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# Visa, Inc. (V)

## MoffettNathanson Payments, Processors, and IT Services Summit


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# CORPORATE PARTICIPANTS

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

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**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

# MANAGEMENT DISCUSSION SECTION

## Lisa Ellis
*Analyst, MoffettNathanson LLC*

All right. Thank you. Welcome back, guys. We are back and absolutely delighted for our 09:00 AM Session to have Al Kelly, the Chairman and Chief Executive Officer of Visa joining us, one of our main events of the two-day summit. So, Al, thank you so much for being here.

And I'd just say, maybe before we dive into the Q&A for our fireside chat, are there any opening comments that you would like to make?

## Alfred F. Kelly, Jr.
*Chairman & Chief Executive Officer, Visa, Inc.*

Well, first of all, Lisa, it's a pleasure to be with you and a belated Happy Mother's Day to you. Hope you had a good weekend. Look, I would say a couple of things, number one is, we are certainly at the beginning of a recovery. All of our metrics, except for cross-border, are better than they were in 2019, which I think is the most relevant comparison point at this point. Revenue and EPS is greater than 2019 and that's despite travel being down, especially cross-border travel being down.

The recovery is going to be bumpy. It's going to be inconsistent in different parts of the world. A lot of it's going to be based on the rollout of vaccines and the lifting of restrictions. I think key to all of this is, do consumers get comfortable and do they get mobile, and I think to the degree they are comfortable and mobile, that's going to make a big difference. We're certainly excited about the upside that we see coming from the recovery and we're pretty bullish about the opportunities that we feel like we've got with our three growth metrics of consumer payments, new flows, and value-added services.

Certainly, the world has, through the pandemic, been digitizing in a big way. Cash is being displaced, governments are stepping in and increasing tap-to-pay limits, people are tapping and paying much more than they did before. Merchants are trying to make sure that their websites are really good for ecommerce. Some of them clearly had to be improved or probably some still need to be improved.


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In terms of new flows, Visa Direct continues to do extremely well and we believe there's still a lot of upside in B2B, but – in the three areas we've identified: card-based, cross-border, as well as AR/AP enterprise level types of things. And then, in value-added services, we think there's continues to be a lot of upside. And because of debit and ecommerce, both CyberSource as well as our issuer processing has all been a beneficiary of that.

So, we'll see what happens, but we're bullish on the opportunities ahead as the recovery starts to take shape around the world.

# QUESTION AND ANSWER SECTION

**Lisa Ellis**
*Analyst,*
*MoffettNathanson LLC*

Yeah. All right. Well, given that this is a strategic conference, I like to spend a little bit of time thinking about the movie, the longer-term horizon. So, you've been CEO now of Visa for 4.5 years. It was October of 2016, I remember well. Looking back, can you talk a bit about the three or four major ways in which Visa has evolved over your tenure as CEO?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

Well, I think I would identify that three or four things that I think are probably most significantly. So, the first is that we've moved from facilitating payments to moving money globally. That's a big shift for us and I think it opens up many things. Our network has moved to have push-enabled capability. We're now just not focused on cards, but access to accounts. And so far, from that vantage point, Visa Direct has been the star of the show, most recently, just still growing 60% in terms of transactions. We've moved beyond – secondly, I'd say, we've moved beyond VisaNet, embracing our network of network strategies. We're looking to move money wherever it needs to be moved in the world to either cards or to accounts. We have created or are creating and building out a high value new capability for high value transactions in B2B Connect. And overall, that's going to give us a platform for more selling of value-added services.

The third change I would talk about is what I would call Partnerships 2.0. Four-and-a-half years ago, most of our partners were traditional financial institutions and face-to-face merchants. But now we've seen neobanks, wallets payment facilitators, fintechs of all types, just ecommerce merchants themselves with wallets. So, lots of new types of players that have entered the ecosystem and we've had to change because of that. We've had to become more flexible and easier to do business with. We have a much easier onboarding process that we call Visa Fintech Fast Track. We've made our contract less burdensome, much more simple, and now we have about 315 fintech partners around the world. It was up 45% year-over-year. We've also had to open up our technology to the outside world and we now have about 600 APIs. We have about 1.5 billion calls to our APIs every single month. We've created local versions of these and that to be able to accommodate or have to accommodate data localization rules.

So, I'd say Partnerships 2.0 has been the third big change. And then, I'd say fourth is the maturing of Visa as a company. When I joined, we were eight-years-old as a public company, now we're in our 13th-year as a public company, and there's just a lot we had to put in place that as a company of less than a decade age didn't had in place. We've got a real corporate purpose now. We've got a much more rigorous process around talent and talent evaluation. We are investing more in the business, both in technology and services, solutions and innovation.


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We've created a culture that's very obsessed with clients, very focused on innovation, and a place that hopefully people are excited and fun to work in. So, those would be the four areas that I think have been big changes in the last 4.5 years, Lisa.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Okay. All right. Well, no rest for the weary. So, how about looking forward to your...

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

Well...

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Yeah. Sorry. As you think about your priorities over the next 4.5 years as CEO of Visa, how will Visa look differently from an investor perspective and what are you really focused on?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

Well, again, I think at the risk of being boring, but – and not very sexy, we are really focused on these three growth levers of consumer payments, new flows and value-added services, and we think there is incredible amount of gas left in the tank for all of them. Look, we're going to deepen relationships with current partners. We're going to build new partnerships. We're going to plant flags in geographies where we've not invested a lot. At this stage, we're going to help lift over time the 1.7 billion people around the world that we look at as unbanked outside of the financial mainstream that exists for everybody else. We expect to identify more use cases for Visa Direct, and in general, expand our services.

We also, Lisa, very importantly have to fortify our foundation. We have an incredible brand that we have to continue to invest upon and build upon. Technology is hugely important to us as is security, very important to us, and we feel like we've got a big role to play there, not just at Visa, but in the ecosystem. And then, lastly, of course, is our people and our talent agenda is very, very important as we look ahead. We're going to continue to try to attract great talent over the next few years. We're going to continue to try to really put our corporate purpose in action. And lastly, very importantly to investors, we're going to be really good stewards of their capital.

If I were to pick a single word, if we look 4.5 years, 5 years out, that I would say that people would hopefully say about Visa is diversity. We will have diversified our revenue. We would have diversified our footprint. We would have diversified our client base more than it is, diversified our services more than they are today, diversify our workforce more than it is today. And I think, as a more diverse company, we'll be more valued, because we'll have more capabilities and we think – and therefore, we will be more valuable. So, I'm very bullish about what comes ahead, and I think that this recovery and some of the things that have happened during the pandemic that will remain sticky is a great platform for growth going forward.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Well, that's a good transition to talking a little bit about the pandemic, and specifically, I wanted to talk about cash displacements, been a driver of this industry for the last 50 years, I suppose. But clearly during the pandemic, we


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saw this huge step up in the use of digital forms of payment, both online and at the point of sale. And while that is clearly a big help to your near-term volumes, you'd say, well, you are probably going to get that volume at some point anyway. So, I guess, maybe just talk a little bit about more broadly than just simply the volume aspect of it, what are some of the benefits to Visa of having accelerated cash displacement and then are there some challenges also that you're facing from this?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

Well, first of all, I think cash is going to be here for quite a while. I mean, the purchase volume of Visa plus Mastercard plus American Express is still underneath the level of cash that's used in the world. So, cash displacement is going to be an opportunity for a long time and we're going to certainly do our part to make sure that we get our fair share or more of it. I think debit is going to play an increasingly critical role. We think we're really well positioned in debit in terms of our scale, our security, our innovation, our services, dispute management, our settlement capabilities. And if you look at our debit volume, it was up 35% in the second quarter around the world and it was up 44% in the US.

Now, the US number, Lisa, was a little bit impacted certainly by stimulus – two stimulus programs in the first quarter or into the beginning of the second quarter, so certainly that has helped. But these are incredibly healthy levels of growth and one of the things that did [indiscernible] (00:10:57) if you look at the last year, our debit growth has been 16% and our debit cash has been down 7%. So, that greater than 20% delta is double the historic level. So, cash digitization is happening and happening at quite a pace, and I think it's going to be sticky even as some of the mobility comes into place and some of the restrictions are left.

You ask what cash digitization does for us. It does a number of things. Number one, it drives PV. Secondly, it drives – in the face-to-face world, we know that people who tap-to-pay actually spend more and have more transactions than the people that don't. As debit grows and as prepaid grows, that's good for issuing processing business. Ecommerce in general actually has a higher take rate on value-added services than does the face-to-face world. So, that's a real positive for us. And lastly, I would say, to the degree that people are getting comfortable with digitization, it's going to help in our new flows as well and people will be more comfortable being adapters of things like Visa Direct over time in various uses cases in which they could interact with Visa Direct. So, I see it as extremely valuable. I think the one thing we'll have to all be continued to be working in ecommerce world is that the user experience still has to get better. There's still too much of a drop-off rate from shopping to actually paying. The approval rates still need to get higher, and obviously, we're all battling fraud on ecommerce. So, I'm confident the industry – everybody is aligned on these things being better. And so, I'm confident that it will happen, but it will take a little bit of time.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

Okay. Okay. All right. I do want to touch on the DOJ CID. In your latest Q that you just disclosed, you did disclose that you have received a CID from the DOJ regarding Visa's US debit practices. So, can you just comment if there is anything that you can tell us about the scope or timing of the CID?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

Yeah. At the end of March, we did get the CID. Obviously, I'm not going to say much, but let me make a few points to you and the people joined today. Number one, we believe we are completely compliant with all the laws


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associated with Durbin and anything else around routing. Number two, honestly, for a company our size, with our global footprint, getting some inquiries from the government is not unusual and it happens, it's part of business, and sometimes governments are simply trying to learn. Number three, I would maintain to anybody that our debit business in the United States is extremely competitive. There's huge competition on both sides of the network, both the acquirers as well as issuers. There are 10 different debit networks in the United States, and cash check and credit are also options. So, there's plenty of competitiveness.

The fourth point I'd make is that we have for years and we are today and we will going forward continue to invest heavily in technology to make sure that we're innovating and helping the payment ecosystem get better and better over the years, and that's something that we bring to the table every day through the work that we have done and we'll continue to do. And lastly, I believe, we believe in choice. Consumer choice is your choice, merchant choice. And the reality is that there is a tremendous amount of competition, and to the degree that we offer incentives to customers, they're based on volume driven by the competitive nature of the space, and we don't do anything to inhibit merchant routing choice in any way possible which is, obviously, also very consistent with Durbin. So, those are the points I would make at it, Lisa, and beyond that I wouldn't want to comment further.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

Okay. Fair enough. Good. Thank you. I want to talk a little bit about Europe. Europe, through the pandemic, has been one of the regions with some of the most draconian lockdowns. And so, as a result, that region has had a pretty tough time economically and from a payment volume perspective over the last year. However, on your most recent earnings call, you mentioned that you now have line of sight to 25 million additional credentials across 50 clients in Europe coming online over the next few years. So, again, rolling us back to the fact that, ever since the Visa Europe acquisition now four, five years ago, you've been working heavily to build up your business in Europe. Can you talk a little bit about, in the context of the pandemic, what progress have you been able to make in Europe, and coming out of the pandemic, how do you expect that region to be performing?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

So, first, a few points about the performance in Europe. Europe has been a similar story to other markets. It's really been driven by the three Ds: domestic volume, debit, and adoption of digital. Tap-to-pay has also taken off in Europe more than it has any place else. At the end of the second quarter – our fiscal second quarter, over 80% of the face-to-face transactions in Europe were tap-to-pay and that was up 10 points from last year. Ecommerce and the stickiness of that is continuing, we're seeing – we saw a 20% growth in the number of Visa credentials used for the first time in ecommerce in the last year. And we've seen really strong growth in card-not-present volume. Our card-not-present volume excluding travel in the last three quarters is up over 30% in some of the most important markets in Europe for us: the UK, Italy, Germany.

So, despite the lockdowns, there has been some encouraging news. And in fact, in the second quarter, our payment volume in Europe was up 8% versus 2019. Again, we'd like to be better, but not horrible, considering the restrictions that you pointed to, and we are doing a lot of things to try to help growth in Europe. We've been working with governments. We did a program with CaixaBank in Spain to deliver stimulus money to 330,000 citizens. We did a thank you program in France with the government to send out cards to their first responders and people on the firing line during COVID. And we're certainly, to the point you were raising about cash digitization and what it has done for debit, there is a lot going on. We recently signed a deal with BNP Paribas Fortis where we have the credit book with them, but we're going to issue $4 million debit cards on top of that.


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In Switzerland, in the last few months, we've done about – I think something in the neighborhood of 12 or so deals that are bringing in – all debit by the way, which put 2.6 million debit cards on file. We've got this global deal that I've talked about in the past with Revolut, that deal is working out very, very well, both transactions and purchase volume is up 200% through the end of last year, so lots and lots of good stuff going on. In value-added services, we've done a deal with DKB in Germany, our largest issuer in Germany, where we're going to – they're going to use our issuer processing capabilities. Barclaycard on the acquiring side is going to go work with us on CyberSource. So, in general, a lot of progress in Europe and I believe that once Europe can come back out and there'll be a little bit further behind us, that they'll – the recovery will really benefit them. And I think – look, I think Europe wants to get there for the summer, right. They want to be open to take advantage of people who are sick of being home and have longed for visiting different great sites in Europe, whether it's a sighting type vacation or more of a leisure-type vacation, and I think that's a great incentive for them and I expect it to happen.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

All right. Well, Europe is one area also where you've had a lot of success with fintechs, but that's been happening far more broadly. And you commented in your opening comments about the numbers of fintechs that Visa now has as customers, accounts as customers. I would say if I think back, to hosting you – I don't know, maybe three years ago, the risk of these fintech digital wallets turning into closed-loop networks that would be competitive with Visa was one of the biggest risks. But yet here we are and now instead, they're all customers and partners. So, talk to us about how that journey happened. Like, what is the value proposition when you go in to a fintech or a digital wallet that has enabled you to convert them from would-be competitors to actually huge customers, an important part of your growth?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

Well, Lisa, you just nicely summarized what I think is one of the most interesting thing that's happened in the ecosystem of payments and money movement in the last three years. Starting back three or four years ago, where the major examples were in China with Alipay and WeChat, we saw the emergence of these closed-loop ecosystems. And from that starting point in China, they grew in Asia, they grew in Africa, they grew in Latin America and elsewhere. And they were quite successful, but they – and they were close to us. But for a number reasons, which I'll detail in a second, they have changed their mind and we have seen them move from being competitors to very, very important and in many cases very, very large partners, and particularly many of them have become partners in both issuance and acquiring. So, why, why the change and I think by the way, it was a combination of what we had to bring to the party, but it was also recognition on the part of these players about their ecosystem and how they could make it better.

So, first and foremost, why, because they can generate more revenue, they can drive more revenue from being an issuer and acquirer for Visa. And thirdly, as they got bigger and had higher growth rates to come over, having these additional revenue streams was certainly valuable to them. Second, I would say is the user experience. The reality is the closed-loop nature of these ecosystems was actually limiting the capability of their customers. They could only shop with the closed-loop credential and with the merchants in that closed-loop. And by opening up and allowing these and have a card in the wallet of these players, they now created and opened it to the 70 million merchants around the world where Visa is accepted and they provided a tremendous amount of additional utility to their customers.

In doing that, Lisa, I think the third advantage was that they increased their reach. There were more customers that they could attract, because of the fact that they had a better user experience and a better set of more


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acceptance footprint in order to drive acceptance. Fourth, by coming with us, they were able to have the benefit and many have using Visa Direct to help them in cash-in and cash-out types of situations. And lastly, many of them, as they grow, were looking for access to various services and if they come to work with us as partners, they've had the ability to leverage the value-added services, whether it's risk capabilities or authentication capabilities, tokenization, et cetera. So, I think this is one of the really exciting developments of the last number of years and we think it's worth somewhere – 2 billion credentials, 70 million acceptance points, we think it's huge over time.

I'll give a couple of examples. The largest wireless provider in Saudi Arabia, stc, has a product called stc pay. They've signed a deal with us to embed – they have 25 million subscribers to embed Visa credential in their wallets and they've already embedded it in 1 million cards in wallets. LINE Pay in Asia just recently added another 1 million cards – Visa credentials, I should say, into their wallet and they're now at about 3.5 million credentials in wallets in both Japan and Taiwan. Rappi, for people who don't know, it is one of the most incredible stories down in Latin America, it's – I've had a chance to spend time with them and they're an incredible powerhouse. They have now 65 million users and we've had a program with them where they've issued Visa debit and credit cards, but they now have launched something called RappiBank and we're their exclusive payment and network partner.

So, again, another example of a closed-loop network that has grown tremendously and is actively partnering with us. We probably – our folks in Latin America probably talk to them every day – certainly every week, if not every day, and there's plenty of other examples around the world, but that's a few of them. So, I think there is a compelling reason – many compelling reasons why these closed-loop systems have opened up and we're certainly glad they did and we are very, very happy to be partnering with them.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

Good. Yes. All right. Okay. Let's go to Visa Direct, my favorite part of Visa's investments. So, Visa Direct, I think we estimated and this is based off of numbers you guys have disclosed, that Visa Direct was as much as about 4% of your volume in 2020, and as you highlighted just earlier in this discussion, growing nearly 60%. You've now got 450 programs you highlighted across 25 different use cases for Visa Direct. So, a couple of questions just on Visa Direct, first one, what are the reasons that your partners choose a Visa Direct over other alternatives, like bank transfer or some sort of like specialized network? And then, second, I know you haven't disclosed the revenue contribution from Visa Direct, but how should investors think about how Visa Direct will sort of layer into your business over the next three to five years?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

So, we actually, Lisa, just recently survey some of our clients about Visa Direct. So, we actually have some good insights as to why, so I'll use some of that in answering your question. First and foremost is the reach. We have with the acquisition of Earthport, have an unrivaled reach in terms of – we estimate we can reach 5 billion accounts around the world at this point. So, that is extremely powerful. Secondly is our operating scale. We, Visa Direct, as I think most people know, is actually run off of VisaNet and all the capabilities of VisaNet. But as we deliver Visa Direct, our push platform for Visa, we really have low marginal cost associated with Visa Direct which is very, very attractive to everybody really.

Thirdly, it's our commitment to our network of networks. We are willing and have built an enormous amount of connections, RTP systems, ACH systems, other card network, where we believe we have again an unrivaled set of connections to drive volume in the most efficient way and do it in a seamless way where consumer only needs to give us the directions of how much money and where they wanted to go, and we figure out the best routing and


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it's one connection and seamless to the customer, and because of the reach we have, the combination makes it extremely attractive.

Fourth, we've continued to invest in Visa Direct and we will continue to invest in Visa Direct. We actually had to build a payout service. We had to build an account funding capability and those things cost money, but they then open up new use cases. And I think the fifth thing about Visa Direct is our ability and proven ability I think to commercialize here. We have – I think it's around 20 different use cases, we've done it somewhere around 450 different launches around the world, and we've got 25 different players in the wage access area. We just did a deal with Airbnb to be able to have the funds send to hosts via relationships with most of the cross-border remitters continues to grow Western Union, MoneyGram, TransferWise, Remitly. And so, in general, it's working out very, very well for the people who want to use it, because it's simple, easy and reliable.

Your second question was around [indiscernible] (00:29:52)

**Lisa Ellis**
*Analyst,*
*MoffettNathanson LLC*

The contribution to your business?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

So, look, as we've said a number of times, over time, new flows and value-added services will become an increasingly important and larger part of our revenue growth. That's for sure. In the case of Visa Direct, the yields would be different by use case. As we get into new use cases that are a little more complicated like remittances, they'll have a higher yield profile. Our initial showcase use case which was P2P has a lower yield profile. Our objective still at this point as much as it's growing we still think it's in the very early innings. And so, our view at this point is to continue to drive adoption and increase the number of use cases. And I believe that pricing opportunities will therefore show up downstream.

There's two other points though that I'd make about Visa Direct that we're realizing more and more and we haven't talked a little bit about. One is the overarching thing is that it's got a – it's proving to have a real network effect. When we push money into a Visa – into an account that's associated with a Visa debit card, about 50% of that funds gets used to purchases using that Visa debit card. So, we kind of get that additional bang from that. We also know that people who have engaged with us and Visa Direct are among the higher spenders, more willing to adapt a move away from cash and tend to spend in some places as much as 50% more than customers that don't use Visa Direct. So, this network effect on top of the base transactions certainly is driving additional revenue as well, although that revenue is going to show up in consumer payments part of the business, but nevertheless, we'll take it and I think we're going to see that trend continuing.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

Okay. All right. Well, only a slight second behind Visa Direct, my next topic is crypto on my favorites list and – so, I guess, I just want to start maybe with an overarching – I know you've got a lot of initiatives which we'll talk about. But because cryptocurrency systems, whether they are like the bitcoin system or even a CBDC system, a government-backed system, they can be thought of as alternative payment rails [indiscernible] (00:32:40) ACH or RTP. So, in that way, why or why not – why aren't they a risk to be so or do you – how is it that – yeah, how do you think about just the positioning of those systems?


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**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

Well, look, as I sit here today, I don't know exactly what the world of crypto will look like four or five years from now, but I'll tell you this, we're leaning into it in a big way. We are assuming it's going to be successful. We're engaging in as many ways as we possibly can, and we want to show the crypto world and the players in the crypto world that we can be additive and helpful to them. You're right that crypto running on a blockchain technology is just simply another network and the reality is that to scale a network, as we well know, it takes a lot. It needs to be valuable and usable for the consumer. And we think that we, Visa, can help provide some of that content and some of that value for crypto players as they try to build this network.

I think it's ultimately going to be a big opportunity for us. Out of the shoot, we're certainly driving a lot of charge volume or payment volume by people buying either what I would call the digital gold, the bitcoin of the world, the more commodity based types of crypto as well as people buying actual digital currencies backed by fiat. We're providing incredible utility by putting Visa cards in the wallets of these crypto players and allowing people then to have this similar dynamic to what we were talking about earlier, Lisa, on the previously closed-looped ecosystem, where people can now use a Visa card to shop at any one of the 70 million merchants around the world and it gives great utility to crypto. By the way, a couple months ago we said, we had 35 partners in crypto. We're now at 50. So, in just the last few months, we've gone up to 50 different partners whom we're working with.

Thirdly, we've created through a set of APIs access to an infrastructure for financial institutions and it's going to be more for smaller and midsized financial institutions to be able to offer the ability for their customers to either buy, trade or custody cryptocurrency for a relationship we have with Anchorage Bank which is the first federally digital asset chartered bank in the United States. And the reality is that crypto is going to go somewhere and we want to – well, let me address the risk point. I don't know. I think that if we can continue to build capabilities and show value, and lean in as much as we are today, the crypto partners we have very much value what we're doing and we're going to continue to invest, we're going to continue to put people behind it, we're going to continue to engage with them, provide solutions and services for them. And so, I see us as being long-term partners to these players and I see it as much more of opportunity for Visa and an opportunity for crypto to potentially take off, certainly the digital currency part of it and we're excited about it.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

All right. My follow-up on this one, you – maybe I'll just wrap these two kind of together. So, you announced recently that along with Anchorage, you became the first global network to settle actually a digital currency. You settled USD coin over to Anchorage, your digital asset bank. Can you talk a little bit about like what that means as a practical matter? And then, also when you're talking with governments about the implementation of like a CBDC or the use of stablecoins, like what is the type of role then in that context that Visa might like?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

Well, you're going to probably fairly quickly exhaust my technical capability to describe this, but let me try somewhat in simple terms. So, our first partner in this is Crypto.com, and our technology team and our treasury team have been working pretty hard over the last several months to build a solution where, in this case Crypto.com, but fill in the blank of future crypto players, doesn't have to worry about converting somehow to fiat and get the money to us. So, what is happening is the settlement obligation flows through a ethereum Visa account at Anchorage, and then Anchorage sends us fiat. And to a degree that anything has to go in reverse, we would send fiat to Anchorage and they would put digital currency back in Crypto.com's account. So, basically, the


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folks at Crypto.com don't worry about anything. As far as they know, they've settled from beginning to end in their digital currency and everything else is shielded from them and they simply don't have to worry about it.

We're going to continue to innovate and try to build on that settlement capability and bring more people into it, but I think we're off to a good start and I think at least the mousetrap that we've created now seems to be working well. We'll have to – we'll work on making sure that we understand how it's going to scale, et cetera, but we're certainly excited about we were the first ones doing it.

You also asked about Central Banks. Well, this is a big subject in all Central Banks. Some are much more intensely into it. Obviously, China probably is the furthest ahead. They're trying to use the Beijing Olympics next February as kind of a showcase for digital currency. But the reality is we're talking to a lot of Central Banks. What we're really doing is making sure that they understand that if they really want the digital currency to take off, it's got to have utility. It's got to be viewed as secure. It's got to be something that customers, consumers, citizens embrace and we believe that a public-private partnership where we can bring some of the capabilities that we have at Visa is a far better way to go than individual governments trying to figure out their own way to build utility and build a network, et cetera, to support the crypto for their – what happens to be their Central Bank currency. I think this is still – this part is definitely in the early innings, but again we're leaning in heavily as we are for everything crypto and expect that we'll continue to be at the table as things continue advance, Lisa.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

All right. Another area of investment of Visa is another one on my favorites list and what I think personally is often very underappreciated about what Visa does is all of your investments related to safety and security. And now, I think as we've seen in the past year, as payment volumes rapidly moved online, ecomm payments are a lot more susceptible to fraud in the current environment than in-store transactions. So, can you talk a little bit about some of the investments that Visa is making in the new services you're rolling out related to advanced safety and security?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

I'm sure you and I've talked about this in the past, because I talk to everybody about it. I think that the word trust is central in money movement operation or a payment transaction. The consumer has to be able to trust that the money is going to go where it's supposed to go. They're going to get the good they're supposed to get, their information is going to be protected, and things will be secure in general. So, this has been an area that Visa has invested in for some time and continues to invest in in big ways. Probably, the product that we're most known for is VAA or Visa Advanced Authorization. And in VAA, we gather hundreds of pieces of data and we now are increasingly using advanced AI techniques to determine whether a transaction – we score it and give the issuer a sense to whether the transaction is good or could likely be fraud.

On top of VAA, we have a tool called Risk Manager, which is a web-based tool that allows an issuer to customize some of the way they want the risk models to work and then they get implemented through VAA. So, it's a very easy way for the issuers to get in some of their logic. And the combination of VAA and Risk Manager actually scored in the last year over 160 billion transactions for over 8,000 issuers in more than 125 countries. So, it gets huge amount of usage. A second tool I would talk about is Decision Manager which is part of our gateway of CyberSource. And in Decision Manager, they collect a whole bunch of data which we commonly call detectors and they analyze over 260 different detectors, even getting down to analyzing the actual transaction that is taking place versus the history of about the transactions, and it also looks at the IP address that's being utilized, it looks


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at device fingerprints and things like that. And this, again, provides a score to let people know whether there is potential fraud.

As you probably recall, we bought a company called CardinalCommerce in Ohio back in 2016. We bought it like in the first three or four weeks I was the CEO. We had started to talk about it when I was on the board. So, I was certainly familiar with it. But they provided a network agnostic capability to both issuers and merchants, so both sides of the network, for anybody who wants to use 3-D Secure, and their volume has grown tremendously, particularly benefiting from the pandemic. They're up 50% in second quarter over second quarter last year, and we have big plans to grow CardinalCommerce's footprint in both Europe and CEMEA or Central Europe, Middle East, and Africa region over the next year and expect, therefore, to see upwards of a 50% increase in CardinalCommerce's clients in the next year.

I guess the last one I focus on, because I think it's such an interesting story about adoption is tokenization. Lisa, it took us six years to get to 1 billion tokens issued, a lot of tough sledding and convincing people that it was important not to [indiscernible] (00:44:48) card-on-file, et cetera. And so, over those six years, we finally got to the milestone of 1 billion tokens. And in the last 10 months, we've done the next 1 billion, so – and I think the 1 billion will come even quicker. So, it's exciting to see adoption of tokenization which is, obviously, a very, very important tool in keeping the ecosystem safe as it could possibly be.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

Okay. All right. So, last – second to last one as we are starting to ramp up here. Can you comment a bit on risks and how you think about the competitive risks to Visa's business and what you're doing to mitigate them? I realize, with Visa, it's always a little tricky, because they kind of come from different angles. It could be account-to-account payments. It can be [indiscernible] (00:45:39) government actions. It can be sort of the encroachment of big ecomm players or handset players. So, sort of how do you, as CEO, think about maintaining the moat around Visa's business?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

Well, I think the high, high level answer and then I'll address a couple of things you talked about specifically, I mean, the high level answer is we have to work our butts off every day to make sure that we're delivering value and doing it in a high quality fashion, staying in contact with our clients, making sure we're solving for pain points, and we got to keep innovating. We have to be the place people want to come. We have to be the partner people want to partner with, because of the solutions and services and capabilities we have. If you look at the account-to-account world, there is I think around 45 RTP systems in the world, and frankly, consumer to merchant payments really haven't taken off. We think debit is a tremendous offering that's proven over the numbers of years, it's easy, it's ubiquitous, it's secure, it has consumer protections and, look, I think to the degree RTPs do take off, we've got our stable of value-added services that we want to sell.

You also mentioned government schemes, and the reality is nothing new there. It's been happening around the world for quite a while. The key there is that, I say this to government all the time, if you're going to do it, fine, we relish the competition, but it has to be an even playing field. And for the most part, we've been able to achieve and maintain even playing fields around the world, which is terrific. You look at India, when demonetization happened back in November of 2016, we were the market leader in India, and I think there was a lot of concern as India introduced RuPay and Paytm came along, et cetera, that this would be potentially problematic for us. But the reality is that it has lifted payment's infrastructure in India tremendously. There's millions and millions of more acceptance points. There's more cards issued and we – 4.5, 5 years later, we're still the market leader in India


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and doing quite well. So, I think that that's got to be something we're going to continually deal with and have dealt with for years. So, there's nothing new there.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Q

All right. Well, we're running out of time, so we'll go to our wrap-up question. I mean, gosh, we've covered Visa Direct, we've covered crypto, we've covered safety and security, we've covered Europe, we've covered the fintech partnerships, plus countless other things that we didn't get a chance to talk about today. So, for you personally, as you look out over the next couple of years with everything that Visa has going on, what are the top couple of things that you're the most excited about?

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

A

That's a hard question, there's a lot of things I'm excited about and very bullish on the future. But I think if I look out over the next year-and-a-half or so, two years, the continued explosion of the tap-to-pay experience, particularly as the United States now gets to adoption. We're now reaching close to 400 million cards in the US that are enabled something like 80% of the merchant terminals and we're close to 10%, and that starts to become an inflection point, where it will go up a decent amount each quarter, a couple percentage points or more. And in New York, where we've really put an emphasis on it, particularly with the MTA, although obviously not too many people are riding the subway train system in New York right now, but they will be as businesses reopen. But New York is almost 30% tap-to-pay in face-to-face transactions.

And then, I would come back to Visa Direct. I think the fact that we have so much ability to continue to grow in the use cases we already have with the clients we already have, I think the ability to attract new clients to the use cases we already have, the ability to generate new use cases, and fourthly, the ability to bring Visa Direct to other geographies. I think those four things – those four growth vectors I think are really exciting, because it shows that we've really just touched the surface of Visa Direct as well as it's done so far.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

All right. Well, with that, I think we will close. Al, thank you so much for joining us, fantastic to have you here this morning, and honestly, a great way to sort of set the stage with the largest payments company and globally to set the stage for our two-day event, so many thanks. Thanks, Al.

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

Lisa, it's a pleasure to be with you, as always. Stay safe and I'll talk to you soon. Take care.

**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Wonderful. Thank you. Thanks a lot.

**Alfred F. Kelly, Jr.**
*Chairman & Chief Executive Officer, Visa, Inc.*

Bye-bye.


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**Lisa Ellis**
*Analyst, MoffettNathanson LLC*

Bye.

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