VISA

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MEC

VISA INTERNATIONAL

MANAGEMENT EXECUTIVE
COMMITTEE MEETING

Videoconference
13 November 1995

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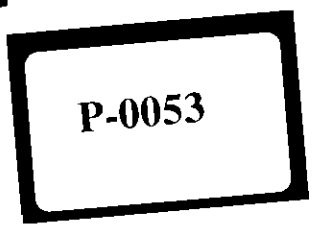

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VISA INTERNATIONAL

MANAGEMENT EXECUTIVE COMMITTEE MEETING

Videoconference
13 November 1995
0700-0900

TIMED AGENDA

1.	Report from the CEO				
	a)	Approval of Minutes	0700-0705	*Jensen*	(Resolution)
	b)	Monthly Performance Reports	0705-0715	*Cleveland*	
	c)	Comments	0715-0730	*Jensen*	
2.	Presidents' Reports				
	a)	Asia-Pacific	0730-0740	*Pyne*	
	b)	Canada	0740-0750	*Woodward*	
	c)	CEMEA	0750-0800	*Cobb*	
	d)	EU	0800-0810	*van der Velde*	
	e)	Latin America and Caribbean	0810-0820	*Partridge*	
	f)	U.S.A.	0820-0830	*Pascarella*	
	g)	Products and Systems	0830-0840	*Tallman*	
3.	Product Update		0840-0850	*Tallman*	
	a)	Microsoft			
	b)	Sony			
	c)	STT			
4.	Cross Border Issuing Update		0850-0900	*Katz*	
5.	Adjourn		0900	*Jensen*	

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NOTES TO THE AGENDA

1. Report from the CEO.

   a) Approval of Minutes. Minutes for the 14 October MEC Committee meeting are included.

   b) Monthly Performance Reports. Highlights of the monthly performance reports for the Regions and the company will be discussed. The reports will be mailed under separate cover.

   c) Comments. Recent significant developments will be discussed. No additional materials are included.

2. Presidents' Reports. The Presidents will report on significant issues in their areas. No additional materials are included.

3. Products Update. A status report on Microsoft, Sony and STT will be presented. No additional materials are included.

4. Cross Border Issuing Update. A status report on the cross border issuing dispute between Carte Bleue and Citibank will be presented. No additional materials are included.

5. Adjourn. A list of open items is included. The next MEC meeting is scheduled for 11-12 December in St. Helena, California.

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MANAGEMENT EXECUTIVE COMMITTEE
14 October 1995

Attendance: All members were present. Ray Barnes also was present. John Van Aken, John Bennett, Harvey Bondar, Caroline McNally and Kent Dorwin were present during part of the meeting. Linda Floyd acted as Secretary

Place & Time: Williamsburg, Virginia
14 October 1995

Advance Materials: Mailed and delivered on 4 October 1995

270. Report from the CEO

a) Comments

The Committee was advised that every Region has increased its market share compared to MasterCard. A report on Regional Board actions also was given.

b) Discussion

The proposed participation by Visa International in Visa Argentina was discussed. The Latin America and Caribbean Region is considering similar possible participation in Visa Colombia. The Group Member Acquirer in Brazil will commence business on 3 January. The Region plans to convert its representative offices into National Group Members managed by the Region.

Visa U.S.A. has approved investment in the Smartcash stored value card. Recent American Express promotional agreements were discussed. Microsoft and communications on the STT standard with MasterCard also were reviewed. The Committee discussed the unpassed Regional Board's resolution on ownership and control of data passing through Visa systems.

The proposed By-Law amendment on Visa International competitors did not pass the EU Regional Board and will be deferred until the next International Board meeting. Since the Latin America and Caribbean Regional Board passed it, it can be implemented in the Region as an Operating Regulation with fines, but not termination. The Asia-Pacific Region requested a grandfathering provision, rather than a phase-out, since a variance for Sumitomo Bank would not be acceptable culturally. The CEMEA Region would like to freeze the situation now to prevent further agreements with American Express.

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Management will propose to the Board that the amendment be retroactive to October 1995.

National processing systems again was proposed as a major topic for the Committee's discussion at a future meeting. A scaleable solution is needed. A major push for terminalization is under way in Asia-Pacific, and centralized purchasing for the Regions should be investigated. The CEMEA Regional Board passed a resolution against domestic BIN blocking, put conditions on acquiring, and prohibited co-branding with a domestic point-of-sale mark. Visa Canada rejected changing its membership eligibility rules, but allocated more money for advertising. The EU Regional Board had extensive discussions on the stored value card product and that the proposed rules should apply only to existing and new pilots. The EU management company was approved as a subsidiary of Visa International.

271. Global Brand Strategy Update (CONFIDENTIAL ITEM)

A report was given on the global brand strategy project, including results from the consumer focus groups held around the world. Visa currently is seen as a single product brand. Only positive name imageries are associated with the Visa brand. Emerging and potential leverages were seen as freedom, youth, seamless service and performance, simplicity, leadership and innovation. Internal brand rules were circulated for the Committee's review. The project team should research with whom consumers think they have a relationship, their bank or Visa. Possible brand essences to drive brand extension and expansion were proposed and discussed. Proposed product opportunities determined from brand fit will be integrated with the company's vision. Existing products also will be tested for brand fit. Licensing of the VisaNet trademark for use in Brazil was discussed. The project team was requested to tighten the focus of the project and to break down what has been done by Region.

272. Recent Major Initiatives (CONFIDENTIAL ITEM)

The Committee was advised that a letter of intent has not been signed yet for the Microsoft Money project. Negotiations with Sony also were discussed. Discussions have been held with Mondex, and some of the Visa concerns have been resolved. A letter of intent is in process. A patent infringement case against Mondex exists that will need to be considered. An investment in Corona, manufacturer of an audio-response unit, was proposed, such presentation attached to the minutes of this meeting as Exhibit A. The unit could be used by Visa Interactive and GCAS. A due diligence process will be developed for reviewing all investments. After further discussion, and upon motion duly made, seconded and carried, it was

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RESOLVED, that a U.S. $750,000 investment in Corona Corporation for a seven percent ownership of the company, a board seat and a five-year exclusive for Visa Interactive remote banking and bill payment services is hereby approved, subject to completion of full due diligence.

273 Capital Budget

A presentation was made on the capital budget. Most of the year-over-year growth in the budget is for new applications. The Systems group has formed a committee, to include a member of the Finance Department, to review all capital expenditure proposals within its group. If the proposed capital budget is approved by the Board, capital spending authority would be given to the MEC. The capital budget will be kept at last year's level, with sole authority in the MEC to approve any amounts over that budget or over a certain amount. The MEC also would have sole authority to approve any Regional expenditure exceeding the budget. After further discussion, and upon motion duly made, seconded and carried, it was

RESOLVED, that the capital budget is hereby approved for presentation to the Board;

and be it further

RESOLVED, that management is hereby directed to develop a capital expenditure review process for any capital expenditures exceeding the budget.

274. Facilities Report

Both Metro I and II projects have come in under budget. The average cost per workstation continues to drop. More space will be needed by 1998 if trends continue. A proposal to purchase the land parcels across from the Metro I and II buildings as an investment on a lease/purchase transaction, with a present value of the purchase component equal to U.S. $7.5 million, was reviewed. The Committee was advised that the Asia-Pacific Regional Board has expressed concern with Visa purchasing land. After further discussion, and upon motion duly made, seconded and carried, with Lindsay Pyne abstaining, it was

RESOLVED, that the Committee hereby endorses for Board approval the lease/purchase transaction on the two Foster City parcels denoted as Lots 24 and 25.

The Committee then was advised that the lease for Visa Interactive is up. After discussion and upon motion duly made, seconded and carried, it was

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RESOLVED, that management is hereby authorized to renew the lease for the Visa Interactive property in Herndon, Virginia, the terms for such renewal shown in Exhibit B attached to these minutes.

275. Incentive Compensation Plan (CONFIDENTIAL ITEM)

A presentation on the new incentive compensation plan was given. Compensation levels will be based on a worldwide survey of companies, not just banks. The pension structure will not change, though there will be more of a mix of performance-based compensation to avoid heavy weighting toward pension. Brand preference, operating unit cost trends, PCE growth and strategic milestones will be equally weighted for the performance score. It was noted that the plan was based on retirement at age 62. This will be revised. Medical insurance after retirement also will be reconsidered.

276. Member Satisfaction Survey (CONFIDENTIAL ITEM)

Complete results of the survey directed to Board members will be available in a few weeks. Each member of the Committee received a report of their results and the methodology used. Phrasing of the questions was discussed. The responses to this survey will be used as a baseline for future surveys.

277. Cross Border Issuing

Discussions have been held with Citibank and Carte Bleue directors on the cross border issuing question in France. They requested this topic be removed from the Executive Committee and International Board agendas. Further discussions will be held with the directors to try to resolve this issue, as well as the BIN blocking issue.

278. Risk Committee Meeting

The Committee then adjourned to conduct the Risk Committee Meeting.

279. Information Warehouse

After reconvening, a presentation was given on an information warehouse proposal, an unbudgeted expense, needed for the U.S. Visa Targeted Rewards program. The presentation is attached to the minutes of this meeting as Exhibit C. The Committee was advised that Visa is in the top ten companies in the world with the potential to have an information warehouse. The Phase I cost to build the infrastructure would be U.S. $16.6 million the first year, with increases in the following years. Current extract processing costs would continue for at least five years. Whether banks should pay for the information warehouse service was discussed. A business analysis is being prepared and should be ready for discussion at the November

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MEC meeting. Information strategy also must be reviewed. IBM is building a system for us at their risk, with a delivery date of December 1995. Informix also is being considered if IBM does not meet the December date.

280. Network Utilization (CONFIDENTIAL ITEM)

A status report was given on network cost reduction and the global outsourcing analysis, such presentation attached to the minutes of this meeting as Exhibit D. AT&T and MCI both meet our service quality levels. The Committee discussed whether changing from AT&T to MCI was worth the risk of a change in quality levels. Not all volume currently goes through AT&T, however, and their perceived quality outside the U.S. is not as high. The consensus of the Committee was to preserve the status quo.

281. Microsoft Agreement

The Committee reviewed how to most effectively disclose details of negotiations with directors, while preserving confidentiality.

282. Approval of Minutes

It was requested that Minute No. 255 reflect the inability of the Asia-Pacific Region to cast a vote in the absence of the Committee member. Upon motion duly made, seconded and unanimously carried, the minutes of 18 September 1995 were approved.

283. Visa Land Management. I and II Meetings

The Committee then adjourned to conduct the Visa Land Management Meetings.

284. Meeting Schedule

After reconvening, it was suggested that Committee meetings be held off the Board cycle, with live meetings preferable to videoconferences.

285. Other Business

It was requested that management limit any further changes after International Board materials have been distributed to directors. The next Management Executive Committee meeting is scheduled as a videoconference for 13 November.

There being no further business, the meeting was adjourned.

Linda Floyd

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VISA INTERNATIONAL

MANAGEMENT EXECUTIVE COMMITTEE MEETING

Videoconference
13 November 1995

Open Items

1. The following new items were left open from the 22 August 1994 MEC meeting:

   - Worldwide Markets

     The Committee should review procedures for dealing with global Merchants.

2. The following new items were left open from the 23-24 January 1995 MEC meeting:

   - National Processing Systems

     We need to review the benefits and issues involved with separate establishment of processing systems for a country. This will be discussed at the December MEC meeting. (Tallman)

3. The following new items were left open from the 27 May 1995 MEC meeting:

   - Corporate Titles

     We need to establish criteria for promotion to Vice President, Senior Vice President and Executive Vice President, as well as set up a process for Regional approval of Vice Presidents and Senior Vice Presidents. This topic will be discussed at the January MEC meeting. (Van Aken)

4. The following new items were left open from the 26 June 1995 MEC meeting:

   - American Express Link Agreement Strategy

     We need to discuss American Express' recent actions in connection with adding countries to the link agreement. This topic will be reviewed, along with the JCB link strategy, at the December MEC meeting. (Dutray)

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5. The following new items were left open from the 24-25 July 1995 MEC meeting.

- Visa TravelMoney

  The Products group needs to address whether a reimbursement or an ATM fee will be imposed on Visa TravelMoney. This topic will be reviewed at the December MEC meeting. (Dutray)

6. The following new items were left open from the 21 August 1995 MEC meeting:

- Visa TravelMoney

  Further research needs to be conducted into the impact of surcharging and to assess whether a revenue stream exists for the product before presentation to the Board in March. This topic will be reviewed at the December MEC meeting. (Tallman)

7. The following new items were left open from the 18 September 1995 MEC meeting:

- Card Recovery Bulletin

  Proposed changes to the Card Recovery Bulletin program should be reviewed with the Committee. This topic will be reviewed at the December MEC meeting. (Barnes)

8. The following new items were left open from the 14 October 1995 MEC meeting:

a) Terminalization

Centralized purchasing of terminals was suggested to get the best price. Global terminalization will be addressed at the December MEC meeting. (Tallman)

b) Global Brand Strategy

The project team was requested to research with whom consumers think their relationship is, the bank or Visa. The focus of the project also was to be tightened, and a breakdown of what has been done in each Region prepared. (Bennett)

c) Mondex

Status of the letter of the intent, in light of the patent infringement case against Mondex, should be reviewed. (Tallman/Katz)

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d) Investment Decision Process

A due diligence process for reviewing investments will be developed. This topic will be addressed at the December MEC meeting. (Barnes)

e) Capital Expenditure Process

A process for approval of capital expenditures needs to be developed. (Cleveland)

f) Incentive Compensation Plan

The plan's basis on retirement at age 62 will be revised. In addition, medical insurance after retirement will be reconsidered. (Van Aken)

g) Information Warehouse

The Committee needs to review the business analysis for an information warehouse, including how to fund it, as well as developing an information strategy. This topic will be addressed at the December MEC meeting. (Chenevich)

h) Meeting Schedule

It was suggested that Committee meetings be held off the Board cycle, with more live meetings instead of videoconferences. This topic will be addressed at the January MEC meeting. (Barnes)

9. The following new items were left open from the 16-17 October 1995 Board meeting:

a) Global Brand Strategy

The Board expressed concern about the length of the phase-out period for the Electron design. The acceleration of the brand strategy project will be discussed at the January MEC meeting. (Bennett).

b) Competitors of Visa International By-Law Amendment

The Board requested management to define who Visa competitors are and how Visa might respond to competitive threats. In addition, a full recommendation on the By-Law amendment was promised for the March Board meeting. The Board requested management to include JCB and other competitors, and not just American Express and Discover, in their review. This topic will be addressed at the December MEC meeting. (Tallman/Katz)

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c) Secure Transaction Technology

The Board encouraged convergence of the MasterCard and Visa STT standards as quickly as possible. This topic will be addressed at the December MEC meeting. Exchange of consumer information with Microsoft also is an issue for the Board. (Katz/Tallman)

d) Merchant Group Member Membership Category

The Board requested additional review of this membership category for the March Board meeting. This topic will be addressed at the December MEC meeting. (Katz)

e) Stored Value Program Operating Principles

The Board requested clarification by the next Board meeting of whether the initial purchase of a Stored Value Card is a purchase or a cash transaction. (Dutray)

f) ATM Service Quality Initiatives

The Board requested reconsideration of the Operating Principle requiring conversion to SingleConnect Service by December 2003. (Tallman)

g) Visa History

A member of the Board suggested that a history of Visa be written for marketing purposes. (Jensen)

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