

**Meeting Between Federal Reserve Board Staff
and Representatives of Visa
August 5, 2010**

Participants: Louise Roseman, Jennifer Davidson, Geoffrey Gerdes, Jeffrey Yeganeh, David Mills, David Stein, Ky Tran-Trong, Vivian Wong, Elizabeth Kiser, Mark Manuszak, and Dena Milligan (Federal Reserve Board)

Wayne Best, Chris Como, Bob White and Julie Rottenberg (Visa); Oliver Ireland and Tim O'Brien (Morrison & Foerster LLP)

Summary: Staff of the Federal Reserve Board met with representatives of Visa to discuss the interchange fee provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act"). Using prepared materials, representatives from Visa discussed the 2008 Consumer Credit Card Issuer Benchmark Study performed by Visa, which identifies certain performance measures and industry benchmarks with respect to issuer debit card program costs. As part of this discussion, Visa's representatives discussed the study's methodology, including the inputs Visa sought to collect during the information gathering phase of the study, and the steps taken by Visa to collect comparable information. The non-confidential portion of the handout provided by Visa during the meeting is attached below.



Presentation to the Federal Reserve on Benchmark Studies

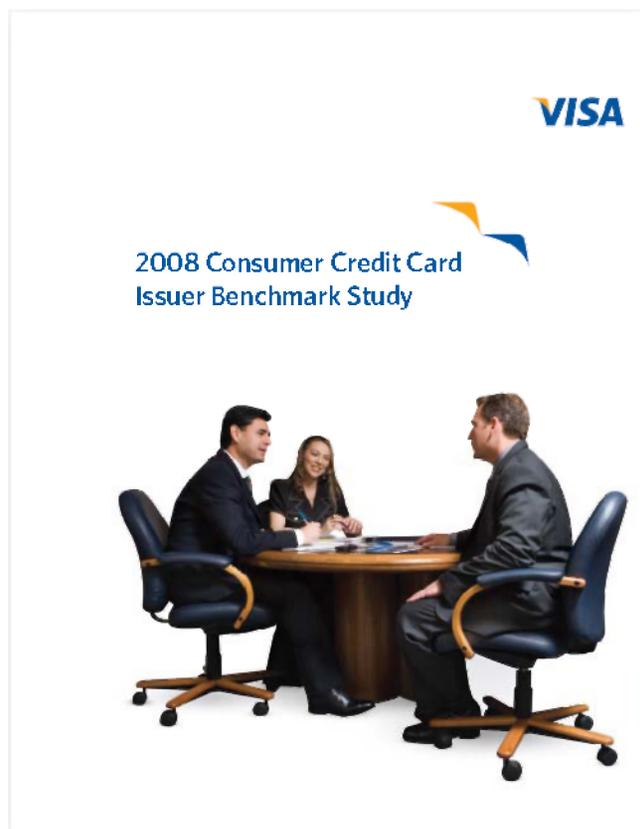
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Functional/Benchmark Studies



Visa has been evolving the study for more than three decades



Objectives

- Deliver otherwise unavailable performance measures and industry benchmarks
- Provide critical business intelligence on the current environment
- Identify actionable improvement opportunities

Participation

- Fee limits the number of issuers interested in participating to six to ten per study
- Visa selects issuers to ensure they are a representative sample of the industry segment

Use of the Study Data

- Formulating business cases for new or modified strategies, operating policies, practices, and/or procedures
- Managing portfolio risk
- Determining optimal staffing levels
- Developing financial plans (budgeting, forecasting)

Uniqueness of Visa's Studies

- Interactive and onsite data gathering ensures consistency across participants and studies
- Over 30 years of refinement in response to changing business environment and practices

History of Functional Benchmarking for Clients **VISA**

Visa's cost studies have evolved with changes in the industry and participants' needs



	Industry Trends	Study Scope	Products Studied ¹
1970s – 1980s	<ul style="list-style-type: none"> • Credit was the primary product in market and largely managed as a stand-alone business • Financial institutions both issued and acquired transactions 	<ul style="list-style-type: none"> • Basic functional cost analysis 	<ul style="list-style-type: none"> • Consumer Credit • Merchant Acquiring
1990s	<ul style="list-style-type: none"> • Debit became a common DDA access device • Debit issuers relied on outsourcing and economies of scale 	<ul style="list-style-type: none"> • Developed a cost methodology across DDA access products • Changed to benchmarking, looking at <ul style="list-style-type: none"> – Functional costs – Functional performance measures – Non-functional costs – Revenues 	<ul style="list-style-type: none"> • Consumer Credit • Merchant Acquiring • Consumer Debit • Business Debit • Commercial Products • Small Business
2000s	<ul style="list-style-type: none"> • Financial institutions have continued to manage the in/outsourcing decisions for key functionality 	<ul style="list-style-type: none"> • Expanded to provide issuers with <ul style="list-style-type: none"> – Qualitative functional data – Identification of performance improvement opportunities • Temporarily ceased the inclusion of shared cost methodology due to client requests <ul style="list-style-type: none"> – Expenses not managed by Debit product owners – Significant effort to collect 	<ul style="list-style-type: none"> • Consumer Credit • Merchant Acquiring • Consumer Debit • Business Debit • Commercial Products • Small Business
Today			

¹Excludes prepaid products

Benchmark Study Methodology



Visa uses an interactive process with strict cost definition categories and allocation methodologies to overcome data consistency challenges from multiple participants

