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MEMBER LETTER

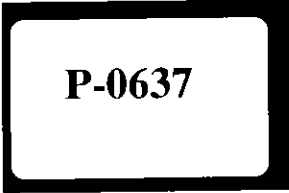
Card Operations

Roger Peirce



September 30, 1988

TO: PROPRIETARY MEMBERS
 Senior Visa Officer
 Center Manager (U.S. #90/88)
 Senior Travelers Cheque Officer
 Travelers Cheque Program Director



ASSOCIATE MEMBERS
 Center Manager

SPONSORED MEMBERS
 Chief Executive Officer

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SUBJECT: Appointment of American Express and Sears (Discover)
 as Agents for Visa Transactions

As we previously advised you, over the last several months, Visa has received numerous Member complaints regarding American Express and Discover soliciting merchants for Visa acceptance. We investigated this problem and found that both American Express and Discover had been authorized by Member banks to act as their agent for purposes of obtaining contracts with merchants for Visa acceptance. The problems created by competitors acting as Visa agents are two-fold. One, inter-system competition is diminished; and two, American Express and Discover gain a competitive advantage over Visa Members, who do not have equal opportunities to offer a full package of card acceptance services including American Express and Discover products.

The Visa U.S.A. Board of Directors is strongly in favor of competition between Visa, American Express and Discover and does not believe that having American Express and Discover act as agents for Visa Members is in the best interest of inter-system competition.

Accordingly, the Board of Directors adopted Operating Regulation 10.6.9 prohibiting Members from appointing or permitting American Express or Discover to act as their agent for merchant sign-up for Visa acceptance. The regulation was designed only to prohibit American Express and Discover from soliciting merchants for Visa acceptance. It was not designed to preclude American Express and Discover from processing Visa transactions on behalf of merchants.

It is a fact of the marketplace that merchants will not install multiple terminals for authorization and data capture. Consequently, such

10500551

September 30, 1988

terminals must be capable of processing all payment products used by the merchant, regardless of who supplies the terminal and its supporting processing.

In order that Visa Members have an equal opportunity of competing for terminal and processing services along with competing for Visa acceptance, Visa Members must be provided with equal and efficient access to American Express and Discover processing services. To that end, Visa has entered into agreements with American Express and Discover to link our respective systems for data capture. As a result, Visa Members, at their option, may individually choose to supply merchants with American Express and Discover transaction processing services using connections through VisaNet, on terms at least equal to those available through direct connections or third-parties.

These agreements, together with Operating Regulation 10.6.9, have the effect, in our opinion, of clarifying the meaning of the regulation, preserving inter-system competition among the various payment products, and allowing equal opportunities for Visa Members, American Express, and Discover in providing transaction processing services as required by the marketplace. The remainder of this Member Letter will describe the rights and obligations of Visa Members under Operating Regulation 10.6.9 and a summary of the rights and obligations of Visa, American Express, and Discover contained in our agreements.

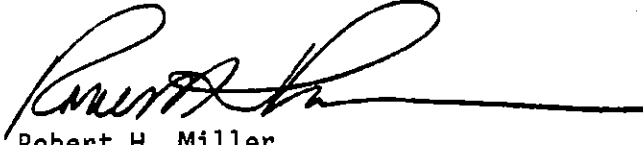
1. Effective October 1, 1988, Operating Regulation 10.6.9 will be enforced to preclude a Visa Member from granting to American Express or Discover the authority to solicit or sign merchants for Visa card acceptance, or to solicit consumers for Visa card applications and/or issuance. Any such agent relationship must be terminated. No agreement with a merchant obtained prior to October 1, 1988 shall be impacted by Operating Regulation 10.6.9.
2. Except as provided in paragraphs 3 and 6, in the solicitation of transaction-processing customers neither American Express nor Discover will interfere with Visa acquirer relationships with merchants, provided such acquirer has a direct or indirect link to American Express or Discover, respectively. Every acquirer will have an indirect link to American Express and Discover when the system links are established, currently anticipated in early 1989.
3. American Express and Discover may, upon the request of a merchant being solicited for transaction processing, provide to the merchant a list of Visa acquirers desiring to compete for the Visa acquiring business of that merchant. This list of Visa acquirers will be compiled by Visa. A separate list will be compiled for each state. The only information on that list will be the Visa Members' names, telephone numbers, addresses, and contact persons. Any Visa Member who agrees to the obligations referenced in

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10500552

September 30, 1988

described in this Member Letter take effect immediately on October 1, 1988, Visa recognizes that some reasonable flexibility during the initial few days may be necessary, notwithstanding the best efforts of all concerned. If you have any questions, please do not hesitate to contact me at (415) 570-3432. Thank you for your cooperation.



Robert H. Miller
Senior Vice President
Product Operations

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