

**DEROGATION LETTER
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED
PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002
COMPLETED ACQUISITION**

Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 19 September 2018

We refer to your email and accompanying further information dated 12 September 2018, 17 September 2018, 18 September 2018, 19 September 2018 and 20 September 2018 requesting that the CMA consents to derogations to the Initial Enforcement Order of 19 September 2018 (the 'Initial Order'). The terms defined in the Initial Order have the same meaning in this letter. Further in this letter:

'the iZettle International business' means the businesses of the following subsidiaries of iZettle: iZettle do Brasil Meios de Pagamento S.A., iZettle Merchant Services SAS (841 368 RCS Paris, 124 Reaumur 75002 Paris, France), iZettle Mexico S. de R.L. de C.V., iZettle Marketing Germany GmbH, iZettle España S.L.U, and iZettle Merchant Services AS.

'the PayPal International business' means the business of PayPal and its subsidiaries carried on outside the UK excepting any business activities outside of the UK which are necessary for the effective functioning of PayPal's and its subsidiaries' business activities in the UK, as at the commencement date.

Under the Initial Order, save for written consent by the CMA, PayPal Holdings, Inc, PayPal SE and PayPal (Europe) Sarl et Cie SCA are required to hold separate the iZettle business from the PayPal business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference. After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, PayPal Holdings, Inc, PayPal SE and PayPal (Europe) Sarl et Cie SCA and iZettle may carry out the following actions, in respect of the specific paragraphs:

- 1. Paragraphs 4, 5 and 8 of the Initial Order**

PayPal has sought CMA consent to exclude the PayPal International business and the iZettle International business from the scope of the obligations in paragraphs 4, 5 and 8 of the IEO.

The CMA consents that the obligations in paragraphs 4, 5 and 8 of the IEO do not apply to the iZettle International business and the PayPal International Business. This derogation is granted based on PayPal's representations that the subsidiaries making up the iZettle International business do not have any activities that affect the UK and their roles are confined to activities in their respective jurisdictions.

2. Paragraphs 5(c), 5(i) and 5(k) of the Initial Order

The CMA consents to the following changes to the management responsibilities of iZettle:

- a. The resignations of [X] (representatives of various seller shareholders, [X]) as directors of iZettle on the basis that they or the entities they represent have disposed of their interests in the iZettle business.
- b. The resignation of [X], a non-executive director appointed to the board in anticipation of iZettle's, now superseded, public listing to comply with Swedish listed company governance requirements, as a director of iZettle on the basis that iZettle is no longer pursuing a public listing.
- c. The appointment of [X] and [X] to the board of directors of iZettle.
- d. [X] stepping down from [X] director and becoming executive chairman of iZettle.

3. Paragraphs 4(a), 5(a), and 5(l) of the Initial Order

During the specified period, the CMA consents to PayPal providing for iZettle's future funding requirements and any company group guarantee requirements at group level.

This derogation is granted on the basis of representations by PayPal that iZettle's existing financing fell away at closing and that PayPal gave assurances to the Swedish Financial Supervisory Authority as part of the approval process that it would provide sufficient funds to iZettle in order for it to operate in accordance with its pre-merger business plan.

The CMA's consent is conditional upon access to iZettle information and facilities being reserved only to PayPal finance personnel listed in Annex 1 and only to the extent necessary to perform these activities. As part of the safeguards for this derogation: (i) the treasury individuals involved will be subject to a non-disclosure agreement in the form approved by the CMA; (ii) PayPal will commit to make

available funding to iZettle in line with its pre-merger business plans; (iii) the amount of funding and terms available from PayPal, including the conditions on which iZettle can access that funding, will be at least as favourable to iZettle as its pre-closing lenders; and (iv) PayPal will inform the CMA of any instances in which a funding request from iZettle has been denied.

4. Paragraphs 5(a), 5(g) and 5(l) of the Initial Order

During the specified period, the CMA consents to PayPal extending PayPal's insurance coverage to iZettle as wholly owned subsidiaries.

This derogation is granted on the basis of representations by PayPal that without this insurance coverage, iZettle cannot operate as a commercial entity. The derogation is granted on the condition that:

- the inclusion of the iZettle business in PayPal's insurance programme will have no influence upon the commercial direction of the iZettle business during the term of the Initial Order;
- any information confidential to the iZettle business will only be provided to a limited number of PayPal personnel listed in Annex 1 for whom it is strictly necessary to see the information for the purpose of taking out the insurance on the iZettle business's behalf;
- each of the persons listed in Annex 1 shall enter into non-disclosure agreements in the form approved by the CMA;
- the iZettle business (or any new owner of the iZettle business) is free at any time and for any reason to stop this insurance programme and is capable of taking out replacement insurance policies; and
- should the CMA require PayPal to divest all, or part, of the iZettle business, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature that have passed, wherever they may be held, will be returned to the business to which they relate and any copies destroyed.

5. Paragraph 4(a) and paragraphs 5(a), 5(f), 5(h) and 5(l) of the Initial Order

In order to allow PayPal to meet its external regulatory obligations (such as the General Data Protection Regulation, the Network and Information Systems Regulations 2018 and the Second Payment Services Directive), the CMA consents to PayPal engaging in the following information security related activities in respect of iZettle during the specified period:

- a. [X]; and
- b. [X].

This derogation is granted on the condition that:

- there is no integration of iZettle's IT system with PayPal's IT system;
- access to iZettle information and facilities is reserved to the persons listed in Annex 1 and only to the extent necessary to perform these activities;
- each of the persons listed in Annex 1 shall enter into non-disclosure agreements in the form approved by the CMA;
- iZettle's existing IT system is maintained in a form that is capable of separation from PayPal without any financial or other detriment to the iZettle business; and
- should the CMA require PayPal to divest all, or part, of the iZettle business, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature that have passed, wherever they may be held, will be returned to the business to which they relate and any copies destroyed.

In granting this derogation to the Initial Order, the CMA has also taken into account PayPal's submission that engaging in these information security activities does not create any risk of pre-emptive action that could prejudice the CMA's investigation should any divestment scenario be considered.

These derogations should not prevent any remedial action that the CMA may need to take regarding the transaction.

Yours sincerely

Tobe Nwaogu

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Annex 1

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