

Memorandum

CONFIDENTIAL

To
Christopher D. Thom

MasterCard
International

From
Deborah Doyle *Deborah*



Date
3/27/96



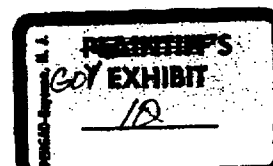
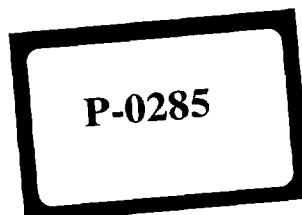
Subject
American Express and Franchise Management View on Duality/Triality

Copies to
Andrew Cheskis ✓

The following presents a Franchise Management point of view regarding duality/ triality with reference to American Express's recent decision to issue their cards through the MasterCard and Visa bank distribution system. As you can see from the attached table, triality is just one of the current and possible competitive situations MasterCard faces. The following bullet points address duality/triality.

- Duality with Visa is part of our current competitive framework, duality with AmEx should be governed by the same rules.
- It is impractical to try to stop our members from adding a third or more card products to the competitive array of card offerings they wish to distribute to their customers and prospects.
- We should broaden our rules regarding "competing acceptance brands" to address the special risks that AmEx and other new competitors who issue cards through our member banks bring:
 - ⇒ Current rules do require that the MasterCard name, logo, and card product depictions be used with prominence and frequency equal to that of any competing acceptance brand name, logo, and card product depictions.
 - ⇒ Broader rules need to anticipate the possibility that an issuer with lower merchant acceptance than MasterCard could ride on MasterCard's superior acceptance, e.g. "Your 1st Issuer MasterCard/American Express Card is welcome at over 13 million locations, wherever you see the MasterCard or American Express logo.
 - ⇒ Duality goes beyond competing credit and T&E cards - we would also allow our members to issue cards bearing stored value marks that compete against MasterCard Cash (but not competitor stored value marks on a MCI branded card). In the past, our member banks have also sold AmEx Travelers' Checks.
- The By-laws and licensing agreements do not specifically address issues of confidentiality with card manufacturers, MSP's and other service providers. We will ask Legal to look into whether the By-laws and licensing agreements should include confidentiality clauses or whether the current situation of addressing confidentiality on a case by case contractual basis is sufficient.

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Subject to Protective Order



MC 6821

Memorandum

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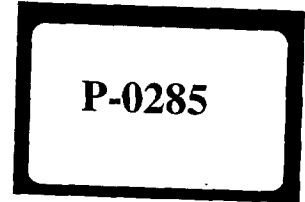
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MC 68317

**MasterCard International
Current & Potential Competitive Situations**

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	<i>Competitive Situation</i>	<i>MasterCard International Brand and Competitive Brand Co-Exist on Same Card</i>	<i>Competitor Issues MasterCard Product</i>	<i>Corporate Affiliate of Competitor Issues MasterCard Product</i>	<i>Distributor of Competitor Issues MasterCard Product (Duality/Triality)</i>
	<i>Recommended Policy</i>	<i>Should be disallowed, although exceptions exist.</i>	<i>This situation would be prohibited.</i>	<i>Should be disallowed, although one grandfathered exception exists.</i>	<i>Allowed subject to rules which protect MasterCard International brands.</i>
1.	Cirrus/Visa Plus/MasterCard	MasterCard allows the Cirrus mark on Visa cards in the U.S. only - because we did not own Cirrus until 1988; Visa also grandfathers the Plus mark to appear on MasterCard cards in U.S.			
2.	Cirrus/JCB	Siam Commercial Bank in A/P wanted to place a Cirrus mark on their JCB cards. Rejected by the Cirrus Board.			
3.	Discover/Mountain West Bank			Discover/Dean Witter owns Mountain West. We prohibited them from issuing MasterCard.	
4.	Citibank/Diners Club	Cirrus mark appears on Diners Club cards in Canada only.		Citibank owns Diners Club, however, they have remained an issuer of MasterCard products.	
5.	Household/JCB				Household issues JCB cards. This is an instance of issuing "trinality."
6.	Visa/AmEx in Europe				AmEx and Discover have filed a complaint with European Commission re: Visa's seeking to prohibit member banks from issuing non-Visa card brands.
7.	AmEx/Venezuelan Banks				Under Discussion
8.	MasterCard Cash/Competing Stored Value and Payment Brands	Have allowed Red Multicolor to have "competitive" local stored value mark on MasterCard because Red Multicolor agreed to phase out proprietary mark when MasterCard Cash is available.			

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