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PROTECTIVE ORDER

VISA INTERNATIONAL
MEETING OF THE BOARD OF DIRECTORS

5 June 1996

GOVERNMENT
DEPOSITION
EXHIBIT
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VISA INTERNATIONAL
MEETING OF THE BOARD OF DIRECTORS

5 June 1996

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VISA INTERNATIONAL
MEETING OF THE BOARD OF DIRECTORS

5 June 1996

A meeting of the Board of Directors of Visa International was held at the Hotel Inter-Continental in Montréal, Canada on 5 June 1996 at 0800. John Bond, Dr. Jeffrey Koo and Chatri Sophonpanich were absent. The Management Executive Committee and other Visa staff were present. Linda Floyd acted as Secretary.

801. **EXECUTIVE REPORT**

(a) **Approval of Minutes**

In order to approve the minutes of the 4 March 1996 International Board of Directors meeting, after discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the minutes of the International Board of Directors meeting of 4 March 1996 be and are hereby approved.

(b) **Executive Committee Report**

The Chairman reported on matters discussed and actions taken at the Executive Committee meeting of 2 June 1996, all of which are reflected in the minutes of that Committee.

(c) **CEO Report**

The CEO reported that the proposed resolutions reflect decisions and comments by the Regional Boards.

802. STRATEGIC MILESTONES

The methodology used to develop strategic milestones was presented, as well as the likelihood of reaching individual milestones. All Regions are establishing Region-specific milestones to be presented at the September Regional Board meetings. A summary of these Regional milestones will be presented to the Board at its October meeting, with annual review of all milestones thereafter.

803. GLOBAL COMPETITIVE ASSESSMENT

Recent events were reviewed for the Board. Management advised the Board of its intention to revise the ATM and point-of-sale gateway policies. The current ATM gateway service available to competitors will not be extended to additional Regions at this time. The point-of-sale gateway through VisaNet and its rationale also was reviewed. This gateway will not be extended beyond the current United States and Canada gateways without Board approval. Additional proposed competitive responses then were discussed.

(a) **Communications Program**

The Board reviewed a proposed public relations and Member communication program for commercial and consumer credit products, and discussed the need for management to assure the effectiveness of these programs by providing for additional funding in the 1996/97 budget. After further discussion of the proposals, in order to authorize funding for the communications program reviewed by the Board, upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that management is hereby authorized to expend U.S. \$6.1 million in FY 1996 for the production of advertising and promotional materials targeted to the international traveler and commercial card markets.

(b) **VISA Business and VISA Corporate Products**

In order to adopt Operating Principles for the VISA Business Card and VISA Corporate Card products, and upon motion duly made, seconded, and unanimously carried, it was

RESOLVED, that the Operating Principles for the VISA Business Card Product, set forth in Attachment A, be and hereby are approved, such attachment to be attached as Exhibit A to these minutes;

And be it further

RESOLVED, that the Operating Principles for the VISA Corporate Card Product, set forth in Attachment B, be and hereby are approved, such

attachment to be attached as Exhibit B to these minutes;

And be it further

RESOLVED, that the Implementation Timing for the VISA Business and VISA Corporate Card Products, set forth in the Executive Summary, be and hereby is approved, such Executive Summary to be attached to these minutes as Exhibit C;

And be it further

RESOLVED, that management shall prepare amendments to the Visa International Operating Regulations implementing these Principles for approval by the Visa International Management Executive Committee.

(c) Servicing Multi-national Companies with VISA Commercial Card Products

The Board reaffirmed the jurisdiction rules contained in the Corporation's By-Laws Section 2.10(a) Jurisdiction regarding the location from which VISA cards can be issued. However, recognizing the need to effectively compete for Corporate Card and Purchasing Card clients and, therefore, to grant a variance pursuant to that Section, with the list of multi-national corporations meeting the definition in the Principles to be monitored by the Board, upon motion duly made, seconded and carried, with Thomas Peterson voting against, it was

RESOLVED, that the Operating Principles set forth in Attachment A and the Additional Principles, which the Secretary is directed to attach

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to the minutes of this meeting as Exhibits D and E, respectively, be and hereby are approved;

And be it further

RESOLVED, that management shall prepare amendments to the Visa International Operating Regulations implementing these Operating Principles for approval by the Visa International Management Executive Committee.

(d) **Global Competitive Response**

Recent remarks made to the press by Karel Van Miert, the European Union's Competition Commissioner, were reviewed for the Board, as well as the status of the current investigation being conducted by the U.S. Department of Justice. Visa will continue investigating measures to enhance competition, and will present these options to the Board in October. After further discussion, upon motion duly made, seconded and carried, with Roberta Arena abstaining, it was

RESOLVED, that Visa intends to continue to aggressively compete against all competitive products, including American Express products, with all legal means available, and it directs its Regions to adhere to this policy;

And be it further

RESOLVED, that Visa continues to believe that the dual issuance of VISA and competitive cards, including American Express cards, by Visa Members is harmful to consumers and merchants in that it diminishes the present strong inter-system competition between Visa and its competitors. It also believes that those competitors

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will enjoy a free ride on the Visa system if Members issue and/or acquire those products;

And be it further

RESOLVED, that the issue of prohibiting competitors of the Visa system from utilizing this system through Visa Members is hereby delegated to Regional Boards, allowing each to establish such measures according to the desires of Regional Members and the boundaries of applicable law and regulation, rather than adopting a worldwide prohibition;

And be it further

RESOLVED, that Visa will continue to examine other alternatives to eliminate or diminish the adverse anti-competitive effects, including any free ride, which would result from Visa Members issuing and/or acquiring competitive products, including American Express products, along with marketing and product efforts to support Visa Members.

804. BRAND STRATEGY

Brand assessment research was summarized for the Board, with the competitive brand equities found. The Visa wordmark was seen as more modern than the Visa flag and should be used to link products. A proposal to converge the current deposit access marks also was presented. The Regions will meet with advisors to develop implementation plans. After further discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Board endorses the proposal to adopt a new design mark, the Comet graphic linking element, for use with the mark VISA, either by itself or in association with the various Visa product identifiers as set forth in Exhibit F attached hereto;

And be it further

RESOLVED, that the Board endorses the proposal to migrate to a single mark, VISA Interlink, denoting deposit product functionality at both ATMs and the point of sale, consistent with current Interlink and Plus program rules and as set forth in the Principles attached hereto as Exhibit G;

And be it further

RESOLVED, that the U.S. Region is granted a variance to use the Comet graphic with Interlink at the point of sale, without the VISA mark, and to require the VISA Interlink mark to appear on the back of debit cards.

805. ELECTRONIC FINANCIAL SERVICES

An historical and current perspective on Visa Interactive, as well as its role in building a client-server environment and setting standards, was presented, such presentation attached to the minutes of this meeting as Exhibit H. The major issues discussed were changing market attitudes, which differ by Region, and funding. It was reported that the Executive Committee at its meeting authorized Visa Interactive to license its software and become a facilities manager and service provider, and that management was authorized to execute agreements for these purposes. A working group will be formed to review Interactive technology end-to-end and VisaNet

strategy, how the two work together, funding requirements, and a migration plan, with a report to the Board at its next meeting.

806. ELECTRONIC COMMERCE INITIATIVES

The Board reviewed a proposal for a joint project with Toshiba, the Japanese Ministry of International Trade and Industry (MITI), various Japanese Members and others, relating to the development and testing of EMV-based chip cards within a SET electronic commerce environment in Japan. This project will build on work done on the APACS project in the U.K. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that management be and is hereby authorized to expend up to U.S. \$7 million, enter into such agreements and execute such other documents as it deems necessary or appropriate to enable it to participate in the foregoing project, as set forth in the presentation attached to the minutes of this meeting as Exhibit I.

807. NET1

The Board reviewed a proposal for an EMV-compatible chip card product, with preauthorized access and off-line processing at point of sale, to address markets lacking a telecommunication and banking infrastructure. Net1 would build the product under a license agreement, with a pilot test in the CEMEA Region by the end of the year. After discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the corporation be and is hereby authorized to enter into a licensing agreement with Net1 Holdings and Net1 Products for the exclusive licensing of

certain technology in the financial services industry, at a cost not to exceed U.S. \$5 million, plus approximately U.S. \$2.5 million to enhance such technology;

And be it further

RESOLVED, that management is authorized to consummate such transaction and execute any and all documents deemed necessary, upon such other terms and conditions as they deem appropriate and consistent with the Principles set forth in Attachment A, a copy of which shall be attached to these minutes as Exhibit J.

808. BIN BLOCKING

A status report on BIN blocking was presented. In most cases, BIN blocking is because of technical limitations or is only against local competitors. Bilateral agreements between Members are being encouraged where allowed by local law.

809. REPORT FROM HOST REGION

Derek Fry reported on the Canadian market. Visa has 73 percent of the market in Canada. Non-traditional products, such as supermarkets, government payments and commercial cards, will be significant in the Region.

810. MERCHANT ACQUIRER GROUP MEMBER CATEGORY

A report on the success of the Brazilian Merchant Acquirer Group Member was presented, such presentation attached to these minutes as Exhibit K. The venture has met its objectives, and significantly increased profitability. Members in several other countries in the Latin America and

Caribbean Region now would like to organize Merchant Acquirer Group Members in their countries. Management recommended that the Board ratify the By-Laws, approved on an interim basis for Brazil only in October 1995, thereby allowing other countries to form Merchant Acquirer Group Members, where allowed by law. Upon motion duly made, seconded and carried, with Gianni Testoni absent, it was

RESOLVED, that the By-Law amendments for a Merchant Acquirer Group Member category of membership, as approved by the Board on 16-17 October 1995 and set forth in Exhibit L, are hereby ratified.

811. RISK

(a) Visa PIN Security Program

A status report on Member compliance with Visa PIN security standards was presented. Currently only one Member of the 33 checked is complying with the standards. The review will continue, with a report back to the Board at its next meeting if this trend continues to be found. Management is working with advisors on guidelines for internal audit and help for Members on this issue. The Board requested that information on this issue be sent to the Chief Inspectors of Member financial institutions.

(b) Sovereign Risk in Strategically Important Countries

The Board was advised that not all the Global 15 countries referenced in the strategic milestones meet the criteria for waiver of card collateral for sovereign risk. However, collateral has been waived for Brazil, China and India. It was recommended that Mexico be added to the waiver list. The Board discussed what would be a prudent cap to set for sovereign risk, both for total exposure and for an individual country. The ability to obtain card collateral in these countries later, if the Board determined this was necessary to protect the company's capital, also was discussed. In order to waive the taking of card collateral for sovereign risk reasons in strategically important countries, after discussion and upon motion duly made, seconded and unanimously carried, with Gianni Testoni absent, it was

RESOLVED, that the taking of card collateral for sovereign risk reasons shall be waived for the strategically important countries set forth in Appendix I, attached to the minutes of this meeting as Exhibit M, as long as the country risk rating for such countries is no worse than "D" on an "A" to "E" scale;

And be it further

RESOLVED, that, pursuant to this policy, the taking of card collateral for sovereign risk reasons for Mexico is hereby waived;

And be it further

RESOLVED, that the Risk Management Committee shall review the exposure in the listed strategically important countries annually and shall adjust the list where prudent;

And be it further

RESOLVED, that a cap of U.S. \$35 million, currently 10 percent of consolidated capital reserves, shall be set on the total exposure from sovereign risk;

And be it further

RESOLVED, that no individual country shall exceed 50 percent of such total exposure from sovereign risk.

812. FINANCE

(a) **Performance Report**

Headquarters had no variances from plan, and favorable variances were reported for the Latin America and Caribbean Region and for the Asia-Pacific Region. A 25 percent growth in card sales volume was reported, as well as a favorable market share shift. It was proposed that a portion of surplus funds be used for terminalization. The Board discussed whether the company or the Acquirer should pay for terminals to address cross-border fraud, and whether capital should grow with volume to address risk, considering that funds held in surplus will be taxable. The Latin America and Caribbean Region has offered to match Visa funds for terminals. In addition, all terminalization will be aimed at specific locations

with high cross-border fraud. The Board discussed investigation of alternatives to spending surplus, including reduction of costs to Members, and the timing of projects funded by surplus. Marketing demonstration projects for developing Regions and other projects for use of surplus funds also were proposed. After further discussion, and upon motion duly made, seconded and unanimously carried, with Gianni Testoni absent, it was

RESOLVED, that the projects for use of surplus funds set forth in the presentation, which the Secretary is directed to attach to the minutes of this meeting as Exhibit N, be and are hereby approved.

813. LEGAL AND ADMINISTRATION

(a) Operating Principles

The Board was advised that the following Operating Principles had been approved by all Regional Boards.

(1) VISA Travelers Cheques

In order to adopt additional Operating Principles for the VISA Travelers Cheque product, and upon motion duly made, seconded, and unanimously carried, with Gianni Testoni absent, it was

RESOLVED, that the Operating Principles for the VISA Travelers Cheque product, set forth in the Executive Summary, which the Secretary is directed to attach to the minutes of this meeting as Exhibit O, be and hereby are approved;

And be it further

RESOLVED, that the effective date for these Principles shall be 5 June 1996;

And be it further

RESOLVED, that management shall prepare amendments to the Visa International Operating Regulations implementing these Principles for approval by the Visa International Management Executive Committee.

(2) **VISA Travel Money -- ATM Fee**

In order to approve a product-specific ATM Interchange Reimbursement Fee for VISA TravelMoney, and upon motion duly made, seconded, and unanimously carried, with Gianni Testoni absent, it was

RESOLVED, that the ATM Interchange Reimbursement Fee for VISA TravelMoney of the lesser of the existing Interchange Reimbursement Fee or U.S. \$1.00 be and hereby is approved;

And be it further

RESOLVED, that the product-specific ATM Interchange Reimbursement Fee for VISA TravelMoney shall be effective on 1 April 1997;

And be it further

RESOLVED, that management shall prepare amendments to the Visa International Operating Regulations implementing this fee for approval by the

Visa International Management Executive
Committee.

(3) ATM Service Quality Initiatives

In order to ensure the service quality of the ATM network and to develop a strong foundation for the future ATM network to support chip card and other advanced functionality, and upon motion duly made, seconded, and unanimously carried, with Gianni Testoni absent, it was

RESOLVED, that the Operating Principle for the migration to the SingleConnect Service, set forth in Attachment A, which the Secretary is directed to attach to the minutes of this meeting as Exhibit P, be and hereby is approved;

And be it further

RESOLVED, that management shall prepare amendments to the Visa International Operating Regulations implementing this Principle for approval by the Visa International Management Executive Committee.

(4) Miscellaneous Operating Principles

In order to adopt Operating Principles for miscellaneous changes to the International Operating Regulations, and upon motion duly made, seconded, and unanimously carried, it was

RESOLVED, that the Operating Principles set forth in the Executive Summary, which

the Secretary is directed to attach to the minutes of this meeting as Exhibit Q, be and hereby are approved;

And be it further

RESOLVED, that management shall prepare amendments to the Visa International Operating Regulations implementing these Operating Principles for approval by the Visa International Management Executive Committee.

(b) **Other Issues**

(1) **Ratification of Acceptance of Members**

Pursuant to By-Law Section 2.12 (f)(i)(B), the Board considered the ratification of an action by the Latin America and Caribbean Regional Board accepting a certain organization into membership under By-Law Section 2.01 (e)(ii), and upon motion duly made, seconded, and unanimously carried, with Gianni Testoni absent, it was

RESOLVED, that acceptance by the Latin America and Caribbean Regional Board of Asociación Mutualista de Ahorro y Crédito para la Vivienda Azuay, a finance company organized under the laws of Ecuador with principal place of business in Cuenca, as a Principal Member and Plus Program Participant of the corporation is hereby ratified.

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(2) Visa Russia

After reviewing the request by Principal Members in Russia to form a national structure to be known as Visa Russia, and upon motion duly made, seconded and carried, with Gianni Testoni absent, it was

RESOLVED, that the proposal endorsed by the CEMEA Regional Board to form a national organization in Russia (to be known as Visa Russia), in accordance with the provisions of Section 16.01 of Visa International's By-Laws, such Principles set out in Exhibit I attached to the minutes of this meeting as Exhibit R, be and is hereby accepted, subject to determination by the Risk Management Committee of Visa International that a stable political environment exists in Russia at the time of formation and to Russian legal and regulatory requirements.

Roger Woodward and Lindsay Pyne were thanked for their service, and Derek Fry and Dennis Goggan welcomed to the company. There being no further business, the meeting was adjourned.



Linda Floyd

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VISA INTERNATIONAL
Meeting of the Board of Directors
5 June 1996



EXHIBIT A
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