through electronic transactions and to dealings with persons specified in lists equivalent to OFAC lists in several other countries and require specific data retention obligations to be observed by intermediaries in the payment process. Our businesses in those jurisdictions are subject to those data retention obligations.~~ The volume and complexity of the regulations that impact our business, directly or indirectly, will continue to increase our cost of doing business. ~~Failure~~ **If we or third parties with whom we partner or contract fail** to comply with ~~these~~ **applicable** laws and regulations, **we could be exposed to litigation** or ~~changes in the~~ regulatory ~~environment~~ **proceedings** , ~~including changing interpretations~~ **our client relationships** and ~~the implementation of~~ **reputation could be harmed, our ability to obtain** new **clients could be inhibited** , ~~varying~~ **we could be required to change the manner in which we conduct** ~~or~~ **our business** ~~more restrictive laws and regulations by federal, state, local or foreign governments, may result in significant financial penalties, reputational harm, suspension or termination of our~~ - **or** ~~ability to provide~~ **suspend or terminate** certain services, **and** ~~or change or restrict the manner in which~~ we ~~currently conduct~~ **could incur significant fines, penalties,** ~~our~~ - **or** ~~business~~ **losses** , all of which could have a material adverse impact on our business, results of operations and financial condition. If we fail to comply with the applicable requirements of the payment card networks and Nacha, they could seek to fine us, suspend us or terminate our registrations, which could adversely affect our business. In order to provide our transaction processing services, several of our subsidiaries are registered with Visa and Mastercard and other networks as members or service providers for member institutions. A number of our subsidiaries outside the U. S. are direct members or associate members of Visa and Mastercard for purposes of conducting merchant acquiring, and various subsidiaries are also processor level members of numerous debit and electronic benefits transaction networks. As such, we are subject to card association and network rules that could subject us or our clients to a variety of fines or penalties that may be levied by the card associations or networks for certain acts or omissions by us, acquiring clients, processing clients or merchants. In addition, we are subject to Nacha rules relating to payment transactions processed by us using the ACH network and to various federal and state laws regarding such operations, including laws pertaining to **electronic fund transfer and** electronic benefits transactions, as well as the Payment Card Industry Data Security Standard enforced by the major card brands. The rules of Nacha and the card networks are set by their respective boards, some of which are our competitors, and the card network rules may be influenced by card issuers, some of which offer competing transaction processing services. If we fail to comply with these rules, we could be fined and our member registrations or certifications could be suspended or terminated. The suspension or termination of our member registrations or certifications, or any changes to the association and network rules, that we do not successfully address, or any other action by the card networks to restrict our ability to process transactions over such networks, could limit our ability to provide transaction processing services to clients and result in a reduction of revenue or increased costs of operation, which, in either case, could have a material adverse effect on our business and results of operations. A heightened regulatory environment in the financial services industry may have an adverse impact on our clients and our business. Since the enactment of the Dodd- Frank Wall Street Reform and Consumer Protection Act ~~(“ Dodd- Frank Act ”)~~ , a number of substantial regulations affecting the supervision and operation of the financial services industry within the U. S. have been adopted, including those that establish the Consumer Financial Protection Bureau (“ CFPB ”). The CFPB has issued **regulations and** guidance **under U. S. consumer financial protection laws** that ~~applies~~ **apply** to, and conducts direct examinations of, “ supervised banks and nonbanks ” as well as “ supervised service providers ” like us. CFPB rules, examinations and enforcement actions may require us to adjust our activities and may increase our compliance costs. Changes to **applicable financial services laws** ~~the Dodd- Frank Act~~ or regulations could adversely impact our debit network business **and other businesses** . In addition, certain of our alliance partners are subject to regulation by federal and state authorities and, as a result, could pass through some of those compliance obligations to us. Additional regulation, examination or oversight of our business could require us to modify the manner in which we contract with or provide products and services to our clients; directly or indirectly limit how much we can charge for our services; require us to invest additional time and resources to comply with such oversight and regulations, including in respect of audits, investigations or enforcement actions related to us or third parties; or limit our ability to update our existing products and services, or require us to develop new ones. If this oversight or regulation negatively impacts the business, operations or financial condition of our clients, our business and results of operations could be materially and adversely affected because, among other matters, our clients could have less capacity to purchase products and services from us, could decide to avoid or abandon certain lines of business, or could seek to pass on increased costs to us by negotiating price reductions. Any of these events, if realized, could have a material adverse effect on our business, results of operations and financial condition. Legislative or regulatory initiatives on cybersecurity and data privacy could adversely impact our business and financial results. Cybersecurity and data privacy risks have received heightened legislative and regulatory attention. In Europe, the General Data Protection Regulation (“ GDPR ”) extends the scope of the E. U. data protection law to all companies processing data of individuals within the E. U., regardless of the company’ s location, subject to certain limitations. The law requires companies to meet stringent requirements regarding the handling of personal data. E. U. data protection law continuously develops and requires significant changes to our policies and procedures. ~~For example, in 2020, the Court of Justice of the E. U. issued a decision that invalidated the European Commission’ s adequacy decision for the E. U.- U. S. Privacy Shield Framework and placed additional safeguards necessary for transfers of personal data to the U. S., requiring companies and regulators to conduct case- by- case analyses to determine whether foreign protections concerning government access to transferred data meet E. U. standards. Together with our vendors and clients, we have been directly impacted by this decision, and our ability to transfer data outside the E. U. may be further impacted by determinations made by regulators in the E. U.~~ We are also subject to U. K. GDPR following the U. K.’ s exit from the E. U. Single Market and Customs Union. Our efforts to comply with E. U., U. K. and other privacy and data protection laws around the world that apply to our businesses could involve substantial expenses, divert resources from other initiatives and projects and limit the services we are able to offer. There is also increased focus on data localization requirements around the world in countries such as the United Arab Emirates, China and India which could impact our business model with respect to our storage and transfer of personal data. **.** In addition,U.S. ~~regulators,including the U.S.Federal Banking~~ **banking** ~~Agencies~~ **agencies** ~~and the U.S.Federal Trade Commission~~ have adopted or proposed enhanced cyber **risk management** ~~and privacy security~~ standards that **would** apply to us and our financial institution clients and **that would** address cyber risk governance and management,management of internal and external dependencies,and incident response,cyber resilience and situational awareness **.Several states also have adopted or proposed new privacy and cybersecurity laws targeting these issues** .Legislation and regulations on cybersecurity,data privacy and data localization may compel us to enhance or modify our systems,invest in new systems or alter our business practices or our policies on data governance and privacy.If any of these outcomes were to occur,our operational costs could increase significantly ~~.~~ Failure to comply with applicable laws in this area could also result in significant fines, penalties and reputational damage . In addition, U. S......, our operational costs could increase significantly . Failure to comply with state and federal antitrust requirements could adversely affect our business. Through our merchant alliances, we hold an ownership interest in several competing merchant acquiring businesses while serving as an electronic processor for those businesses. In order to satisfy state and federal antitrust requirements, we actively maintain an antitrust compliance program. Notwithstanding our compliance program, it is possible that perceived or actual violations of state or federal antitrust requirements could give rise to regulatory enforcement investigations or actions. Regulatory scrutiny of, or regulatory enforcement action in connection with, compliance with state and federal antitrust requirements could have a material adverse effect on our reputation and business. We may be sued for infringing the intellectual property rights of others. Third parties may claim that we are infringing their intellectual property rights. We expose ourselves to additional liability when we agree to defend or indemnify our clients against third- party infringement claims. If the owner of intellectual property establishes that we are, or a client which we are obligated to indemnify is, infringing its intellectual property rights, we may be forced to change our products or services, and such changes may be expensive or impractical, or we may need to seek royalty or license agreements from the owner of such rights. If we are unable to agree on acceptable terms, we may be required to discontinue the sale of key products or halt other aspects of our operations. We may also be liable for financial damages for a violation of intellectual property rights, and we may incur expenses in connection with indemnifying our clients against losses suffered by them. Any adverse result related to violation of third- party intellectual property rights could materially and adversely harm our business, results of operations and financial condition. Even if intellectual property claims brought against us are without merit, they may result in costly and time- consuming litigation and may require significant attention from our management and key personnel. Misappropriation of our intellectual property and proprietary rights could impair our competitive position. Our ability to compete depends upon proprietary systems and technology. We actively seek to protect our intellectual property and proprietary rights. Nevertheless, unauthorized parties may attempt to copy aspects of our services or to obtain and use information that we regard as proprietary. **In addition, use of AI tools may result in the release of confidential or proprietary information which could limit our ability to protect, or prevent us from protecting, our intellectual property rights.** The steps we have taken may not prevent misappropriation of technology. Agreements entered into for that purpose may not be enforceable or provide us with an adequate remedy. It is also possible that others will independently develop the same or similar technology. Further, we use open source software in connection with our solutions. Companies that incorporate open source software into their solutions have, from time to time, faced claims challenging the ownership of solutions developed using open source software. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our applications and services are made available. The laws of certain non- U. S. countries where we do business or contemplate doing business in the future may not recognize intellectual property rights or protect them to the same extent as do the laws of the U. S. Misappropriation of our intellectual property or potential litigation concerning such matters could have a material adverse effect on our business, results of operations and financial condition. Changes in tax laws and regulations could adversely affect our results of operations and cash flows from operations. Our operations are subject to tax by federal, state, local, and international taxing jurisdictions. Changes in tax laws or their interpretations in our significant tax jurisdictions could materially increase the amount of taxes we owe, thereby negatively impacting our results of operations as well as our cash flows from operations. Additionally, future tax laws, regulations or guidance from the Internal Revenue Service, the Securities and Exchange Commission or the Financial Accounting Standards Board could cause us to adjust current estimates in future periods, which could impact our earnings and have an adverse effect on our results of operations and cash flow. The U. S. Congress, the Organization for Economic Co- operation and Development (the " OECD ") and other government agencies in jurisdictions in which we do business remain focused on the taxation of multinational corporations. The OECD, which represents a coalition of member countries, including the U. S., is contemplating changes to numerous longstanding tax principles, including ensuring all companies pay a global minimum tax and expanding taxing rights of market countries. Because the timing of implementation and the specific measures adopted will vary among participating countries, significant uncertainty remains regarding the impact of these initiatives and their implementation could adversely affect our business or financial results. Furthermore, our implementation of new practices and processes designed to comply with changing tax laws and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, which could negatively affect our business, results of operations and financial condition. Unfavorable resolution of tax contingencies could adversely affect our results of operations and cash flows from operations ~~.~~ Our tax returns and positions are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations as well as our cash flows from operations. We have established contingency reserves for known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These reserves reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the reserves are adequate to cover reasonably expected tax risks, there is no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial cost not in excess of any related reserve. An unfavorable resolution, therefore, could negatively impact our effective tax rate, financial position, results of operations, and cash flows in the current and / or future periods. Organizational and Financial Risks The failure to attract and retain key personnel could have a material adverse effect on our business. We depend on the experience, skill and contributions of our senior management and other key employees. If we fail to attract, motivate and retain highly qualified management, technical, compliance and sales personnel, our future success could be harmed. Our senior management provides strategic direction for our company, and if we lose members of our leadership team, our management resources may have to be diverted from other priorities to address this loss. Our products and services require sophisticated knowledge of the financial services industry, applicable regulatory and industry requirements, computer systems, and software applications, and if we cannot hire or retain the necessary skilled personnel, we could suffer delays in new product development, experience difficulty complying with applicable requirements or otherwise fail to satisfy our clients' demands. Losses due to chargebacks, refunds or returns could have a material adverse effect on our business, results of operations and financial condition. We may be liable if our merchants or other parties that have obligations to deliver goods or services to cardholders fail to satisfy their obligations. For example, we and our merchant acquiring alliances may be subject to contingent liability for transactions originally acquired by us that are disputed by the cardholder and charged back to the merchants or other parties. These disputes could arise from fraud, misuse, unintentional use, settlement delay or failure, insufficiency of funds, returns, a failure to perform a service, or other reasons. If we or the alliance is unable to collect this amount from the merchant or other party because of the merchant' s or other party' s insolvency or other reasons, we or the alliance will bear the loss for the amount of the refund paid to the cardholder. Although we have an active program to manage our credit risk, and often mitigate our risk by obtaining collateral, a default on such obligations by one or more of our merchants or others could have a material adverse effect on our business, and results of operations and financial condition. Additionally, we may be subject to potential liability for fraudulent transactions, including electronic payment and card transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant or other party knowingly uses a stolen or counterfeit credit, debit or prepaid card, card number or other credentials to record a false sales transaction, processes an invalid card or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. We also rely on ISOs to sell our merchant processing services, which they may do by contracting with their own sub- ISOs. We rely on these ISOs and sub- ISOs to exercise appropriate controls to avoid fraudulent transactions. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud, or otherwise effectively administer our chargeback responsibilities, would increase our chargeback liability and expose us to fines or other liabilities. Increases in chargebacks, fines or other liabilities could have a material adverse effect on our business, results of operations and financial condition. Acquisitions subject us to risks, including assumption of unforeseen liabilities and difficulties in integrating operations. A major contributor to our growth in revenue and earnings since our inception has been our ability to identify, acquire and integrate complementary businesses. We anticipate that we will continue to seek to acquire complementary businesses, products and services. We may not be able to identify suitable acquisition candidates or complete acquisitions in the future, which could adversely affect our future growth; or businesses that we acquire may not perform as well as expected or may be more difficult or expensive to integrate and manage than expected, which could adversely affect our business and results of operations. We may not be able to integrate all aspects of acquired businesses successfully or realize the potential benefits of bringing them together. In addition, the process of integrating these acquisitions may disrupt our business and divert our resources. In addition, acquisitions outside of the U. S. often involve additional or increased risks including, for example: • managing geographically separated organizations, systems and facilities; • integrating personnel with diverse business backgrounds and organizational cultures; • complying with non- U. S. regulatory requirements; • fluctuations in currency exchange rates; • enforcement of intellectual property rights in some non- U. S. countries; • difficulty entering new non- U. S. markets due to, among other things, consumer acceptance and business knowledge of these new markets; and • general economic and political conditions. These risks may arise for a number of reasons: we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms; we may face competition for acquisitions from other potential acquirers; we may need to borrow money or sell equity or debt securities to the public to finance acquisitions and the terms of these financings may be adverse to us; changes in accounting, tax, securities or other regulations could increase the difficulty or cost for us to complete acquisitions; we may **discover liabilities, deficiencies, or other claims associated with the companies or assets we acquire that were not identified in advance, which may result in significant unanticipated costs; the effectiveness of our due diligence review and our ability to evaluate the results of such due diligence are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives, as well as the limited amount of time in which acquisitions are executed. In addition, we may fail to accurately forecast the financial impact of an acquisition or other strategic transaction, including tax and accounting charges; we may** incur unforeseen obligations or liabilities in connection with acquisitions; we may need to devote unanticipated financial and management resources to an acquired business; we may not realize expected operating efficiencies or product integration benefits from an acquisition; we could enter markets where we have minimal prior experience; and we may experience decreases in earnings as a result of non- cash impairment charges. We may be obligated to indemnify the purchasers of businesses pursuant to the terms of the relevant purchase and sale agreements. We have in the past and may in the future sell businesses. In connection with sales of businesses, we may make representations and warranties about the businesses and their financial affairs and agree to retain certain liabilities associated with our operation of the businesses prior to their sale. Our obligation to indemnify the purchasers and agreement to retain liabilities could have a material adverse effect on our business, results of operations and financial condition. Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would negatively affect our results of operations. Our balance sheet includes goodwill and intangible assets that represent ~~59~~ **53** % of our total assets at December 31, ~~2022~~ **2023** . These assets consist primarily of goodwill and identified intangible assets associated with our acquisitions. On at least an annual basis, we assess whether there have been impairments in the carrying value of goodwill. In addition, we review intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If the carrying value of the asset is determined to be impaired, then it is written down to fair value by a non- cash charge to operating earnings. An impairment of a significant portion of goodwill or intangible assets could have a material negative effect on our results of operations. Existing or future leverage may harm our financial condition and results of operations. At December 31, ~~2022~~ **2023** , we had approximately $ ~~21~~ **23** . ~~4~~ **1** billion of debt. We and our subsidiaries may incur additional indebtedness in the future. Our indebtedness could: decrease our ability to obtain additional financing for working capital, capital expenditures, general corporate or other purposes; limit our flexibility to make acquisitions; increase our cash requirements to support the payment of interest; limit our flexibility in planning for, or reacting to, changes in our business and our industry; and increase our vulnerability to adverse changes in general economic and industry conditions. Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. In addition, if certain of our outstanding senior notes or commercial paper notes are downgraded to below investment grade, we may incur additional interest expense. If we are unable to generate sufficient cash flow from operations in the future to service our debt and meet our other cash requirements, including due to further deterioration in economic and market conditions, we may be required, among other things: to seek additional financing in the debt or equity markets; to refinance or restructure all or a portion of our indebtedness; or to reduce or delay planned capital or operating expenditures. Such measures might not be sufficient to enable us to service our debt and meet our other cash requirements. In addition, any such financing, refinancing or sale of assets might not be available at all or on economically favorable terms. An increase in interest rates may negatively impact our operating results and financial condition. Certain of our borrowings, including borrowings under our revolving credit facility, term loan, foreign lines of credit and commercial paper programs, are at variable rates of interest. ~~During~~ **Beginning in** 2022 **, and continuing through mid- 2023** , interest rates increased significantly and interest rates may continue to increase or remain at higher than recent historical levels in the future. An increase in interest rates would have a negative impact on our results of operations by causing an increase in interest expense. At December 31, ~~2022~~ **2023** , we had approximately $ ~~4~~ **2** . ~~0~~ **3** billion in variable rate debt, which includes $ **516** ~~200 million on our term loan, $ 233~~ million drawn on our revolving credit facility and foreign lines of credit, and an aggregate amount of $ ~~3~~ **1** . ~~5~~ **7** billion outstanding under our U. S. dollar and Euro commercial paper programs. Based on outstanding debt balances and interest rates at December 31, ~~2022~~ **2023** , a 1 % increase in variable interest rates would result in an increase to annual interest expense of $ ~~40~~ **23** million. Our results of operations may be adversely affected by changes in foreign currency exchange rates. We are subject to risks related to changes in currency rates as a result of our investments in foreign operations and from revenues generated in currencies other than the U. S. dollar. Revenues and profit generated by such international operations will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. From time to time, we utilize foreign currency forward contracts and other hedging instruments to mitigate the market value risks associated with foreign currency- denominated transactions and investments. These hedging strategies may not, however, eliminate all of the risks related to foreign currency translation, and we may forgo the benefits we would otherwise experience if currency exchange rates were to change in our favor. **In addition, we may incur material foreign currency exchange losses due to the remeasurement of monetary assets and liabilities in highly inflationary economies.** We have also issued foreign currency- denominated senior notes and commercial paper notes for which payments of interest and principal are to be made in foreign currency, and fluctuations in foreign currency exchange rates could cause the expense associated with such payments to increase. In addition, we may become subject to exchange control regulations that restrict or prohibit the conversion of our foreign revenue currencies into U. S. dollars. Any of these factors could decrease the value of revenues and earnings we derive from our international operations and have a material adverse effect on our business.