

JUL 14 1988

MEMORANDUM

*7/15
COPY
To: W. F. T.*

TO: Linda Mock
FROM: Carole Lockie
DATE: July 12, 1988
SUBJECT: American Express

Carole

RECEIVED h.
JUL 13 1988

I would like to make you aware that during the past several weeks I have heard the same story and concern from four different Members regarding American Express.

It is my understanding that an AMEX representative calls upon a merchant who already utilizes a dial terminal. The representative requests to reprogram the terminal which will enable the merchant to receive their AMEX transactions free. It is unclear what the costs are for Visa and MasterCard transactions. It has also been reported that the representative helps convince the merchant to approve the process by informing him that this procedure has been approved by both Visa and MasterCard.

Attached is a letter from Wally Kinney of Texas Commerce Bank which reflects his frustration with American Express.

CLL:try
Attachment

cc: Dawn Tindal
Lambert Franklin
Una Somerville

P-0639

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10500573

TEXAS COMMERCE BANK - AUSTIN

NATIONAL ASSOCIATION

BANKCARD SERVICES

June 21, 1988

700 Lavaca
P.O. Box 550
Austin, Texas 78789
512 476-6611

Mr. Scott Loftesness
Senior Vice President
Visa USA
Visanet Engineering
P. O. Box 8999
San Francisco, CA 94128

Dear Mr. Loftesness:

I have been talking with Lambert Franklin and Carol Lockie, my account representative, about some concerns I have over American Express company's entrance into the bankcard processing arena. I have looked very closely at what American Express is doing, and in effect they are offering bankcard discount rates for merchants at the same rate I offer them, and yet they control the pricing on the American Express processing, all of which is on draft capture. Obviously, with this kind of scenario in place, I will never be able to compete with American Express without giving away business at a loss. Therefore, I would like to bring to your attention the fact that I cannot compete with these guys on one hand and yet on the other hand they are coming to me wanting to use my BIN so they can submit MasterCard/Visa transactions into interchange. While I do not relish the idea of doing business with American Express, if the scenario I have just spelled out is a fact, I will have no choice but to accept transactions from American Express so that I can have some form of income out of this operation.

Carol Lockie and I discussed several things that Visa is doing for its members at this very moment and Texas Commerce Bank being a proprietary member is interested in pursuing several of these avenues. However, I think we need some definitive answers from Visa about whether or not Visa will allow American Express to continue offering our product and in effect stealing our business. Maybe there is nothing legally Visa or the members can do and if that is the case, so be it. However, I felt obligated to bring this to your attention and let you know that this could be the beginning of the end, particularly for the small acquiring members. If I had large cardholder portfolio to fall back on, this would not be nearly as significant a problem, but such is not the case.

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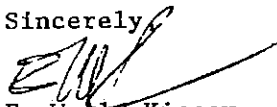
10500574



Austin

I would appreciate your reviewing my concerns and letting me know if there is anything you or I can do about them.

Sincerely,



E. Wally Kinney
Vice President/Manager
BankCard Services

cc: Carol Lockie

MHN4/37



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