

AFTERPAY LIMITED (ASX: APT)

ASX Announcement

17 March 2020

US Regulatory Settlement

(all currency figures are in Australian dollars unless otherwise stated)

Afterpay Limited (ASX: APT) (**Afterpay** or **Company**) provides the following information in relation to its regulatory and credit licensing arrangements in California, US.

Afterpay has finalised an agreement with the California Department of Business Oversight (**DBO**) to settle a regulatory matter relating to historical services provided in California.

Under the agreement, Afterpay now offers its current and future products in California under the finance lender's licence granted by the DBO to a wholly owned subsidiary of its US business. Afterpay has also agreed to pay settlement costs of A\$1.5 million, which were provided for in the Company's financial report for the half year ended 31 December 2019. These settlement costs include a refund of late fees previously paid by California consumers (approximately US\$905,000) and an administrative fee to the DBO (of approximately US\$90,500, an amount equal to 10% of the total late fees identified).

As previously announced, Afterpay was granted the licence in November 2019 to facilitate a potential expansion of service offerings in the US. Afterpay had been operating a consumer credit sale product in the state of California, providing services that enable merchants to sell goods to their consumers that can be repaid over time. Afterpay rejects the view that the Company operated illegally. While Afterpay does not believe such an arrangement required a licence from the DBO, Afterpay has agreed to conduct its operations under the DBO licence as a part of this settlement.

The transition to the new licence arrangement has occurred without disruption to the delivery of Afterpay's service or impact to Afterpay's business in California.

Afterpay will continue to work closely with the DBO and appreciates the regulatory clarity that this agreement provides. Additionally, the Company continues to engage with regulators at the state and federal level throughout the US to highlight its commitment to consumer protection and responsibility and compliance with applicable laws.

Authorised by:

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