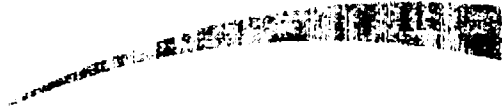


VISA



Chip Business Strategy

Product Development and
Marketing Committee

May 21, 1998

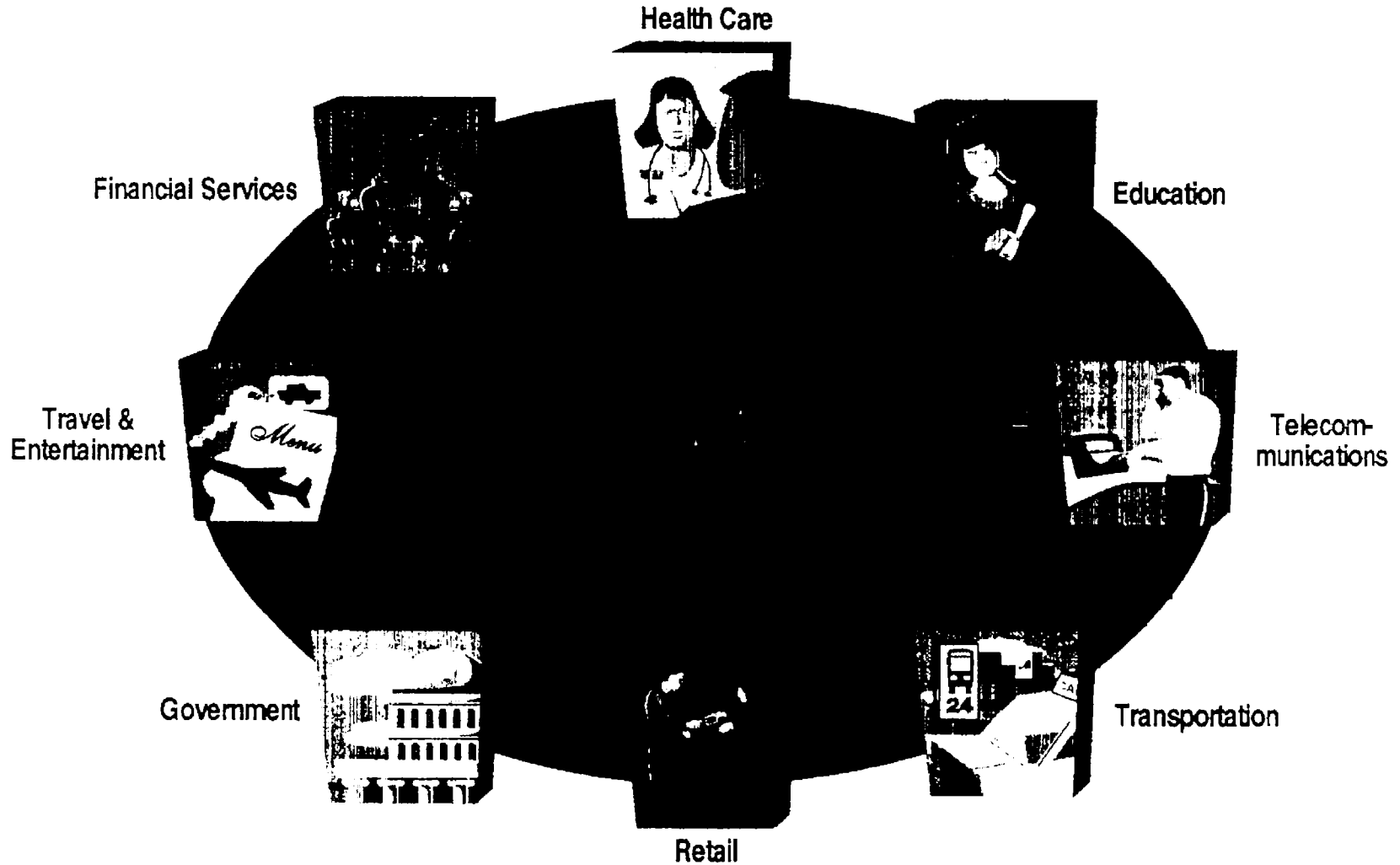
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GOVERNMENT
DEPOSITION
EXHIBIT
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Chip Business Strategy

Our Focus Is on Adding Value to Core Products





Chip Card Vision

- Customers will Carry Multiple Cards Issued by Organizations Across Many Industries
- Cards will access Wide Range of Products/Services in Real and Virtual Worlds
- Issuing companies will Want to Control all Services on Their Cards
- Two Functions - Payment and Customer Identification - Will be Essential to Other Functions on Cards



Potential Chip Card Issuers

- Telecommunications Firms
- Software Companies
- Network Access Providers
- Governments



Banking Industry Competitive Advantages

- Consumer Trust
- Experience and Current Position in:
 - Payment
 - Customer Identification
 - Transaction Authentication
- Existing Customer/Card Base



Banking Industry Imperatives

- Bank Cards Must be Customers' Preferred Multiple Function Relationship Card
 - Continue to be “Top-of-Wallet”
- Bank Cards Must Provide Higher Value than Other Cards
 - Anchor Services of Payment and Customer Identification Must be Augmented with Value-Added Applications
- Banks Must Migrate to Multiple Function Cards to Protect Franchise



Visa Role

- Proactively Enable Visa Branded Multi-Function Chip Cards
- Ensure Interoperability for Payment and Value-Added Services
- Provide Flexible Technology Platform
- Enter into Alliances as Appropriate to Provide Value-Added Applications



Current Multi-Application Projects

Bank of America Visa Cash and Corporate Campus Card

- Company Identification Card
- Physical Building and Network Access
- Visa Cash in Vending Services
- September '97 Implementation



Multi-Application Projects

Corporate Card with Travel Discount Validation

- 1500 - 2000 Cards
- 3 Merchants in 4 U.S. Cities
- 3rd Quarter '98 Pilot Implementation



Multi-Application Projects

San Francisco Transit on Debit and ATM Cards

- Up to 1mm Cards
- Transit Fares Funded by Cash, Visa Cash or Debit/Credit
 - Facilitates Travel Across 25 Different Transit Systems
- Visa Cash in Vending Services and Merchants
- 3rd Quarter 2000 Implementation



Multi-Application Projects

Loyalty - Product Differentiation

- Credit, Visa Cash, and Loyalty
- Visa Cash Accepted in Food Service and Vending
- Cardholders Earn Points for Credit and Visa Cash Purchases
- 6000 Cards
- 3rd Quarter Implementation



Multi-Application Projects

Government - Visa Cash with Military Application

- Enhancement of Operational Efficiency
- Access to Medical and Training Records, Weapons Issuance
- Visa Cash in Base Exchange, Food Service, on Base Retail Stores and Barber Shop
- 4th Quarter Test



Projects in Negotiation

- Government Badging (GSA Agencies)
 - Credit, Visa Cash, Physical and Logical Access as a Minimum
- Retail Rewards (2 Programs)
 - Credit or Visa Cash, Percentage Discounts, Personalized Coupons, and Gift Certificates
- Travel and Entertainment (2 Programs)
 - Credit or Visa Cash, Hotel Check-out, Loyalty, Cardholder Profile
- Stadium (1 Program)
 - Visa Cash, Loyalty, and Ticketing
- College Campus (3 Programs)
 - Credit or Debit, Library, Meal Plan and Building Access



Visa Smart Debit & Credit

International Operating Principles

Summary

- Centralize the Rules Applicable to Chip Debit and Credit.
 - Pilots in the U.K. and Japan are Being Expanded Prompting a Need for International Level Rules.
- Ensure that Chip-Initiated Transactions Receive Security Checks Comparable to Mag Stripe Transactions.
 - Card Verification Service (CVV) Which Identifies Counterfeit Cards is Expanded to Apply to Chip-Read Transactions.
- Ensure that Members get Appropriate Interchange Rates for Chip-Initiated Transactions.
 - International Electronic Rate Criteria are Expanded to Include Chip-Read Transactions in Addition to Mag Stripe Transactions.



Visa Smart Debit & Credit

International Operating Principles

Background

- Visa Smart Debit and Credit International Operating Principles are Subordinate to the International Chip Operating Principles Approved by the U.S. Board in January 1998.
- Visa Smart Debit and Credit are Chip-Based Enhancements that Members can Select, Either Individually or as a Set, Based on Market Need. The Enhancements Range on a Continuum from Duplication of Mag Stripe Function to Fraud Prevention Features that Support Internet Transactions.
- U.S. Region Specific Visa Smart Debit and Credit Operating Principles will be Developed Based on U.S. Market Requirements.