



CONFIDENTIAL

**MASTERCARD INTERNATIONAL
INCORPORATED**

**BOARD OF DIRECTORS
MEETING AGENDA**

**New York, New York, USA
July 20, 1995**

P-0990

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MC 20229

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MC 20230



Notice of Meeting

Board of Directors
MasterCard International Incorporated

New York, New York, U.S.A.
July 20, 1995

Notice is hereby given that a meeting of the Board of Directors of MasterCard International Incorporated will be held at the Waldorf=Astoria Hotel, New York, New York, U.S.A., beginning at 9:00 A.M., local time, on July 20, 1995, to act upon those matters indicated on the enclosed agenda and upon other such matters as may properly come before the meeting.

A handwritten signature in black ink, appearing to read "Robert E. Norton, Jr." with a long horizontal flourish extending to the right.

Robert E. Norton, Jr.
Senior Vice President and
Corporate Secretary

July 6, 1995

Enclosures

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**MasterCard International Incorporated
Board of Directors
July 20, 1995 - 9:00 A.M., Local Time
New York, New York**

AGENDA

<u>Item</u>	<u>Description</u>	<u>Time Allocated</u>
1.	Approval of Minutes <i>Norman J. Tice, Chairman</i>	9:00 - 9:05 A.M.
2.	Report on Executive Committee Meetings of June 22, 1995 and July 19, 1995 <i>Norman J. Tice, Chairman</i>	9:05 - 9:15 A.M.
3.	President's Report <i>H. Eugene Lockhart, President and CEO</i>	9:15 - 10:00 A.M.
	A. Worldwide Performance Review <i>Brantley S. Orrell, Global Research & Analysis</i>	
	B. President's Report - Document	
4.	Action Items:	
	A. Proposed Membership and Licensing Actions <i>Christopher D. Thom, Franchise Management</i>	10:00 - 10:15 A.M.
	B. Governance	10:15 - 11:00 A.M.
	(i) Integrated Governance Recommendation <i>Ernesto E. Grether, Director</i> <i>H. Eugene Lockhart, President and CEO</i>	
	(ii) Approval of a Regional Board for the Middle East/Africa Region <i>Robert W. Selander, Canada, Europe, Middle East/Africa Regions</i>	
	(iii) Approval of a Regional Board for the Latin America & Caribbean Region <i>Richard N. Child, Latin America & Caribbean Region</i>	
	(iv) Approval of Bylaws and Rules Changes <i>Ernesto E. Grether, Director</i> <i>H. Eugene Lockhart, President and CEO</i> <i>Gayle M. Rigione, Office of the CEO</i>	

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<u>Item</u>	<u>Description</u>	<u>Time Allocated</u>
C.	MasterMoney (Debit) License Program Liability for MasterMoney Licensees <i>Arthur D. Kranzley, U.S. Region Debit Products Christopher D. Thom, Franchise Management</i>	11:00 - 11:30 A.M.
D.	Modification of Bylaws re Director Eligibility <i>Robert E. Norton, Jr., Law Department</i>	11:30 - 11:45 A.M.
E.	1996-1997 International Interchange Fee Recommendations <i>Joseph W. Rio, Corporate Finance Bella Stavchansky, Corporate Finance</i>	11:45 - 12:00 P.M.
LUNCH		12:00 - 1:00 P.M.
✓ F.	MSP Rules Variations for Europe <i>Christopher D. Thom, Franchise Management</i>	1:00 - 1:15 P.M.
5.	Strategic Considerations:	
✓ A.	Report on Global Brand Tracking Study <i>Brantley S. Orrell, Global Research & Analysis</i>	1:15- 1:30 P.M.
✓ B.	MasterCard Association of Canada Agreement Update <i>Robert W. Selander, Canada, Europe, Middle East/Africa Regions</i>	1:30 - 1:45 P.M.
✓ C.	Europe Update <i>Robert W. Selander, Canada, Europe, Middle East/Africa Regions</i>	1:45 - 2:15 P.M.
✓ D.	Risk Management Review <i>Christopher D. Thom, Franchise Management</i>	2:15 - 2:45 P.M.
✓ E.	Risk Based Capital Standards <i>Joseph W. Rio, Corporate Finance</i>	2:45 - 3:00 P.M.
✓ F.	U.S. Region Debit Strategy <i>Alan J. Heuer, U.S. Region Arthur D. Kranzley, U.S. Region Debit Products</i>	3:00 - 3:30 P.M.
✓ G.	Maestro Acceptance Excellence Travel Destination Program <i>Arthur D. Kranzley, U.S. Region Debit Products</i>	3:30 - 3:45 P.M.

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Board of Directors Meeting Agenda
July 20, 1995
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<u>Item</u>	<u>Description</u>	<u>Time Allocated</u>
6.	General Corporate Matters: Election of Director <i>Norman J. Tice, Chairman</i> <i>H. Eugene Lockhart, President and CEO</i>	3:45 - 4:00 P.M.
7.	Information Items:	
A.	Description of Officers and Directors Liability Insurance <i>Johnson & Higgins Document</i>	
B.	Third Party Processors <i>Christopher D. Thom, Franchise Management</i>	

Agenda Item 1
No Written Materials

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Agenda Item 2
No Written Materials

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MC 20238

A

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MC 20240

MasterCard Global Business Review
Brantley S. Orrell, Global Research & Analysis

ISSUE

Provide the Board of Directors with full year 1994 and first quarter 1995 MasterCard performance results.

BACKGROUND

Key highlights of the Global Business Review are summarized within the President's Report (see Agenda Item 3B).

ANALYSIS

- Worldwide and Regional MasterCard Growth
- Share Positions versus Visa
- Maestro Performance
- Cirrus Performance

B

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MC 20242

President's Report
H. Eugene Lockhart, President and Chief Executive Officer

GLOBAL PERFORMANCE

During the first quarter of 1995, MasterCard maintained the momentum generated in 1994, with all card products experiencing strong growth. Gross dollar volume on MasterCard card products topped \$102.5 billion, an increase of 25.6% from first quarter 1994. MasterCard cards now total almost 290 million worldwide, up 22.6% from a year ago.

Worldwide gross dollar volume for credit products (99% of total volume) for the first quarter 1995 increased 25.4% from a year ago to \$101.6 billion. Credit cards increased 14.3% to over 242 million cards.

For the first quarter of 1995, MasterCard's gross dollar volume share for credit card products versus Visa¹ is projected at 38.9%, up 0.3 percentage points from year-end 1994. Account share is 38.9%, up 0.2 percentage points from year-end 1994.

During the first quarter of 1995, the MasterCard/Cirrus ATM network added 19 thousand ATMs. The network now has over 220 thousand ATMs worldwide. During the first half of the year, two new countries were added to the ATM network (Brazil and Panama). MasterCard/Cirrus ATMs are now located in 69 countries around the world.

The Maestro program continues to expand globally. As of first quarter 1995, the program had 42.4 million live Maestro cards and 469.1 thousand live terminals worldwide. During the first quarter, incremental commitments of 5.5 million cards and nearly 60 thousand terminals were received for the program.

Attachment 1 details worldwide and regional performance results.

Final 1994 fraud figures indicate that worldwide fraud losses increased to \$486.1 million. However, fraud as a percentage of sales, dropped to approximately 0.125% for 1994, down from 0.141% in 1993. Preliminary first quarter 1995 fraud figures² indicate that fraud as a percentage of sales has dropped further to 0.109%.

¹ Visa's figures for first quarter 1995 have not yet been published. Estimates of first quarter 1995 market share performance for volume and accounts were made based on recent Visa performance announcements.

² Final first quarter 1995 fraud figures will not be available until July 31, 1995.

Attachment 2 details fraud results and cardholder validation code (CVC) compliance progress.

FINANCIAL REVIEW

For the year-to-date as of May, revenue was favorable to budget by \$8.9 million, primarily due to favorable bulletin and authorization revenue. For the year-to-date, expenses were favorable to budget by \$1.5 million.

For the full year, revenue is forecast to exceed budget by \$10.5 million. Expenses are expected to exceed budget by \$12.6 for the full year, primarily due to increased regional expenditures on marketing and regional technology deployment.

The combined subsidiaries' profits were \$5.9 million favorable to budget for the year-to-date as of May, primarily due to strong Cirrus volume growth. For the full year, the subsidiaries' profits are expected to exceed budget by \$1.0 million.

REGIONAL PERFORMANCE

Asia Pacific Region

Financials

Revenue for the year-to-date as of May fell short of budget by \$0.9 million, reflecting lower than expected MCCR contributions and settlement volumes. Year-to-date expenses were below budget by \$2.0 million, primarily due to the timing of market initiatives.

Issuance

Asia/Pacific continued to experience extraordinary gross dollar volume growth during first quarter 1995, with growth of 42.8% over first quarter 1994 to \$25.6 billion. Asia/Pacific has maintained its position as MasterCard's second largest region as measured by gross dollar volume. China and Korea remained the primary drivers of the region's growth, with first quarter growth of 101.4% and 29.8%, respectively.

At the end of first quarter 1995, Asia/Pacific had 54.3 million cards issued in the region, an increase of 20.9% from first quarter 1994. This included 8.1 million live Maestro cards issued in the region. Two new Maestro members, Bank of China and People's Construction Bank of China, were licensed in the Region during first quarter.

For first quarter 1995, MasterCard's gross dollar volume share versus Visa³ is projected at 54.4%, up 0.4 percentage points from year-end 1994. Account share of 38.6% is at parity with year-end 1994.

In Vietnam, MasterCard licensed four banks, including the largest state owned bank, making them the first authorized issuers of a global card brand. Card issuance is targeted for fourth quarter 1995 and will represent the first Vietnamese "dong" based card.

Acceptance

Acceptance in the region continues to grow. As of first quarter 1995, merchant locations exceeded 4.5 million. MasterCard/Cirrus ATMs now total in excess of 6 thousand, almost doubling in number from the same time last year. Live Maestro terminals totaled 14.1 thousand as of first quarter 1995, almost three times the number from first quarter 1994.

In an effort to improve acceptance in Japan, an initiative was undertaken targeting 120 thousand merchants with older POS terminals. This program, which has the full support of the MasterCard Council of Japan and NTT Data Communications Systems, instructs merchants on a simple terminal operation to enable terminals to automatically route "non-on-us" MasterCard transactions to a MasterCard acquirer of the merchants' choice. As a result of this initiative, 25,000 terminals have been upgraded as of first quarter 1995. Efforts continue to convert the remaining terminals.

Other Highlights

In March 1995, the Asia/Pacific Region hosted the Global Annual Meeting as well as the Asia/Pacific Regional Annual Meeting in Sydney, which drew over 900 participants, and included a presentation covering the Canberra Smart Card Pilot Project. In addition, a new television campaign for Australia was launched and previewed at the Asia/Pacific annual meeting.

MasterCard Korea formed a Steering Committee for Smart Card composed of representatives from 25 banks and 15 representatives from networks, chip manufacturers, and software developers. The Committee will launch a Smart Card pilot project on January 1, 1996.

³ Visa's figures for first quarter 1995 have not yet been published. Estimates of first quarter 1995 market share performance for volume and accounts were made based on recent Visa performance announcements.

Canada Region

Financials

Year-to-date revenue as of May was in line with budget. Year-to-date expenses were below budget by \$0.1 million, reflecting the timing of market initiatives.

Issuance

For the first quarter 1995, gross dollar volume in Canada totaled \$2.8 billion and was down slightly (-2.9%). Cards experienced strong growth of over 33% versus a year ago and now total 13.0 million. Canada's cards included 3.3 million live Maestro cards, 1.0 million of which were issued in the first quarter of 1995, accounting for over 95% of Canada's card growth.

For first quarter 1995 MasterCard's gross dollar volume share versus Visa⁴ was projected at 25.5%, falling short of the year-end target of 27.4%. Account share versus Visa is at 34.7%, exceeding the year-end target of 33.1%.

Acceptance

Merchant locations and MasterCard/Cirrus ATMs continue to expand in the Canada Region. As of the first quarter 1995, merchant locations exceeded 0.5 million and MasterCard/Cirrus ATMs totaled 3 thousand, an increase of over 13% from first quarter 1994.

Canada's largest ATM deployer has agreed to become a Cirrus acquirer, contingent on the pending removal of a Plus/Visa restriction. This will increase the Cirrus ATM network in Canada by 200%.

Other Highlights

Two new enhancement programs have been developed to provide superior value to MasterCard cardholders. Master RoadAssist will be launched mid-year with an anticipated 100% participation for all card products and MasterGuest will offer cardholders substantial savings on quality vacation packages for the January through March 1996 time frame. The region is also developing an expanded MasterValues program to be launched in Fall 1995.

⁴ Visa's figures for first quarter 1995 have not yet been published. Estimates of first quarter 1995 market share performance for volume and accounts were made based on recent Visa performance announcements.

MasterCard is supplementing members' committed resources for a major co-branding program, with potential for significant card issuance in the region. MasterCard and the selected member(s) will jointly develop the launch promotion

Europe Region

Financials

Year-to-date revenue as of May exceeded budget by \$1.9 million, due to stronger inter-regional volume growth than expected and favorable authorization revenue. Year-to-date expenses also exceeded budget by \$0.2 million, mainly due to increased advertising initiatives in the U.K.

Issuance

For first quarter 1995, gross dollar volume grew 16.1% and totaled over \$24 billion. France and the United Kingdom combined accounted for over 63% of this growth, with growth rates of 18.7% and 15.0%, respectively.

At the end of the first quarter 1995, MasterCard and Maestro-branded⁵ cards issued in Europe reached 48.6 million, increasing over 30% from first quarter 1994. This strong growth is primarily attributable to strong growth in Maestro cards issued in the U.K. At the end of first quarter, cards in Europe included 13.8 million live Maestro cards.

For the first quarter 1995, Europe, Middle East and Africa⁶ gross dollar volume share versus Visa⁷ is projected at 32.5%. Account share versus Visa is 34.3%.

In Italy, the San Paolo di Torino/Fiat co-branded "Targa/Eurocard-MasterCard" program was launched with an aggressive marketing and advertising campaign targeting current account holders. The advertising campaign "The More You Give, The More You Get" has been supported through local and national print ads.

Acceptance

Acceptance in the Europe region continues to grow. As of first quarter 1995, merchant locations exceeded 2.5 million and MasterCard/Cirrus ATMs now total in excess of 105 thousand. As of first quarter, live Maestro terminals reached 352 thousand.

⁵ Includes Maestro-branded cards only; does not include edc-only branded cards.

⁶ Share is tabulated for Europe, Middle East, and Africa combined since a Europe-only break out for Visa is not available.

⁷ Visa's figures for first quarter 1995 have not yet been published. Estimates of first quarter 1995 market share performance for volume and accounts were made based on recent Visa performance announcements.

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One of Italy's five largest banks, Banca Nazionale del Lavoro, will open its ATM network to MasterCard and Cirrus cardholders and will enhance its domestic Bancomat debit cards with the Cirrus and Maestro brands. Additionally, 4,500 terminals will increase edc/Maestro brand acceptance at the point of interaction.

Other Highlights

Post-campaign media results indicate that the "Every Language Speaks MasterCard" television advertising campaign in the U.K. increased MasterCard unprompted awareness to 34% (from a pre-campaign base of 19%.)

Europay International, in conjunction with State Savings Bank, Bank Polska Kasa Opieki, and Powszechny Bank Kredytowy, will help set up a national company to develop the Polish payments industry. By the end of 1995, Elbank will provide a technology infrastructure by linking a majority of the Polish banks through a telecommunications switch and by growing the ATM/POS network.

In Russia, several banks have committed to a series of initiatives to reinforce the payments business through increased card issuance, expanded merchant acceptance and cash advance facilities at bank branches and foreign exchange offices in Moscow and St. Petersburg.

Latin America Region

Financials

Year-to-date revenue as of May exceeded budget by \$2.8 million, primarily the result of favorable bulletin and transaction revenue. Year-to-date expenses were below budget by \$1.8 million.

Issuance

For the first quarter 1995, gross dollar volume reached \$4.5 billion and grew 65.9% over first quarter last year, on a currency adjusted basis. Maestro volume for the quarter was \$84.8 million. Brazil was responsible for over 90% of the Region's volume growth during the first quarter. Mexico's volume declined from last year, as the country continues to experience economic problems.

Cards in the region grew 16.6% and totaled 17.6 million at the end of first quarter 1995. This included 4.3 million live Maestro cards. Maestro contributed over 62% of the region's total card growth during the first quarter 1995. Mexico's card growth at 8.3% for the quarter continues to show significant improvement.

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For the first quarter 1995, MasterCard's gross dollar volume share versus Visa⁸ is projected at 46.7%. Account share is 39.0%.

In Argentina, an important co-branded program was launched with Banco de Credito Argentino and Multicanal, a major cable TV channel with 250,000 subscribers. Also in Argentina, the Bank of Boston-United Airlines program went dual (MasterCard).

In Brazil, two major co-brandings were launched -- one with Tam (airline) and another with Golden Cross, the largest insurance company in that country. Golden Cross has 2.3 million policyholders and a sales force of 14,000 people actively selling policies. The potential of the program is expected to be 1 million cards.

Banamex, Mexico's largest bank, was added to the list of Maestro members in the region, bringing the number of Maestro members in Mexico to four. Banamex has committed to issue over 3.5 million Maestro cards over the next 3 years.

Additionally, two major co-branding deals were launched in Mexico. The Inverlat MasterCard-Posadas (Fiesta Americana & Holiday Inn), and the Serfin-MasterCard-Baby Rock program, the country's largest discotheque and night club chain.

Acceptance

As of the first quarter 1995, merchant locations exceeded 1.2 million. MasterCard/Cirrus ATMs now total nearly 6 thousand locations remained steady at 10 thousand.

In addition, 11 thousand Maestro terminals are now live in the Region. Bermuda and Chile were added as the latest countries going live, for a total of six markets.

Other Highlights

The 20th Annual Latin America Regional Meeting was held in Bermuda in May. Record attendance was achieved with over 500 participants representing 24 countries.

⁸ Visa's figures for first quarter 1995 have not yet been published. Estimates of first quarter 1995 market share performance for volume and accounts were made based on recent Visa performance announcements.

Middle East/Africa Region (ME/A)

Financials

Year-to-date revenue exceeded budget by \$0.6 million, reflecting strong volume growth impacting all revenue categories. Year-to-date expenses were in line with budget.

Full year revenue is expected to exceed the budget of \$8.6 million by \$0.8 million, as higher than budgeted volume growth continues in the region. Full year expenses are also expected to exceed the budget of \$8.6 million by \$0.8 million, reflecting increased marketing initiatives in conjunction with the favorable revenue.

Issuance

For the first quarter 1995, Middle East/Africa gross dollar volume was \$1.2 billion, up 21.4% from the first quarter 1994. Cards increased 11.3%, totaling 1.4 million as of first quarter. This represents the highest rate of card growth since fourth quarter 1990.

Saudi Cairo Bank has become a Maestro issuer and acquirer in the region. Their debit campaign, heavily promoting the Maestro and Cirrus international brands, is targeted for launch in June 1995. In addition, two major banks in Mauritius will be live Maestro issuers and acquirers as of June, making Maestro the debit brand on this tourist destination island.

The region's first MasterCard co-branded programs will be launched in the United Arab Emirates in the second and third quarters of this year. The Royal Abjar Privilege Card program and the Allied Stores Points Reward program will convert existing proprietary card bases, as well as target new potential cardholders.

Acceptance

Acceptance inroads continue to be made in the region. As of first quarter 1995, merchant locations exceeded 0.2 million and MasterCard/Cirrus ATMs increased 17% from first quarter last year, totaling in excess of 1 thousand.

During the second quarter of 1995, Amalgamated Bank of South Africa (ABSA) connected 1,200 ATMs to the MasterCard/Cirrus ATM network, with plans to connect a total of 1,500 ATMs by year end. This initiative has doubled the number of MasterCard/Cirrus ATMs in South Africa in time for the World Cup of Rugby matches which will be held throughout South Africa and are expected to draw more than 1 million people.

Other Highlights

The 1995 Middle East/Africa Annual Meeting of Members was held in Johannesburg, South Africa, with 87 members representing 29 financial institutions and 11 service providers. In addition, the MasterCard office in South Africa is scheduled to open in July.

United States Region

Financials

Year-to-date revenue as of May exceeded budget by \$3.4 million, primarily driven by stronger than anticipated bulletin and authorization revenue. Year-to-date expenses were below budget by \$0.8 million.

Issuance

For the first quarter 1995, gross dollar volume for all card products grew 21.9%, totaling \$43.9 billion. Gross dollar volume for credit card products was up 21.5% to \$43.2 billion. Gold Card contributed almost 55% of this volume growth. MasterMoney volume increased 52.7% over first quarter last year, reaching \$0.8 billion.

Cards in the U.S. grew 21.0%, reaching almost 155 million by the end of the first quarter 1995. Standard Card accounted for over 43% of this growth. Since first quarter 1994, 2.1 million MasterMoney cards have been added for a total of 4.9 million cards in the U.S. In addition, the U.S. Region now has 12.9 million live Maestro cards. Maestro membership continues to expand with 876 financial institutions, representing 28.6 million committed cards, as of first quarter 1995.

MasterCard's value positioning continues to attract high-profile co-branding partners. In the first quarter of 1995, forty-seven programs have been approved, and ten significant programs have been launched year-to-date. An additional ten programs are scheduled for 1995 launch.

For the first quarter 1995, MasterCard's gross dollar volume share versus Visa⁹ is projected at 37.4%. Account share is 41.3%.

⁹ Visa's figures for the U.S. for full year 1994 are preliminary.

Acceptance

Acceptance continues to grow in the region. At the end of first quarter 1995, merchant locations totaled nearly 3.0 million. MasterCard/Cirrus ATMs totaled 99 thousand, up 31.2% from first quarter 1994.

Maestro acceptance continues to exhibit solid growth, with almost 92,000 locations live at the end of first quarter 1995. Maestro USA has developed a comprehensive initiative, "Acceptance Excellence", to increase Maestro acceptance in 10 key destination cities for U.S. and non-U.S. travelers. The program will be launched August 1.

The U.S. Postal Service has begun a two-year roll-out of MasterCard and Maestro acceptance and plans to have 11,000 high-volume locations live by year-end.

Other Highlights

As of May, MasterBanking had 20 committed institutions, of which 13 were live, providing Touch-Tone Telephone and PC banking and bill payment services to over 50,000 consumers. Currently, MasterBanking is processing over 350,000 bill payment transactions and nearly 850,000 banking transactions per month. Plans to enhance and market the MasterBanking services are currently under review.

GLOBAL HIGHLIGHTS

Office of the CEO

Implementation is progressing on the first phase of the Governance Project, the delegation of authority for MasterCard-branded products and services, approved by the Global Board in March 1995. Full implementation is expected by the first Regional and Global Board Meetings in 1996, at the latest. On June 21, the Sub-Committee on Corporate Governance reviewed and supported recommendations for adopting an integrated governance framework for all MasterCard International payments products. (See related agenda item within this package.) This proposal was also reviewed and supported by the Executive Committee on June 22. The fourth and final phase of the project has been initiated. This phase will focus on improving the linkages between MasterCard's governance levels, including evaluation of the proxy for seating the Global Board. It is intended that a proposal for this phase of the project will be put forth to the Global Board in November.

MasterCard's headquarters relocation to Westchester is progressing on schedule and on budget. The target date for the move remains mid-October. The results of the employee relocation survey indicate that attrition related to the move should be low. Approximately 83% of employees indicated they will stay with MasterCard, while only 8% indicated they will leave the company, but remain in their jobs until the company moves. The remaining 9% have opted to trial commute before committing to a decision.

MasterCard is now on the Internet's Worldwide Web — the most visual and developed place on the Internet. MasterCard's home page on the Web, MasterCard Pointers, provides Internet users with information about MasterCard's products and services, including an ATM locator service. The complete directory is targeted for implementation during the second half of the year. Thousands of users have been accessing Pointers every day, and the reaction has been very positive.

Franchise Management and Administration

A total of 287 new membership applications for MasterCard have been processed for 1995 year-to-date, up 57% from a year earlier. Cirrus membership applications have totaled 480 and Maestro totaled 72. In addition, Franchise Management has approved 502 affinity/co-branding applications year-to-date, up 26% from the year before.

The Cirrus and Maestro licensing processes have been consolidated under Franchise Management, and will now be performed in conjunction with credit licensing.

Audits of merchant signage in fifteen countries have just been completed. When findings are finalized, Franchise Management will work with acquirers to ensure that all necessary improvements are made.

Franchise Management has launched a systematic global review of member marketing materials to assess their compliance with our brand standards for member communications. Members who are not in compliance will be asked to develop plans to correct all violations over a reasonable period of time.

Global Corporate Planning

The 1995-1997 long-term corporate objectives have recently been developed. In addition, corporate processes for approving strategy fund requests and consultant purchase orders were developed and implemented this year. Significant savings are expected to be achieved through a rigorous justification process for all expenditures and review of investments against a consistent set of criteria.

Global Marketing

As part of our efforts to assure acceptance excellence, we are expanding Maestro acceptance by identifying and prioritizing key acceptance markets based on geography, merchant type, local market activities, and competitive environment. A destination market strategy is under development to identify key locations throughout several regions.

To continue progress on MasterCard's corporate products development efforts, the 635 INET Addendum record was mandated globally. This record allows members to provide more detailed purchase information to their corporate clients using MasterCard Business Card and MasterCard Purchasing Card products.

As a part of an integrated global sponsorship and promotion strategy, MasterCard International signed as the title sponsor of both the PGA Grand Slam golf tournament, and the Colonial PGA golf tournament. MasterCard has also renewed its sponsorship of the 1998 World Cup in France, with Pelé once again acting as our global spokesperson. These sponsorships continue to reinforce our brand image and awareness, build card usage, generate business-building opportunities for MasterCard members and merchants, and provide value to our cardholders.

The MasterCard Global Service™ program technical infrastructure was developed and parameters for re-engineering the existing service center were established. The pilot was launched in May with 12 members, representing all regions, with 10 million accounts committed to participate.

Global Research and Analysis

A Global Consumer Payments Research program is underway to identify key drivers of consumer behavior and analyze the links between behavior and profitability. Insights gained from this research will be used to understand how changing behavior could impact future profitability and how this behavior and segmentation will evolve beyond credit cards to span all payment systems. Initial analyses and consumer profiles, as well as a segmentation framework in the U.S. are scheduled for completion by year-end 1995.

Human Resources

For the first time, MasterCard is embarking on several major recruitment initiatives to supply the company with young, talented employees. This Summer we substantially upgraded our Summer internship program. This year's program attracted 7 graduate and 11 undergraduate students from some of the best schools in the U.S. and from abroad.

The first phase of the "TEAM" Program is underway. This program is the first significant management development program MasterCard has ever undertaken. It is designed to effect positive cultural change throughout the organization and enhance teamwork.

Legal

Dean Witter vs. VISA USA, Inc.

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SYSTEMS AND OPERATIONS

Systems and Technology

To meet the needs of the membership, MasterCard has developed a Systems Enhancement Strategy that leverages the strength of our core systems, while enabling us to effectively manage the enhancement development and delivery process. A number of Stand-In enhancements will be delivered in October 1995, followed by delivery of Authorization, Clearing and Settlement Systems enhancements throughout 1996.

Connectivity for service to the membership continues to be a priority. MasterCard is deploying more powerful and flexible MIPs and is continuing the implementation of the regional processing strategy that will allow us to process transactions in a fast, cost-effective manner. Our strategy is focused on delivering services as close to local markets as possible, given customer and business needs.

To ensure a consistent and secure approach to building electronic commerce transactions, MasterCard and Visa are defining joint standards that provide a single, security protocol. These standards will guarantee privacy, data and message integrity, as well as mutual authentication of buyer and seller, and a single set of requirements for messages and required data elements.

To further demonstrate our commitment to helping our member financial institutions use payment cards as a relationship-building tool to enhance cardholder loyalty, MasterCard will launch a nine-month stored-value pilot of MasterCard-branded smart cards, scheduled to begin in the fourth quarter of 1995 in Canberra, Australia.

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Attachment 1 to Agenda Item 3B

Global Performance Summary

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WORLDWIDE MASTERCARD

FIRST QUARTER 1995

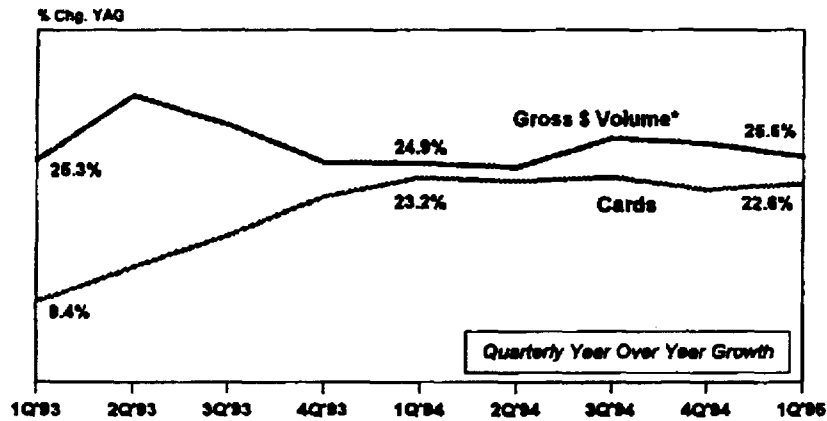
		<u>vs. 1Q'94</u>
Gross \$ Volume	\$102.5 Billion	↑ 25.6%*
Transactions	1.1 Billion	↑ 16.6%
Accounts	231.0 Million	↑ 24.8%
Cards	289.6 Million	↑ 22.6%

* Adjusted for Currency Fluctuations

Note: Maestro activity is included

WORLDWIDE MASTERCARD

GROSS \$ VOLUME & CARD GROWTH



* Adjusted for Currency Fluctuations

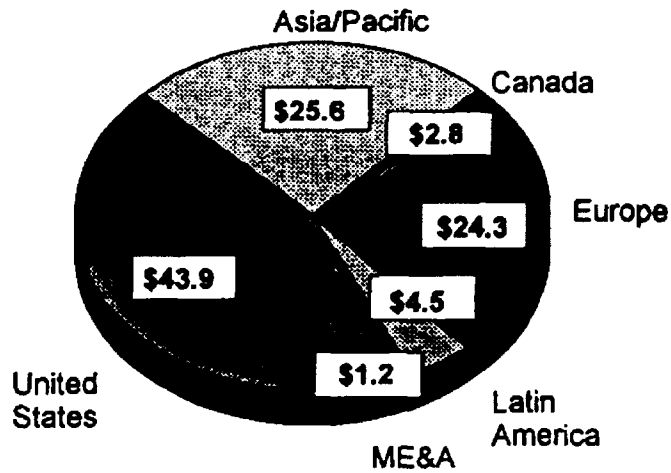
Note: Maestro activity is included

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MC 20257

WORLDWIDE MASTERCARD

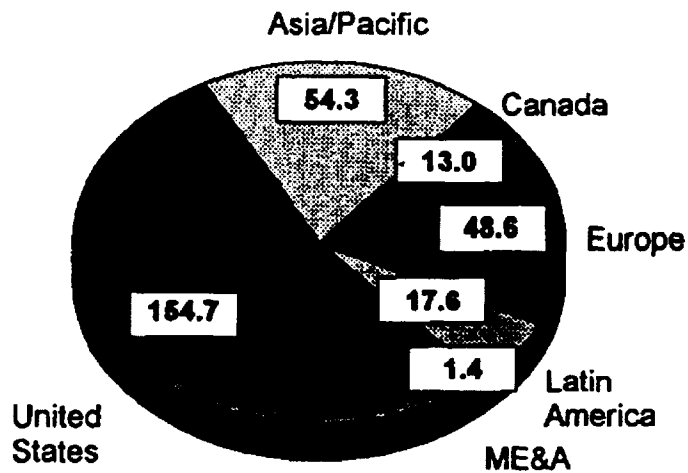
1Q'95 REGIONAL GROSS \$ VOLUME



\$102.5 Billion
1Q'95 Gross \$ Volume Worldwide

WORLDWIDE MASTERCARD

1Q'95 REGIONAL CARDS



289.6 Million
1Q'95 Cards Worldwide

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MC 20258

ASIA/PACIFIC MASTERCARD

FIRST QUARTER 1995

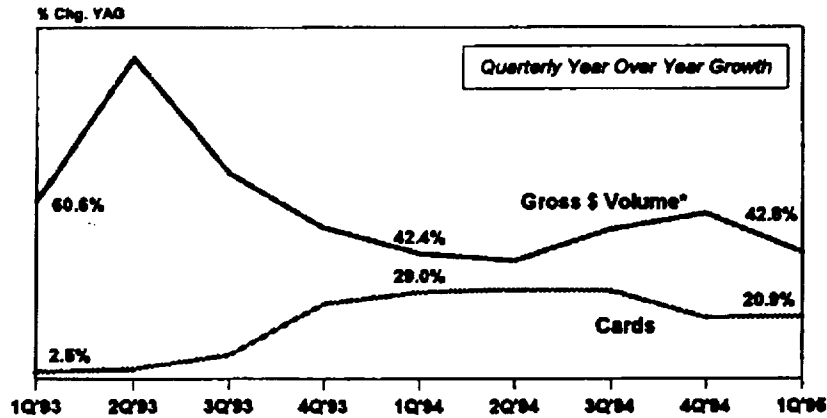
		<u>vs. 1Q'94</u>
Gross \$ Volume	\$25.6 Billion	↑ 42.8%*
Transactions	80.2 Million	↑ 19.2%
Accounts	46.3 Million	↑ 21.2%
Cards	54.3 Million	↑ 20.9%

* Adjusted for Currency Fluctuations

Note: Maestro activity is included

ASIA/PACIFIC MASTERCARD

GROSS \$ VOLUME & CARD GROWTH



* Adjusted for Currency Fluctuations

Note: Maestro activity is included

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MC 20259

CANADA MASTERCARD

FIRST QUARTER 1995

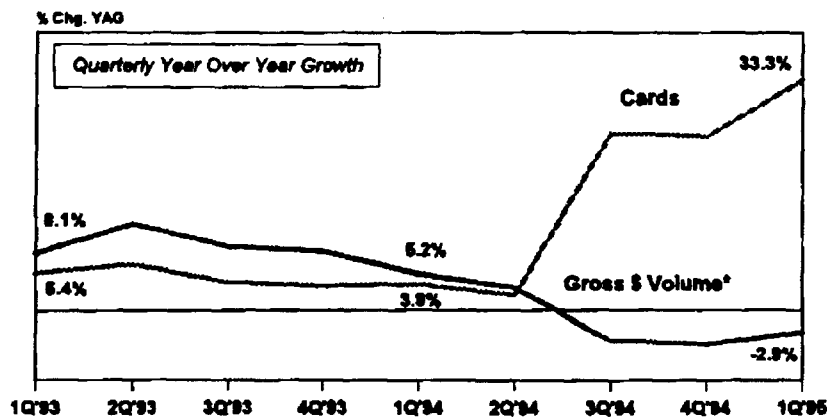
		<u>vs. 1Q'94</u>
Gross \$ Volume	\$2.8 Billion	↓ (2.9%)*
Transactions	56.5 Million	↓ (2.6%)
Accounts	10.6 Million	↑ 43.0%
Cards	13.0 Million	↑ 33.3%

* Adjusted for Currency Fluctuations

Note: Maestro activity is included

CANADA MASTERCARD

GROSS \$ VOLUME & CARD GROWTH



* Adjusted for Currency Fluctuations

Note: Maestro activity is included

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MC 20260

EUROPE MASTERCARD

FIRST QUARTER 1995

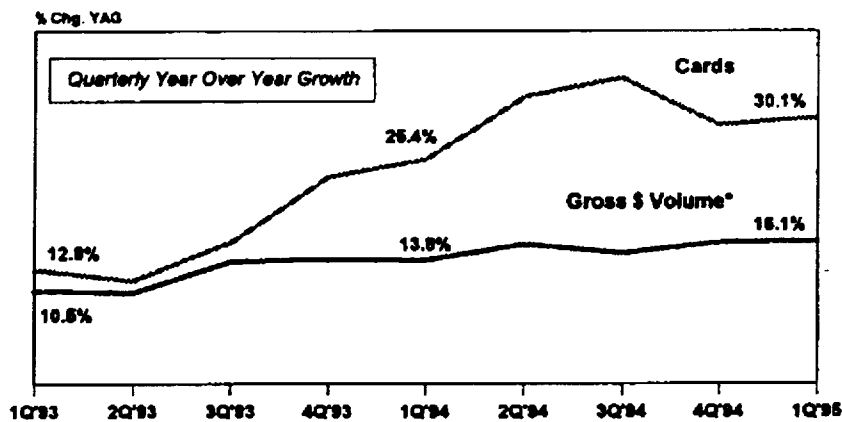
		<u>vs. 1Q'94</u>
Gross \$ Volume	\$24.3 Billion	↑ 16.1%*
Transactions	306.9 Million	↑ 16.4%
Accounts	42.1 Million	↑ 30.3%
Cards	48.6 Million	↑ 30.1%

* Adjusted for Currency Fluctuations

Note: Maestro activity is included;
edc only activity is excluded

EUROPE MASTERCARD

GROSS \$ VOLUME & CARD GROWTH



* Adjusted for Currency Fluctuations

Note: Maestro activity is included

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MC 20261

LATIN AMERICA MASTERCARD

FIRST QUARTER 1995

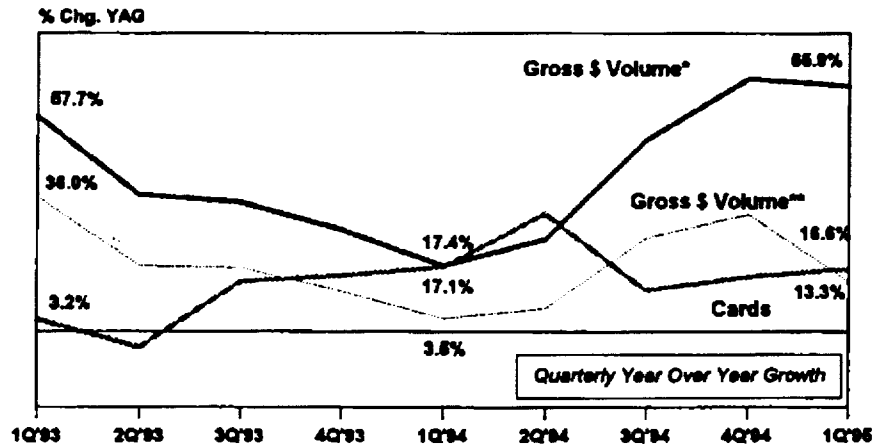
		<u>vs. 1Q'94</u>
Gross \$ Volume	\$4.5 Billion	↑ 65.9%*
Transactions	78.0 Million	↑ 15.9%
Accounts	14.0 Million	↑ 20.5%
Cards	17.6 Million	↑ 16.6%

* Adjusted for Currency Fluctuations

Note: Maestro activity is included

LATIN AMERICA MASTERCARD

GROSS \$ VOLUME & CARD GROWTH



* Adjusted for Currency Fluctuations
 ** Not Adjusted for Currency Fluctuations

Note: Maestro activity is included

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MC 20262

MIDDLE EAST & AFRICA MASTERCARD

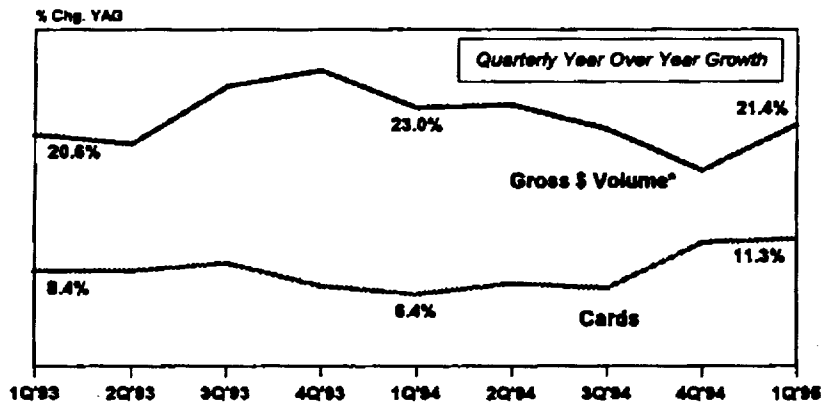
FIRST QUARTER 1995

		<u>vs. 1Q'94</u>
Gross \$ Volume	\$1.2 Billion	↑ 21.4%*
Transactions	23.2 Million	↑ 6.7%
Accounts	1.2 Million	↑ 11.8%
Cards	1.4 Million	↑ 11.3%

* Adjusted for Currency Fluctuations

MIDDLE EAST & AFRICA MASTERCARD

GROSS \$ VOLUME & CARD GROWTH



* Adjusted for Currency Fluctuations

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MC 20263

UNITED STATES MASTERCARD

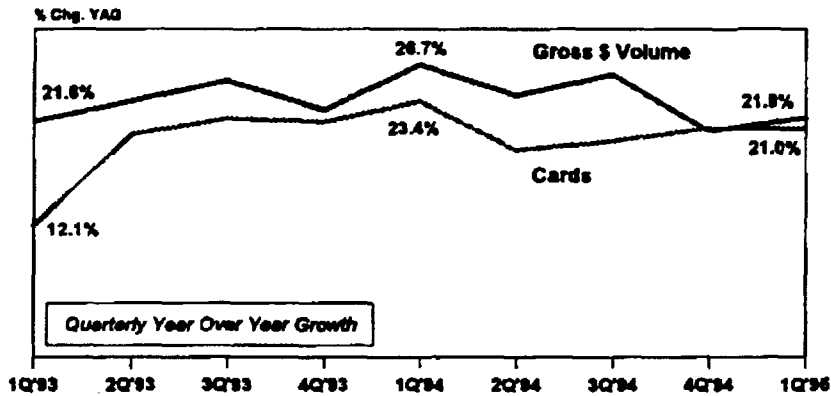
ALL CARD PRODUCTS
FIRST QUARTER 1995

		<u>vs. 1Q'94</u>
Gross \$ Volume	\$43.9 Billion	↑ 21.9%
Transactions	524.3 Million	↑ 19.5%
Accounts	116.8 Million	↑ 23.6%
Cards	154.7 Million	↑ 21.0%

Note: Maestro activity is included

UNITED STATES MASTERCARD

ALL CARD PRODUCTS
GROSS \$ VOLUME & CARD GROWTH



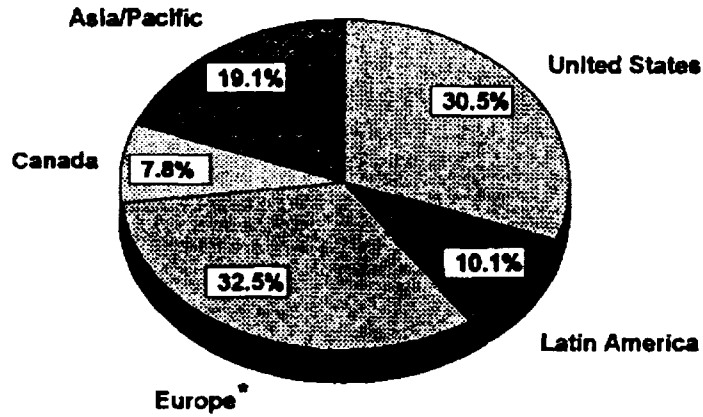
Note: Maestro activity is included

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MC 20264

WORLDWIDE MAESTRO

LIVE CARDS - 1Q'95

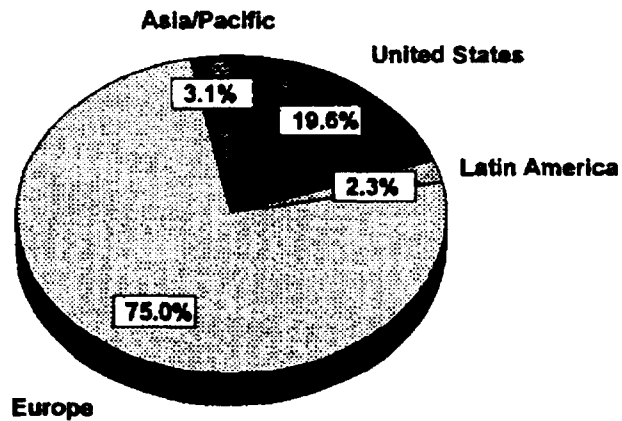


42.4 Million
Live Cards

* edc only cards are excluded

WORLDWIDE MAESTRO

LIVE TERMINALS - 1Q'95



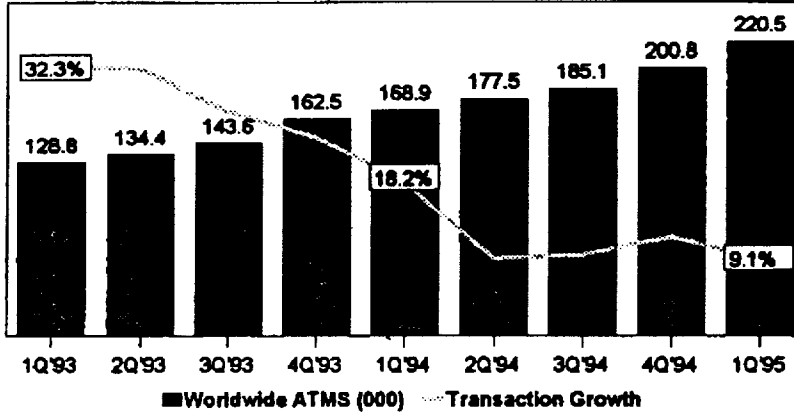
469.1 Thousand
Live Terminals

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MC 20265

WORLDWIDE CIRRUS

MASTERCARD/CIRRUS ATMS & TRANSACTION GROWTH



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MC 20266

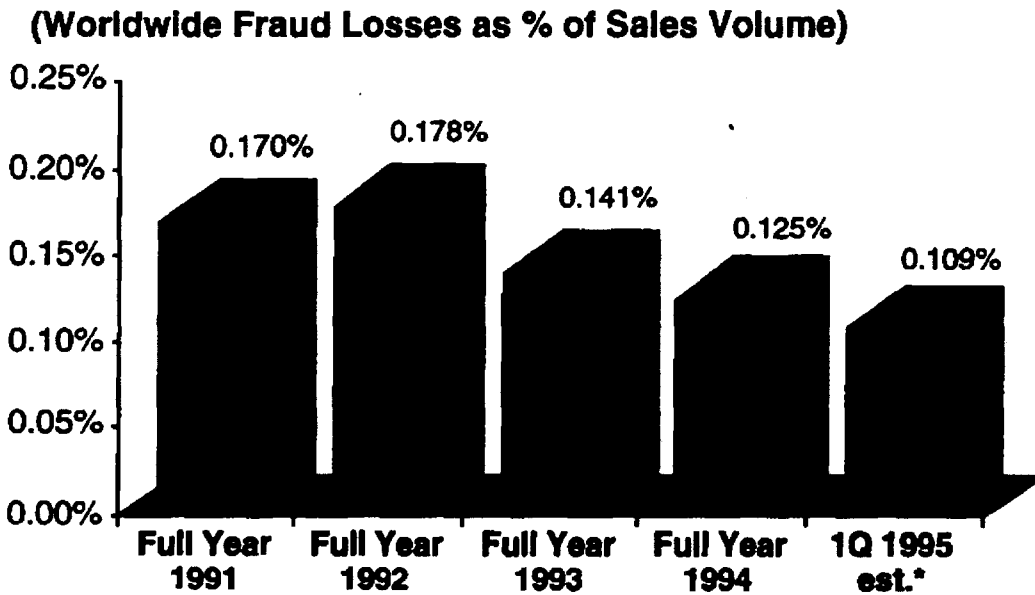
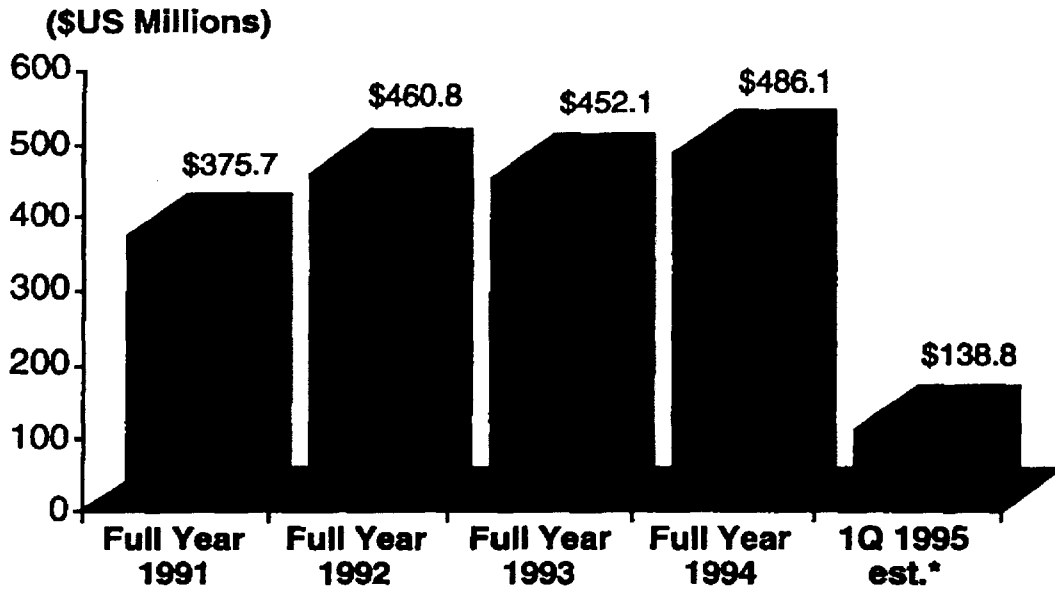
Attachment 2 to Agenda Item 3B

Fraud Loss Summary

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WORLDWIDE FRAUD LOSSES



* Fraud losses are reported with a 120 day lag. Since final 1Q 1995 fraud loss figures will not be available until July 31, 1995, the 1Q 1995 figure includes estimates of activity for the remaining two months of the period.

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CVC COMPLIANCE STATISTICS*

Acquirer/Processor Combinations

	<u>In Production</u>	<u>Not In Production</u>	<u>Total</u>	<u>% In Production</u>
Asia/Pacific	134	27	161	83%
Canada	18	0	18	100%
Europe	43	29	72	60%
Latin America	45	16	61	74%
ME/A	28	12	40	70%
U.S.	1,615	156	1,771	91%
	<hr/>	<hr/>	<hr/>	<hr/>
	1,883	240	2,123	89%

Note: Figures do not tie to the number of members, since CVC production is achieved by acquirer/processor combination. Thus, if an acquirer uses two processors (e.g., themselves and MAPP), it will count as two combinations.

* As of June 12, 1995

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Attachment 3 to Agenda Item 3B

Financial Summary

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Global Financial Performance

(\$ Millions)

	MAY 1995 YEAR - TO - DATE			ESTIMATED 1995 FULL YEAR			1994
	ACTUAL	BUDGET	FAV/ (UNFAV)	FORECAST	BUDGET	FAV/ (UNFAV)	ACTUAL
Revenue	<u>\$252.2</u>	<u>\$243.3</u>	<u>\$8.9</u>	<u>\$643.1</u>	<u>\$632.6</u>	<u>\$10.5</u>	<u>\$567.0</u>
Expense							
Regional	115.6	120.2	4.6	318.9	309.3	(9.6)	267.9
Global	40.3	39.6	(0.7)	96.6	95.6	(1.0)	87.1
Operations	<u>48.6</u>	<u>49.2</u>	<u>0.6</u>	<u>121.8</u>	<u>119.9</u>	<u>(1.9)</u>	<u>101.3</u>
SubTotal	204.5	209.0	4.5	537.3	524.8	(12.5)	456.3
Tasks Managed Centrally *	<u>(4.2)</u>	<u>(4.2)</u>	<u>0.0</u>	<u>(10.0)</u>	<u>(10.0)</u>	<u>0.0</u>	<u>38.0</u>
Total RGO Expense	200.3	204.8	4.5	527.3	514.8	(12.5)	494.3
Relocation	6.4	6.4	0.0	23.0	20.0	(3.0)	10.7
Sponsorships	4.9	4.9	0.0	11.6	11.6	0.0	8.7
Counterfeit / Contingency	10.7	10.7	0.0	21.0	25.5	4.5	25.4
Strategy Fund	<u>21.2</u>	<u>18.2</u>	<u>(3.0)</u>	<u>45.2</u>	<u>43.6</u>	<u>(1.6)</u>	<u>23.8</u>
Total Card Products Expense	<u>243.5</u>	<u>245.0</u>	<u>1.5</u>	<u>628.1</u>	<u>615.5</u>	<u>(12.6)</u>	<u>562.9</u>
Net Card Products	8.7	(1.7)	10.4	15.0	17.1	(2.1)	4.1
Net Subsidiaries	<u>11.6</u>	<u>5.7</u>	<u>5.9</u>	<u>17.0</u>	<u>16.0</u>	<u>1.0</u>	<u>16.7</u>
Pre-Tax Profit/(Loss)	<u>\$20.3</u>	<u>\$4.0</u>	<u>\$16.3</u>	<u>\$32.0</u>	<u>\$33.1</u>	<u>(\$1.1)</u>	<u>\$20.8</u>

* Centrally managed cost reduction tasks; focused primarily on reduction of purchased external professional services.

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Global Financial Performance
 (\$ Thousands)

JANUARY 1 - MAY 31, 1995

	Asia Pacific	Canada	Latin America	Europe	Middle East Africa	United States	Global	Total Card Products	Subsidiaries	MCI Total
Revenues										
Member Assessments	\$9,217	\$4,579	\$6,954	\$7,801	\$1,132	\$113,529	\$0	\$143,212	\$2,467	\$145,679
Operations Fees	5,266	2,214	9,489	4,271	1,174	59,040	1	81,455	41,675	123,130
Other Fees	8,306	84	2,033	233	1,532	13,306	2,020	27,514	2,864	30,378
Total Revenue	22,789	6,877	18,476	12,305	3,838	185,875	2,021	252,181	47,006	299,187
Expenses										
Regional	13,950	1,737	7,760	2,435	2,311	87,442	0	115,635	0	115,635
Global	2,521	877	1,452	3,408	369	20,719	10,918	40,265	0	40,265
Operations	4,005	1,623	1,816	3,484	403	40,913	(3,683)	48,580	0	48,580
Other	4,309	1,358	1,818	2,487	371	23,541	9,274	43,159	0	43,159
Tasks	0	0	0	0	0	0	(4,167)	(4,167)	0	(4,167)
Subsidiaries	0	0	0	0	0	0	0	0	35,401	35,401
Total Expenses	24,785	5,595	12,846	11,814	3,454	172,614	12,343	243,451	35,401	278,852
Income before income taxes	(1,996)	1,282	5,630	491	384	13,261	(10,322)	8,730	11,605	20,335
Income tax expense	(898)	577	2,534	221	173	5,967	(4,845)	3,929	5,222	9,151
Net Income	(\$1,098)	\$705	\$3,097	\$270	\$211	\$7,294	(\$5,677)	\$4,802	\$6,383	\$11,184

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Proposed Membership and Licensing Actions
Christopher D. Thom, Franchise Management

PROPOSAL

To approve the membership actions recommended in the Attachment.

BACKGROUND

The membership actions described in the Attachment include new principal and affiliate members, transfers of licenses, extensions of area of use, name changes, mergers and terminations. The proposed actions are summarized below:

Licensing Action	Region						Global Total
	A/P	CAN	EUR	L/A	ME/A	US	
New Principal Members	11	0	29	4	0	12	56
Affiliate to Principal	0	0	0	4	0	28	32
Principal to Affiliate	0	0	1	0	1	4	6
New Affiliate Members	1	3	22	8	3	141	178
Extensions of Area of Use	4	0	1	0	0	0	5
Terminations	0	0	7	0	1	1	9

Please note: this process will be managed at the Regional Board level starting in 1996.

ANALYSIS

The following is a review of those membership and licensing actions which may be of particular interest.

- Staff hereby reports to the Board on the automatic termination of membership and license of Meridien International Bank Ltd. ("Meridien"), Nassau, Bahamas, effective April 11, 1995. Although Meridien is headquartered in the Bahamas, its area of use included twelve countries in Africa. Meridien had failed to pay MasterCard settlement funds to several of its affiliates and as a result, such affiliates in some cases failed to pay MasterCard merchants. Meridien was terminated in accordance with Article 1, Section 1 of the MasterCard Bylaws, which provides that membership in MasterCard is automatically terminated if "the member fails to make payments in the ordinary course of business." The activity

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of the former Meridien affiliates has been taken over by Barclays Bank PLC and Compagnie Bancaire de L'Afrique Occidentale ("CBAO"). MasterCard is holding a \$125,000 Letter of Credit that was confirmed by ING Bank of the Netherlands. The regional office is currently working with the local merchants to determine the full extent of the potential losses.

- The following principal members are recommended for extensions of area of use of their licenses. In all cases, the normal licensing requirements and fees which would be applied to new members were applied to members seeking license extensions.

Name	Country of Headquarters	Extension
Citizens Security Bank (Guam), Inc.	Guam	Micronesia Mariana Islands
Samsung Winners Card Co., Ltd.	Korea	Vietnam
Bank of Ayudhya Public Co. Ltd.	Thailand	Laos
Banque Invik S.A.	Luxembourg	Sweden

- Security arrangements were established with the following prospective principal members since they do not satisfy our Member Risk Standards.

Name	Country	Security Arrangement
Belize Bank Limited	Belize	Letter of Credit
Banco Cooperativo de Puerto Rico	Puerto Rico	Letter of Credit
Caribbean Commercial Bank Limited	Barbados	Letter of Credit
Banco Mercantile del Norte, S.A.	Mexico	Letter of Credit
Banpais S.A.	Mexico	Letter of Credit
Banc One Point of Sale Services	United States	Guaranty from Parent
ICUL Services Corp.	United States	Guaranty from Parent
Bank of Yorkville	United States	Guaranty from Parent

RESOLUTION OF THE BOARD OF DIRECTORS

RESOLVED, that, the membership and licensing actions recommended in this agenda item and the Attachment be, and hereby are, approved.

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Asia/Pacific

Pursuant to the MasterCard International Incorporated Asia/Pacific Region Bylaws, the Asia/Pacific Board of Directors has the right to approve membership and licenses in the Asia/Pacific Region. The Asia/Pacific Board of Directors is scheduled to consider the following licensing actions at its July 11, 1995 meeting. Licenses approved by the Asia/Pacific Board are effective as of July 11, 1995. A report of the Asia/Pacific Board actions will be made to the Global Board of Directors.

New Principal Members

Australia

Trust Bank Limited

China

China Merchants Bank

Indonesia

Tamara Bank

Korea

Dong Hwa Bank
Kwangju Bank

Malaysia

Arab Malaysian Bank Berhad
Malaysian French Bank Berhad

Philippines

Rizal Commercial Banking Corporation
Solidbank Corporation

Taiwan

The Chinese Bank

Vietnam

Asia Commercial Bank

New Affiliate Members

Micronesia

ICA #5428 Citizens Security Bank (Guam), Inc.
Bank of the Federated States of Micronesia

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Extensions of Area of Use

The following principal members request to extend their areas of use to include, on a non-exclusive basis, the following countries:

<u>Name</u>	<u>Country of Headquarters</u>	<u>Extension</u>
Citizens Security Bank (Guam), Inc.	Guam	Micronesia Mariana Islands
Samsung Winners Card Co., Ltd.	Korea	Vietnam
Bank of Ayudhya Public Co. Ltd.	Thailand	Laos

Name Changes

<u>ICA #</u>	<u>Former Name</u>	<u>New Name</u>	<u>Effective Date</u>	<u>Variance Through</u>
1819	OTB Finance Limited	OTB Card Company Limited	04/01/95	N/A

Canada

The Board of Directors and MasterCard Committee are requested to consider the following membership and licensing actions. All elections to membership and grants of license are effective July 20, 1995.

New Affiliate Members

ICA #1099 Bank of Montreal
Banca Commerciale Italiana of Canada

ICA #1383 CU Electronic Transaction Services Inc.
Enderby & District Credit Union
Snow Valley Savings Credit Union

Europe

Pursuant to the agreement with Europay International, the following membership and licensing actions were approved by the Europay Board of Directors at its meetings held on March 17, 1995 and June 14, 1995. Accordingly, each election to membership and grant of license is subject to the execution of a formal license agreement by MasterCard International.

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New Principal Members (March 17, 1995)

Belarus (Republic)

Belbusiness Bank (Belarussian Joint-Stock Commercial Bank)

Cyprus

National Bank of Greece (Cyprus) Ltd.

Hungary

BKD (BNP-KH-Dresdener Bank) Rt.

Latvia

Baltijas Tranzitu Banka
The Universal Bank of Latvia (Latvijas Unibanka)

Lithuania

The Agricultural Bank of Lithuania
Vakaru Bank A.S.

Poland

Bank Gdanski S.A. w Gdansku
Powszechny Bank Gospodarczy S.A.

Russian Federation

Joint Stock Commercial Mapo Bank
Moscow National Bank
Optimum Commercial Bank

Slovakia

Prva Komunalna Banka a.s.

Turkey

Kocbank A.S.

United Kingdom

Abbey National Bank
Alliance & Liecester Building Society

Transfer from Principal to Affiliate Member (March 17, 1995)

United Kingdom

Girobank PLC, ICA #2499 to an affiliate of Alliance & Liecester Building Society

New Affiliate Members (March 17,1995)

Czech Republic

ICA #3455 Investicni a Postovni Banka, a.s.
Ceskomoravska Hypotecni Banka PLC

Federal Republic of Germany

ICA #1232 GZS Gesellschaft Fur Zahlungssysteme MBH
V.A.G. Bank GmbH

Russian Federation

ICA #5036 Baltiyskiy Bank
Joint Stock Bank Energomashbank

Slovakia

ICA #2781 Ceskoslovenska Obchodni Banka a.s.
Priemyselna Banka, a.s. Kosice

Turkey

ICA #2171 Emlak Bankasi A.S.
Kentbank A.S. (Turkiye Konut Endustri ve Ticaret Bankasi A.S.)

United Kingdom

ICA #5043 MBNA International Bank Ltd.
Bradford & Bingley Building Society

Extensions of Area of Use (March 17,1995)

The following principal member requests to extend its area of use to include, on a non-exclusive basis, the following country:

<u>Name</u>	<u>Country of Headquarters</u>	<u>Extension</u>
Banque Invik S.A.	Luxembourg	Sweden

Name Changes (March 17, 1995)

<u>ICA #</u>	<u>Former Name</u>	<u>New Name</u>	<u>Effective Date</u>	<u>Variance Through</u>
2056	Banca Cassany, S.A.	Banca Privada D'Andora S.A.	03/17/95	N/A

<u>ICA #</u>	<u>Former Name</u>	<u>New Name</u>	<u>Effective Date</u>	<u>Variance Through</u>
3276	Frizzell Banking Services Ltd.	Frizzell Bank Limited	03/17/95	N/A

Terminations (March 17, 1995)

The Board of Directors is requested to recognize the voluntary termination in affiliate memberships of Losange Banque S.A., France, Banco Commercial de Macau, Portugal, and Svenska Finans AB, Sweden and the MasterCard Committee is requested to terminate their license. The termination of memberships and licenses was effective March 17, 1995.

New Principal Members (June 14, 1995)

Hungary

Post Bank and Savings Bank Corporation

Italy

Ducato SpA
Cassa di Risparmio di Verona

Kazakhstan (Republic of)

Alem Bank Kazakhstan

Lithuania

Lietuvos Valstybinis Komercinis Bankas (The State Commercial Bank of Lithuania)
Lietuvos akcinis Inovacinis Bankas (Lithuanian Joint Stock Innovation Bank)

Romania

Romanian Commercial Bank S.A.

Russian Federation

Neftechimbank Bank (Joint-Stock Commercial Bank for Development of Petrochemical Industry)
Joint-Stock Commercial Bank "Petrovskiy Bank"

Sweden

Wasa Banken

United Kingdom

Beneficial Bank Plc
Associates Capital Corporation Ltd.

Ukraine

Bank "UKRAINA"

New Affiliate Members (June 14, 1995)

France

ICA #1031 Europay France
La Poste

Italy

ICA #2532 - Deutsche Bank SpA
Banca Popolare Pugliese

ICA #5658 - Istituto Centrale delle Banche Popolari Italiane
Banca Popolare del Sinni - Chiaromonte
Banca Popolare Veneta

Norway

ICA #1306 Europay Norge A/S
Skandinaviska Enskilda Banken Kort

Russian Federation

ICA #3749 Joint Stock Commercial Bank "AvtoBank"
Joint Stock Commercial Bank "Jugra"
Commercial Bank "Autoselkhoz mash"
Joint Stock Commercial "BIN" Bank
RUSSO Bank
Moscow City Bank
Commercial Bank "SDM-Bank"

ICA #5036 Baltivskiy Bank
Commercial Bank "HansaComBank"
Commercial Bank "ASTROBANK"

Turkey

ICA #3039 Pamukbank T.A.S.
Finansbank A.S.

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Belgium

ICA #1327 Europay Belgium S.A.
Europabank N.V.

United Kingdom

ICA #3325 The Royal Bank of Scotland Group Plc.
Roboscot 15 Ltd.

Terminations (June 14, 1995)

The Board of Directors is requested to recognize the automatic termination in principal membership of Latvian Deposit Bank and the MasterCard Committee is requested to terminate its license. The termination of membership and license was effective June 14, 1995.

The Board of Directors is requested to recognize the voluntary termination in principal membership of Gota Bank and the MasterCard Committee is requested to terminate its license. The termination of membership and license was effective June 14, 1995.

The Board of Directors is requested to recognize the voluntary termination in affiliate memberships of Banca Popolare di Lecce, Italy and Banca Popolare Puglia, Italy and the MasterCard Committee is requested to terminate their license. The termination of memberships and licenses were effective June 14, 1995.

Latin America

The Board of Directors and MasterCard Committee are requested to consider the following membership and licensing actions in the Latin America Region. All elections to membership and grants of license are effective July 20, 1995.

New Principal Members

Belize

The Belize Bank Limited

Mexico

Banco del Sureste, S.A.
Banco Industrial, S.A.

Puerto Rico

Banco Cooperativo de Puerto Rico

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Transfer from Affiliate to Principal Member

Bahamas

The Bank of Nova Scotia

Barbados

Caribbean Commercial Bank Limited

Mexico

Banco Mercantil del Norte, S.A
Banpais S.A.

New Affiliate Members

Brazil

ICA #1183 Credicard, S.A.
Citibank, N.A.
Itamarati Administradora de Cartoes de Credito Ltda.

Costa Rica

ICA #1179 Credomatic International, S.A.
Movimiento Solidarista Costarricense

Guatemala

ICA #1103 Credomatic Latinamericana
Banco de los Trabajadores

Puerto Rico

ICA #1302 Citibank, N.A., Puerto Rico
Citibank International

ICA #1476 Money Card Association PR League, Inc.
Poncebank
R.G. Premier Bank of Puerto Rico

Venezuela

ICA #2007 Banco Provincial S.A.C.A.
Banco Noroco, C.A.

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Name Changes

<u>ICA #</u>	<u>Former Name</u>	<u>New Name</u>	<u>Effective Date</u>	<u>Variance Through</u>
2537	Citibank, N.A. Mexico	Citibank Mexico S.A. Grupo Financiero Citibank	11/30/94	N/A

Middle East/Africa

The Board of Directors and MasterCard Committee are requested to consider the following membership and licensing actions in the Middle East/Africa Region. All elections to membership and grants of license are effective July 20, 1995.

Transfer from Principal Member to Affiliate Member

United Arab Emirates

Emirates Bank International Limited, ICA #3676, to an affiliate of Network International LLC, ICA #5734

New Affiliate Members

Lebanon

ICA #1520 Banque Libano-Francaise SAL /Commerce & Finance SAL
Transorient Bank SAL

ICA #2951 Al-Mawarid Bank S.A.L.
Metropolitan Bank SAL

ICA #3844 Fransabank SAL
Lebanese Canadian Bank SAL

Termination

The Board of Directors is requested to recognize the automatic termination in principal membership of Meridien International Bank Limited (ICA #3427) and the MasterCard Committee is requested to terminate its license. The termination of membership and license was effective April 11, 1995.

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United States

Pursuant to the MasterCard International Incorporated U.S. Region Bylaws, the U.S. Region Board of Directors has the right to consider membership and licensing actions in the U.S. Region. The U.S. Region Board of Directors is scheduled to consider the following licensing actions at its July 19, 1995 meeting. A report of the U.S. Region Board actions will be made to the Global Board of Directors and the MasterCard Committee, which will take appropriate action with respect to the licensing issues addressed by the U.S. Region Board. Accordingly, all elections to membership and grants of license are effective as of July 20, 1995.

New Principal Members

Advanta National Bank, Wilmington, DE
Banc One Point-of-Sale Services Corporation, Westerville, OH
Beneficial National Bank USA, Wilmington, DE
Data Center Incorporated, Hutchinson, KS
Direct Merchants Credit Card Bank, Salt Lake City, UT
Exchange, The, Bellevue, WA
ICUL Service Corporation, Indianapolis, IN
Indiana Telco Federal Credit Union, Indianapolis, IN
Kansas Electronic Transfer System, Inc., Wichita, KS
Minnequa Works Federal Credit Union, Pueblo, CO
NatWest Bank (Delaware)
Premium Federal Savings Bank, Gibbsboro, NJ

Transfer from Affiliate to Principal Member

Bank IV Oklahoma, N.A., Tulsa, OK
Bank of Boston - Connecticut, Hartford, CT
Bank of Yorkville, Yorkville, IL
Centra Federal Credit Union, Columbus, IN
Citizens First National Bank of Princeton, Princeton, IL
Consumer Credit Union, Greeneville, TN
Etowah Bank, Canton, GA
Farmers and Drivers Bank, Council Grove, KS
First Federal Credit Union, Sacramento, CA
First Federal Savings & Loan Assoc. of the Palm Beaches, Wt Palm Beach, FL
First National Bank in Alamogordo, Alamogordo, NM
First National Bank of the Florida Keys, Marathon, FL
First Pacific National Bank, Escondido, CA
Fort Wayne National Bank, Fort Wayne, IN
Hardwick Bank & Trust Company, Dalton, GA

Huntington National Bank West Virginia, Charleston, WV
 Kimberly Clark Credit Union, Memphis, TN
 Lockport Savings Bank, Lockport, NY
 Merchants National Bank of Aurora, Aurora, IL
 Prime Bank, Channelview, TX
 Prime Bank, Philadelphia, PA
 Southeastern Bank, Darien, GA
 Sovereign Bank, FSB, Wyomissing, PA
 Union County Bank, Blairsville, GA
 Union Federal Savings Bank, Indianapolis, IN
 Union National Bank & Trust Company, Souderton, PA
 USA Federal Credit Union, Troy, MI
 Western Bank of Las Cruces, Las Cruces, NM

Transfer from Principal to Affiliate Member

National Bank of Commerce Trust & Savings Association, ICA #5746, to an affiliate of Mid America Bankcard Association, ICA #1088

National Westminster Bank USA, ICA #3126, to an affiliate of NatWest Bank (Delaware), ICA #1574

Shoreline Bank, Benton Harbor, MI, ICA #2046, to an affiliate of Comerica Bank-Midwest, N.A., ICA # 1667

Union Bank & Trust Company, Lincoln, NE, ICA #2852, to an affiliate of The Abbot Bank, ICA #2097

Name Changes

<u>ICA #</u>	<u>Former Name</u>	<u>New Name</u>	<u>Effective Date</u>	<u>Variance Through</u>
1007	First Security Bank of New Mexico	First Security Bank of Utah, N.A.	05/10/95	05/10/95
1888	SCBA Financial Services, Inc.	SAF Financial Services, Inc.	06/01/95	N/A
1967	Midland Savings Bank, FSB	Amerus Bank	04/24/95	07/31/96
2206	First Federal Savings & Loan Association of Clark County	First Savings Bank, F.S.B.	03/01/95	N/A

<u>ICA #</u>	<u>Former Name</u>	<u>New Name</u>	<u>Effective Date</u>	<u>Variance Through</u>
2404	Tropical Telco Federal Credit Union	Tropical Federal Credit Union	04/15/95	N/A
2442	Union Trust Company	First Fidelity Bank	01/20/95	N/A
2540	First Federal Savings & Loan of Walterboro	First Carolina Bank, Federal Savings Bank	02/01/95	N/A
3095	Albany Savings Bank, FSB	ALBANK, FSB	06/10/95	N/A
3175	Clyde-Findlay Employees Federal Credit Union	Clyde-Findlay Area Federal Credit Union	01/31/95	N/A
3422	Seoul Bank of California	California Cho Hung Bank	04/20/95	03/20/96
3795	Capital City First National Bank	Capital City Bank	10/06/94	N/A
3863	Community Bank & Trust, s.b.	Community Bank & Trust	03/01/95	N/A
5814	Channelview Bank	Prime Bank	10/01/94	N/A
5945	Cummins Employees Federal Credit Union	Centra Federal Credit Union	05/09/95	N/A

Mergers

The Board of Directors is requested to recognize the merger of Security Capital Bank (ICA #2622) and Central Carolina Bank & Trust (ICA #3015). Central Carolina Bank & Trust is the surviving entity.

The Board of Directors is requested to recognize the merger of The Abbot Bank (ICA #2097) and Community First National Bank of Fargo, an affiliate of Firststar Bank Milwaukee, N.A. (ICA #1005). Community First National Bank of Fargo is the surviving entity.

The Board of Directors is requested to recognize the merger of Bank of Scottdales (ICA #2097) and Norwest Bank of Arizona (ICA #1470). Norwest Bank of Arizona is the surviving entity.

The Board of Directors is requested to recognize the merger of First State Bank & Trust Company of Park Ridge (ICA #2419) and First of America Bank - Michigan, N.A. (ICA #1098). First of America Bank - Michigan, N.A. is the surviving entity.

The Board of Directors is requested to recognize the merger of First Eastern Bank, N.A. (ICA #3129) and PNC Bank, National Association (ICA #1467). PNC Bank, National Association is the surviving entity.

The Board of Directors is requested to recognize the merger of Household Bank (California), N.A. (ICA #3329) and Household Bank (Nevada), N.A. (ICA #1467). Household Bank (Nevada), N.A. is the surviving entity.

The Board of Directors is requested to recognize the merger of Southern National Bank of North Carolina (ICA #2276) and Branch Banking & Trust Company (ICA #2271). Branch Banking & Trust Company is the surviving entity.

The Board of Directors is requested to recognize the merger of The Bank of Baltimore (ICA #2294) and First Fidelity Bank, N.A. (ICA #1596). First Fidelity Bank, N.A. is the surviving entity.

The Board of Directors is requested to recognize the merger of First National Bank in Albuquerque (ICA #1007) and First Security Bank of New Mexico (ICA #1494). First Security Bank of New Mexico is the surviving entity, which changed its name to First Security Bank of Utah, N.A.

The Board of Directors is requested to recognize the merger of Bank of The Hamptons (ICA #3172) and The Suffolk County National Bank (ICA #3190). The Suffolk County National Bank is the surviving entity.

The Board of Directors is requested to recognize the merger of Bank of A. Levy (ICA #1465) and First Interstate Bank of California (ICA #1352). First Interstate Bank of California is the surviving entity.

The Board of Directors is requested to recognize the merger of Commerce Bank, N.A. (ICA #2287) and Huntington National Bank West Virginia, an affiliate of Huntington National Bank (OH) (ICA #2228). Huntington National Bank West Virginia is the surviving entity, which is requesting a transfer to principal membership on this agenda.

Termination

The Board of Directors is requested to recognize the automatic termination in principal membership of Great American Bank, SSB (ICA #2131) and the MasterCard Committee is requested to terminate its license. The termination of membership and license was effective 5/16/94.

New Affiliate Members

ICA #1005 Firstar Bank Milwaukee, N.A.

American Community Bank, Wausau, WI
Community State Bank, Tipton, IA
Fairfax State Savings Bank, Fairfax, IA
First Bank South, Freeport, IL
First National Bank of Mapleton, The, Mapleton, MN
Heritage Federal Savings Bank, Cando, ND
Hinsdale Bank & Trust Company, Hinsdale, IL
North Shore Community Bank & Trust Company, Wilmette, IL
Wauwatosa Savings Bank, Wauwatosa, WI

ICA #1009 Payment Systems for Credit Unions, Inc.

Portland Federal Credit Union, Portland, MI

ICA #1017 MBNA America Bank, N.A.

Federal Savings Bank, The, Waltham, MA
Southern Missouri Savings Bank, Poplar Bluff, MO
Staten Island Savings Bank, Staten Island, NY
Summit Savings, A Federal Savings Bank, Rohnert Park, CA
West Essex Savings Bank, Caldwell, NJ

ICA #1060 New England Bankcard Association, Inc.

Framingham Co-operative Bank, Framingham, MA

ICA #1085 First National Bank of Commerce

Dothan Federal Savings Bank, Dothan, AL
Gulf Federal Bank, Mobile, AL

ICA #1088 Mid America Bankcard Association

Commercial Bank, Bassett, NE
South Central State Bank, Campbell, NE

ICA #1098 First of America Bank - Michigan, N.A.

Bank of Farmington, Farmington, IL

ICA #1113 Harris Trust & Savings Bank

First Community Bank, Kansas City, KS

ICA #1137 First Tennessee Bank, N.A.

First Tennessee Bank N.A. Mississippi, Southaven, MS
TNBank, Oak Ridge, TN

ICA #1138 First Bank of South Dakota, N.A.
Philippine National Bank, New York Branch, New York, NY

ICA #1166 M & I Madison Bank
Gulf Coast National Bank, Naples, FL
Valley Commerce Bank, Phoenix, AZ

ICA #1239 NBD Bank, N.A.
Bank of Hudsonville, Hudsonville, MI

ICA #1241 Bank One, Milwaukee, N.A.
Glynn Teachers Federal Credit Union, Brunswick, GA
Hawaii Community Federal Credit Union, Kealahou, HI

ICA #1385 Farmers & Merchants Bank of Long Beach
Evertrust Bank, City of Industry, CA

ICA #1452 National Bank of the Commonwealth
Reliable Savings Bank, PaSA, Bridgeville, PA

ICA #1470 Norwest Bank Iowa, N.A.
Norwest Bank Texas, Midland N.A., Midland, TX

ICA #1538 Credit Union Card Services, Inc.
CY-CO Federal Credit Union, Westwego, LA
Hingham Federal Credit Union, Hingham, MA
Intermountain Gas Federal Credit Union, Boise, ID
Kennedy VA Employees Federal Credit Union, Memphis, TN
Kennewick Community Federal Credit Union, Kennewick, WA
MFC Federal Credit Union, Turners Falls, MA
New York Metro Area Postal Federal Credit Union, New York, NY
Northwest Missouri Regional Credit Union, Maryville, MO
Perry Communities Credit Union, Waterloo, WI
Point Soo Credit Union, Stevens Point, WI
Schools Plus Federal Credit Union, Pendleton, OR
Southwest Montana Federal Credit Union, Anaconda, MT
Springfield Division of Ohio Edison Co. Credit Union, Inc., Springfield, OH
St. John Berchmans Federal Credit Union, Shreveport, LA
Tappan Credit Union, Inc., Mansfield, OH
Toledo Postal Employees Credit Union, Inc., Toledo, OH
Valley Industries Federal Credit Union, El Monte, CA

ICA #1711 First USA Bank

Balcones Bank State Savings Bank, San Marcos, TX
Bank of Honolulu, Honolulu, HI
Citizens Bank of Nevada County, Nevada City, CA
Fort Shafter Federal Credit Union, Fort Shafter, HI

ICA #1775 IBAA Bancard, Inc.

Bank of Troy, Troy, TN
City State Bank, Martin, TN
Commerce Bank of Alabama, Albertville, AL
Dakota Community Bank, Dickinson, ND
First Federal Savings Bank, Twin Falls, ID
Greene County Bank, Strafford, MO
Heritage Bank, Decatur, AL
Jersey Bank for Savings, The, Montvale, NJ
Kennebec Savings Bank, Augusta, ME
Liberty Bank, Salt Lake City, UT
Peoples Bank, Dickson, TN
Resource Trust Company, Minneapolis, MN
The State National Bank of Iowa Park, Iowa Park, TX
United Community Bank, Burlington, ND
Valley Bank, N.A., Roanoke, VA
Westside Community Bank, University Place, WA

ICA #1779 Mellon Bank, N.A.

Aroostook County Federal Savings and Loan Association, Caribou, ME
Haverhill Co-operative Bank, Haverhill, MA

ICA #2107 Whitney National Bank

Whitney Bank of Alabama, Mobile, AL

ICA #2120 The Bankers Bank

Capitol City Bank & Trust Company, Atlanta, GA

ICA #2220 Star Bank, N.A.

McCreary National Bank, Whitley City, KY

ICA #2256 Card Services for Credit Unions, Inc.

Alabama Central Credit Union, Birmingham, AL
MembersAlliance Credit Union, Rockford, IL
TMB Federal Credit Union, Cabin John, MD

ICA #2470 Independent Bankers' Bank of Florida
Marine Bank of the Florida Keys, Marathon, FL
Surety Bank, Deland, FL

ICA #2591 Old Kent Bank & Trust Co.
Ohio River Bank, Ironton, OH

ICA #2635 Independent State Bank of Ohio
First City Bank, Columbus, OH

ICA #2703 First Merchants Bank
Anderson Community Bank, Anderson, IN

ICA #2966 Shazam, Inc.
Bates County National Bank, Butler, MO
First National Bank, Primghar, IA
First State Bank, Riceville, IA
Kingsley State Bank, Kingsley, IA

ICA #3069 Town North National Bank
Sweetwater Teachers Federal Credit Union, Sweetwater, TX

ICA #3117 Banco Popular de Puerto Rico
Banco Popular FSB, Newark, NJ

ICA #3132 Shazam, Inc.
United Bank & Trust Company, Sheffield, IA

ICA #3613 CityBank
Islanders Bank, Friday Harbor, WA

ICA #3886 Citizens & Northern Bank
Community Bank of Sullivan County, Monticello, NY
First Service Bank, Lansdale, PA
Metrobank of Philadelphia, Philadelphia, PA

ICA #5050 Independent State Bank of Ohio
Farmers Bank, Owingsville, KY

ICA #5079 Bank of America, NT & SA
Banco Popular De Puerto Rico, Los Angeles, CA
Lutheran Credit Union of America, La Habra, CA
Peninsula National Bank, Rolling Hills Estate, CA

ICA #5326 Wells Fargo Bank
Commercial Bank of Nevada, Las Vegas, NV

ICA #5329 Boatmen's Credit Card Bank
First State Bank of St. Peter, St. Peter, IL

ICA #5352 United Missouri Bank, NA
Johnson County Bank, Overland Park, KS

ICA #5372 Horizon Bank & Trust, SSB
Henderson Federal Savings Association, Henderson, TX
Smithville Savings & Loan Association, Smithville, TX

ICA #5450 Midwest Payment Systems, Inc.
Christ Hospital Employees Federal Credit Union, The, Cincinnati, OH
Kenwood Savings & Loan Association, Cincinnati, OH
The North Cincinnati Savings Bank, Blue Ash, OH
Suburban Federal Savings Bank, Cincinnati, OH
Toledo Police Federal Credit Union, Toledo, OH
Western Credit Union, Inc., Columbus, OH

ICA #5452 Midwest Payment Systems, Inc.
Citizens Savings Bank FSB, Gaithersburg, MD
North Federal Savings Bank, Chicago, IL

ICA #5455 The Exchange
Boeing Employees' Credit Union, Tukwila, WA

ICA #5456 ZIP Network
Bank of Niota, Niota, TN
Citizens Savings Bank & Trust Company, St. Johnsbury, VT
Dean Co-Operative Bank, Franklin, MA
Gorham Savings Bank, Gorham, ME
Norway Savings Bank, Norway, ME
Sanford Institutions for Savings, Sanford, ME
Telephone Credit Union of N.H., Manchester, NH
Ware Co-Operative Bank, Ware, MA
Woburn Municipal Employees Federal Credit Union, Woburn, MA

ICA #5520 Mercantile Trust & Savings Bank
Farmer's Bank of Liberty, The, Liberty, IL

ICA #5560 LaSalle Talman Bank, F.S.B.
LaSalle Cragin Bank, FSB, Chicago, IL

ICA #5712 Service Centers Corporation

Besser Credit Union, Alpena, MI
CSE Credit Union, Clawson, MI
Calcite Credit Union, Rogers City, MI
Dairymen's Credit Union, Dearborn, MI
Downriver Community Federal Credit Union, Ecorse, MI
Elga Credit Union, Flint, MI
Great Lakes First Federal Credit Union, Escanaba, MI
Kalamazoo Postal Federal Credit Union, Kalamazoo, MI
Kalsee Credit Union, Kalamazoo, MI
Lapeer County Community Credit Union, Lapeer, MI
Monsanto Employees Federal Credit Union, Trenton, MI
Rudyard Pickford Coop Credit Union, Rudyard, MI
Soo Co-op Credit Union, Sault Ste Marie, MI
South Central State Employees Credit Union, Jackson, MI
Sterling Van Dyke Credit Union, Sterling Heights, MI
Tandem Federal Credit Union, Warren, MI
Willow Run Federal Credit Union, Belleville, MI

ICA #5786 First National Bank of West Point
National Bank of the South, Tuscaloosa, AL

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MC 20297

**Approval of Regional Board for the Middle East/Africa Region
Robert W. Selander, Canada, Europe, Middle East/Africa Regions**

PROPOSAL

To approve the creation of a regional board for the Middle East/Africa Region so that the present regional association board of the MasterCard Association of Middle East/Africa (the "ME/A Association Board") can take advantage of the authorities being delegated by the Board of Directors to MasterCard regional boards.

BACKGROUND

In June 1989, a regional association board for the MasterCard Association of Middle East/Africa was created. The ME/A Association Board, like the other boards of the unincorporated regional associations which were created at that time, is largely an advisory board without any substantial delegated authorities. Since the ME/A Association Board's inception, it has grown not only in size but in effectiveness in dealing with the critical issues facing the Middle East/Africa Region. Regional management has discussed in detail with the ME/A Association Board the possibility of becoming a regional board which is part of the MasterCard corporate structure with delegated authorities from the Board of Directors.

The ME/A Association Board has agreed to the creation of a MasterCard regional board for the ME/A Region (the "ME/A Regional Board") and has readily accepted the additional responsibility this will create. Regional management recommends that the present directors on the ME/A Association Board become the directors for the ME/A Regional Board. As the new directors for the ME/A Regional Board, the present directors would adopt regional board rules as contemplated in the new proposed governance rules. Members within the ME/A Region voted earlier this year to dissolve the MasterCard Association of Middle East/Africa effective upon the creation of the ME/A Regional Board.

ANALYSIS

Conversion of the regional association board to a MasterCard regional board is consistent with the goals of the Corporate Governance Project to delegate authorities to regional boards which are part of MasterCard's corporate structure.

Furthermore, regional management believes that the assumption of additional responsibilities by the ME/A directors and the conversion of the ME/A Association Board to a full regional board as part of the corporate structure will further enhance the effectiveness of these regional directors.

RESOLUTIONS OF THE BOARD OF DIRECTORS

RESOLVED, that, a regional board, which is part of the corporate structure of MasterCard, be, and hereby is, created for the Middle East/Africa Region;

RESOLVED FURTHER, that, the first directors to serve on the ME/A Regional Board shall be the present directors who are serving on the ME/A Association Board; and

RESOLVED FURTHER, that, the Middle East/Africa Region management is hereby directed to work with the newly created ME/A Regional Board to finalize board rules to be adopted by the ME/A Regional Board to define the procedures and process by which the ME/A Regional Board will function and to set forth the delegated authorities which will be assumed and exercised by the ME/A Regional Board.

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MC 20300

**Approval of Regional Board for the Latin America and Caribbean Region
Richard N. Child, Latin America and Caribbean Region**

PROPOSAL

To approve the creation of a regional board for the Latin America and Caribbean Region so that the present regional association board of the MasterCard Association of Latin America and Caribbean (the "LA/C Association Board") can take advantage of the authorities being delegated by the Board of Directors to MasterCard regional boards.

BACKGROUND

In June 1989, a regional association board for the MasterCard Association of Latin America and Caribbean was created. The LA/C Association Board, like the other boards of the unincorporated regional associations which were created at that time, is largely an advisory board without any substantial delegated authorities. Since the LA/C Association Board's inception, it has grown not only in size but in effectiveness in dealing with the critical issues facing the Latin America and Caribbean Region. Regional management has discussed in detail with the LA/C Association Board the possibility of becoming a regional board which is part of the MasterCard corporate structure with delegated authorities from the Board of Directors.

The LA/C Association Board has agreed to the creation of a MasterCard regional board for the LA/C Region (the "LA/C Regional Board") and has readily accepted the additional responsibility this will create. Regional management recommends that the present directors on the LA/C Association Board become the directors for the MasterCard Regional Board. As the new directors for the LA/C Regional Board, the present directors would adopt regional board rules as contemplated in the new proposed governance rules.

ANALYSIS

Conversion of the regional association board to a MasterCard regional board is consistent with the goals of the Corporate Governance Project to delegate authorities to regional boards which are part of MasterCard's corporate structure.

Furthermore, regional management believes that the assumption of additional responsibilities by the LA/C directors and the conversion of the LA/C Association Board to a full regional board as part of the corporate structure will further enhance the effectiveness of those regional directors.

RESOLUTIONS OF THE BOARD OF DIRECTORS

RESOLVED, that, a regional board, which is part of the corporate structure of MasterCard be, and hereby is, created for the Latin America and Caribbean Region;

RESOLVED FURTHER, that, the first directors to serve on the LA/C Regional Board shall be the present directors who are serving on the LA/C Association Board; and

RESOLVED FURTHER, that, the Latin America and Caribbean Region management is hereby directed to work with the newly created LAC Regional Board to finalize board rules to be adopted by the LAC Regional Board to define the procedures and process by which the LAC Regional Board will function and to set forth the delegated authorities which will be assumed and exercised by the LAC Regional Board.

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MC 20303

Approval of Bylaws and Rules Changes
Ernesto E. Grether, Director
H. Eugene Lockhart, President and CEO
Gayle M. Rigione, Office of the CEO

PROPOSAL

To approve the changes in the corporation's Bylaws and adopt new rules which implement the delegation of authority for MasterCard-branded products and services to regional boards from the Board of Directors.

BACKGROUND

MasterCard management has been working with the Corporate Governance Sub-Committee of the Board of Directors since November 1994 to make a strategic decision with respect to the governance of the corporation and the empowerment of the regional boards for decisions affecting MasterCard-branded products and services. At the March 1995 meeting in Sydney, the Board of Directors approved the proposed delegations of authority from the Board of Directors to the corporation's regional boards. As part of that approval, the Board of Directors directed management to develop the rules necessary to implement the proposed delegations. Attachment A to this agenda item sets forth the proposed changes to the Bylaws and a new chapter of the rules portion of the Bylaws and Rules Manual designed to implement the delegations of authority referred to above. With the exception of Sections 2(a) and (b) of Article I which are provided for reference, only the affected sections of the Bylaws are provided in Attachment A.

ANALYSIS

The changes to the Bylaws basically reflect (i) the status of the regional boards (ii) the fact that authority has been delegated to the regional boards and where the delegations are found in the rules and (iii) the regional boards' role in the licensing and budgeting process.

The new rules set forth the regional board delegations, as well as the rights of the Board of Directors with respect to such delegations and the means by which each regional board will implement the delegations. The rules also reflect that, as each regional board adopts its board rules, said board rules will be set forth as a separate chapter following the general delegation provisions.

The adoption of these bylaws and rules changes will put in motion the adoption of the board rules by each regional board, pursuant to a process to be developed by management.

RESOLUTION OF THE BOARD OF DIRECTORS

RESOLVED, that, the amendments to the Bylaws of the corporation and the adoption of the new rules regarding governance, in the form set forth in Attachment A to this agenda item, be, and hereby are, approved and adopted.

ARTICLE I
MEMBERSHIP

Sec. 1 Eligibility. The following are eligible to become members of this corporation:

(a) Effective for entities applying for membership on or after 15 July 1993, any corporation or other organization that is a financial institution that is authorized to engage in financial transactions under the laws and/or government regulations of the country, or any subdivision thereof, in which it is (i) organized or (ii) principally engaged in business. "Financial transactions" for purposes of this section shall mean the making of commercial or consumer loans, the extension of credit, the effecting of transactions with payment services cards, the issuance of travelers cheques, or the taking of consumer or commercial deposits. Any such financial institution must have the requisite right, power, and authority, corporate and otherwise, to function as a member of this corporation and to engage in any activities contemplated by that financial institution that would utilize one or more of this corporation's trademarks and services. Any such financial institution also must be regulated and supervised by one or more governmental authorities and/or agencies authorized and empowered to establish and/or enforce rules regarding financial transactions and the financial condition, activities, and practices of entities engaging in such financial transactions. With respect to any financial institution that does not take deposits, it shall be a further requirement that financial transactions constitute substantially all of the business conducted by such institution. The Board of Directors, by a two-thirds vote, shall have the right, but not the obligation, to modify the above membership eligibility criteria on a regional or country-by-country basis for any reason. Notwithstanding the foregoing, a MasterCard regional board [see Article II, Section 1 (b)] or any other entity responsible for licensing within a region (hereinafter "Membership Entity") shall have the right to propose different membership eligibility criteria on a regional or country-by-country basis, which eligibility criteria shall not become effective until approved by a two-thirds vote of the Board of Directors. In the event that the foregoing eligibility criteria would violate the laws or regulations of any country, then the Board of Directors ~~shall~~ may adopt, consistent with the safety and soundness objectives reflected above, by a two-thirds vote, eligibility criteria that comply with the laws and regulations of such country.

Sec. 2 Application for Membership.

(a) Any financial institution or other entity eligible for membership as provided in Article I, Section 1, may apply to become a member of this corporation in the class or classes that it may elect and for which it is eligible under Article I, Section 3. Applications for membership must be made in the form and include all of the information that the Board of Directors may from time to time require. An application must be accompanied by the correct licensing and initiation fee or fees.

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(b) An applicant for membership in any class must agree, and by execution and submission of an application for membership it shall have agreed, that it will comply with all applicable provisions of the Certificate of Incorporation, bylaws, rules and regulations, and published policies of this corporation as in effect from time to time.

(c) A completed application for membership must, if practical, be considered at the next regularly scheduled meeting of the Board of Directors, or, if applicable, of the MasterCard regional board or board of a Membership Entity, after receipt by this corporation of the application.

(d) ~~The affirmative vote of not less than a~~ A majority vote of the ~~entire directors present at a meeting of the~~ Board of Directors is required to elect an applicant to membership. ~~The foregoing notwithstanding, if election to membership in this corporation in a region has been delegated to a MasterCard regional board or board of a Membership Entity, a majority vote of the entire directors present at a meeting of the MasterCard regional board or board of the Membership Entity is required to elect an applicant to membership.~~ The action taken on all applications by the Board of Directors on all applications must be recorded in the minutes of the meeting of the board which acted upon it and, if any application is disapproved, the reasons therefor must be stated in those minutes.

(e) Prior to consideration of a membership application by the Board of Directors, or, if applicable, a MasterCard regional board or board of a Membership Entity, the President of this corporation or his designee may permit, in the absolute discretion of that person, any eligible applicant that has submitted a properly completed membership application, including the appropriate license agreement or agreements, to utilize this corporation's trademarks, and to participate in this corporation's activities as if it were a member, but with no right to vote during that interim period. Any such interim authorization is subject to the subsequent approval or disapproval of the application by the Board of Directors or, if applicable, the MasterCard regional board or board of a Membership Entity. Prior to being granted such ~~permission~~ authorization, the applicant must agree, and by commencement of MasterCard activities it shall have agreed, to comply during any interim period (and thereafter as necessary) with the applicable Bylaws, rules and regulations, and published policies of this corporation, and to discontinue immediately any such utilization and participation if its application is not approved. All damages, losses, and liability arising directly or indirectly, or consequentially, from any interim utilization and participation and from the disapproval will be solely at the applicant's risk and expense, and ~~neither this corporation nor its Board of Directors, nor any MasterCard regional board nor board of a Membership Entity will have no~~ shall have any responsibility for those damages, losses, or liabilities.

Sec. 14 Licenses. Each successful applicant for membership shall, as a condition of such membership, execute the then-effective license applicable to the

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class of membership to which it has been elected and assist MasterCard in recording such license if required in the country of license. With respect to individual applicants for membership, the Board of Directors or MasterCard regional board, as the case may be, may add additional requirements or limitations to the standard member's license, as it reasonably deems appropriate. Any entity using any of this corporation's trademarks must have a license or other written authorization from this corporation to do so or must be using such trademark pursuant to authorization from an entity having the power to authorize it to do so.

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ARTICLE II
BOARD OF DIRECTORS

Sec. 1 Powers.

(a) The business of this corporation shall be managed, directed, and controlled by the Board of Directors, which may exercise all of the powers of this corporation and do all lawful acts and things as are not (i) by statute, the Certificate of Incorporation, or these Bylaws directed or required to be exercised or done by the members ~~or by the MasterCard Committee~~ or (ii) specifically delegated as provided in the Bylaws of this corporation as related to membership and licensing the use of the service marks and trademarks to prospective members having their principal place of business in Europe for use in Europe, specifically delegated under the provisions of Article VIII below.

(b) Upon the affirmative vote of two-thirds of the entire Board of Directors, the Board of Directors may establish or designate one or more MasterCard regional boards, which shall exercise those powers and authorities delegated to them by the Board of Directors ~~and the MasterCard Committee~~ with respect to ~~those~~ members having their principal place of business and/or ~~operating~~ authorized to use the service or trademarks of this corporation within their region. ~~A~~ Each MasterCard regional board ~~may shall~~ be ~~(i) a part of the corporate structure of this corporation, subject to supervision by the Board of Directors of the corporation, or (ii) may be a board of directors of an association of MasterCard members within the region or (iii) a board of directors of any other entity, which the MasterCard Board of Directors determines is appropriate to serve as the regional board for the region.~~ The Board of Directors has delegated certain powers and authorities to MasterCard regional boards in the manner, and to the extent, set forth in the rules portion of the Bylaws and Rules Manual.

(c) The Board of Directors may overrule any decision or action taken by a MasterCard regional board in accordance with the following:

(i) by a two-thirds vote of the directors present at a meeting of the Board of Directors if the action taken by such regional board is consistent with the position of the President of the corporation or his senior management designee for such matters;

(ii) by a majority vote of directors present at a meeting of the Board of Directors if the action taken by such regional board is not consistent with the position of the President of the corporation, or his senior management designee for such matters, provided that directors representing at least three of the corporation's regions are among those directors voting in favor of such overrule. A director shall be deemed to represent a region if he or she was proposed for nominator, to the Board of Directors on the slate of nominees submitted to the Executive Committee by such region or was otherwise proposed by such region for election to the Board of Directors.

~~Upon the establishment or designation of a MasterCard regional board, the Board~~

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~~of Directors shall exercise all the powers of this corporation and do all lawful acts and things as related to membership and licensing the use of the service and trademarks to prospective members having their principal place of business in the region for which the MasterCard regional board was established or designated except to the extent that (i) the Board of Directors has specifically delegated a power and authority to the MasterCard regional board, and (ii) such delegated power and authority, together with any limitations and/or requirements with respect thereto, are set forth in the rules portion of the corporation's *Bylaws and Rules* manual. In the event the approval process, including without limitation the vote required, with respect to a power and authority delegated, as provided above, to a MasterCard regional board is different from that set forth in a bylaw or rule requiring action or a vote by the Board of Directors, then, to the extent exercised, the MasterCard regional board's approval process shall take precedence and be the corporate process required to undertake any delegated activity or to exercise any delegated power and authority.~~

~~The grant of any delegated power and authority is expressly conditioned on compliance by a MasterCard regional board with applicable law and all other requirements set forth in this corporation's *Bylaws, rules and regulations, membership and licensing policies, and other policies.*~~

~~Any authority delegated to a MasterCard regional board may be rescinded by the adoption of a resolution to that effect by a two-thirds vote of the Board of Directors. At the time of any such delegation, the Board of Directors shall establish any ratification requirements with respect to action by the MasterCard regional board, as well as the number of votes necessary for the Board of Directors to rescind any specific, delegated action taken by the MasterCard regional board.~~

(End of Sec. 1)

ARTICLE VI**REGIONS, FEES, AND ASSESSMENTS****Sec. 3 Annual Budget, Fees, and Assessments.**

Utilizing the Board of Directors' approved RGO (Regional, Global, and Operations) planning, budgeting, and reporting methodology, the individual regions shall prepare annual expense budgets with revenue programs and strategic pricing initiatives sufficient to meet the funding requirements. The proposed regional budgets shall be supportive of regional board-directed marketing programs and shall include sufficient resources to fund the assignments of global and operations expenses. Operations expenses are generally assigned on a user-pay basis. Global expenses are generally assigned by use of an equitable distribution funding mechanism that incorporates the value of worldwide brand awareness programs and card utility support.

~~Annually, the each MasterCard regional board or equivalent designated body for each region will shall review and make a recommendation to the Board of Directors of this corporation regarding regional management's proposed establish a regional budget for the following year, which budget shall provide sufficient funds to (i) vigorously promote the brand and fund the other regional programs, initiatives and activities and (ii) fund the region's assignment of centrally managed expenses. The method of funding the regional budget shall be by assessments and other fees (including, without limitation, transaction and operationsng fees) paid to this corporation by the members in the region. Each member within a region shall pay not less than the amount established as the minimum assessments and fees payable by each member within the region. Each proposed regional budget will. If budgeting authority has not been delegated to a MasterCard regional board in a region, the annual budget for the region shall be subject to the reviewed and approved of by the Board of Directors of the corporation.~~

This corporation's entire Annual Budget incorporating all regional budgets shall be submitted to the Board of Directors for its approval at least 630 days prior to the fiscal year to which it applies. ~~As part of its review and approval process~~ In its review of such Annual Budget, the Board of Directors shall, among other things, ensure that each final regional budget provides for the appropriate level of expenses assigned to the region and the ~~minimum~~ level of expenditures necessary to appropriately support this corporation's brands and programs in that region and an appropriate method of funding such ~~expenditures~~.

Chapter 15

Delegation of Authority to Regional Boards

Introduction

In June 1989, the Board of Directors established unincorporated regional associations of MasterCard members, each having a board with employees of members serving as directors. These boards were not part of the MasterCard corporate structure. These boards had little authority as to MasterCard and generally provided recommendations to MasterCard management.

In November 1991, the Board of Directors established the first regional board which was part of the MasterCard corporate structure, namely, the U.S. Board. That board was delegated specific powers, subject to the right of the Board of Directors to overrule action taken by the U. S. Board.

In November 1993, the Board of Directors established an Asia/Pacific regional board which was again part of the MasterCard corporate structure. That board was delegated specific powers, subject to the right of the Board of Directors to overrule action taken by the Asia/Pacific Board.

At the time of creation of the Asia/Pacific Board, MasterCard had three different approaches to regional governance within the regions. These three approaches were (i) a regional board as part of the corporate structure (with specific delegated authority) (ii) a regional board of an association of MasterCard members (principally advisory) and (iii) boards of independent entities with limited contractual rights in the region.

In November 1994, MasterCard management recommended that the approach and the delegated authority be standardized for all regions so that each regional board can exercise the same delegated authority regarding issues within the region. The Board of Directors approved this proposal in March 1995 and formally adopted the rules implementing the regional board strategy in July 1995.

15.01 Delegation and Reservations in General

The Board of Directors of the corporation has delegated to the MasterCard regional boards (as defined in Section 1 of Article II of the Bylaws of the corporation and also referred to in this Chapter 15 as "regional boards") the authority of the Board of Directors with respect to those matters specified in Section 15.02 below. The exercise of such delegated authority is subject to the supervision of the Board of Directors, as provided in Section 15.02 below. Such delegations shall become effective as to each MasterCard regional board on the date that the board rules, in form and substance consistent with the provisions of this Chapter 15, are adopted by the regional board. Such regional board rules shall set forth, among other things, the procedures and processes by which the regional board will function and the delegated authorities the regional board will exercise. A regional board may not amend or modify any of the delegated authority established by the Board of Directors.

For purposes of this Chapter 15, a "Regional Member" shall mean any MasterCard member licensed as a principal card member, affiliate card member or association card member of the corporation, to engage in MasterCard Business within the Region.

With respect to the authority of the Board of Directors as it relates to regional matters:

(i) the Board of Directors shall retain all rights, powers and authorities not specifically delegated under the Bylaws and this Chapter 15 to the regional boards or the boards of other entities;

(ii) the Board of Directors shall have the sole authority to resolve any issues relating to the authority delegated to a regional board including, without limitation, whether the regional board has acted in accordance with its delegated authority with respect to a specific matter;

(iii) the Board of Directors may require a regional board to act upon an issue, responsibility for the subject matter of which has been delegated to the regional board;

(iv) the Board of Directors shall have the right to take action with respect to matters that a regional board, with authority to act and an obligation to do so, has not acted upon in a timely manner in the opinion of the Board of Directors.

15.02 Specific Delegations of Authority

a. Pursuant to the delegation from the Board of Directors, a regional board shall have the right to take the following actions with respect to the matters indicated, provided that such actions shall only affect and apply to the affairs of the members licensed, and applicants for a license, within such region and to transactions taking place entirely within such region and, then, only with respect to MasterCard-branded products (other than travelers cheques), services, programs and activities.

(I) Membership and Licensing. The regional board shall review all completed applications for membership in the corporation, submitted in connection with a request for a license in the region, and act upon such applications within the time and in the manner contemplated in the Bylaws, rules and policies of the corporation. The regional board shall also have the power and authority to act

upon any requests from regional members regarding change of membership status (other than termination) and class of membership. The regional board shall grant non-exclusive licenses to new regional members to enable such regional members to use the corporation's service marks and trademarks in one or more specified countries within the region. The regional board shall also be responsible for acting upon requests for extensions of areas of use of existing licenses to one or more countries within the region. Each new license, and extension of area of use, shall be granted in the manner contemplated in Section 14 of Article I of the Bylaws of the corporation. Only the Board of Directors shall have the right to terminate a regional member's membership and license; however, the regional board shall have the right to recommend such terminations to the Board of Directors.

(ii) Fines and Disciplinary Actions. The regional board shall have the power and authority to (i) establish and approve fines and disciplinary actions for intraregional violations of MasterCard's Bylaws, rules, policies and/or procedures by members within the region and (ii) recommend terminations of such members to the Board of Directors.

(iii) Annual Expense Budget. The regional board shall have the power and authority and the obligation to approve an annual budget for the region within the time frames needed to approve the overall corporate budget. Such budget shall comply with the provisions of Section 3 of Article VI of the Bylaws of the corporation.

(iv) Assessments and Fees. The regional board shall have the power and authority and the obligation to fix, impose and collect assessments and fees from members within the region in order to appropriately fund the region's budget. This power shall extend to interregional transactions in which a regional member is involved.

(v) Surplus Funds. The regional board shall have the power and authority to determine the distribution of a portion of any revenues in excess of budgeted amounts in any year, provided that such disposition is consistent with the corporation's reinvestment policy for excess funds then in effect or such other amount as agreed with the President of the corporation.

(vi) Additional Funding. The regional board shall have the power and authority to levy additional assessments and/or fees upon members within the region for the purpose of generating additional funds above budgeted revenue in order to fund regional initiatives not provided for in the region's annual budget. This power shall extend to interregional transactions in which a regional member is involved.

(vii) Intraregional Interchange Fees. The regional board shall have the power and authority to approve intraregional interchange fees, subject to regional and global regulatory requirements.

(viii) Intraregional Operating Rules. The regional board shall have the power and authority to adopt intraregional variances to the corporation's operating rules, policies and procedures which shall apply only to regional members and their transactions effected wholly within the region. Operating rules, policies and

procedures cover the standards and procedures governing how a specific transaction is initiated and processed, and how any related disputes are resolved. Such rules may not have any effect, intended or unintended, outside the region.

(ix) Intraregional Product and Enhancement Development. The regional board shall have the power and authority to approve intraregional products and enhancement services involving the creation and ongoing management of new regional payment vehicles and enhancement services that add value to new and existing products. Such products and enhancement services shall be for intraregion use only and may not have any effect, intended or unintended, outside the region.

(x) Affinity and Co-Branding Rules. The regional board shall have the power and authority to approve the following specific affinity and co-branding rules for the card programs of members within the region:

- allowance of multiple affinity/co-branding logos on the face of MasterCard cards;
- allowance of discounts at the point of sale; and
- allowance of proprietary accounts (i.e., an account used for the purchase of goods and services, or providing cash access separate from a MasterCard account, and maintained by a company other than a MasterCard member).

The foregoing shall not be deemed to allow adoption of any affinity/co-branding rule which would be more restrictive than the global affinity/co-branding rules.

(xi) Regional Board Processes. The regional board shall establish the procedures and requirements for managing the regional board and its activities. The procedures and the requirements established shall be set forth in the regional board rules and shall comprise, among other things, quorum requirements, minimum vote requirements, director remuneration and the creation and seating of committees.

The delegation of the above power and authority is conditioned upon compliance by a regional board with applicable law and all of the requirements set forth in the corporation's Bylaws, rules and regulations, membership and licensing and other policies. The aforementioned powers and authorities may not be delegated by the regional board. Management shall establish the processes supporting the regional boards in their exercise of delegated authority.

b. The regional boards shall conduct their affairs in such a way as to support regional management's accountabilities to manage the region in a way that upholds global customer standards and contributes to the achievement of the corporation's global objectives. In connection with this accountability, regional management is responsible for the following:

- (i) ensuring that issuance and awareness of all MasterCard brands are as high as possible;
- (ii) delivering unsurpassed acceptance of all MasterCard brands, both real and perceived;

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(iii) supporting the quality and integrity of the corporation's global operating systems;

(iv) ensuring all global MasterCard Bylaws and rules and standards are complied with. To better meet local consumer needs, regional management shall identify and secure intraregional variations of rules (as required) that meet regional customer needs while supporting global customer standards;

(v) managing financially in such a manner that the corporation can afford the investments required to meet ever-changing customer needs, including initiatives to enhance brand awareness, upgrade technology, and contribute to global or regional initiatives of strategic importance;

(vi) managing MasterCard regional boards in a manner that ensures the long-term health of the corporation;

(vii) providing added value to members through research, marketing, operations and financial activities so that customer needs and expectations are addressed.

Regional management and the regional board chairman will report on the region's performance relative to the above responsibilities to the Board of Directors and the President of the corporation on a periodic basis.

c. As provided in Section 1(c) of Article II of the Bylaws of the corporation, the Board of Directors may overrule any decision or action taken by a regional board in accordance with the following:

(i) by a two-thirds vote of the directors present at a meeting of the Board of Directors if the action taken by the regional board is consistent with the position of the President of the corporation or his senior management designee for such matters;

(ii) by a majority vote of directors present at a meeting of the Board of Directors if the action taken by the regional board is not consistent with the position of the President of the corporation, or his senior management designee for such matters, provided that directors representing at least three of the corporation's regions are among those directors voting in favor of such overrule. A director shall be deemed to represent a region if he or she was proposed for nomination to the Board of Directors on the slate of nominees submitted to the Executive Committee by such region or was otherwise proposed by such region for election to the Board of Directors.

15.03 Regional Board Rules

The regional board rules for the regions are set forth in the following chapters. Once finalized and published, any proposed change in the processes and procedures set forth therein may only be effected by adoption of a modification of such board rules which shall be set forth in the appropriate chapter of this manual.

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**MasterMoney (Debit) License Program
Liability for MasterMoney Licensees
Arthur D. Kranzley, U.S. Region Debit Products
Christopher D. Thom, Franchise Management**

PROPOSAL

To achieve a competitive position in U.S. off-line debit cards among smaller institutions associated with regional EFT networks, associations and bank holding companies by relieving Principal Debit Licensees of liability for the MasterMoney obligations of sponsored Affiliate Debit Licensees. MasterCard itself would assume such liability after a risk review by Franchise Management.

BACKGROUND

- At their respective meetings in March 1995, the Global and U.S. Region Boards approved the MasterMoney (Debit) License Program and created Principal and Affiliate Debit Licenses for MasterMoney card issuance. Both Boards asked that the proposed liability relief for Principal Debit Licensees be further researched and presented at their meetings in July. In June, the Executive Committee approved the MasterMoney (Debit) License Agreement for Principal and Affiliate Debit Licensees.
- U.S. Region Debit Services estimates that the total number of potential off-line debit cards in the U.S. is approximately 100-105 million cards. Of this potential number, Visa Check currently has about 20.7 million committed cards (50% of which are brokerage accounts) and MasterMoney has 4.8 million. Thus there is a potential growth market of over 75 million off-line debit cards. On average, 38% of cards are actively used. These active cards are used four times per month with an average of \$42 per transaction.
- Debit Services considers the liability relief described in the proposal to be critical to the success of the MasterMoney program. With the liability program in place, Debit Services estimates that the number of MasterMoney cards issued will grow from 4.8 million at year-end 1994 to 15 million at year-end 1997. Annual dollar volume is expected to increase from \$2.4 billion in 1994 to \$7.5 billion in 1997. The number of participating financial institutions is expected to grow from 550 in 1994 to 1,000 in 1997.
- Without the liability program in place, Debit Services estimates that 20% of the above card estimates will be lost to the competition. This results in an estimated loss of revenue of \$4.4 million for 1995-1997. This calculation assumes flat revenue per card of \$1.50 for 1995 - 1997, 50% realization of revenue for the first year, and a realized 20% growth rate on the new card base.

- Debit Services also believes that there will be a corresponding loss of momentum in the growth of our family of brands should this liability program not be approved. Debit Services estimates that there would be a 20-30% decrease in the growth of Maestro as issuers commit to Interlink and a 10-20% decrease in the growth of Cirrus as issuers commit to Plus. This is due to the fact that in the U.S., MasterMoney, Maestro, and Cirrus are marketed together as "The Complete Debit Program". Also, Visa's rules do not allow duality for POS debit. Thus, an institution that signs for Visa Check is lost to both MasterMoney and Maestro.

RISK SUMMARY

- MasterCard staff will apply the existing Member Risk policies and procedures to the MasterMoney licensees. Accordingly, staff believes that MasterCard is not accepting risk any greater than that currently incurred through our normal credit card licensing program.
- The Member Risk policies and procedures contain four categories of standards used to evaluate principal members of MasterCard, Cirrus, and Maestro. The four categories are the Core Financial Standards, the Management and Control Standard, the Country Risk Standard, and the MasterCard Program Standards. Franchise Management reviews new member applicants at the time of their application and reviews all principal members each quarter for compliance with these standards. An overview of these Member Risk policies and procedures will be presented to the U.S. and Global Boards.
- As stated above, Franchise Management will use existing Member Risk policies and procedures to evaluate Affiliate Debit Licensees and, where appropriate, Principal Debit Licensees at set-up and each quarter thereafter. These policies and procedures have previously been approved by the Board. One of the Core Financial Standards, the minimum capital requirement of \$10 million, would need to be waived in order to accommodate the smaller institutions expected to participate as Affiliate Debit Licensees to be competitive with Visa. However, it should be noted that the individual programs will be small because institutional size is fairly proportional to the number of DDA accounts.
- Institutions not in compliance with Member Risk policies and procedures would be required to provide a protective arrangement. The amount of a protective arrangement is related to the size of the MasterMoney program.
- There is no acquiring activity by these MasterMoney licensees and therefore no merchant or chargeback exposure under this program.
- With respect to off-line debit transactions in the event of an issuer's failure, as a practical matter, treatment of these transactions through the date of the closing of the institution by the FDIC would be similar to credit card transactions.

MasterMoney transactions presented for payment by MasterCard by the close of business on the day the issuing financial institution is closed generally would be settled in the ordinary course of business. Although the FDIC has discretion in this regard, debit card transactions of such an institution, which are subsequently presented for payment, should be eligible for reimbursement under the FDIC's deposit insurance practices, if (i) the amount on deposit at the time of the closing was sufficient to cover the claim (ii) the insurance cap is not exceeded and (iii) there are no amounts owed by the claimant to the failed institution which would be eligible for offset. It is not clear how long after the closing of such an institution that debit claims would be accepted and paid, so MasterCard would have some risk for transactions in the pipeline. In this regard, however, MasterMoney transactions could actually be treated more favorably than credit card transactions in the pipeline for which there is no insurance against which to claim. As a practical matter, most credit and deposit accounts are assets of a failed institution which are transferred, subject to liabilities, to other institutions as part of the receivership process.

- MasterCard assumes no liability for any settlement failure disputes that occur between a Principal Debit Licensee and an Affiliate Debit Licensee it sponsors. This situation is purely a contractual issue between the Principal and Affiliate Debit Licensees.
- Based on our MasterCard member experience in the U.S., we would expect an additional two institution failures per year as a result of the institutions that participate as MasterMoney licensees. MasterCard expects to have sufficient security in place to avoid incurring losses as a result of the failure of a MasterMoney issuer.
- The staffing impact to Franchise Management as a result of the additional monitoring related to this liability program is estimated to be 1/2 FTE per year.

RESOLUTIONS OF THE BOARD OF DIRECTORS

RESOLVED, that, a Principal Debit Licensee should not be held liable for the MasterMoney obligations of any Affiliate Debit Licensee it sponsors in the event that such an Affiliate Debit Licensee should fail. MasterCard would assume and/or absorb such liability, including settlement, assessments, fees, chargebacks, and the cost of manuals and marketing materials.

RESOLVED FURTHER, that, MasterCard should review Affiliate Debit Licensees for compliance with Member Risk policies and procedures at set-up and each quarter thereafter. All principal member standards will apply except for the \$10 million minimum capital standard.

RESOLVED FURTHER, that, those Principal Debit Licensees that are also deposit-taking financial institutions that issue MasterMoney cards

should also be evaluated for compliance with Member Risk policies and procedures at set-up and each quarter thereafter.

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1996-1997 International Interchange Fee Recommendations
Joseph Rio, Corporate Finance
Bella Stavchansky, Corporate Finance

PROPOSAL: For the 1996-1997 interchange year, effective April 1996, we propose the following actions be adopted with regard to international interchange fees:

- implement the cost-based rate for the international standard interchange fee to ensure adequate issuer cost recovery consistent with our cost-based philosophy, and
- maintain the international electronic interchange fee at the current level to avoid market disruption and safeguard global acceptance.

BACKGROUND:

- International interchange fees are reviewed annually to determine the most up-to-date cost to issuers of providing guaranteed international transactions to cardholders
- Based upon the results of the recently completed annual cost study, the cost-based international standard interchange fee for 1996-1997 is 1.43% + US\$0.10
- Based upon the results of the recently completed annual cost study, the cost-based international electronic interchange fee for 1996-1997 is 1.23% + US\$0.09
- The international interchange fees in effect for the 1995-1996 interchange year include a standard (cost-based) fee of 1.41% + US\$0.10, and an electronic fee of 1.10%. Visa's current international interchange fees include a standard fee of 1.44% and an electronic fee of 1.00%.
- The electronic fee reflects a market-based competitive rate, which has been held at the same level since its introduction in April of 1994 to allow the market to fully absorb and adjust to the fee

- In order to qualify for the international electronic fee, all transactions must meet current operating criteria, including; card and cardholder present, face-to-face transaction, Banknet authorization, entire magnetic stripe read and transmitted, five day clearing, inclusion of an interchange rate indicator of "3", and inclusion of original issuer's response code in the clearing record

ANALYSIS:

Our recommendation with regard to the appropriate action to take for the 1996-1997 interchange year is to:

- Implement the cost-based international standard interchange fee of 1.43% + US\$0.10, and
- For competitive reasons, maintain the international electronic interchange fee at 1.10% without any revisions to the corresponding qualifying criteria, subject to the occurrence of subsequent changes in the competitive environment.

The rationale is as follows:

- Implementation of the full-cost standard rate is consistent with our cost-based interchange philosophy
- The electronic fee is market driven and competitively aligned
- The implementation of this proposal ensures that a continued, significant level of member cost recovery is transferred through the interchange system
- The global acceptance infrastructure is not put at risk

RESOLUTION OF THE BOARD OF DIRECTORS:

RESOLVED: that the following international interchange fees be adopted for the 1996-1997 interchange year:

- A standard interchange fee of 1.43% + US\$0.10, and
- An electronic interchange fee of 1.10%

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MSP Rules Variations for Europe
Christopher D. Thom, Franchise Management

PROPOSAL

Europay has asked that MasterCard adopt certain variations to its MSP rules for the European region in order to make MasterCard rules consistent with recently adopted Europay MSP rules. MasterCard staff supports the proposal.

BACKGROUND

- Member Service Providers (MSPs) are non-members of MasterCard that provide services to MasterCard members in support of their issuing and acquiring programs. MasterCard established MSP rules in 1989 and modified them in 1991 and again in 1994. These rules appear in Chapter 5 of the Bylaws and Rules.
- Europay recently established MSP rules as part of its newly adopted Membership Rules. Although they are largely comparable to MasterCard's MSP rules, there are several differences. Therefore, MasterCard is asked to adopt certain European variations to its MSP rules to ensure underlying consistency throughout.

ANALYSIS

MasterCard's existing MSP rules clearly require that members control the activities of their MSPs and are represented as such in the marketplace. Europay's MSP rules seek to ensure an even greater level of member control. These additional requirements are appropriate and feasible within the European business environment although they are generally not feasible on a global basis.

The following is a synopsis of the five European variations to MasterCard's MSP rules being proposed:

- **Merchant Agreements.** MasterCard's MSP rules require that each member approves each merchant to participate in its acquiring program and enters into a written agreement directly with the merchant. Although MasterCard's rules require the member to sign the merchant agreement, they do not preclude the MSP from also being a party to the merchant agreement. In contrast, Europay's MSP rules prohibit an MSP from being a party to any merchant agreement, even if the member also signs the agreement. It is proposed that a comparable MasterCard rule be adopted for Europe prohibiting MSPs from being party to merchant agreements.

- **Collection of Fees by MSPs.** MasterCard's MSP rules require that members approve all fees charged by MSPs to merchants and cardholders. However, MasterCard does permit MSPs to collect fees except the "discount rate" from merchants and application fees from cardholders. In contrast, Europay's rules do not permit MSPs to collect any fees related to the member programs they support. It is recommended that MasterCard also adopt this rule for Europe as it has the full support of the membership of the EPI Board.
- **Member Contact Person.** MasterCard's MSP rules require that all program materials distributed by MSPs disclose the members' names and locations so that merchants and cardholders can contact the members if necessary. Europay's rules further require that each merchant be provided with the name of a contact person at the member institution. This person must be an employee of the member, not of the MSP. As the European membership desires to have this additional information provided to merchants, it is proposed that such a rule be adopted for Europe.
- **MSP Ownership of Portfolios.** MasterCard's MSP rules clearly require that members control their MasterCard programs. Implicit in this rule is a preclusion of MSPs owning merchant portfolios. Although MasterCard's rule does not explicitly prohibit MSPs from owning merchant portfolios, Europay's rule does. It is proposed that MasterCard adopt a rule for Europe similar to the Europay rule that explicitly prohibits MSP ownership of merchant portfolios.
- **MasterCard/MSP Agreements.** MasterCard will remove the requirement that an agreement be entered into between the MSP and MasterCard. In its place, the rules will require that the member incorporate language in its MSP agreement that empowers MasterCard and/or Europay to enforce the MSP agreement directly. Such direct enforcement will be permissible if the MSP's conduct (i) constitutes a violation of the rules, (ii) creates the potential for injury to the reputation of the brand, of MasterCard, or of Europay, or (iii) puts at risk or adversely impacts the integrity of the payment system, and the member does not take the remedial action required by MasterCard or Europay within the necessary time frame.

RESOLUTION OF THE BOARD OF DIRECTORS

RESOLVED, that the European variations to the MSP rules discussed above be, and hereby are, approved, and staff hereby is authorized to amend the rules in such manner as it deems necessary to effectuate the foregoing.

RESOLVED, further, that the MasterCard MSP rules with the aforementioned European variations shall become effective at the time that Europay takes the necessary actions, with respect to its Membership Rules, to cause the MasterCard MSP rules with such

European variations to be the only MSP rules applicable to members' MasterCard programs in Europe.

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Report on Global Brand Tracking Study
Brantley S. Orrell, Global Research and Analysis

ISSUE

MasterCard is establishing benchmarks and mechanisms for consistently tracking awareness and acceptance for the family of brands across all regions. We plan to review with the Global Board of Directors the first "benchmark" results for Europe and the US.

BACKGROUND

- MasterCard lacks consistent brand awareness and acceptance measures and tracking across payment systems globally.
- Previous studies are either specific to payment vehicles (e.g., US Credit Card Tracking, Cirrus Tracking) or tied to specific events (e.g., UK advertising campaign).
- Establishing consistent measures and methodology will enable efficient, comparable tracking and the development of regional targets and global performance reporting.

ANALYSIS

- In early 1995, MasterCard conducted the first "benchmark" wave of the Global Brand Tracking Study.
- The study evaluated consumer brand awareness and merchant acceptance:
 - Across major plastic payment card types (i.e., credit, charge, debit, ATM)
 - In 15 countries
 - Over 150 payment brands, including MasterCard brands, global bankcard and non-bankcard brands, regional partners, and regional networks.
- The following measures for Europe and the US will be reviewed:
 - Consumer Awareness Tracking
 - Claimed Ownership
 - Brand and Logo Awareness
 - Brand Name Recall
 - Merchant Acceptance Tracking
 - Presence of Signage
 - Acceptance
 - Preference.

RECOMMENDATIONS

Not Applicable

B

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MC 20334

**MasterCard Association of Canada Agreement Update
Robert W. Selander, Canada, Europe, Middle East/Africa Regions**

ISSUE

We intend to present and update the MasterCard International Board of Directors on the mid-term status report on progress towards meeting the objectives and conditions by which the MasterCard International Board voted to renew until August 31, 1996 an agreement with the MasterCard Association of Canada.

BACKGROUND

At the July 1994 meeting of the Board, the MasterCard International Board of Directors was requested to review the MasterCard Association of Canada agreement and certain conditions prior to the renewal of this agreement. As a result, the agreement was renewed, provided certain conditions and objectives be accomplished within an established timeframe.

ANALYSIS

The enclosed document provides a synopsis of the conditions and status of the conditions agreed to prior to the renewal of the agreement and the mid-term status report of the conditions agreed to in the renewal agreement document.

RECOMMENDATION

At this meeting of the MasterCard International Board of Directors, the regional staff will present and update on the status of objectives in conjunction with the renewal of the agreement with no further action required by the Board of Directors.

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MC 20335

MasterCard Association of Canada (MAC) Agreement
Update as of June 12, 1995

CONDITIONS AGREED TO PRIOR TO RENEWAL OF AGREEMENT

1) **Ensure Equitable Interchange**

Status: An independent analysis was completed. Recommendations were adopted, with a two stage implementation April 1, 1995 and April 1, 1996.

2) **Review Joining Criteria**

Status: MAC by-laws were amended (a) to permit non-deposit taking financial institutions to join, and (b) to lower entry fee requirements. Applications are in progress or have been received from three new members.

CONDITIONS AGREED TO IN THE AGREEMENT RENEWAL DOCUMENT

3) **Increase Marketing Funds by 25% in 1995 and Maintain at Marketshare Growth Levels**

Status: Marketing funds were increased 25% in 1995. The MAC Marketing Committee has recommended an additional 20% increase in 1996.

4) **Increase Dollar Volume Marketshare vs. Visa to 30% from existing members and to 32% from new members by June 1996**

Status: Existing members have launched proprietary programs (Co-Brand, Affinity, Gold Cards) to grow share. A major Co-Brand with potential of 700,000 to 900,000 cards will launch 1Q'96. New members will introduce new programs as follows; 3Q'95 to 2Q'96 600,000 to 750,000 cards, with potential for a further 1 million cards 3Q'96 to 1Q'97. This is anticipated to result in Dollar Volume Share vs. Visa of 29% in 1996 and 32% in 1997.

5) **Close Real and Perceived Acceptance Gap with Visa**

Status: Perceived acceptance gap reduced to 4% vs. 15% in 1995 (Independent Research). MAC has established an Acquirer's Committee to address real acceptance issues.

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OTHER DEVELOPMENTS

Barriers preventing expansion of the Cirrus ATM network in Canada have been removed. Over 12,000 ATMs will be added to the network in 1996-1997, resulting in parity with Plus.

3.4 Million Maestro cards have been issued with a further 1.6 million anticipated.

35,000 Maestro terminals will be brought live in 1995 with a further 30,000 in 1996.

Canadian members have unanimously agreed to adopt the Corporate Governance.

Management is satisfied that members in Canada are making satisfactory progress toward achieving marketshare and brand growth goals.

C

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MC 20338



July 20, 1995

To: The MasterCard International Board of Directors

From: Robert W. Selander, Canada, Europe, Middle East/Africa Regions

At the meeting, I will update the Board on the status of the European market and MasterCard's discussions with Europay International.

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MC 20339

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MC 20340

Risk Management Review
Christopher D. Thom, Franchise Management

ISSUE

A presentation will be made at the meeting about risk management, encompassing key issues, progress to date, and new initiatives.

BACKGROUND

- MasterCard faces potential risks in a wide variety of areas, and a comprehensive review of these risks and plan to address them is necessary.
- Areas of risk to MasterCard include country, member, product, systems and operations, interchange, settlement, foreign exchange, and capital funding.
- The presentation to the Board will address the current situation in each of these areas and plans to improve related risk management activities.

E

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MC 20342

Risk Based Capital Standards
Joseph W. Rio, Corporate Finance

ISSUE: A progress report will be presented on the development of a strategy for managing capital. The initial analysis focuses on the application of the Bank for International Settlements ("BIS") risk-based capital guidelines to MasterCard. This report will include a preliminary estimate of MasterCard's capital requirements, based on the standard BIS methodology. The analysis will be subsequently refined to customize the methodology, as necessary, to fit MasterCard's specific activities more closely.

BACKGROUND:

MasterCard International provides many important services to its members, such as brand management and transaction processing. One such critical role is financial intermediary, in which MasterCard guarantees settlement of interchange transactions. In this role, MasterCard assumes significant credit, market and liquidity risks.

The methodology will provide a comprehensive and systematic basis to periodically evaluate MasterCard's capital adequacy (given sufficient, reliable and recurring data) relative to:

- Inherent losses associated with certain consolidated activities (includes such aspects as credit, market, settlement, operating, legal, and reputation risk);
- Managed risks and any mitigants associated with those activities; and,
- Peer capitalization.

ANALYSIS:

The Bank of International Settlements ("BIS") risk-based capital guidelines for international commercial banks and settlement institutions will serve as the starting point for developing MasterCard's methodology.

- Using the BIS standards as a methodological basis recognizes such desirable features as:
 - Settlement obligations and risks
 - Compatibility with member banks' capital requirements;
 - Consistency with peer's capital planning; and,
 - Public and rating agency familiarity.

- Additional bank and securities regulatory guidance may be considered.

Management will discuss progress to date at the July 20, 1995 Board Meeting:

- Characterization of existing identified risks (to date) faced by MasterCard on a recurring basis;

- A preliminary assessment of the applicability of the BIS risk-based capital guidelines to the risks identified and the compatibility of available quantitative information to reflect selected risks using the BIS risk-based capital guidelines (i.e., a view of the potential need for a customized methodology, mainly with respect to the risks analyzed to date); and,

- A preliminary estimate of capital to support MasterCard's exposure to the most significant risks for selected products; i.e., non-systemic credit and foreign exchange risk associated with credit and debit card products using the unmodified standard BIS guidelines as a base methodology; and,

- A summary of the scope of subsequent work that will be necessary to refine the analysis and methodology.

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MC 20345

U.S. Region Debit Strategy
Alan J. Heuer, U.S. Region
Arthur D. Kranzley, U.S. Region Debit Products

ISSUE

We intend to review and update the MasterCard International Board of Directors on the findings and results of the feasibility analysis conducted by staff and reviewed by the U.S. Debit Strategy Ad Hoc Committee for establishing a U.S. Debit Processing Entity.

BACKGROUND

- At their respective meetings on March 27 through March 31, 1995, the Maestro U.S.A., Cirrus, U.S. Region and Global Boards of Directors reviewed the results of the U.S. Debit Strategy Ad Hoc Committee's analysis of various alternatives for establishing an expanded role for MasterCard in the debit processing business in the U.S. to enable members to compete more effectively in the evolving payments business.
- The Boards authorized staff and the Ad Hoc Committee to continue to evaluate the feasibility and member interest in establishing a debit processing capability on behalf of its members and regional networks. The results of this feasibility analysis were to be completed and presented to the various boards of directors in July, 1995.

ANALYSIS

- Following the March Board of Directors meetings, management retained Dove Associates, Inc. to assist in conducting a feasibility study related to establishing a MasterCard U.S. Debit Processing Entity.
- The feasibility study for establishing a Debit Processing Entity to provide switching, gateway, and/or terminal driving services for Cirrus, BankMate, Maestro, regional networks and financial institutions was designed to address the following issues:
 - The extent to which a processing entity would be an attractive alternative to third party providers for regional networks and financial institutions.
 - The extent to which a processing entity could be established in concert or partnership with regional networks and financial institutions, particularly in terms of joint marketing and product development efforts.
 - The extent to which there is a good strategic fit between this type of entity, and financial institutions and regional networks in terms of goals and objectives.

- The feasibility analysis also included:
 - An assessment regarding the degree to which an entity would be supported by financial institutions and whether or not equity participation would make it more attractive.
 - An assessment regarding the extent to which an entity would be supported by regional networks.
 - An analysis of the potential business volume, financial revenue and risks under several potential market scenarios.
 - An analysis of what an entity should and should not do to be viable and to represent a good strategic fit with financial institutions.
- The project included a series of interviews with approximately twenty (20) financial institutions and nine (9) major regional networks.
- These interviews included a review of the project goals and objectives and were designed to understand and categorize the potential level of support and the relative attractiveness of a MasterCard debit processing entity.
- Following the interviews, a PC-based questionnaire was completed which included a conjoint study dimension.
- A business model was also developed that reflects the market and integrates the opportunity to run different performance and volume scenarios. This model was used as the basis for determining various financial results given alternate transaction volume and mix assumptions, fee structures, customer participation, processing costs, organization, staffing, and G&A costs.

RECOMMENDATION

The establishment of a debit processing entity could provide a national ATM, point-of-sale, and debit gateway processing capability that is responsive to member strategic objectives and future payment product development requirements. Staff will present the findings of the feasibility study, including results of the interviews, the conjoint study, and the business model, to the Board of Directors. Conclusions and recommendations made by the U.S. Debit Strategy Ad Hoc Committee will also be presented as the basis for further discussion and decision on appropriate direction and action by the Board of Directors.

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MC 20347

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MC 20348

**Maestro Acceptance Excellence
Travel Destination Program
Arthur D. Kranzley, U.S. Region Debit Products**

ISSUE

We will update the Board of Directors on the Maestro U.S.A. Acceptance Excellence Travel Destination Program.

BACKGROUND

- To date, Maestro's very rapid growth has been in the merchant segments which have been first to adopt on-line debit. These are petroleum, supermarket and owner-operated specialty retailers. Growth of on-line debit outside of these sectors has been slow to develop, as is reflected in the Maestro merchant base.
- Aside from petroleum, the current Maestro merchant base does not particularly satisfy the needs of cardholders who are traveling outside of their home region (i.e., regional network service area or home country). Establishing such acceptance in the U.S. will provide a stimulus to card issuance and usage from other regions. At the same time, these travel-relevant merchants will provide a boost in volume from U.S. cardholders who travel beyond their local regional network.
- The U.S. Debit Products group has developed an Acceptance Excellence program called the Travel Destination Program. The objective of this program is to maximize the size, visibility and utility of the Maestro U.S.A. merchant base with regard to both U.S. and non U.S. visitors in ten key destination locations.
- Given the size of the U.S. and the number of merchants, it is necessary to focus this effort on a limited number of locales which have a high concentration of relevant merchants. The ten cities which have the highest volume of foreign tourists and which are the most attractive destination cities for Maestro acceptance are listed below:

- | | |
|------------------|---------------------|
| 1. New York | 6. Washington, D.C. |
| 2. Los Angeles | 7. Las Vegas |
| 3. Orlando | 8. Boston |
| 4. Miami | 9. San Diego |
| 5. San Francisco | 10. Atlanta |

ANALYSIS

- The travel destination acceptance strategy provides a means of targeting desired merchants through a combination of acquirer and merchant incentives. While the targets vary for the ten selected cities, acquirer and merchant incentives are provided for a specific number of high priority outlets. For other desirable merchants, scaled back incentives will be utilized.

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MC 20349

- In any given city, a relatively few acquirers are likely to service the most of the target merchant segments. These acquirers will be identified and staff will work closely with them to ensure their active participation.
- Partnerships and strategic alliances will be important to the success of this project. This will include alliances with third party terminal vendors as well as regional EFT networks and other MasterCard partners. Also, the VeriFone strategic alliance will be heavily leveraged.
- Acquirers and networks who have reviewed this plan have responded enthusiastically to its goals and methodology.
- The program is planned to run from August 1, 1995 through March 31, 1996. Substantial progress has already been made in the execution of the project.

RECOMMENDATION

Staff will present an overview of the program, the project plan and materials, and implementation status to learn the sense of the Board on the direction and implementation of the program.

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MC 20351

**Election of Director
Norman J. Tice, Chairman
H. Eugene Lockhart, President and CEO**

ISSUE

The Board is asked to accept Mr. H. Martin V. Gray's resignation as a director and to elect Mr. Patrick J. Boylan of National Westminster Bank plc as a director of MasterCard.

BACKGROUND

Mr. Gray has advised Messrs. Lockhart and Tice of his decision to resign from the MasterCard Board of Directors effectively immediately following the July 20, 1995 Board meeting. In anticipation of Mr. Gray's resignation becoming effective, National Westminster Bank plc and Mr. Gray have proposed that Mr. Patrick J. Boylan, Managing Director of Card Services, National Westminster Bank plc, be elected to fill this vacancy when it occurs. Europay supports Mr. Boylan's election to the MasterCard Board of Directors in place of Mr. Gray. As many of you will remember, Mr. Boylan served briefly as a director last year. Attached is Mr. Boylan's curriculum vitae.

We therefore propose that the Board accept Mr. Gray's resignation as a director and elect Mr. Boylan as a member of the Board of Directors of MasterCard, effective immediately following the July 20, 1995 Board of Directors meeting. The Board is asked to adopt the following resolutions.

RESOLUTIONS OF THE BOARD OF DIRECTORS

RESOLVED, that, the resignation of Mr. H. Martin V. Gray as a director be, and hereby is, accepted effective immediately following the July 20, 1995 Board of Directors meeting; and

RESOLVED FURTHER, that, effective immediately following the July 20, 1995 Board of Directors meeting, Mr. Patrick J. Boylan be, and hereby is, elected a director of MasterCard International Incorporated, to hold such office until his successor has been duly elected and qualified or as otherwise provided in the Bylaws.

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MR. PATRICK J. BOYLAN

Mr. Boylan began his career in 1966 at American Airlines, after serving five years with the U.S. Marine Corp. At American Airlines, he was Collection Manager responsible for their Commercial and Consumer Credit Card portfolios.

Mr. Boylan then joined Diners Club in 1969 as Director of Credit, where he was responsible for all U.S. operations.

From 1971 to 1976, Mr. Boylan held various senior management positions in retailing, the last one being assistant general credit manager at R.H. Macy's, where he was responsible for the U.S. credit card portfolio.

In January 1977, Mr. Boylan joined Citicorp as director of risk management in their Card Products Division.

In June 1978, Mr. Boylan was named vice president and senior credit officers for the European division located in London. In 1980, he was appointed managing director - Retail Services at Citibank Savings and was responsible for managing their consumer credit business.

In 1981, Mr. Boylan returned to the U.S. to assist with the Diners Club acquisition and this subsequently led to his appointment as business manager of Diners' co-branded card business.

Mr. Boylan joined the HongKong and Shanghai Banking Corporation in 1985 as chief executive of their Card Products Division.

In 1989, he was appointed senior executive, Global Banking, where he was responsible for the HSBC Group Card, Securities, Trade, Marketing, Planning, Product Development and Electronic Banking functions.

With the acquisition of Midland Bank in late 1992, and the relocation of the HSBC Group head office to London from Hong Kong last year, Mr. Boylan moved to London. He recently served as general manager, HSBC Group Card Services, where he was also responsible for Midland's Retail Banking.

Mr. Boylan was recently chairman of MasterCard/Europay U.K. Ltd. and was a director on the boards of MasterCard International, Europay International and the regional association board of MasterCard's Middle/East Africa Region. He has over 25 years experience in managing card businesses in North America, Asia, the Middle East and Europe.

Mr. Boylan joined NatWest U.K. in March 1995 as Managing Director of Card Services.

Mr. Boylan holds a Masters degree in Finance. He is married with two children and resides in Cobham, Surrey, England.

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MC 20354

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MC 20355

**MASTERCARD INTERNATIONAL INCORPORATED
DIRECTORS AND OFFICERS INSURANCE
APRIL 20, 1995 - APRIL 20, 1996**

- Coverage:**
- A. Pays losses (damages, judgements, settlements and defense costs) of directors and officers for any alleged wrongful acts in their capacities as directors and officers.
 - B. Reimburses corporation for losses arising from claims made against directors and officers to the extent that the corporation has indemnified directors and officers pursuant to its bylaws or common or statutory law.

Policy Limits: Each loss and each policy year:

Primary - \$15.0 Million	National Union (AIG) (A.M. Best rated A++; S&P AAA).
Excess - <u>\$15.0 Million</u> \$30.0 Million	Chubb Insurance Company (A.M. Best A++; S&P AAA).

Deductibles:

Each Person:	\$ 100.00
All Persons:	\$1,000.00 Aggregate
Corp. Reimbursement:	\$1.0 Million

Coverage Includes:

- Worldwide Coverage
- All directors and officers (elected and appointed) of Mastercard International and any subsidiary more than 50% owned, including:
 - Global Board of Directors
 - U.S. Region Board of Directors
 - Asia/Pacific Region Board of Directors
 - Latin America Region Board of Directors
 - Africa/Middle East Region Board

- Automatic coverage for new subsidiaries with assets less than \$25.0 million
- Antitrust coverage, except pending litigation if any
- Outside directorship coverage for directors or officers serving at the request of Mastercard or subsidiaries (excess of outside board indemnity and insurance)
 - European Payment Systems Services
 - Europay International Incorporated
 - Mastercard Association of Canada
- Outside Directorship Extension - Non Profit (Blanket) Excess of Outside Board Indemnity and Insurance
- Employment Practices Liability
- Advancement of Defense Costs for Coverage A and B
- Non-Cancellation except for non-payment of premium
- Marital Estate Extension

Major Coverage Exclusions:

- Violations of United States ERISA Act of 1974
- Litigation or claims known to Mastercard prior to March 24, 1982
- Claims arising from bodily injury, sickness, disease, or death of any person or destruction of property
- Claims arising from seepage, pollution or contamination, or nuclear contamination
- Advertisers errors and omissions

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MC 20358

Third Party Processors
Christopher D. Thom, Franchise Management

ISSUE

The purpose of this paper is to advise the Board that the Executive Committee of June 22 approved the project to introduce certification for Third Party Processors as a vehicle for ensuring that their service levels consistently meet MasterCard's requirements and that such processors have effective contingency and recovery capabilities in the event of systems or operations failures.

BACKGROUND

The subset of Member Service Providers, who provide back office processing for issuers and for acquirers, has grown substantially in recent years both organically and as a result of acquisitions and mergers. These processors are now critical to the standards that MasterCard sets for delivering products and services to cardholders. Members have complained of service degradation and the ability of MasterCard to monitor end-to-end service is compromised by multiple layers of systems and by lack of reporting beyond the acquirer/issuer MIP.

The size of the largest processors is such that their failure, either financial or by way of extended systems or operations outage, could result in a catastrophic breakdown for multiple members and, in the worst case scenario, for the generic MasterCard business. It is, therefore, necessary to establish a more controlled environment for third party processors.

ANALYSIS

A working group, comprising the largest U.S. third party processors and selected members who receive service from them, is to be set up by Franchise Management with representation from Global Technology and Operations. This working group's objectives will be to:

- Introduce operating and performance standards.
- Ensure financial integrity.
- Improve and maintain systems integrity.
- Establish evaluation/measurement procedures.

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MC 20359

The working group will be tasked to determine the appropriate mix of control processes, to oversee implementation and to recommend refinements by the end of 1996.

RECOMMENDATION

That the Board be given a progress report at its meeting in November, 1995.

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MC 20360