

CONFIDENTIAL

July 15, 1988

TO: PROPRIETARY MEMBERS
 Senior Visa Officer
 Center Manager (U.S. #68/88)
 Senior Travelers Cheque Officer
 Travelers Cheque Program Director

ASSOCIATE MEMBERS
 Center Manager

SPONSORED MEMBERS
 Chief Operating Officer

P-0638

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

It has recently come to our attention that American Express and Sears (Discover) have solicited some of our Members to allow Amex and Sears to become agents of our Members for purposes of signing merchants for Visa acceptance.

The Board of Directors of Visa is fundamentally opposed to a competitor of the Visa system acting as an agent for Visa. Not only does it give American Express and Sears a competitive advantage over our Members in that our Members cannot sign merchants for American Express and Discover, but it also endangers intersystem competition between Visa, on the one hand, and American Express and Discover on the other hand.

Accordingly, the Board of Directors has adopted the attached Operating Regulation (Section 10.6.9) which prohibits Members from appointing or permitting American Express or Sears (or their respective subsidiaries and affiliates) to act as their agent for merchant sign-up for Visa.

The spirit of this Operating Regulation is to ensure that American Express and Sears do not solicit merchants for Visa business. Enforcement will be based on substance and not form. Thus, even if American Express or Sears refers the merchant to a particular Visa Member based on a prearrangement, Visa will consider this to be a violation of this Section since the Member would knowingly be "permitting" American Express or Sears to solicit merchants on their behalf.

As the Operating Regulation states, henceforth, no Member can appoint or permit American Express or Sears to act as agent; however, with respect to appointments made prior to July 20, 1988, the Member has 45 days to terminate this appointment. Since the Operating Regulation was adopted on July 15, 1988, all such appointments must be terminated by August 29, 1988, and affected merchants must sign a direct contract with a Member by that date if they want to continue accepting Visa.

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Members which have Sponsored Members must ensure that the information contained in this letter is received by the appropriate personnel at the Sponsored Member.

If you have any questions, do not hesitate to contact me at (415) 570-3432. Thank you for your cooperation.



Robert H. Miller
Senior Vice President
Product Operations

RHM:kcb

Att.

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RESOLVED, that the Visa U.S.A. Operating Regulations be and are hereby amended by adding Section 10.6.9 to read as follows:

"10.6.9 NO MEMBER, EITHER DIRECTLY OR INDIRECTLY, MAY APPOINT OR PERMIT AS ITS AGENT FOR EITHER CARDHOLDER OR MERCHANT SOLICITATION ANY ORGANIZATION WHICH THE BOARD OF DIRECTORS DEEMS TO BE A COMPETITOR OF THE VISA SYSTEM. THE BOARD OF DIRECTORS HAS DEEMED AMERICAN EXPRESS COMPANY AND SEARS, ROEBUCK AND COMPANY AND THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES AS COMPETITORS. WITH RESPECT TO ANY APPOINTMENT MADE PRIOR TO JULY 20, 1988 WHICH VIOLATES THIS SECTION, THE MEMBER SHALL HAVE FORTY-FIVE (45) DAYS TO TERMINATE SUCH APPOINTMENT."

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