

VISA INTERNATIONAL
MEETING OF THE BOARD OF DIRECTORS
1-2 March 1993

P-0665

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GOVERNMENT
DEPOSITION
EXHIBIT
907

VO4 0238

VISA INTERNATIONAL
MEETING OF THE BOARD OF DIRECTORS
1-2 March 1993

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VISA INTERNATIONAL
MEETING OF THE BOARD OF DIRECTORS
1-2 March 1993

A meeting of the Board of Directors of Visa International was held at the Visa International EMEA offices in London on 1-2 March at 1030. All Directors were present, except Mr. S. Henry Benacerraf. Visa staff were present. Bennett R. Katz acted as Secretary.

669. **APPROVAL OF MINUTES**

The Chairman requested and received approval of the minutes of the Board of Directors meeting of 3 November 1992; the Executive/Planning Committee meeting of 2 November 1992; the Delivery Systems Committee meeting of 2 November 1992; and the Product Development and Marketing Committee meeting of 2 November 1992.

670. **RECONSTITUTION OF THE BOARD COMMITTEES**

With the recent changes in Board membership, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the standing Committees of the Board shall be reconstituted as follows:

Executive/Planning Committee

S. Henry Benacerraf (Chairman)
Lars Erik Piehl (Vice Chairman)
W. Roy Fithern
F. Philips Giltner
Eduardo Merigo
Will F. Nicholson, Jr.
Charles T. Russell

Delivery Systems Committee

John C. Tolleson (Chairman)
Gerry Solomon (Vice Chairman)
Tan Sri Hashim Bin Aman
Thomas E. Boland
Adolfo Lagos
Sebastiao de Lancastre
Donald McWhorter
Thomas E. Peterson
Paul Vessey

Product Development and Marketing Committee

W. Roy Fithern (Chairman)
Baudouin Prot (Vice Chairman)
James L. Bailey
S. Henry Benacerraf
David W. Givens
Edmund P. Jensen
David G. Moir
Richard Reay-Smith
Ayoub Farid Saab

671. **RISK MANAGEMENT STRATEGIES**

(a) **Status Report**

The Board reviewed the current status of the strategies adopted at the June 1992 meeting. A copy of that presentation is attached as Exhibit A.

(b) **Below Floor Limit Risk Control**

The Board reviewed the current activities in support of implementing below floor limit protection on a global basis. A copy of that presentation is attached as Exhibit B.

(c) **Risk Management Programmes and Fraud Trends**

The Board received an overview of the Risk Management Division's activities. A copy of that presentation is attached as Exhibit C.

(d) **Member Risk Status Report**

The Board received a status report on the Regional implementation of the corporation's Member Risk Policy. A copy of that presentation is attached as Exhibit D.

672. **FINANCIAL MATTERS**

(a) **Worldwide Financial Report - 1991/92 Fiscal Year**

The annual report was distributed to the Board. The Board reviewed the financial reports for the 1991/92 fiscal year noting that net revenue for the fiscal year was U.S. \$11.4 million accumulated net revenue increased to U.S. \$43.1 million.

(b) **Current Financial Statements**

The Board reviewed the first quarter's financial results, noting that net revenue was U.S. \$10.7 million against a plan of U.S. \$2.2 million.

673. **INTERNATIONAL INTERCHANGE STRUCTURE**

The Board reviewed the status of the international interchange reimbursement restructuring. In order to facilitate the development of a new international interchange reimbursement structure, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Principles set forth in the Executive Summary, including Attachment A, which were included in the advance materials, be and are hereby approved and are attached hereto as Exhibit E.

And be it further

RESOLVED, that management is hereby directed to develop a plan for the implementation of said Principles, including updating the International Operating Regulations.

674. **MATTERS REQUIRING INTERNATIONAL BOARD ACTION**

(a) **Non-Visa Processing**

At its last meeting, the Visa International Board passed a resolution authorising a support capability for JCB cards in the U.S.A. Region. In order to approve the use of this capability for JCB card transactions originating in the Canada Region, and upon motion duly made, seconded and carried, with Mr. Prot abstaining, it was

RESOLVED, that management is hereby authorised to utilise the VisaNet JCB card support capability for JCB card transactions originating in the Canada Region.

(b) **Amendment of Section 2.10 (Jurisdiction) of Visa International By-Laws -- (Consent to Extra-Territorial Operations)**

In order to amend Section 2.10 (Jurisdiction) of the By-Laws of the corporation to require, among other things, that Members desiring to operate through foreign branches and/or Sponsored Members obtain the prior consent of the Regional Board for the Region within which it maintains its principal place of business, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that Section 2.10 (Jurisdiction) of the By-Laws of the corporation be and are hereby amended in accordance with Exhibit F, which Exhibit the Secretary is hereby directed to attach to the minutes of this meeting.

(c) **Regional Board Delegation For The EMEA Region**

Having reviewed the request by the Europe, Middle East, Africa (EMEA) Board to amend the Delegation of Power for the Region and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Delegation of Power for the Europe, Middle East, Africa (EMEA) Region be hereby amended by the inclusion of a provision into Section II of the said delegation providing that the whole Regional Board of Directors shall be not less than seventeen (17) nor more than twenty-six (26).

(d) **Cash Disbursements In The United Kingdom**

In order to provide manual cash disbursements at locations in the United Kingdom, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Europe, Middle East, Africa Region is hereby granted a variance authorising Barclays Bank plc to enter into contractual arrangements with an organisation ineligible for membership in the Corporation for the sole purpose of making cash disbursements on its behalf provided that:

- (i) the Corporation has given its prior approval to the locations;
- (ii) the Corporation has given its prior approval to the agreement with Truckline Ferries Ltd. which shall be for a limited term, renewable only with the Corporation's prior written approval;
- (iii) Truckline Ferries Ltd. enters into a limited-use trademark license with the Corporation; and
- (iv) Barclays Bank plc assumes full responsibility for compliance with the By-Laws and Operating Regulations of the Corporation;

And be it further

RESOLVED, that Truckline Ferries Ltd. is authorised to provide such cash disbursements at Poole and Portsmouth Harbours, United Kingdom.

(e) **ATM Service Definitions and Interchange Principles**

In order to adopt Service Definitions and Operating Principles relating to the application of the PaymentService 2000 concept to the Visa and Plus International ATM Service, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the ATM Service Definitions and Operating Principles relating to the application of the PaymentService 2000 concept to Visa and Plus International ATM Service set forth in Exhibits G and H, respectively, be and hereby are adopted and the Secretary is hereby directed to attach a copy of said Exhibits to the minutes of this meeting;

And be it further

RESOLVED, that management be and is hereby authorised to develop International Operating Regulations, incorporation said Operating Principles, as appropriate, for consideration by the Board at a future meeting.

675. **COMMITTEE REPORTS**

(a) **Executive/Planning Committee**

The Board received a report from the Executive/Planning Committee meeting of 1 March 1993 on matters discussed and actions taken, all of which are reflected in the minutes of that Committee.

(b) **Delivery Systems Committee**

The Board received a report from the Delivery Systems Committee meeting of 1 March 1993 on matters discussed and actions taken, all of which are reflected in the minutes of that Committee.

(c) **Product Development and Marketing Committee**

The Board received a report from the Product Development and Marketing Committee meeting of 1 March 1993 on matters discussed and actions taken, all of which are reflected in the minutes of that Committee.

676. **LONG RANGE BUSINESS PLAN**

(a) **Status Report**

The Board received a status report on the Long Range Business Plan development. A copy of that presentation is attached Exhibit I.

(b) **Membership**

The Board received a presentation on the issue of membership and the paradox of wanting product differentiation while allowing Member participation in MasterCard. A copy of that presentation is attached as Exhibit J.

(c) **Report of the Ad-Hoc Groups**


Following these presentations, the Board was divided into two ad hoc groups to further refine (i) the membership issues and (ii) the corporation's global deposit access strategy. Following the meetings of these two groups, the Board reconvened, at which time the Chairmen of these groups reported on the results of these group meetings.

It was the consensus of the Board that with respect to membership, management is to measure the impact of its proposals on existing and future members, assess the possible reaction of MasterCard and regulators, evaluate the impact on market share and finances and assess the strengths and weaknesses of Visa versus its competitors to insure the success of the strategy. Nevertheless, it was the feeling of the Board that Visa should

differentiate its product from its competitors and provide incentive for non-dual participation. Management will review its final recommendations with the Long Range Planning Committee at its next meeting.

With respect to the corporation's global deposit access strategy, the Board reaffirmed its approval of a two product strategy, namely Visa Debit and Electron, with Electron being 100 percent authorized with the Issuer having the option of requiring a personal identification number through the use of service codes. Management will present an implementation plan, and a communications package to the Long Range Planning Committee in May.

There being no further business, the meeting was adjourned.


Bennett R. Katz, Secretary

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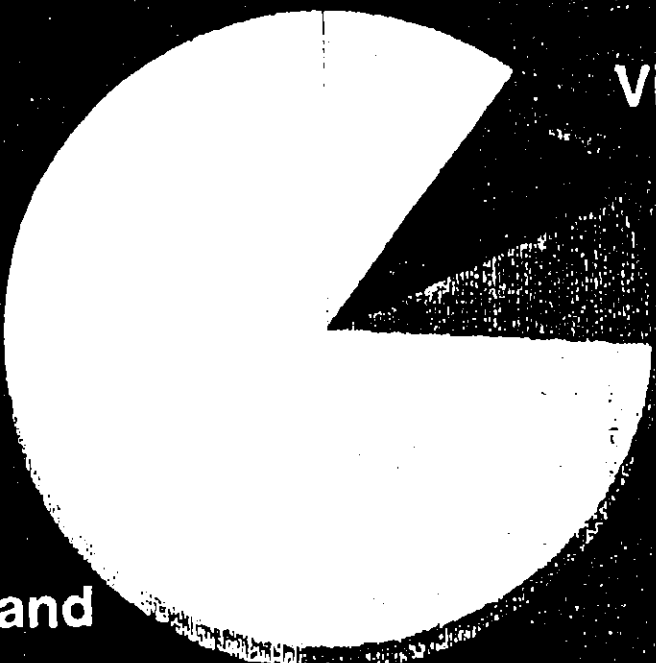
**VISA INTERNATIONAL
Meeting of the Board of Directors
1-2 March 1993**

EXHIBIT A

8 PAGES TO FOLLOW

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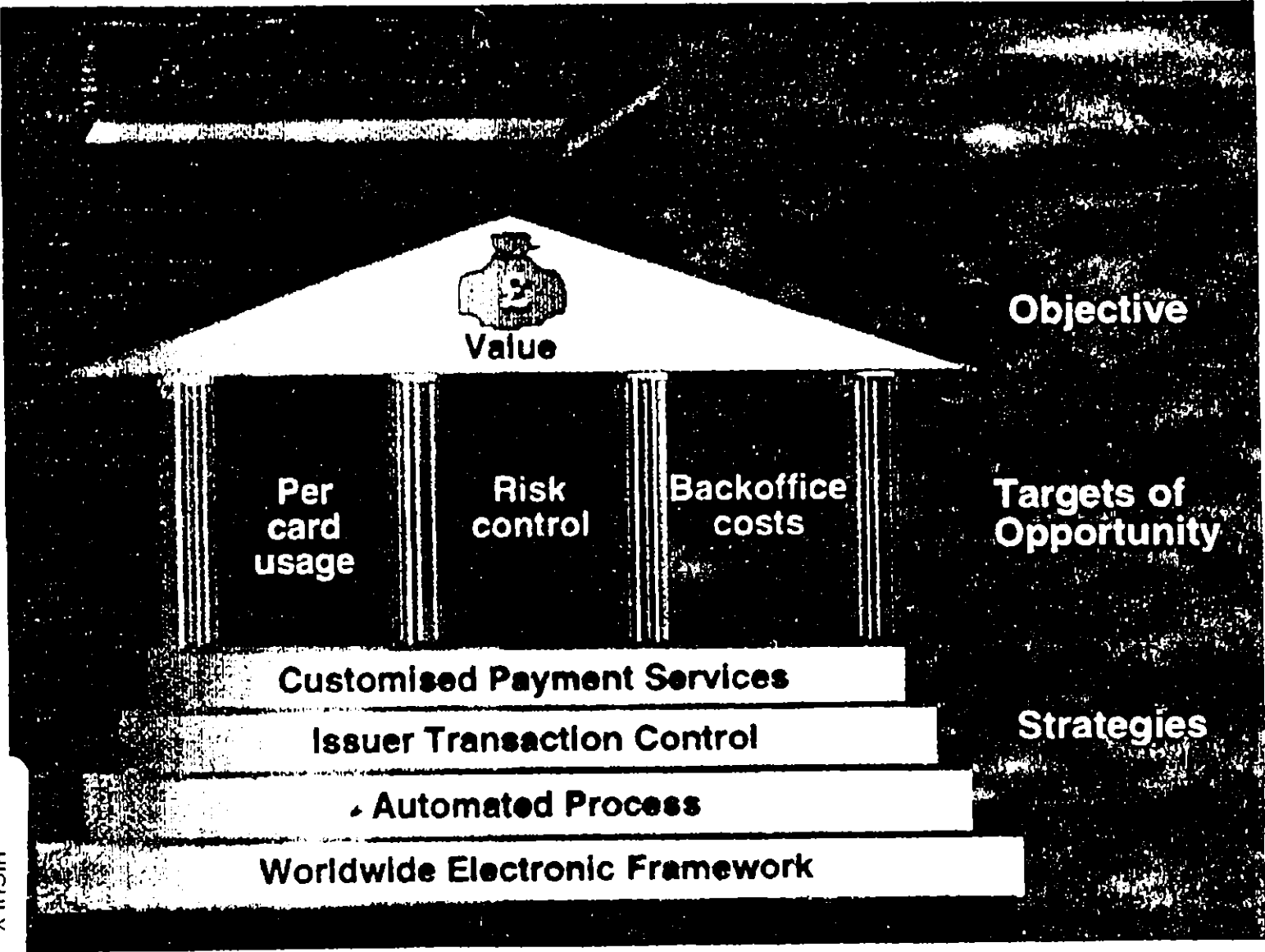
Visa

Other international
cards

Cash and
Cheques

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- **Fewer declines**

**Access to entire
spending capability
(purchasing power)**

- **Fast, convenient
service**

Exploits automation

- **Improved
customer service**

**Enhanced statement
information and faster
dispute resolution**

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- **Cardholder Identification (PINs)**
 - **Service Code**
 - **Biometric Evaluation**
- **Card Authentication (CVV & CAM)**
- **Merchant Identification**
- **Smart Cards**

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- **Fewer declines**

Access to full spending capability

Higher customer satisfaction and increased usage

- **Issuer transaction control**

Reduced credit/fraud loss

- **Automated process**

Improved risk control

- **Improved customer service**

Fast convenient service, card works, no "hassles", increased usage

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- **Customised Payment Services**
- **Fewer declines**
- **Extended guarantee of payment**
- **Reduced operating expense**
- **Enhanced customer satisfaction**

Rules that fit the way you do business

Higher customer satisfaction and increased business

Follow the rules; you get paid

Reduced chargebacks through exception management process

Card works as expected no "hassles"

Paper

**Basic
Electronic**

...

**PaymentService
2000**

REPS

**Cash
Manual
ATM**

**Direct Marketing
(MOTO)**

Airlines

Hotel

Car Rental

**Customer Activated
Terminals (CAT)**

Express Payment

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| | International | U.S.A. | Canada | Malaysia | Germany | U.K. |
|-------|---|---|---|---|------------------------|------------------------|
| PS 93 | <i>Definition Work</i> | REPS | <i>Definition Work</i> | <i>Definition Work</i> | <i>Definition Work</i> | <i>Definition Work</i> |
| PS 94 | REPS Airline Hotel Car Rental Direct Marketing ATM CAT | Airline Hotel Car Rental Direct Marketing ATM CAT | REPS Airline Hotel Car Rental Direct Marketing ATM CAT | REPS Airline Hotel Car Rental Direct Marketing ATM CAT | REPS | |
| PS 95 | | | | | | |

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**VISA INTERNATIONAL
Meeting of the Board of Directors
1-2 March 1993**

EXHIBIT B

8 PAGES TO FOLLOW

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Below Floor Limit Risk Control Service

1 March 1993

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VO4 0260

PS CB. A1. 1 2/93.1

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Below Floor Limit Risk Control Service

Card Recovery Bulletin

- **Designed to provide issuers with below floor limit protection**
- **Ineffective as a loss prevention tool**
- **Serves to transfer liability from issuer to acquirer**
- **Costly to produce and maintain**
- **Provides significant source of revenue for regions and some members**

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CCCB, A1, 2 293, 1

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Below Floor Limit Risk Control Service

Operating Principles Adopted in November

- **Zero floor limit authorisation policy optional**
- **Twelve month advance notice required to revoke policy**
- **Acquiring region, country, or member will be compensated for increased risk protection provided**
- **Compensation will be proportional to increased chargeback costs and loss of bulletin income**
- **Compensation received will approximate current CRB revenues**
- **Compensation will be in form of negative response fee**
- **Implementation is planned for October 1993**

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PS CB. A1. 3 2/93.1

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Below Floor Limit Risk Control Service

Zero Floor Limit Strategy

- **U.S. region will eliminate CWB in April 1994**
- **Implementation of negative response fees**
- **New chargeback rights**

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PS CB. A1. 4 2/93.1

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Below Floor Limit Risk Control Service

Below Floor Limit Strategy

- **Broaden issuer protection on below floor limit transactions**
- **Eliminate dependence on current CRB revenue**
- **Provide incentives to increase authorisations**

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PS CB A1. 5 2/93.1

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Below Floor Limit Risk Control Service

Proposed Service

- **New CRB listing mechanism**
 - Automatic CRB updating
 - Worldwide protection for issuers
- **New fee structure**
 - Negative response fees
 - Vary by country
- **Retention of current listing process**

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PS CB. A1. 6 2/93.1

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Below Floor Limit Risk Control Service

Service Benefits

- Automates risk tracking
- Automates chargeback protection
- Provides real risk protection instead of insurance policy
- Retains current bulletin process

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PS CB. A1. 7 2/93.1

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Below Floor Limit Risk Control Service Implementation Plan

**Conceptual review with advisors
and regional boards**

Jan – Feb 1993

**Develop and Implement simulation
models for U.S. region**

Mar – Oct 1993

**Implement simulation models in
other regions**

January 1994

**Implement zero floor limit service
in U.S. region**

April 1994

**Present final international service
description and pricing to Board**

June 1994

**Implement below floor limit service
in remaining regions**

October 1994

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PS CB. A1. 8 2/93. 1

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**VISA INTERNATIONAL
Meeting of the Board of Directors
1-2 March 1993**

EXHIBIT C

11 PAGES TO FOLLOW

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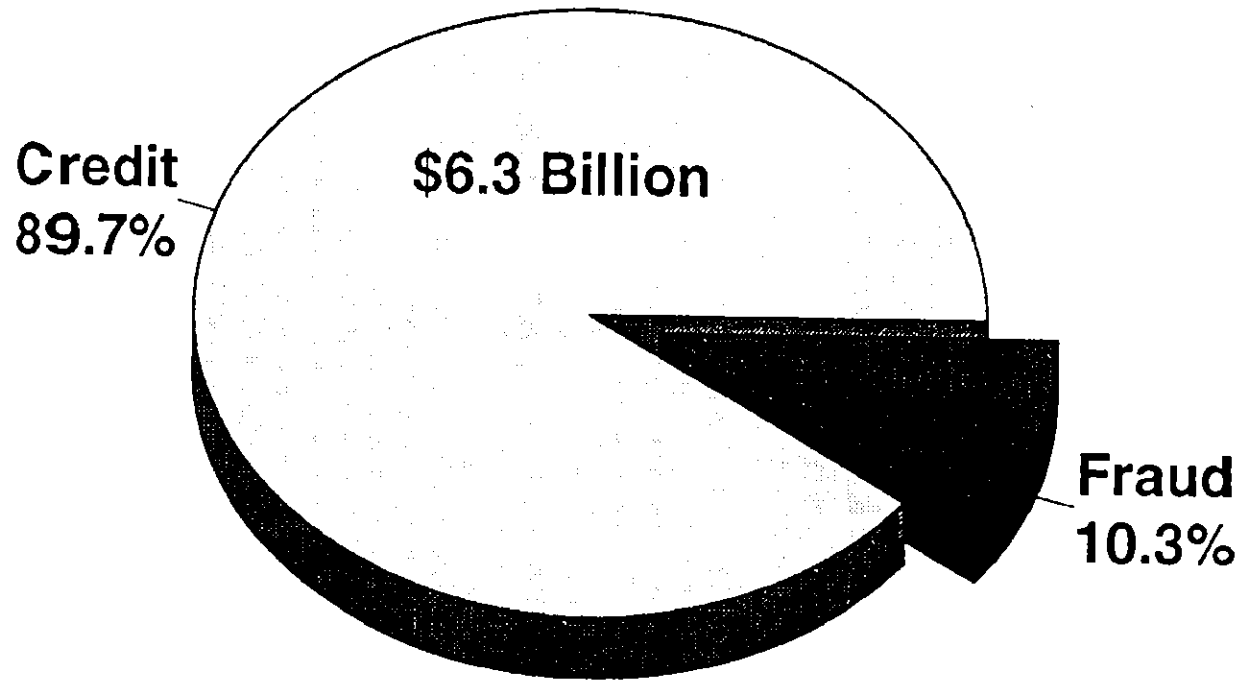
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INTERNATIONAL RISK MANAGEMENT

Credit and Fraud Charge-Offs



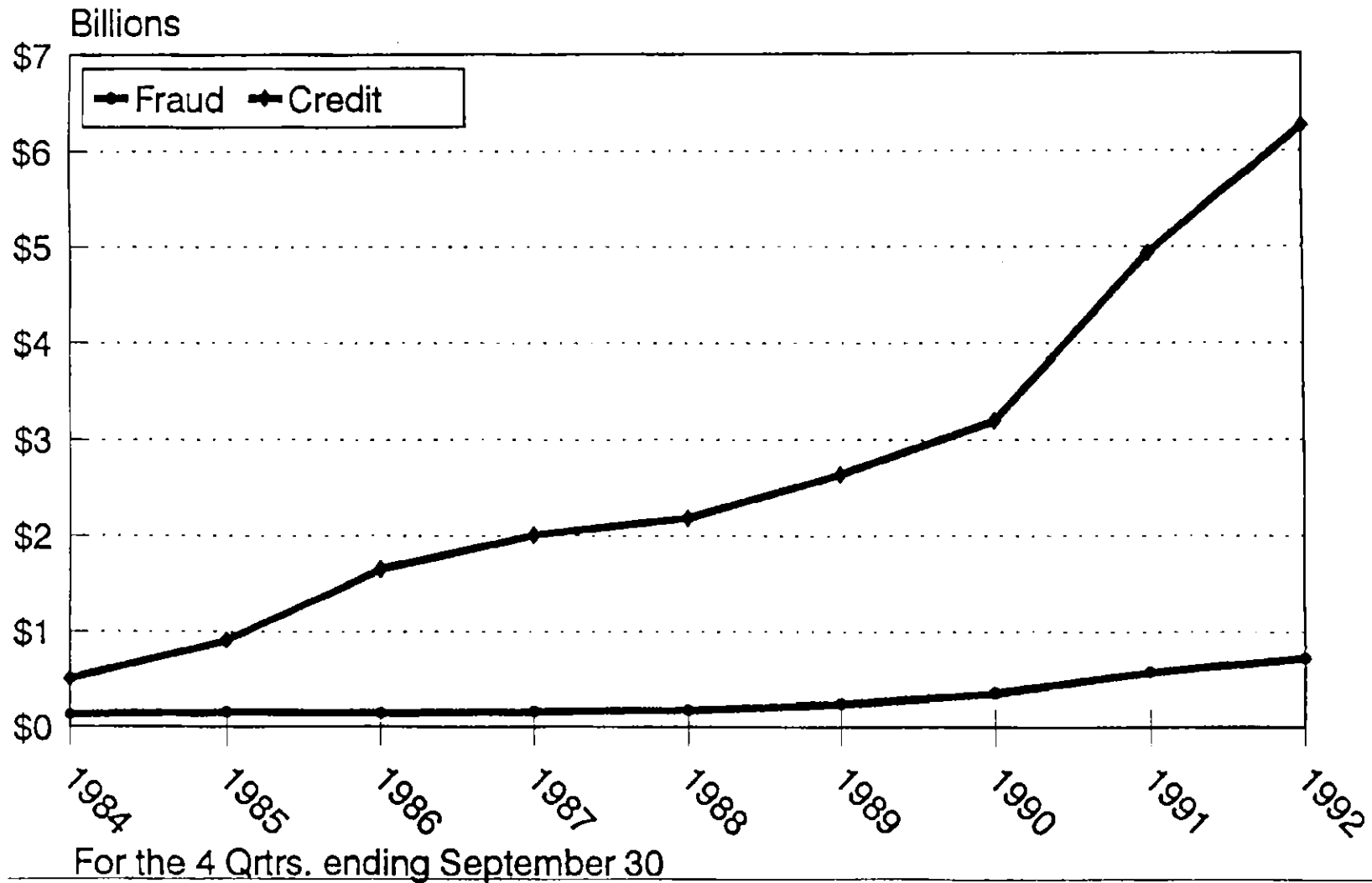
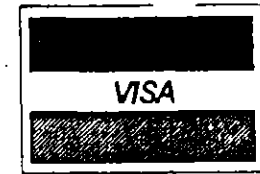
\$7 Billion Total Charge-offs



For the four quarters ending 30 September, 1992

INTERNATIONAL RISK MANAGEMENT

Credit and Fraud Charge-Offs



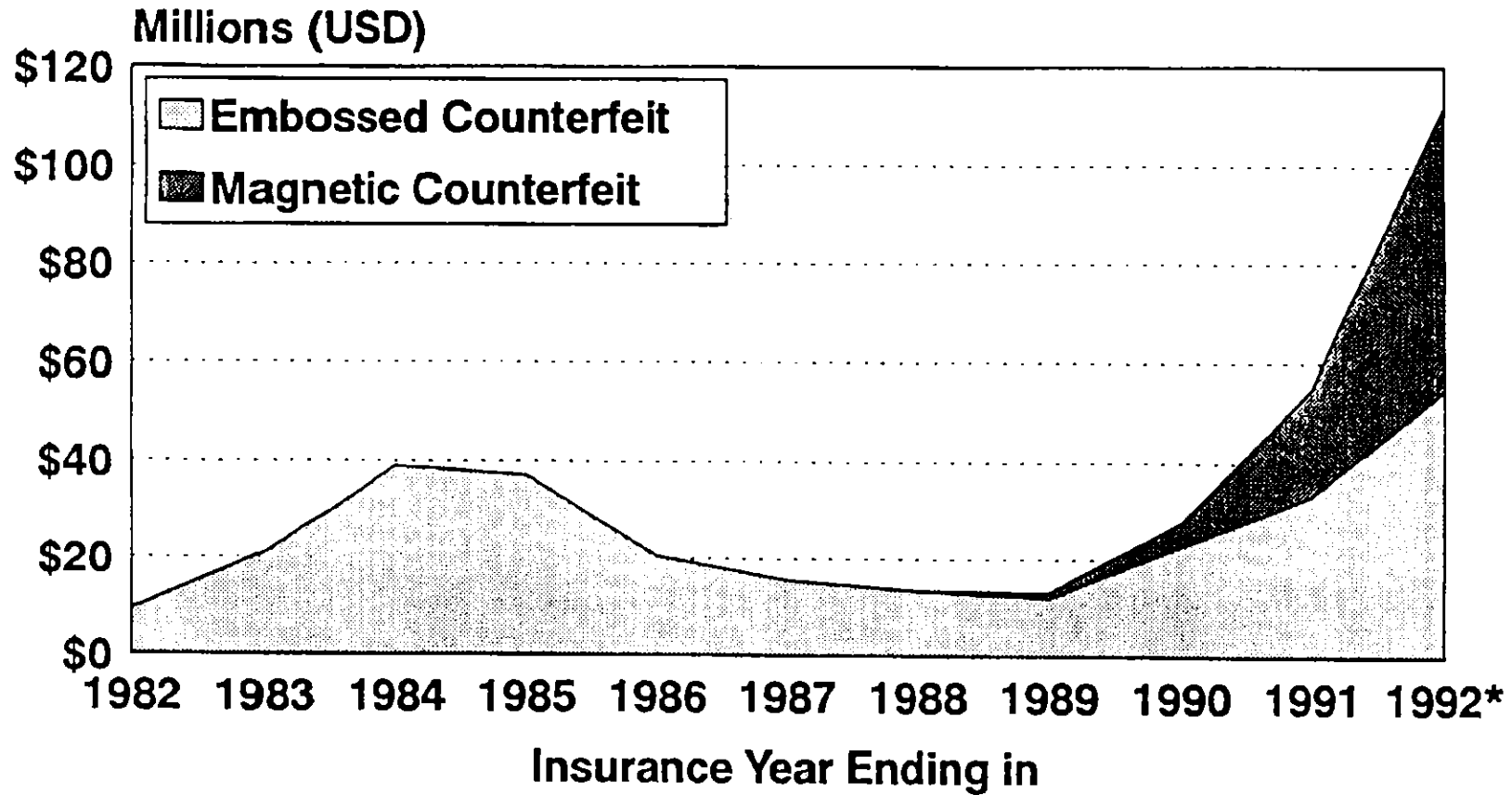
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INTERNATIONAL RISK MANAGEMENT

Counterfeit Losses - Magnetic versus Embossed Counterfeiting



* Estimated

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INTERNATIONAL RISK MANAGEMENT

Confirmed Fraud Comparison



Four Quarters Ending
30 September, 1991

Four Quarters Ending
30 September, 1992

All Other Fraud
85.0%

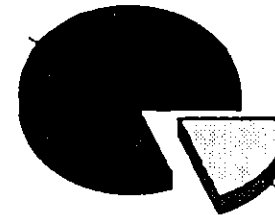


Counterfeit
15.0%

\$501 Million

(61% increase over the
previous year)

All Other Fraud
81.0%



Counterfeit
19.0%

\$662 Million

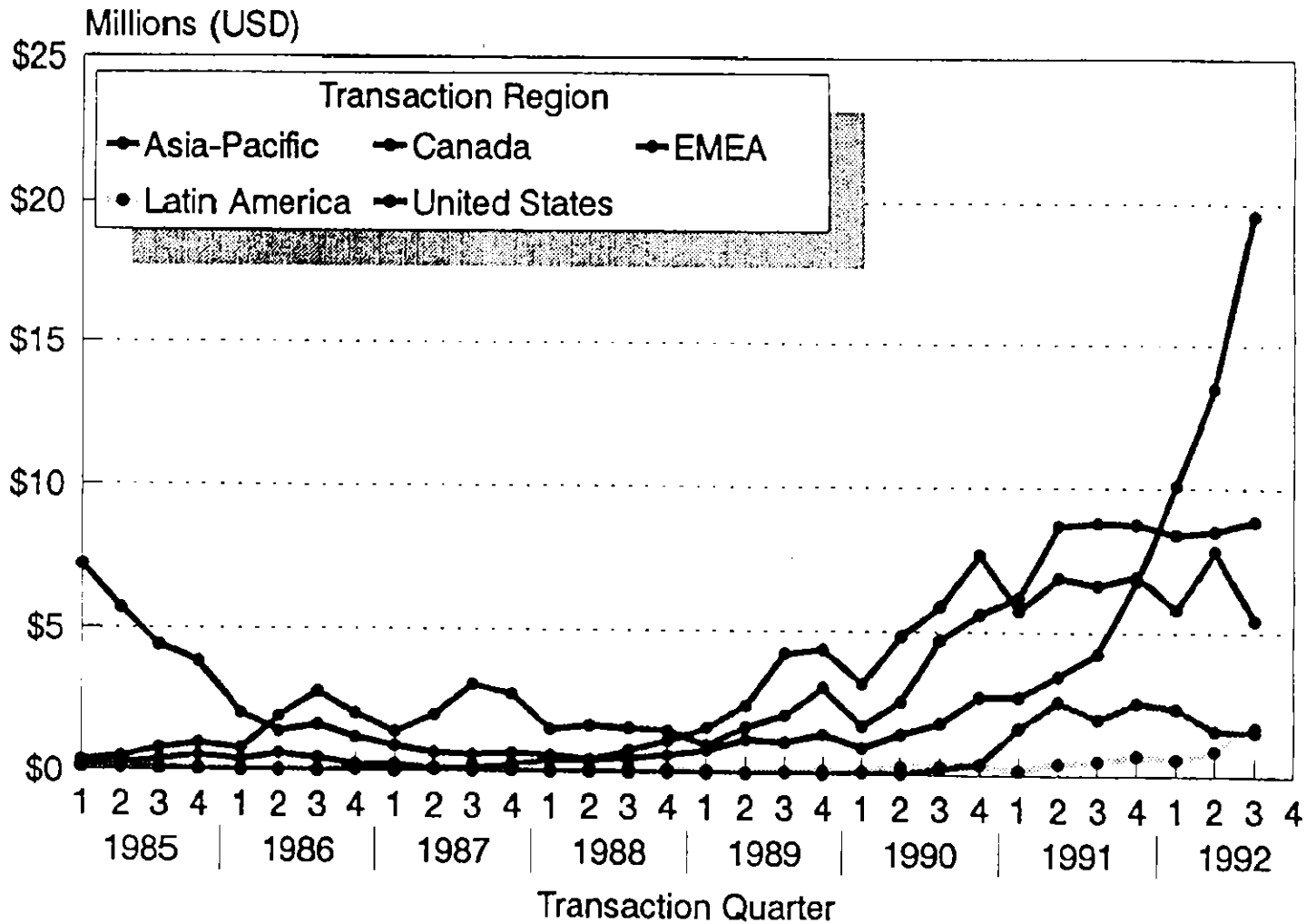
(32% Increase over the
previous year)

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INTERNATIONAL RISK MANAGEMENT

Worldwide Visa Card Counterfeit Losses



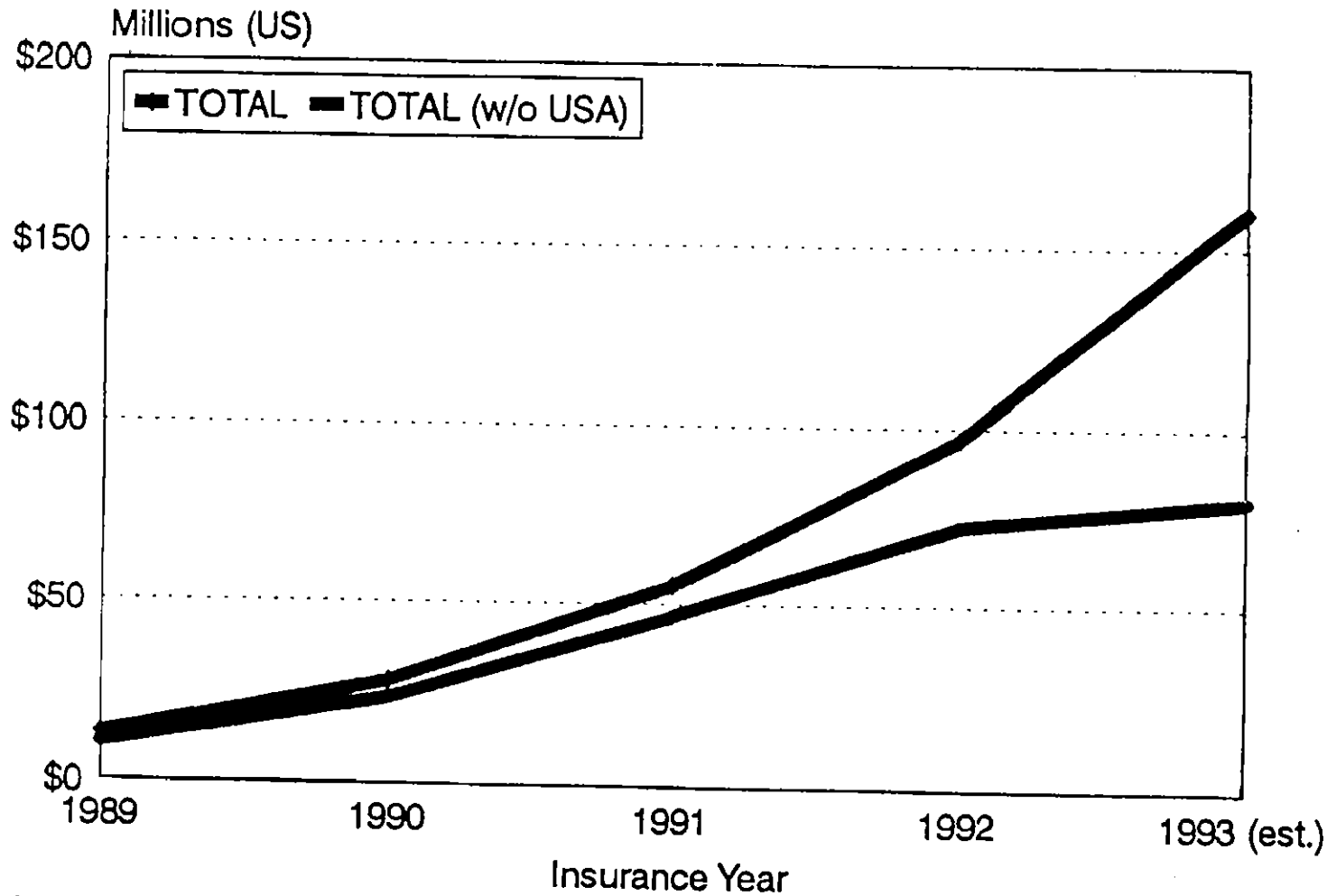
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INTERNATIONAL RISK MANAGEMENT

Comparison of Counterfeit Losses



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INTERNATIONAL RISK MANAGEMENT

Card Verification Value (CVV)



**1992 - \$9.2 Million declined due to CVV failure in
EMEA and Asia-Pacific Region**

- **Status 31 January, 1993**
 - **75% Issuers cards encoded**
 - **60% Acquirers certified, testing**
- **1 April, 1993 All members participating in CVV**

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11
12
13

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INTERNATIONAL RISK MANAGEMENT

Risk Control Programmes



Current Programmes

- Central Deposit Monitoring
- Points of Compromise

Steps Underway

- Dynamic analysis
- Additional protection for magnetic stripe

INTERNATIONAL RISK MANAGEMENT

Telemarketing Task Force



- **Historically a U.S. problem**
- **U.S. efforts have now driven telemarketers into other Regions**
- **Financial, Legal and Goodwill exposures to all parties in the Visa system**
- **Visa International task force created to stem the migration and control the exposure**

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INTERNATIONAL RISK MANAGEMENT

Telemarketing Task Force



Define High Risk Telemarketing:

**Travel Related Services, Outbound and
Inbound Telemarketing**

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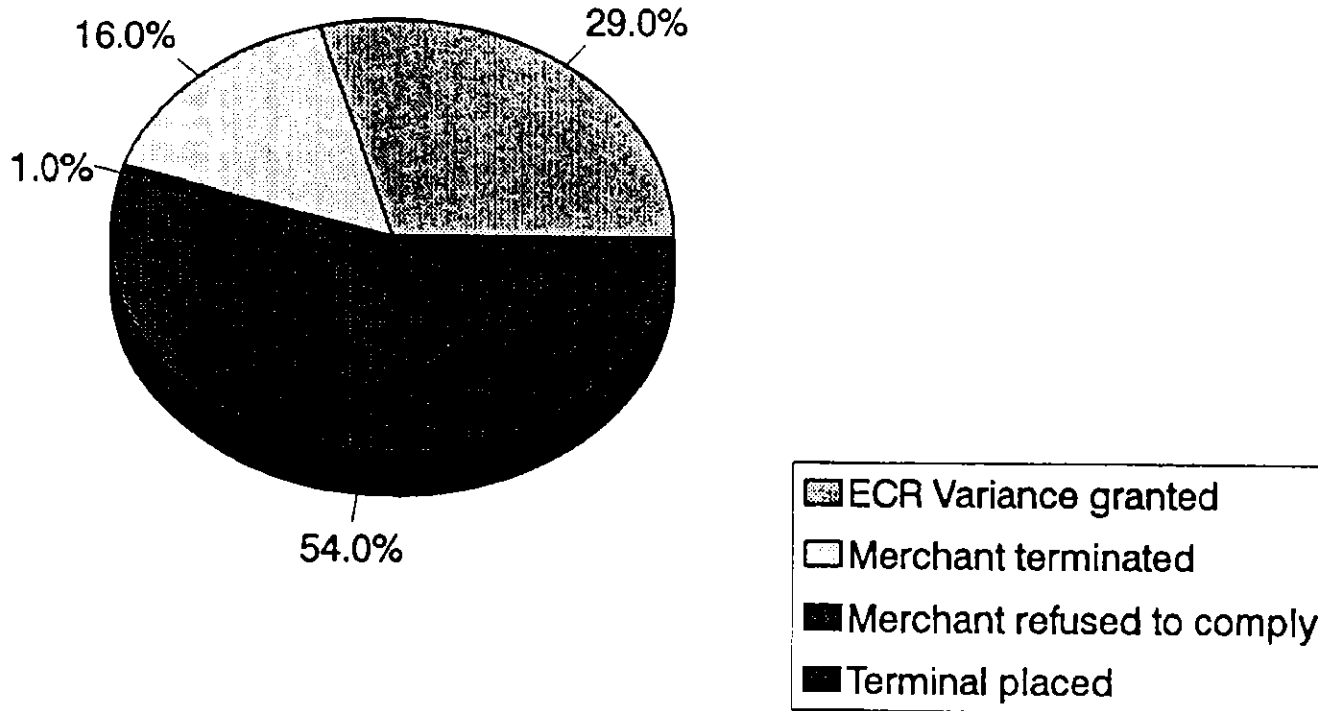
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INTERNATIONAL RISK MANAGEMENT

Merchant Activity Monitoring



TERMINAL PLACEMENT PROGRAMME



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**VISA INTERNATIONAL
Meeting of the Board of Directors
1-2 March 1993**

EXHIBIT D

6 PAGES TO FOLLOW

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Global Member Risk Standards



Member Risk Policy

- **Approved by International Board
June 92 (Hongkong Meeting)**
- **Modeled After Formal Credit-rating
System Used by Major Global
Banks**

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International Board Meeting
London, 1/2 March, 1993

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Global Member Risk Standards



Objectives

- **Manage Credit Risk on Behalf of Membership**

- **Ensure Fairness in Regional Loss Sharing Arrangement**

- **Satisfy Diverse Outside Audiences**
 - **External Auditors**
 - **Rating Agencies**
 - **Central Banks**
 - **Credit Risk Insurers**

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International Board Meeting
London, 1/2 March, 1993

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Global Member Risk Standards



Member Risk Policy Implementation Timetable

| | | |
|-------|----|--|
| June | 92 | Approval of Policy by International Board |
| Fall | | Formation and Activation of International Credit Risk Committee (ICRC) |
| Feb | | Progress Review by ICRC with Regions |
| Mar | 93 | Interim Review with International Board |
| April | | Ratings Completed by Regions |
| May | | Audit Review |
| June | | Presentation to Boards |

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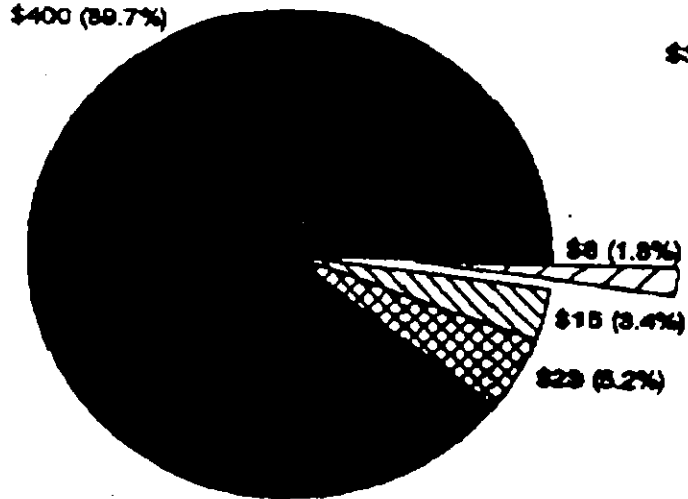
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COUNTRY RISK DISTRIBUTION BY RATING

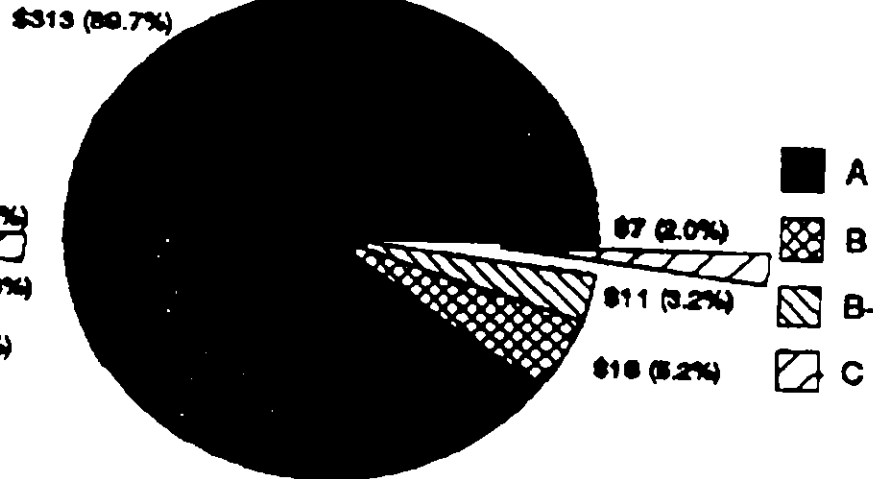
Issuing Volume*
(US\$ Billions)

Total = \$448



Acquiring Volume*
(US\$ Billions)

Total = \$339



- A
- ▣ B
- ▤ B-
- ▥ C

*For the Four Quarters Ended 30 Sept 1992

International Board Meeting
London, 1/2 March 1993

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Global Member Risk Standards



Issues Resulting From Review

- Group Members
- Settlement Risk
- Country Risk Matters
- Standards for Collateral

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Global Member Risk Standards



Country Risk Rating-Exceptions from Policy

- All Countries Have Been Rated, Reviewed and Agreed With by Regions and the International Credit Risk Committee (ICRC)
- Three Countries to be Further Discussed

| <u>Country</u> | <u>Comment</u> |
|----------------|---|
| ■ South Africa | • Risk Rating Below Acceptable Standard. |
| ■ Argentina | • Rating Still Marginal, But Improving. "Watch List" |
| ■ Brasil | • Risk Rating Below Acceptable Standard. Region Wishes to Make a Business Case. |

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VISA INTERNATIONAL
Meeting of the Board of Directors
1-2 March 1993

EXHIBIT E

2 PAGES TO FOLLOW

CONFIDENTIAL

VISA INTERNATIONAL
BOARD OF DIRECTORS MEETING

London
1-2 March 1993

EXECUTIVE SUMMARY

International Interchange Reimbursement Restructuring

A major initiative is being undertaken to restructure Visa's interchange rates. Traditionally, interchange has been used to balance revenues and costs between Issuers and Acquirers participating in the payment system.

Regional Boards set their own rates for regional interchange and have adjusted their rate structures to reflect industry changes while the international rate reflects the traditional paper-based environment. In reality, there are many inter-related factors that should determine the international interchange reimbursement fee structure.

The international interchange reimbursement structure will reflect that paper processing is inherently more risky and expensive than fully electronic processing. The PaymentService 2000 strategy will enable Visa to establish an interchange structure that accurately reflects the Members' costs.

Global interchange rate restructuring covers three basic areas: (i) the international structure; (ii) the Regions' structure; and (iii) the domestic structure. The costs and technologies available to Members differ widely among domestic markets. The new interchange structure will support the establishment of cost justified rates which will allow decision makers to adopt a combination of rates appropriate for domestic, regional, and international markets.

The existing interchange structure and a list of objectives and concerns was reviewed at the November Board meeting. A list of Principles was developed from this meeting's discussion.

As a necessary first step in developing the new interchange structure, the Board is asked to approve the interchange Principles that are outlined in Attachment A.

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Serge Limoges

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ATTACHMENT A

International Interchange Reimbursement Rate
Restructuring Principles

The Principles listed below have been developed to provide the foundation for developing the new interchange structure:

- Interchange reimbursement is fundamental to the success of the Visa Payment System; Visa International must provide consistency in its structure.
- Interchange reimbursement rates should move toward achieving economic equilibrium among participants in the Visa payment system.
- International interchange reimbursement rates apply between Regions.
- International interchange reimbursement rates may apply to domestic markets at the Region's option.
- The international interchange reimbursement rate structure will ultimately reflect the concept of different payment service definitions and delivery processes as well as account relationships.
- International interchange rates will be established considering a combination of the following:
 - Operational economics
 - Technological Improvements
 - Market expansion opportunities
 - Competition
 - Regulatory environment
- The international interchange reimbursement rate structure will initially have two rates, electronic and standard (paper) that will reflect the higher costs of paper transactions.
- International rate changes must be implemented strategically to avoid market disruption.

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Section 2.10. Jurisdiction.

- (a) If permitted by applicable law, for all purposes of operating its Card Program, including, but not limited to, the location (i) from which cards bearing either or both of the marks, VISA and Blue, White and Gold Bands Design, marks associated with an Electron card program and/or the PLUS Service Marks, may be issued, (ii) of merchant outlets which honor such cards pursuant to a contract with a member, and (iii) of Associates, Participants or Plus Program Participants which may be sponsored, the jurisdiction of a member is limited to the country (including territories and possessions thereof) within which it has its principal place of business, or any other country(s) that the Board by a three-fourths (3/4) vote of its total membership grants under extraordinary circumstances, except that (a) branches of a member which accept demand deposits, wherever located, may make cash advances to holders of bank cards bearing either or both of the marks, VISA and the Blue, White and Gold Bands Design and/or marks associated with an Electron card program and (b) a Plus Program Participant may place financial service terminals which accept cards bearing the Plus Service Marks and are owned, leased or controlled by it in any location. Visa International and the Regional Boards may grant a variance to this subsection by the adoption of International Operating Regulations or Regional Operating Regulations, respectively.
- (b) Notwithstanding the above, for all purposes of operating its Card Program, including making cash advances and placing financial service terminals which accept cards bearing the Plus Service Marks, a member, through its foreign branches which accept demand deposits outside of its jurisdiction, may perform those functions permitted by its class of membership, in each country where such branches are located, provided it has obtained consent of the Regional Board for the Region with which such Member maintains its principal place of business. Notwithstanding the foregoing, if (i) a Principal Group Member, which makes ownership thereof or membership therein available on terms and conditions deemed reasonable by the Board of Directors, has its principal place of business in such country, and/or (ii) such branch is located in a region other than the region in which the member's principal place of business is located, the member must obtain the consent (which shall not be unreasonably withheld) of such Group Member and the Regional Board for the region within which such branch is located as applicable, and agree to abide by all rules and regulations binding on the owners or members of the Group Member and on members having their principal places of business within that region, as applicable, including those relating to fees.

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- (c) For all purposes of operating its Cheque Program, a Cheque Issuer may operate throughout the world, provided, if permitted by applicable law, that if such Cheque Issuer sells Cheques directly or through an agent(s) outside of the country where it maintains its principal place of business and there is an indigenous Principal or Cheque Issuer, which is an organization described in Sections 2.01(b) or 2.01(f), whose principal place of business is in that country and which makes ownership thereof or membership therein, as applicable, available to applicants upon terms and conditions deemed reasonable by the Board of Directors, such Cheque Issuer shall obtain the prior consent of such indigenous Principal or Cheque Issuer, which consent shall not be unreasonably withheld.
- (d) Notwithstanding subsection (a) above, or (g) below, any member shall have the right to contract with a merchant for the honoring of cards bearing either or both of the marks, VISA and Blue, White and Gold Bands Design and/or marks associated with an Electron card program, by the merchant's outlets located in a country in which no member and no owner or member of a member described in Section 2.01(b) or 2.01(f) has its principal place of business.
- (e) Notwithstanding subsection (a) above, a Principal shall have the right to sponsor outside of its jurisdiction Associates or Participants, and a Plus Issuer shall have the right to sponsor outside of its jurisdiction Plus Program Participants to engage only in the placement and maintenance of financial service terminals, provided the Regional Boards for the regions within which such Principal maintains its principal place of business and such Associates, Participants and/or Plus Program Participants are located and the Board of Directors of the corporation have given their prior consent (which consent cannot thereafter be withdrawn unless such sponsorship creates undue financial risk to such region(s)) and at the time of such consent (i) there is no indigenous Principal in the country of the principal place of business of such Associates or Participants or, with respect to the Plus Program, there is no indigenous Plus Issuer in the country of the principal place of business of such sponsored Plus Program Participant, or (ii) there already is a Principal sponsoring outside of its jurisdiction an Associate or Participant in that country; or, with respect to the Plus Program, there already is a Plus Issuer sponsoring outside of its jurisdiction a sponsored Plus Program Participant in that country; provided, however, that if after such consent is given an indigenous Principal Group Member is accepted for membership, which makes ownership thereof or membership therein available on terms and conditions deemed reasonable by the Board of Directors, the sponsoring Member agrees to abide by all rules and regulations binding on the owners or members of the Group Member. Visa International or a Regional Board, with respect to members operating in its region, may grant a variance to this subsection

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by the adoption of International Operating Regulations or Regional Operating Regulations, respectively.

- (f) Prior to operating its Card Program (including making cash advances and placing financial service terminals which accept cards bearing the Plus Service Marks) and/or sponsoring Associates, Participants or Plus Program Participants outside of the country in which its principal place of business is located, a member shall (i) give the corporation ninety days prior written notice thereof and (ii) comply with the requirements of Section 2.23.
- (g) A Cheque Issuer shall notify the corporation in writing 45 days prior to operating its Cheque Program outside of the country in which its principal place of business is located.

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EXHIBIT G

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SERVICE DEFINITION PRINCIPLES

TIER I

Basic ATM Service:

- Cash withdrawal
- Acquirer receives compensation for Issuer decline
- Employs BASE I multicurrency service for authorizations

TIER II

Enhanced Functionality and Service

- All Tier I functions
- Visa/Plus ATM co-branding
- No BIN blocking by Acquirer (except where required by law)
- Compliance with Quality Service Standards
- 4-6 digit PIN acceptance
- Paper receipt issued (withdrawals only)
- Meets PS2000 certification (4/94)
- Multiple account access/by card type

TIER III

International SuperSite Location

- All Tier II functions
- Installed at designated SuperSite locations (major travel destinations)
- 24-hour availability/7 days a week
- Compliance with SuperSite graphic and signage standards
- Multilingual instructions/messages (English and other languages according to local market)
- Standard "Welcome Message"
- Colour monitor
- Meet minimum monthly requirements for international transaction volume (% Visa/Plus)
- Provide monthly detailed transaction reporting to Visa

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ATTACHMENT A

PaymentService 2000/ATM

OPERATING PRINCIPLES

PaymentService 2000/ATM

1.0 Introduction

Visa has developed PaymentService 2000 to meet the needs of Members and their customers. The Service seeks to improve overall service quality and value, strengthen Issuer risk management capabilities, and significantly lower the costs associated with exception handling.

The overall PaymentService 2000 concept will have unique implementations for several market segments. These unique implementations will be designated by adding the service name as a suffix to "PaymentService 2000". For the ATM Service, the additional objectives of "PaymentService 2000/ATM" are to provide an equivalent service for single-message and dual-message Acquirers and Issuers, to correct processing deficiencies that adversely affect ATM service quality, and to uphold the International ATM Service Definition standards which are designed to increase ATM functionality and service worldwide.

A key element of the PaymentService 2000/ATM implementation is the introduction of "postable authorisations" into the dual-message environment, which will then closely approximate the processing environment of single-message users. Another key element is the introduction of a "transaction identifier" which is kept with the transaction during its life cycle, enhancing Members' ability to research discrepancies. In addition, PaymentService 2000/ATM requires that the amount cleared by a dual-message Acquirer be exactly the same as the amount authorised, which minimises the incidence of unmatched transactions and associated research.

The Operating Principles listed below are specific for PaymentService 2000/ATM and augment the Principles already approved by Visa's Board of Directors for other ATM enhancements. For example, participation in PaymentService 2000/ATM also requires Members to implement:

BASE I Multicurrency Feature
CVV Card Standards
Visa Routing Table

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2.0 ATM Acquirer Principles

2.1 Participation Criteria

All Visa/Plus ATM Acquirers can participate in the PaymentService 2000/ATM programme. Participation is optional. Participating ATM Acquirers must certify.

2.2 Participation Requirements

All ATM transactions must adhere to the message format standards specified for the programme.

The Acquirer's processing system must adhere to the quality and performance standards specified for the programme.

The Acquirer must participate in the CVV programme at the time that certification for PaymentService 2000/ATM occurs.

2.3 Transaction Identifier

A unique transaction identifier will be assigned to each ATM transaction, and returned to the Acquirer in the authorisation response. The Acquirer must ensure that all subsequent segments of the same transaction, such as reversals, confirmations, etc., include the transaction identifier throughout the life-cycle of the transaction.

2.4 ATM Owner/ATM Location Information

The Acquirer must provide the ATM owner and ATM location information in each transaction record.

2.5 Actual Amount

The transaction amount reflected in the original authorisation message must be exactly equal to the amount cleared (or reconciled), except for transactions that were reversed or where the ATM misdispensed. A reversal transaction, bearing the unique transaction identifier, must be sent for each transaction that was approved by the Issuer but cancelled by the cardholder or by an ATM-down or other Acquirer-failure condition. An adjustment transaction, including the unique transaction identifier, must be sent for each transaction where the ATM dispensed an amount different than requested by the cardholder and approved by the Issuer.

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2.6 Multicurrency

Acquirers must be using Visa's Multicurrency service at PaymentService 2000/ATM certification time. Transaction authorisation will be requested in the local currency of the ATM. Transactions will be cleared (or reconciled) for the original amount in local currency.

2.7 Two-Day Clearing Cycle

Dual-message Acquirers must clear their transactions through BASE II within two business days.

2.8 Validation Value

For dual-message Acquirers, Visa will construct a validation value from the content of various fields in the original transaction, and will insert this value in the response. The Acquirer must include this value in the corresponding batch clearing transaction. This validation value will be used to ensure that key fields contained in the original message are still intact in the clearing message. If the validation value in the clearing message does not pass validation tests, the transaction will not qualify for PaymentService 2000/ATM rates.

2.9 Visa Routing Table

Acquirers must be using the Visa Routing Table for transaction routing at certification time.

2.10 Automated Disposition of Unmatched Transactions

Although the preceding Principles are designed to ensure transaction integrity, there may be cases where dual-message Acquirers submit clearing transactions for which there is no authorisation record, or fail to submit a clearing transaction for an approved authorisation request. To the extent possible, Visa will attempt to automate the research and disposition of those items.

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3.0 Issuer Principles

3.1 Issuer Participation Criteria

Issuers can receive the benefits of PaymentService 2000/ATM after certification.

3.2 Issuer Participation Requirements

Visa and Plus Issuers must certify in order to receive the transaction identification field and other new fields.

3.3 Transaction Identifier

Participating Issuers will receive a unique transaction identifier as part of the initial transaction. The transaction identifier must be returned with each transaction response throughout the life-cycle of the transaction.

3.4 ATM Owner/ATM Location Information

The ATM owner and the ATM location information will be included in the authorisation message. Issuers wishing to post from the authorisation message can use this information to meet U.S. Regulation E (or equivalent) consumer reporting requirements.

3.5 Actual Amount

The transaction will be cleared (or reconciled) for exactly the same amount that was approved, except when a reversal is generated (to indicate a cardholder cancellation or an ATM down), or when the Acquirer generates an adjustment transaction (to indicate a misdispense for an amount other than approved).

3.6 Multicurrency

Transaction authorisation will be for an amount stated in the local currency of the ATM, and converted to the Issuer's currency by Visa's Multicurrency Feature. Regardless of fluctuations in the Acquirer or Issuer's currency, the transaction will be cleared (or reconciled) for the exact amount stated in the authorisation request.

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3.7 Clearing and Reconciliation Cycle

For dual-message Issuers, clearing will occur through BASE II within two business days after the transaction was authorised.

3.8 Referrals

The Issuer must not send a referral response to an ATM transaction. Referral responses will be converted to a "decline" response by the Visa system.

3.9 Chargebacks

Participating Issuers must include the transaction identifier field in chargebacks. If the transaction identifier field is not returned in chargebacks involving a PaymentService 2000/ATM transaction, the Issuer will not be reimbursed at PaymentService 2000/ATM rates.

3.10 Automated Disposition of Unmatched Transactions

Although the preceding Principles are designed to ensure transaction integrity, there may be cases where dual-message Acquirers submit clearing transactions for which there is no authorisation record, or fail to submit a clearing transaction for an approved authorisation request. To the extent possible, Visa will attempt to automate the research and disposition of those items.

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Visa International Long-Range Planning Committee

1-2 March 1993
London

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Key Challenges and Opportunities

- Appropriate response to MasterCard/Europay and non-traditional entrants' redefinition of product value and market perception
- Leadership in the debit business
- Control of acquiring and processing business
- Optimal corporate structure, internal organisation and financial approaches to address all of the above

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How to best utilise corporate assets to achieve vision?

- **Infrastructure/Distribution Channels**

- Has MasterCard/Europay become a true competitor?
- How to respond to new, non-traditional entrants?
- Is the current distribution system attuned to today's realities?

- **Brand/Products**

- What is Visa's role vis-a-vis brand/products?
- How to position debit for maximum, long-term success?

- **Systems**

- What is the proper role of Delivery Systems within Visa (synergistic part of whole or a stand-alone business)?
- Should Visa provide a Member owned alternative to third party processing through joint ventures, alliances, expanded offerings, etc.?
- How should Delivery Systems services be priced?

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Key Conclusions of 20-21 January Committee Meeting

Infrastructure

- Non-traditional players are a threat to volumes and profits to all Members in due time
- MC is a real competitor
- Non-duality (exclusive distribution) is a valid option
- Membership should be viewed as open vs. closed as opposed to bank vs. non-bank

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Key Conclusions of 20-21 January Committee Meeting

Brand and Products

- Visa brand must be reasserted as the flagship of the Corporation
- Visa must develop differentiated, value-added offerings for consumers, merchants and Members
- Visa should distinguish risk management offerings and aggressively market those which provide competitive distinctiveness
- Visa's debit offering should ideally be a single Visa-branded product with global acceptance providing cost-reduction for banks and additional convenience for consumers

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Key Conclusions of 20-21 January Committee Meeting

Delivery Systems

- The value of Delivery Systems to the brand will continue to increase over time and therefore, the system should not be decoupled from brand
- Visa should license its system to Members in certain geographies to ensure participation in and compatibility with "national" payment systems
- Visa should develop an alternative to third party processors, particularly for the acquiring side of the business (should not include signing merchants)

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Key Conclusions of 20-21 January Committee Meeting

Effective Management Structure and Financing

- Board and Management Structure
 - International Board should deal more with strategic issues and less with routine items
 - A new, more efficient corporate structure must be devised to replace the current diverse management relationships within the overall system
 - As a practical matter (and as part of a Europay response), Visa should consider an EC oriented structure, possibly a new Region
- Cost effectiveness is a major strategic weapon in Visa's arsenal
 - Operations and investment costs need to be separated and appropriate source of funds identified

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Tasks Assigned at 20-21 January Committee Meeting

- Competitive Analysis (SWOTs)
 - Visa
 - MasterCard/Europay
 - key telecommunications companies, industrial and retail concerns
- Delivery Systems
 - propose modalities and business approaches for licensing software as practical
 - develop business cases for entry into acquiring business

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Tasks Assigned at 20-21 January Committee Meeting

- Product Development
 - present an overall value-added product strategy whose debit component depicts a desired end product and proposes a migration scheme
- Visa Economics
 - analyse cost elements, their relationship to fees, functional activities and geographic elements
- Structure and Organisation
 - propose Membership rules considering geographic differences with and without existing duality rules
 - review and propose adjustments to current management relationships

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Membership Structure

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Current Structure

1. Open Membership to Demand Deposit Institutions regardless of ownership
2. Regional and national option
3. Dual Ownership permitted

Problems

(a) Visa Paradox

Product differentiation vs. duality homogenization.

(b) Oversaturation

New entrants do not add value to existing members.

Conceptual Solutions

A. Visa Paradox

Visa becomes banking industry joint venture

Only Demand Deposit Institutions owned or affiliated with Banking Organizations

Establish policies to ensure eventual elimination of dual ownership between Visa and MasterCard/Europay

What is a banking organization?

Worldwide banking activities exceed worldwide non-banking activities

Test: Assets, Revenue and Net Income
(meets 2 out of 3)

Banking activities include

- commercial banking
- financing, including commercial financing, consumer financing, mortgage banking, and factoring;
- leasing real or personal property, or acting as agent, broker, or advisor in leasing real or personal property, if the lease serves as the functional equivalent of an extension of credit to the lessee of the property;
- acting as a fiduciary;

Banking activities include (cont'd...)

- underwriting credit life insurance and credit accident and health insurance;
- performing services for other direct or indirect operations of a U.S. banking organization, including representative functions, sale of long term debt, name saving, and holding assets acquired to prevent loss on a debt previously contracted in good faith;
- providing investment, financial or economic advisory services;
- general insurance brokerage;
- data processing;
- managing a mutual fund, and the fund does not exercise managerial control over the firms in which it invests;

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Eventual Elimination of dual ownership

- Member elects to own either Visa or MasterCard/ Europay, however, can continue dual participation as a licensee.

(a) Ownership

- (1) lower service fees
- (2) lower base fees
- (3) voting rights
- (4) can sit on Boards and advisory groups
- (5) rights to dividends and distributions
- (6) can sponsor
- (7) can act as a clearing member

B. Over Saturation in Some Markets

- Close Ownership in saturated markets but allow access at fair market value.
- Establish procedures to protect Visa in that market.

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3 November 1992

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