MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 & 2014

EFT CANADA INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2015

The following Management's Discussion and Analysis ("MD&A") is prepared in accordance with National Instrument 51-102 and should be read in conjunction with EFT Canada's audited financial statements for the year ended June 30, 2015 and the related notes, which are prepared in accordance with International Financial Reporting Standards.

These statements often can be identified by the use of terms such as "may", "will", "expect", "believes", "anticipate", "estimate", or "continue", or the negative thereof. The Company intends that such forward-looking statements be subject to the safe harbours for such statements. The Company wishes to caution the readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgement as to risks, uncertainties and important factors beyond the control of the Company that could cause actual results and events to differ materially from historical results of operations and events from those presently anticipated or projected. These factors include adverse economic conditions, entry of new and stronger competitors, inadequate capital, unexpected costs, failure to gain product approval in the North American or foreign countries and failure to capitalize upon access to new markets. Additional risks and uncertainties that may affect forward-looking statements about the Company's business and prospects include the possibility that a competitor will develop a more comprehensive solution, delays in market awareness of its products, possible delays in execution of sales and marketing strategy, which could have an immediate and material adverse effect. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports filed or submitted by it under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in such legislation and is accumulated and communicated to management to allow timely decisions regarding required disclosure. A review of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as of September 30, 2015, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO concluded that as of September 30, 2015, the disclosure controls and procedures were effective at providing such reasonable assurance.

Nature of Business

EFT Canada Inc. is a financial transaction processing company that offers a complete solution to the electronic collection and payment processing needs of small and medium sized business merchants, banks, credit unions, and other financial firms in Canada and the United States. The Company develops, maintains and delivers innovative online electronic transaction processing technologies, such as customized electronic payment and collection processing solutions.

Overall Performance

For the three month period ended September 30, 2015, gross revenues were $378,758 compared to $565,410 for the three month period ended September 30, 2014. The Company's comprehensive income was $308,331 or $0.023 per share compared to a comprehensive income of $150,718 or $0.011 per share for the three month period ended September 30, 2014.

EFT Canada had a gross profit margin of $334,957 for the three month period ended September 30, 2015, or 88% compared with $417,285 or 74% for the three month period ended September 30, 2014.

Selected Financial Data

The following financial data, prepared in accordance with International Financial Reporting Standards, is selected information for the Company for the two comparative years:

	Three Months Ended	
	September 30, 2015 **$**	**September 30, 2014** **$**
Total Revenue	378,758	565,410
Gross Profit	334,957	417,285
* EBITDA (1)(2)	41,797	87,547
Comprehensive Income	308,331	150,718
Comprehensive Income Per Share	0.023	0.011
Total Assets	8,111,329	11,400,432
Total Liabilities	7,580,105	11,686,889

(1) Earnings before interest, taxes, depreciation and amortization, and other income ("EBITDA") is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses and one-time events such as interest, tax, depreciation and amortization, share based payments and other income. Management uses EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors EBITDA against budget and past results on a regular basis.

(2) The above EBITDA figure is calculated prior to any depreciation and amortization, foreign exchange gains or losses, interest, bad debts, impairment of long-lived assets, stock based compensation and taxes incurred by the Company.

Results of Operations

The Company earns its revenues by charging its customers for set-up, recurring monthly account maintenance, and various transaction fees for use of its services. Transaction fees are based on the type and volume of transactions processed by EFT Canada's customers. Additional fees are earned from licensing the Company's proprietary transaction processing platform through white label agreements, interest charges, gift and loyalty card fees, commissions and from software customization or specialty programming.

Revenue

Revenues are derived primarily from transaction processing and recurring monthly service fees. Revenue for the three month period ended September 30, 2015 of $378,758 was $186,652 lower than the $565,410 revenue for the three month period ended September 30, 2014.

For the three month period ended September 30, 2015, EFT Canada had Canadian transaction volume of 481,857 representing a value of $404,352,985. In comparison, for the three month period ended September 30, 2014, EFT Canada processed 470,328 Canadian transactions representing $395,467,039 in total value.

The Company has and will continue in the near term, to focus a majority of its marketing resources towards acquiring Canadian transaction processing clients. This revenue segment not only has the highest gross profit of any Company product, but also brands EFT Canada as a niche provider within the marketplace.

U.S. transaction volume for the three month period ended September 30, 2015 was 3,434 with a total U.S. dollar value of $9,664,894. For the three month period ended September 30, 2014, U.S. transaction volume was 452,319 for a total U.S. dollar value of $34,807,555.

As noted in the press release dated February 10, 2015, the Company received notice that one of its United States partners would no longer allow processing of transactions for certain merchant industries. As a result of the change, the Company was unable to service a majority of its U.S. processing client base and therefore experienced a material decrease in U.S. processing revenues beginning March 1, 2015.

Gift Card

Gift card revenue for the three month period ended September 30, 2015 was $1,177 compared to $1,157 for the three month period ended September 30, 2014.

Credit Card

Credit card revenue for the three month period ended September 30, 2015 was $1,725 compared to $1,444 for the three month period ended September 30, 2014.

The Company no longer supports its card gateway, and existing users have been transferred to their respective acquirers processing platform. EFT Canada will continue to market card processing services (using the acquirer platform) and receive the same remuneration for the service.

Cost of Sales

The Cost of Sales for the three month period ended September 30, 2015 totaled $43,801 compared to $148,125 for the three month period ended September 30, 2014. The decrease in the cost of sales comparative was directly attributable to the Company's reduced processing capabilities by one of its U.S. processors.

Gross Profit Margin

The Company had a gross profit margin of $334,957 for the three month period ended September 30, 2015, or 88% compared with $417,285 or 74% for the three month period ended September 30, 2014.

Expenses

Professional Fees

Professional fees for the three month period ended September 30, 2015 increased to $32,447 from $26,244 reported for the three month period ended September 30, 2014. The increase was due to legal fees incurred in the normal course of business and corporate matters.

Executive & Director Compensation

EFT Canada remunerated senior executives and directors of the Company as follows:

	September 30, 2015	September 30, 2014
Executive salaries, bonuses, and benefits	$131,059	$127,048
Professional fees paid to directors	9,625	9,625
Total	$140,684	$136,673

Comparative changes in compensation are due to the timing of bonus payments, renewing of or changes to executive agreements and bonuses.

Directors' compensation is an annual base amount of $10,000 (2014 – $10,000) and $500 per Committee participation. Additionally, Audit Committee and Compensation Committee Chairpersons receive $3,000 and $2,500, respectively. Directors' compensation is paid in quarterly installments.

General and Administrative

General and administrative expenses for the three month period ended September 30, 2015 was $64,119 compared to $86,463 for the three month period ended September 30, 2014. The Company had lower expenditures related to its, now closed, credit card gateway. To promote itself, the Company anticipates additional spending on sales and marketing.

Rent expense for the three month period ended September 30, 2015 was $24,320 compared to $21,350 for the three month period ended September 30, 2014.

Total expenses from operations, excluding depreciation and amortization, foreign exchange gains or losses, interest, bad debts, impairment of long-lived assets, stock based compensation and taxes for the three month period ended September 30, 2015 decreased to $293,160 from $329,738 as at September 30, 2014. The decrease in expenses from operations is mainly a result of operational costs related to the closure of the Company's credit card gateway.

Depreciation and Amortization

Depreciation and amortization for the three month period ended September 30, 2015 decreased to $34,564 from $42,606 at September 30, 2014. Depreciation and amortization is in accordance with the Company's existing policy and pertains to the Company's electronic equipment, furniture & fixtures, leasehold improvements, credit card equipment, proprietary software, application software and website.

Foreign Exchange

The Company is subject to foreign exchange gains and losses as a portion of its current assets and current liabilities are denominated in U.S. currency and converted to Canadian currency for reporting purposes. For the three month period ended September 30, 2015, the Company had a foreign exchange gain of $301,025, due to the continued strength of the U.S. dollar during the year, compared to a foreign exchange gain of $106,430 for the three month period ended September 30, 2014. A significant portion of the Company's foreign exchange gains for the periods are a result of translation adjustments for financial statement presentation purposes.

The Company has not hedged its exposure to foreign currency fluctuations.

Bad Debts

The Company had bad debt expense of $Nil for the three month periods ended September 30, 2015 and 2014.

Legal costs associated with previously reported bad debt or client issues continue to be expensed as incurred and are presented in professional fees. Any monies recouped from previous bad debts written off, shall be reflected as such, in the future financial statements of the Company.

Income Taxes

The Company has approximately $590,063 (September 30, 2014 – $1,176,715) of non-capital losses which under certain circumstances are available to reduce the taxable income of future years.

Comprehensive Income

Comprehensive income for the three month period ended September 30, 2015 was $308,331 or $0.023 per share compared to a comprehensive income of $150,718 or $0.011 for the three month period ended September 30, 2014.

Disclosure of Outstanding Share Data

The Company has authorized an unlimited amount of common shares.

As of September 30, 2015 and 2014, the Company's weighted average number of shares outstanding was 13,673,000, representing $1,470,618 in capital stock paid.

Stock Options

The Company has a fixed plan pursuant to which up to 1,366,300 Common Shares may be issued upon exercise of options granted thereunder.

The Company did not issue any stock options during the three month period ended September 30, 2015.

As at September 30, 2015 and 2014, the Company had Nil stock options and no share purchase warrants outstanding.

Going Concern

The Company's unaudited interim condensed financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlements of liabilities in the normal course of business. During fiscal 2014 and in the normal course of business, a client initiated a series of electronic transactions, originally totalling $930,000, of which the client's funds were returned by the bank. As such, the collectability of a current receivable in the amount of approximately $637,132 is uncertain at this time. In fiscal 2014, the Company had a net loss of $2,081,766, which included an allowance for bad debts of $591,459, a non-cash impairment charge of $1,229,256 on the Company's credit card gateway assets, and a loss from operations of $303,663. At September 30, 2015 and as a result of the loss incurred in the fiscal year ending 2014, the Company has a Shareholders' equity of $531,224 (June 30, 2015 - $222,893) and working capital of $97,629 (June 30, 2015: negative working capital of $218,760). Additionally, the Company lost a material portion of its processing capabilities from one of the Company's U.S. processing partners. This raises doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon collection of bad debt allowances, raising additional financing and/or future profitability, in order to maintain sufficient working capital. There are no assurances that the Company will be successful in collecting this receivable, raising financing and/or future profitability.

Liquidity

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial obligations as they become due. The Company manages liquidity risks by monitoring the actual and forecasted cash flows taking into account the current and planned operations. The Company's estimated minimum contractual undiscounted cash flow requirements for its financial liabilities include, but are not limited to, accounts payable and accrued liabilities, payroll deductions payable, operating lease obligations, and clients' funds payable. As of September 30, 2015, the Company has working capital of $97,629 (June 30, 2015 – working capital deficit of $218,760).

The Company will continue to review its existing network, software and hardware operation centre. Further upgrades and replacements to hardware and software may be warranted to meet new regulatory, technological and security requirements and allow the Company to continue to compete for more customers. Management believes a majority of the upgrades have already been completed and costs paid.

Cash Reserve

Under the terms of EFT Canada's agreements with its processors, the Company has pledged against chargeback losses, a deposit (reserve) of $5,000 USD for the three month period ended September 30, 2015 (June 30, 2015 - $5,000 USD). The Company's reserve requirement was reduced due to the change in the Company's U.S. transaction processing volume.

Segment Reporting

(a) Business segment

The Company manages its operations in one reportable segment being the transaction payment processing services. This segment reflects the Company's internal financial reporting and performance measurement. Management assesses performance and makes resource decisions based on the results of operations of this business segment.

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During the three month period ended September 30, 2015, revenue from nil customers was in excess of 10% of total revenues. During the comparative three month period ended September 30, 2014, revenue from one customer was in excess of 10% of total revenues, comprising 17% of total revenues.

(b) Geographic segments

The Company earns revenue from its customers in Canada and the United States. During the three month period ended September 30, 2015, approximately 1% (September 30, 2014 – 36%) of the Company's total revenues was earned from United States customers.

For the three month periods ended September 30, 2015 and 2014, 100% of the Company's non-current assets are in Canada.

Related Party Transactions

On the Company's Board of Directors is an individual whom is the President and Chief Executive Officer of a company with which EFT Canada has a business relationship. The company is a client of EFT Canada's for Canadian EFT processing and provides EFT Canada with ACH processing in the United States. Further, EFT Canada earns gift card commissions from the company.

For the three month period ended September 30, 2015, EFT Canada collected $6,119 (2014 - $6,186) in revenues from the company and paid $578 (2014 - $751) to the company in processing fees for services, which were both provided in the normal course of operations at rates comparable to what would have been paid to unrelated parties.

Subsequent Events

None

Off-Balance Sheet Arrangements

None

Corporate Events

The Company's Annual General Meeting for its June 30, 2015 fiscal year-end was held on November 23, 2015.

At the Company's Annual General Meeting for its June 30, 2014 fiscal year-end, held on March 30, 2015, shareholders approved the Shareholder Rights Plan.

At the Company's Annual General Meeting for its June 30, 2013 fiscal year-end, held on July 7, 2014, shareholders approved By-Law 2 (Advance Notice By-Law).

Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters.

Quarters Ended	Total Revenue $	Comprehensive Income (Loss) $	EBITDA* $	Income (Loss) Per Share $	Total Assets $	Total Liabilities $
Sep-15	378,758	308,331	41,797	0.023	8,111,329	7,580,105
Jun-15	384,715	(130,619)	(16,168)	(0.010)	8,127,357	7,904,464
Mar-15	532,970	430,121	110,303	0.031	7,852,196	7,498,684
Dec-14	717,603	209,848	138,957	0.015	17,380,596	17,457,205
Sep-14	565,410	150,718	87,547	0.011	11,400,432	11,686,889
Jun-14	589,312	(1,886,835)	101,349	(0.137)	9,225,467	9,662,642
Mar-14	580,681	(9,475)	33,111	(0.001)	8,804,713	7,355,053
Dec-13	571,406	(38,487)	12,599	(0.003)	7,493,517	6,034,382

**** Earnings before interest, taxes, depreciation and amortization, and other income ("EBITDA") is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses and one-time events such as interest, tax, depreciation and amortization, share based payments and other income. Management uses EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors EBITDA against budget and past results on a regular basis.***

Several variables were and are beyond the Company's control and the timing of one or more variables can impact the Company's ability to maintain its continuing growth. Some of these variables include government and industry regulations, pricing pressures, availability of processing partners, chargeback risk, foreign exchange, and industry business cycles of the Company's customers.

Significant Accounting Policies

The Company's significant accounting policies are stated in Note 3 of the Company's audited annual financial statements for the year ended June 30, 2015.

Financial Instruments and Other Instruments

<u>Measurement and Fair value</u>

For certain of the Company's financial instruments, including cash and cash equivalents, Clients' funds, trade and other receivables, Clients' funds receivable, accounts payable and accrued liabilities, payroll deduction payable, and Clients' funds payable, the carrying amounts approximate fair values due to their short-term nature. The carrying values of the obligations under finance lease approximate their fair values based on the discounted cash flows at market discount rates.

IFRS 13 Financial Instruments & Disclosures as issued by the IASB requires the Company to disclose a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents is measured based on Level 1 inputs referred to in the three levels of the hierarchy noted above. The Company does not have any Level 2 or Level 3 fair value measurements and thus no continuity schedule has been presented. In addition, there have been no significant transfers between levels.

<u>Risk management</u>

The Company, through its financial assets and liabilities, is exposed to various risks which could affect its ability to achieve its strategic objectives for growth and in maximizing shareholders' returns. The Company's management takes an active role in the risk management process by reviewing policies and procedures, assessing risks and mitigating the various financial risks that could impact the financial position and results of operations.

The following analysis provides a measurement of risks as at September 30, 2015 and June 30, 2015.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The level of market risk to which the Company is exposed at any point in time varies depended on market conditions, expectations of future price or market rate movements and composition of the Company's financial assets and liabilities held, non-trading physical assets, and contractual portfolios.

(b) Interest rate risk

Interest rate risk is the risk that future fair value will fluctuate as a result of changes in market interest rates. The Company does not have any floating interest rate instruments and therefore it is not exposed to interest rate fluctuations. In addition, the Company does not enter into derivative financing and has no interest rate swap or financial contracts in place as at or during the periods ended September 30, 2015 and June 30, 2015.

(c) Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company holds financial assets denominated in currencies other than the Canadian dollar. It is therefore exposed to foreign exchange risk, as the value of financial assets denominated in other currencies will fluctuate due to the changes in foreign exchange rates. The Company estimates that its exposure to foreign exchange rate risk is not significant. The risk is considered to be acceptable as a normal risk of that class of business. The Company does not actively hedge its foreign currency and had no forward contracts in place as at September 30, 2015 and June 30, 2015.

(d) Credit & chargeback risk

Credit and chargeback risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables and clients' funds receivable. Allowances are provided for potential losses that have been incurred at year end date. The amounts disclosed in the statement of financial position are net of these allowances for doubtful accounts.

The Company established credit approval and monitoring practices to mitigate credit risk. The Company also reviews the creditworthiness of new customers to determine the credit limit and conducts regular review of its existing customers' payment performance.

The following table outlines the details of aging of the Company's receivables:

	September 30, 2015	June 30, 2015
Current	$56,089	$47,575
31 – 120 days past due	111,166	0
Greater than 120 days past due	538,083	538,083
Less: allowance for doubtful accounts	(538,083)	(538,083)
Total receivable, net	$167,255	$47,575

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial obligations as they become due. The Company manages liquidity risks by monitoring the actual and forecasted cash flows taking into account the current and planned operations. The Company's estimated minimum contractual undiscounted cash flow requirements for its financial liabilities include, but are not limited to, accounts payable and accrued liabilities, payroll deductions payable, operating lease obligations, and clients' funds payable.

As of September 30, 2015, the Company has working capital of $97,629 (June 30, 2015 – working capital deficit of $218,760).

Risk Factors

An investment in our common shares involves a high degree of risk. Readers should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our common shares could decline due to any of these risks or other factors, and you may lose all or part of your investment. Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Company. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware.

Risk of Losing Key Personnel

The Company's management and business growth depends upon the services of a few key personnel, the loss of any of whom could adversely affect the business and overall results of operations.

Risk of Loss Due To Fraud, Disputes & Merchant Insolvency

The Company faces the risk of loss due to fraud and disputes between consumers and merchants, including the unauthorized use of banking information and identity theft, merchant fraud, disputes over the quality of goods and services, breaches of system security, employee fraud and use of the system for illegal or improper purposes. Disputes may also arise when a consumer pays a merchant for goods or services using a cheque and the financial institution returns the cheque. In addition, if our chargeback or dispute rate becomes excessive, cheque clearing associations may require the Company to pay fines. There is a risk that we may be required to pay fines in the future and the amount of such fines may be material. While the Company attempts to recover from the merchant the amount charged back and the amount of the fines imposed, we may not always be successful in doing so for various reasons, such as merchant insolvency.

Risk of Safeguarding Against Security & Privacy Breaches

A security or privacy breach could:

- expose the Company to additional liability and to potentially costly litigation;
- increase expenses relating to the resolution of these breaches;
- deter customers from using our services; and,
- decrease market acceptance of electronic commerce transactions.

The Company cannot assure that the use of applications designed for data security and integrity will address changing technologies or the security and privacy concerns of existing and potential customers. Although the Company requires that agreements with service providers who have access to merchant and consumer data include confidentiality obligations that restrict these parties from using or disclosing any consumer or merchant data except as necessary to perform their services under the applicable agreements, there can be no assurance that these contractual measures will prevent the unauthorized disclosure of merchant or consumer data. If the Company is unable to protect the security and privacy of our electronic transactions and data, our business volume and profitability will be materially adversely affected.

Risk of Failure of the Company, Third Party Systems and the Internet

Computer viruses, disgruntled or rogue employees, electronic break-ins, power losses, telecommunications failures, security breaches, natural disasters and similar events could damage or disrupt the function of the Company's systems and those of third parties upon whom we rely, such as bank processing systems. The business and reputation could be adversely affected if these systems were disabled by any of these occurrences. The existing or future insurance policies may not adequately compensate the Company for any losses that may occur due to any failures or interruptions in these systems.

Higher transaction volumes may require us to expand and upgrade our technology, transaction processing systems and network infrastructure. The Company could experience periodic, temporary capacity constraints, which may cause unanticipated system disruptions, slower response times and lower levels of customer service. The Company may be unable to accurately project the rate or timing of increases, if any, in the use of our services or expand and upgrade our systems and infrastructure to accommodate these increases in a timely manner.

Risk of Deterioration of Strategic Banking Partnerships

The Company relies on strategic partnerships and suppliers to help supply, promote and distribute our services. Particularly, the Company depends upon its processing relationships. Processing partners that process the Company's electronic transactions adhere to guidelines that apply to these transactions. While we believe that our operations comply with these guidelines, financial institutions could nonetheless decide in the future to refuse to process transactions for the Company. If such a situation occurred and the Company was not able to conclude alternative arrangements with another financial institution, our ability to carry out payment transactions could be impaired or even halted.

Risk of Fluctuations of General Business Conditions

General economic conditions have caused some of the merchants we serve to experience difficulty in supporting their current operations and implementing their business plans. If these merchants make fewer sales of their products and services, the Company will have fewer transactions to process, resulting in lower revenues.

In addition, in a recessionary environment, the merchants we serve could be subject to a higher rate of insolvency, which could adversely affect us financially. We bear credit risk for chargebacks related to billing disputes between account holders and merchants. If a merchant seeks relief under bankruptcy laws or is otherwise unable or unwilling to pay, we may be liable for the full transaction amount of a chargeback.

Excessive Chargeback Losses Could Significantly Affect Our Results of Operations and Liquidity

Our agreements with our partnering financial institutions and certain payment processors require us to assume and bear the risk of "chargeback" losses. Under the Canadian and United States rules of electronic transaction processing known as electronic funds transfer, when a merchant processor acquires transactions, it has certain contingent liabilities for the transactions processed. This contingent liability arises in the event of a billing dispute between the merchant and an account holder that is ultimately resolved in the account holder's favor. In such a case, the disputed transaction is charged back to the merchant and the disputed amount is credited or otherwise refunded to the account holder. If we are unable to collect this amount from the merchant's account, or if the merchant refuses or is unable to reimburse us for the chargeback due to merchant fraud, insolvency or other reasons, we will bear the loss for the amount of the refund paid to the account holders. In addition, if we are unable to recover these chargeback amounts from merchants, having to pay the aggregate of any such amounts could have a material adverse effect on our results of operations and liquidity.