

CONFIDENTIAL

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MasterCard
International



2/8/96

Laura -

It would be terrific
if you could
summarize the JAC
call in a nutshell -

Thanks -

Gayle

Most of my notes
from the discussion are in
read. I highlighted the
ones in black - Gayle

P-0293

GOVERNMENT
DEPOSITION
EXHIBIT
514

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Subject to Protective Order

MC 85579

2/8/96 SMB Meeting

I. bill presentment + payment -

Mastercard/FDC - bill presentment
bill payment (Home banking)

Mastercard/FDC/Intuit - bill presentment

members like bill presentment - do not like
bill payment... bill payment treads on members
toes.

Debit in U.S.
↓
Deposit Access
Services

Original Deal

MCI/FDC

one venture

detail

consumer =
customer

Target
audience:
web users

Revised Deal

MCI/FDC/INTUIT
(payment only)

→ 2

→ wholesale

→ Banks
PC banking service
providers
(Quicken)

→ web users
PC banking customers

Would see this bill presentment
going under deposit access

Chemical bank — was upset that MasterCard banking source of upset? became the service "provider" — was in between Chemical and Chemical's customer

We don't necessarily have to keep banks in the middle... we can do this directly

Six banks are upset:
 Chemical
 Mellon
 1st Union
 Bof A
 wells

LTA
 How soon do we get the PC for this room?
 Can we expedite this?
 Need for March 7 meeting

	<u>original</u>	<u>Revised</u>
Product	Full Service (bill payment / payment)	Full Service (BIP) Modular
Interchange	yes	no

- This concept has lots of implications for brand value transactions. There's nothing stopping credit ~~cards~~ cards from using this... would have to price appropriately
- What the relationship be between American payments on credit card w/ respect to brand value transactions

credit cards are not part of this until we determine they are.

Displayed concept.....

MC would control screen design and navigation —
there would be standards

How to Find service after logging on to America On-line (AOL)

- bill has information on address
- advertisement
- hyperlink from home page
- must come to our server

CompuServe

AOL → Amex related

MSN → Visa (?)

90% of population likely to use in on one of these servers...

}

need to construct relationship w/ service providers.

Targeting relationship/alliance w/ AOL

Key that we do deal w/ Intuit.

They will go ahead with or without us.

We are just ahead of the curve.

Unanswered questions:

- Is there an opportunity to leverage this in our electronic commerce effort?
- Who owns the info? Consumer opts to come to web site 20x/month
- Someone's going to have to sign up Comedeen as a merchant. There has to be an assessment structure

- Could get assessments on MC



• Set of rules needs to be promulgated.....

Unlimited ability to write rules for MC.

More limited ability to write rules when it's a joint venture

To Do

Need to write rules to govern such transactions - who owns the transaction

Obviate need for regional brands/networks

in a cyber world. Problem is that regional networks

-- they're money makers for banks. Could be

particularly problematic for Chase (owner of NYCE)

Risk

Easily deployed here... e.g., by regional networks.

We are starting down a slippery slope.

We have an advantage... we don't make killers

work... regional networks would make them work.

- ① Can't support depending
- ② substitution for use of cards concerned about centralization - be careful

To Do's

- ① can't put FDC into table
- ② US oriented

① define under guidelines of defining MC Tx in terms obligations. ~~income~~

② FDC can't have logo

③ Who owns data - clarify w/ FDC

④ Begin porting work in signing up w/ subscribers ~~to not~~ services to make connections e.g., computer

⑤ Rules

⑥ How do you naturalize into deposit access world

will improve financials. Costs would be shared 1/3, 1/3, 1/3. will look better for us

Get presentation

Tim Malloy
Kidi Goff
G. Payne
Ed Hogan
Chris Thorn
Phil Shawley
Charlotte Lush

Bob Selander
to review
Solley's schedule

wednesday w/
M. Solley

Mexico Strategy

- Insurance clearing

- Health care

30% of population is banked

BMO bought 20% of Bancomer -

would expect growth 2nd part of year

- credit (moderate growth) - co-branding, secured card
- debit (payroll cards, maestro, procurement)

processing side is not coping really well - from processing + acquiring perspectives

Clearing + settlement through bilaterals....

Opportunity is too big. Prosa can't keep up.

Banamer + Banamex suffering from bad processing... Poor service is affecting the entire industry...

Concerned about 70/30. When you're a person in a job - you get some complaints

would rather be an operator for here... or a contractor... anything but a minority S.U.

Master Vision:

- (1) do not compete w/ members
- (2) will not level the playing field
- (3) - commodity processing services...

} Strong support from 6 banks

- ISIS
- EDS - offer it up

We would be doing clearing, settlement, authorization w/in Mexico... no dollar translation

LAGOS - brilliant

Dollarization of economy making systems very expensive

Financial institution - Fed Funds National Industry - inter-bank
ACH

- USA has "upset" them
- will compete
- would force into \$ + assets
- ∴ MC

Meri Banknet locally - will switch

in peso's... would be only gateway.

Funding, guarantee obligations, upon failure

technical issues, regulatory constraints...

(now operating as a bank) - would clear + settle USA, too.

How does this relate to RPC ... JEM says its same

RNC: going a step further. Customizing to Mexican situation... banks want to own a piece...

We'd contribute HW, systems, maint, knowhow... 100% data would go through this system...

We'd fund. It would be for profit. We'd recover through fees.... This would be the national wth/settlement system for Mexico. Its bigger than Brazil...

WIS How can we do this w/out a big upfront investment. More through fronting the expense

CDT: would allow us to have a processing contract... would let us be diverted from regulatory environment..

RNC: - fork out usa

- Prosa... 60% owned by Scifin. banks deserting Prosa. Scifin footing bill... we could buy them out

HEL: Why not go to Ministry of Finance + get them to fund... should want to support the development of a national mtr business

JP: Have talked to central bank...

- ought to be in helping not funding

We're talking about creating a national system

would target bankers association agreement
in February; w/ letter of intent by March; w/
development plan by April...

Commodity / brand neutral

but would see me as role identification
@ point of sale (along w/ visa)...

but would see value for me...

Real issue is CAST in Mexico... Real benefit
would be if payroll card takes off.

Trying to get a fix on volumes
Need to pin down costs...

Need to bring in systems expert... want the
technology + systems to be ours to avoid
bankers lobbying to use their own proprietary
systems and ~~costs~~ driving up the costs

Government doesn't want to own... this - trying
to get out of this...

Need to have Jerry McElhattan involved in this.

Need technology
& leadership -
do it on a
long term basis

once you
make mistakes...
will only be
left w/
cash

American Express Issue :

- We have no rules that prohibit members from using Amex... as a franchisee. Relationship w/ bank using ~~Amex~~
- Amex going into licensing business - franchising
- Visa has a rule in the U.S. that members of Visa cannot participate in Discover, Amex... a competing card (excluding MC). This says that wells can't issue an Amex card.

RUC - concerned about our members using Amex + eroding the strength of our MasterCard brand.

Other side is to the extent they use Visa banks use Amex... the more our share improves.

How do you protect T&E?

mundt - Horse is out of barn - diners, discover...

REDACTED

REDACTED

HEL: USA not winning "friends" by being hard nosed.

Would vote -
Get what
I would so over
USA

JUT: Hm 't helped share position...

USA: Has just legislated that all local volume (intra-region) w/in the US is assessable.

Let them
set me
w/wh of
cut: cur of
Amos.

Recalibration in ME/A

HEL: If we're clever - e.g. → May - we can still achieve what we want to achieve. Not concerned yet

Don't need
to be in front
of this
how keyboard on
fired me

that we need to pass a rule. Not concerned... need to be unilaterally

concerned... could be concerned.

Issue raised... let USA be the one that gets the heat from he had

RVC: Banks have raised - US ~~has~~ ^{in Venezuela} been heavy handed in Venezuela - pissed
Banks do... where there is piss - there is opportunity

RWS - must make it as hard as possible to have Amex do anything, anywhere in the world. Do not want to make it easier in any way for Amex to be the corner store of consumer. All they have is corporate card. They anything - licensing, pricing, etc.

MCS - To start thinking about this

RWS - possibly here the guy who's doing this at Amex.

Planning

If you don't comply w/ format } won't get a hearing
If you don't comply w/ guidelines } will not look at plans that aren't in compliance

RWS: suggesting unit by unit guidelines to get to ~~the~~ consolidated guidelines. Can't paint it all at same brush

JEM: Need to tighten up plan. Really
w/ stuff today ~~that~~ that should
have been identified
in the plan process

J.V. } hard to
Japan } owners purchasing } should
Card } have
 } been
 } enclosed

Should handle via PMC

HEZ: Don't want to end up w/ no
Strat funds @ BOY in 1997

JEM: What's strat funding? to expand
purchasing card for westpac strat funding
need to work better as a group
Need to find out about things
ahead of time

HEZ: Sharing of costs across B.O.'s - hard to
challenge expenditures when you can't
interate. Don't have discipline
that there is a b.o. owner accountable
for X

JUT: Perhaps around the table outlining
of plans ... technology or marketing.
Joint review of budgets

HER: Maybe have 1st round budgets presented
to SMO. Downside - no one says
anything (avoid no go) - good
exercise to have a more rational
distribution of head count

MCS: People were awful about meeting
deadlines. Really atrocious.
Key success factor is meeting deadlines
5/31 discussion on guidelines. Doing
this earlier, now. People need to
provide input to Belka

RNC: MIS is really poor. Hard to plan w/out
data. Takes a lot to get at data
to do planning

MCS: would like to do a (3 year) planning
effort. multi-year budgeting...

RNC: Three year - you reach burnt out...
would minimize planning time...

HEL: Have we ever had a finance conference...
early on... to discuss how we're trying to
approach finance...

BNC: there is a pricing round table

HEL: would want the Finance function...
to develop a more team like
attitude... would support a TEAM
to work out working relationships

JUT: 3-5 year plan more realistic in ~~the~~ capital
intensive industries

ASH: Hard to do planning in May & June
for U.S. region

MCS: are we purely reactive or we don't
know how to plan

PPU: Three year plan will look nothing
like itself 1 year down the road

FWC: Mostly plan today for tomorrow. Would be
forced to look ahead more

WIS
1 year budget }
3 year plan } can be more
forecasts change } ahead of the curve
we are a capital business - need to be nimble

WIS: 3 year plan would help us think about
Trump on a longer term basis...

JEM: Not disciplined forecasting ... people
take forecasting as a license to
get more heads

WIS: Measure of good management is
how well you budget...

HEL: U.S. region spent \$1MM in 1994 in
weld up promotion. Couldn't take
it out in 1995... to zero base

CDT: Want zero based budget...
steady state ... can denominate
against volume changes.

1st - need zero based first. Get the
discipline in place for managing programs
& projects. would suggest zero-based
across the board. See no choice.

MCS: 2/3 of money suggested we have to
do it.

~~HEL:~~
HEL:

It's really too late for
call OPIM - February
use it as a Team process
1 year budget
3 year forecast
get closer to zero based

} would it work?

MCS: Good ideas
Not good strategic prioritization
Plan first - then dive into \$ & people
Tendency is to go to \$ first.

get
survey
from
Carl

Table 6 or 7 biggest projects ...
and budget for these ... and see
where they get housed after the
fact ...

JVT: Really need a very tightly defined
corporate business strategy - would be
very helpful

~~HEC~~ ~~HEC~~
LWS: Support Joe's perspective ... ^{needs} strategy ...
its the fourth leg ..

Who - target
What - delivery to target
Why - proposition

we have an unwritten strategy ...
not specified, articulated, embraced
need to make it specific, embraceable

~~HEC~~

HEC: List of eight things could be considered
strategic guidelines ... drop dead timeframe
for this would be April 1.

~~HEC~~

HEL: Have not heard early BIM run against
team principles is a bad idea... Finance
people are not on same page. ^{Too} Adversarial...

Strategy:
• BIM
• joint SMC Review
• MIS
• Schedule conflict
• day SMC meeting
w/ Mary

BIM \Rightarrow Early

- ~~address~~ address survey results
- 3 year fast / 1 year budget
- Start on zero base
- Refine ~~the~~ time frame that's doable

PPV: Helpful to have SMC review of budgets,
Identification of overlapping issues

CDT: Can we buy an MIS product... that would let
(credit Suisse) us cut it by product,
customer, etc.

~~HEL:~~

HEL: Agree - but never
seen it done easily
Take MIS point on
board & see if there's
something we could do?

A single, common
database --
Can't we buy
something?

Cost / actn
Cost / settlement
How much are
we really spending
on mktg outside
of this building?

Issues : operations surprises
 No ~~effect~~ uncommitted strategy funds
 Timeliness of deliverables
 Accountability
 3 year vs. 1 year planning
 zero-based

P&L's for each office

(1) Early BPM meeting leeway
 Kam principles

are we going to encourage lower level unit planning or stay at regional level...

advocate to National market planning
 still national there is a huge call A/P lot of extremes

- 3 year Plan
- 1 year Budget
- Forecasting approach
- how to get closer to zero-based
- agreed to process w/ defined time frames

Setting to guide line needs to be carefully done

(2) Documentation of strategy w/ smc review

(3) Explore m/s - off-the shelf options

(4) AMC needs to document all projects they've agreed to take on in

could be people who smc who commit collaborate

Technology

Has a real problem w/ that (5) under burden or expectation

Support for the joint smc participation
 to see real plan reviews
 advance of budgeting process
 group unit of time + talents

might have key providers or team collaborators
 audience could be out of it

(6) must follow format + complex w/ guidelines -

need to build from bottom up

or no review - ~~will write on~~
 bella work on customer guidelines
 → create target needs to be set at popu level

wouldn't it be mind key guidelines