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Visa, Inc. (V)

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CORPORATE PARTICIPANTS

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Will Nance

Analyst, Goldman Sachs & Co. LLC

MANAGEMENT DISCUSSION SECTION

Will Nance

Analyst, Goldman Sachs & Co. LLC

Okay. Going to kick it off now. Next up, we have Jack Forestell, Visa's Chief Product and Strategy Officer. Jack has been with Visa since 2014, and was Head of the Capital One Digital Platform prior to joining.

Jack, really appreciate you being here and thanks for supporting the Goldman conference.

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Great to be here, Will. Thanks for having me.

QUESTION AND ANSWER SECTION

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Okay. So I'll kick things off. We've got to do the big picture spending question upfront here and then we can talk about these more interesting topics. But spending was a little bit bumpy in the fiscal third quarter, notably in June, rebounded nicely in July. Any color on how things have progressed so far in August and what you're seeing around the health of the consumer?

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

A

Yes, the requisite how is spending going question. The word that comes to mind is strong. There's obviously a lot of uncertainty in sentiment out there, but when we stare at the data, we look at what the consumer is actually doing within our network, we see continued strong performance. August relating to July was much of the same, as you noted, we had a pretty good July. We can see that performance continued on a relatively even basis around the world. Of course, with where sentiment is, anything could change, we're ready for that, but the data looks pretty good.

Here in the US, there's a little bit of a days mix thing in August relative to July. But once you adjust for that, kind of the same story, just continued strength. When you shift over to cross-border, August came in – if you exclude intra-Europe cross-border – at about 11%, again, pretty strong. We've seen recovery in certain (sic) [travel] corridors around the world. So, just kind of continued strength.

The one operating number, by the way, that I tend to look at that we publish is processed transaction volume growth. So to me that strips away a lot of the volatility of at any moment in time what's happening with purchase mix across categories, what's happening to gas prices, what's happening in currency pairs, and really is a more pure reflection of who's using our network, how engaged are our users. And that number, processed transaction volume growth has again been very strong and that's been consistently strong for a very, very long time.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Very good. And then on the cross-border side, we've seen some divergence between the travel and the e-commerce trends. Any color on just how each of those categories is performing?

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

A

Both continued strength. Not a lot more to say than that. On the travel side, it's kind of a corridor by corridor thing at this point, how things are continuing to recover in a post-pandemic world, but it's just continued recovery and strength.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Very good. Okay. So, shifting over back to the Investor Day, Visa as a Service is one of the most significant updates to Visa strategy since the network-of-networks strategy, I think five years ago. Can you talk about how

this strategy has been put into implementation throughout the organization? What's fundamentally changed about the way the company operates and the way the clients engage with Visa?

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

A

Yeah, Visa as a Service, I'm very excited about it. But it's a journey. I don't want to leave you with the impression that we developed it and built it and changed everything six months ago. This has been a long journey, and, in fact, I like to tell people I certainly walk on the shoulders of giants – the franchise that we operate, I like to think of as one of the original, if not the original hyperscaler. And the parallels are very real, if you think about it. Like think about what it is to be a cloud-based hyperscaler today, right? Prior to the existence of cloud-based hyperscalers, if you were trying to develop computing infrastructure, it was enormously difficult. It was expensive. You had to procure the hardware, you had to procure all the software, you had to procure the dev environments, the network, the cybersecurity. And then along came cloud hyperscalers and with a single point of connectivity, you could get all that, you could get elastic compute, you could get a continued stream of investment to continue to enhance that compute and all the features and the tools that go with it. That's kind of what we have been for a very, very long time. Think about it.

We're either the biggest company in the world or the smallest developer in the world. If you want to deliver a payments experience, you can come to us, you can plug into us, and you can instantly have global scale and the highest quality possible tools backed by our brand and the level of R&D that we plough into everything. So, it's kind of been that way for a long time.

Now, we have been furiously modernizing that stack, and that's what we were talking about at Investor Day a couple of months ago. We've basically taken the stack and turned it into a layered stack that our clients can use at a very base layer is our global connectivity, connectivity of 150 million points of merchant sale, connectivity to almost 5 billion credentials. So, when you use our stack, you plug in, you immediately get access to all of that.

Next layer up, services. Think about our authorization, clearing, settlement, the level of resiliency and performance that goes into that, but we've also been building new services, microservices for issuer processing, acceptance processing, risk management services, the full gamut. And the next layer up, solutions, bundling together those services to create packaged solutions that our clients and developers can get on the platform and instantly consume and deploy, again, and get all the way back to that connectivity of 150 million merchants, 5 billion credentials through those packaged services.

And importantly, the last piece, the ease of connectivity. We launched our developer platform, I guess it's maybe eight years ago, something like that, we continue to invest in it, making our APIs easy to consume, creating SDKs and bundled APIs. In fact, we just launched an MCP server for our agentic commerce platform just last week, so that's a little bit of a sign of things to come as to how you're going to be able to access the Visa stack.

If I can give you – I'll give you an example, right, just to sort of bring it to life. One of my favorite new products that we launched this year is a product called Visa Accept. So, imagine you're a financial institution, in an emerging market, you've got a lot of small customers, sole proprietors, businesses selling things, but they can't accept card payments. What we've done with Visa Accept is basically reach into the Visa stack and think about the capabilities that we have in authorization, capabilities that we might have over here in issuer processing, capabilities we have over here in gateway, all those services we've taken them, and we've bundled into an SDK that you as an issuer can plug straight into your app and offer those small sellers. And all they have to do is opt in to the service inside of your app, turn it on and they can start accepting Tap to Phone transactions immediately.

So, it's a great example of how the smallest of seller in the world can tap into the Visa stack in order to turn on that connectivity to, in that case, almost 4 billion (sic) [5 billion] credentialed users around the world.

Will Nance

Analyst, Goldman Sachs & Co. LLC

And that's straight from the banking app?

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Yes.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Wow. Okay, I'd love to stay on that topic, but we've got to get through a lot of questions here.

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

I'll try and be shorter on the other answers.

Will Nance

Analyst, Goldman Sachs & Co. LLC

No, no, please. So on the consumer payments side, in the US, if we zoom out, I mean, you presented at the Visa Analyst Day on the various strategies in consumer payments, you touched on one of the big investor focuses in the market, which has been the capacity of carded payments to outgrow US consumer spending. And I think over the last year, it's been really great to see the acceleration of US card volumes in what has been one of the strongest periods of US card spending since the COVID recovery tailed off a couple of years ago. What are you seeing as the biggest driver here? And are there any notable trends to call out under the hood that's driven this kind of sustained outperformance in carded volumes?

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Yeah, I mean, look, the bottom line is there is still an enormous accessible TAM out there of \$23 trillion worth of cash, check and ACH payments that we view as the market opportunity that enables us to grow faster everywhere in the world above that basic level of PCE growth that's true in the United States, that's true everywhere else. And I couldn't be happier with the way that our products and services are coming together to help drive that. And we don't have the time to go through everything, but it's our Tap suite, it's our tokenization capabilities, it's our differentiated cardholder benefits, it's brand-new products like our Flex Credential.

If I could maybe double click on one or two of those. I know we talk about Tap a lot, but we talk about Tap a lot because it's really resonant with Visa users. Billions of people love to Tap. It's the gold standard for a payment transaction. But we're still on a journey. There's still a lot of room to grow. We're at 78% penetration at the physical point of sale for Tap transactions. And I'd remind you, when we get users converting to Tap, we see meaningful lifts in cash conversion and meaningful lifts in spend per active card. It's like once you try that Tap, you're connected to it. It's an easier way to go and you just start doing it for everything that you possibly can.

We're only though – I'd say there's upside, because we're only at 63% in the United States. We've come a long way very quickly, but there's still 37% to go in the US. And just to give you a sense of the momentum, if I – we think about this, by the way, in communities, right? Because it's sort of a viral thing, you see the first person in front of you in the line and they're tapping, you're thinking I don't want to be the dipper, I don't want to slow up the line, I don't want to use cash, I want to Tap. And so, we look at communities, a year ago at this time, we had 30 cities in the United States with over 75% (sic) [60%] penetration in Tap. Today, that number is 60 (sic) [75]. So, we've doubled (sic) [more than doubled] the number of cities with over 75% (sic) [60%] penetration. So still lots of work to do, lots of room to grow. That'll drive a lot of volume.

We're also taking that amazing experience and extending it with new capabilities like Tap to Phone for acceptance I was just talking about with Visa Accept, like tap to add your card to your favorite wallet, like tap to authenticate yourself to get a risk signal when you're making a purchase online. So, really excited about the expansion there.

We had – obviously, I mentioned other products like our Flex Credential, that's way earlier in the product life cycle, but gaining a ton of traction. Think of that as where Tap was 10 years ago, right? It's at the beginning of its journey, but really, really, really gaining traction. You can think Flex Credential, by the way, as like a Swiss Army knife of credentials. It is a credit card, it is a debit card, it is buy-now, pay-later, it's pay with rewards. It's pay with multiple currencies, all on one single physical or digital credential.

We started it in Japan about two or three years ago with our partners at Sumitomo. They've had incredible success with it. We launched about 10 months ago with Affirm here in the US. They've got about 2 million users on board with it. Now, we're launching with Klarna here and in Europe right now. And we're seeing all kinds of really cool new use cases, small business, multi-currency. We've got about 200 opportunities that we're processing in our Flex Credential pipeline. So you're just starting to see these things come together and really attack that \$23 trillion opportunity.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

No, that's great. I mean, do you see the interest from traditional FIs on the Flex Credentials too here in the US?

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

A

Yeah, we definitely see interest from the traditional FIs. I will say the reason you're seeing it coming from more of the fintechs is, it's a little easier if you don't need to wire it back into your existing issuer processing infrastructure. So, the fintechs who are advantaged in that way can go a little bit faster, but that's not to say that the traditionals aren't right there. And like I said, we launched this thing with SMBC in Japan, which is one of the largest banks on planet Earth, so.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Right. Okay. I think at Investor Day, you also talked about some of the non-card products that you've been able to drive consumer payments on the Visa network. So, areas like Open Banking, providing VAS to A2A networks such as the A2A Protect product that you just rolled out. In markets where A2A is more prevalent, where have you seen the greatest traction in selling into these markets? And maybe you can touch specifically on Open Banking in the US and some of the large banks potentially changing their customer data access policies and Visa recently made some announcements on the Open Banking platform here.

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

A

Yeah. When it comes to A2A, here's how I think of it. So, we participate in account-to-account in three different ways. One, we obviously compete with it, and that's what I was just talking about, a whole bunch of ways in which we do that quite effectively. But we also use the A2A rails to initiate and process transactions ourselves, and then we supply services to others who are initiating and processing account-to-account transactions. So I think your question is more about those latter two categories, like where are we processing the transactions and where are we providing services to others who are processing the transactions?

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Right.

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

A

Let me give you a few examples of how things are going there. In terms of us initiating and processing the transactions, the best example is probably our Tink business in Europe. We acquired Tink several years ago. We saw the opportunity to participate in the emerging open banking payments market in Europe. We acquired Tink as our platform for doing that, and we're excited about the progress we've made. Tink is operating in 20 (sic) [nearly 20] different countries in Europe, connected to about 10,000 merchants for the purposes of pay-by-bank payment initiation. And things are going well there. But almost as exciting is we're starting to take that capability on the road.

We brought Tink to Brazil where, again, we saw a similar opportunity. We started that work a couple of years ago. We had to go through licensing and a few other things, but we recently announced that we're launching an open banking payment initiation service in Brazil called Visa Conecta. And that capability is going to enable us to start to initiate Pix-based transactions for our clients in Brazil. So, that's a great example of how we're participating fully and using those rails.

Now, I would say, initiating an account-to-account transaction delivers a very basic transaction. That account-to-account settled transaction doesn't come with all of the feature and function that comes with a Visa transaction. It doesn't come with the security, it doesn't come with the trust, it doesn't come with the problem resolution mechanisms, the data payloads. And so, we thought about, well, how can we take everything that we do within the Visa network and start to make that available for the purposes of these account-to-account transactions?

The UK is one of our big markets, it's one of our big markets for Tink and for Open Banking payments. And so, last year in the UK, we launched a service we call Visa Account to Account. And to simplify it, we basically abstracted all of those capabilities, the rules, the platforms, the processes and the technology that we use to do all the things I was just talking about and packaged them up into an account-to-account scheme that has technical standards, data requirements, dispute resolution processes, commercial models, risk management built into it. And we're launching that Visa Account to Account scheme as a way of delivering for our clients all the capabilities that they're used to getting in a Visa transaction through those account-to-account transactions.

Maybe one more example. Account-to-account payments, biggest problem with account-to-account payments has been scams and fraud.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Right.

Q

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Right? And again, think about us for decades, we have built, I would argue, the world's leading transaction fraud detection engine. Right? We process hundreds of billions of transactions a year. We look at hundreds of variables through AI-based models in milliseconds every time you use your Visa card. It's incredibly effective, but really none of that exists in the account-to-account space. So, we said, well, how do we take the decades of modeling experience, the breadth of data that we've accumulated over all that time, and turn it to solving the fraud problem for account-to-account payments? We partnered up with account-to-account platforms around the world and with our clients, so we could match up the data and kind of understand better how that fraud was being perpetrated, retrain those models that I was just talking about and developed a product called Visa Account-to-Account Protect, which does exactly what I just said, at the transaction level, can detect fraud on account-to-account transactions, highly performative in capturing fraud. We've deployed it in Argentina, we've tested it successfully in the UK and a number of our clients in Brazil are actually using it to manage their Pix transaction risk.

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Will Nance

Analyst, Goldman Sachs & Co. LLC

That's great.

Q

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

So, you asked me about US Open Banking, correct?

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Will Nance

Analyst, Goldman Sachs & Co. LLC

Yes, US Open Banking. Yeah, please.

Q

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Yeah, US Open banking, look, the reality is US Open banking payments has developed more slowly than I would have anticipated. You go back six, seven years, when we really started thinking about US Open banking payments, we saw the potential for a much faster trajectory. You get to where we are today and things just really haven't moved on as quickly or at the scale that we might have anticipated. There's also, at this moment in time, just a lot more uncertainty about how Open Banking is going to play out in the US from a regulatory standpoint, very much unlike Europe, where there's a very clear regulatory regime around it, or Brazil where there's a very clear regulatory regime around it. Here, there's just less certainty.

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And so, look, we just like everyone else in every other business, always have to make the difficult prioritization decisions. And given where things are in terms of the slow evolution and the lack of clarity about where things are headed, decided that we were going to pause our efforts on US Open Banking for the time being. I'm not saying never, I'm just saying, like right now, we have other opportunities within the business to take our R&D and our resources and our precious time and spend them on some different things.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. Well, that makes sense. So, let's stick with value-added services. You provided a lot of new detail on the VAS portfolio at the Investor Day, and the portfolio saw a nice acceleration in the second quarter, up 26% in constant dollars. And I think one of the biggest takeaways from the Investor Day was just how broad and diversified the suite of VAS is. So, I guess what can you say about the momentum in value-added services today? How is product development going and where are you seeing the most success across the portfolio?

Jack Forestell*Chief Product and Strategy Officer, Visa, Inc.*

A

Yeah, I mean, our VAS business is really firing on all cylinders across all four of the businesses. And I know we talked about that on Investor Day, so I'm not going to take you through the whole here are the four businesses explanation. But maybe sharing a little bit how I think of the product element side of it. I think of three different types of value-added service across all four of the businesses. One is where we're enhancing the value and providing services for Visa transactions, Visa transactions that we're processing through Visa today. The second is where we're providing services on non-Visa transactions. They could be on other card networks, they could be account-to-account transactions, some of the stuff I just described falls in that category. And third, where we're going beyond the transaction and providing services that are unrelated to the transaction to our clients.

That first category – well, enhancing the Visa transactions, it's about 65% of what we do in the value-added services business, and we have teams across the company that are just constantly obsessing about building new capabilities. In every facet, in places where you might not even expect, you take authorization, you might say, well, Jack, authorization's been around for a very, very long time surely there can't be more there, but there is. We're building new capabilities like our AI-based stand-in processing.

We have a capability that allows issuers to set up rules and configure authorization for them as we stand in for them sometimes. We're replacing that with self-learning algorithms that can learn how issuers process their own authorizations and stand that in to create a more fit-for-purpose capability. That's just an example. We do the same thing across dispute resolution, across tokenization, the whole gamut of things. So, those are by and large build capabilities that we have teams inside the company obsessing about all the time.

You move to the second category, which is in combination with the third, about 35% of everything that we do and the second category being providing services for non-Visa transactions. On the acquiring side, think about capabilities like our Cybersource gateway and risk management services, our Authorize.net capability, our consumer authentication services. On the issuing side, it's capabilities like our DPS issuer processing, our Pismo core banking and issuer processing services, our loyalty services. There, it's a little bit more of a combination of internal builds we're doing things like adding the latest local payment method to our Cybersource gateway. We just completely revamped and relaunched our Authorize.net platform for small and medium sized businesses. But it's also a place where we spend some time on acquiring capabilities.

We're always out there looking for the best capabilities, the leading capabilities that we could integrate into our portfolio and offer our clients our Pismo core banking and issuer processing capability. Fantastic example of that, our pipeline there – we acquired that about two years ago – is incredibly full, and Featurespace is another great example of that, our latest acquisition that we closed on – I think it's around 10 months ago, maybe December of last year, and the ARIC risk platform that that's going to bring to us also an incredibly in-demand platform.

The last category is, last but not least, smallest, but it might actually be growing the fastest. And that's where we're providing services to our clients that leverage our data, our analytics, our brand, our subject matter expertise and our talent. And whether it's managed risk services, whether it's marketing services, whether it's consulting and analytics, we really cover the gamut with our clients, and it's also a fast-growing business.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Q

That's great. So let me shift to another area where your product development has shined recently, and that's tokenization. The growth continues to be tremendously high at scale.

Jack Forestell*Chief Product and Strategy Officer, Visa, Inc.*

A

Yeah.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Q

Can you talk about the goal of reaching 100% penetration? And then longer term, how do you think about the monetization?

Jack Forestell*Chief Product and Strategy Officer, Visa, Inc.*

A

Yeah, I cannot emphasize enough how important tokenization is to delivering that magical, easy to use, but incredibly safe and secure transaction that we deliver. And getting to 100% tokenization in the digital space is important because it's going to enable us to do what I just said ubiquitously across our whole network.

Now, tokenization, by the way, is not as new as everyone might think. Everyone likes to think about tokenization in the context of the digital transaction, which makes sense, but it actually really started with the card. You think about the EMV chip, the EMV chip contains an application and that application generates a cryptogram. We check that cryptogram once that authorization message is sent to us. That is effectively tokenization. And I bring this up just by way of example to show you we're at almost 100% tokenized face-to-face transactions. And as we've gotten to that level of penetration with EMV chip and contactless tokenized transactions at the point of sale, we saw fraud reduce by almost 90%. So, that is what I always have in mind as I think about what it is that we're doing on the digital side.

Now, we introduced digital tokenization about 10 years ago and it started out with mobile digital transactions and then we quickly moved into card-on-file and cloud-based tokenization. But it's a journey, it's building momentum. In the first five years where we had deployed digital tokenization, we provisioned 1 billion Visa digital tokens, sounds like a lot. In the five years after that, so since 2020, we provisioned another 14 billion. 1 billion in the first five years, 14 billion in the next five years. That's the kind of momentum. And the reason the momentum is there is because of the results.

We see almost 5 percentage points increase in transaction success rates on a tokenized transaction, relative to an untokenized digital transaction. And we see almost 40% reduction in fraud. So, our issuers love it, our merchants love it, our acquirers and payment service providers love it. And consumers just end up having a massively better experience. But we're at about 50% tokenized digital transactions, e-commerce transactions today, which is fantastic. But that means we've got 50% to go, and a big part of that 50% is tokenizing guest checkout and tokenizing form-fill transactions. We've been working hard on our secure remote commerce

capability, that's a directory that we have, that acquirers and payment service providers can call using EMVCo standards, so they can compose a service across us and other networks to deliver a tokenized guest checkout experience using the click-to-pay standard. So, still lots of upside and opportunity there.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. Okay. So, for the third year running, AI is the main theme of the conference, and the perception in the market is that payments has been left behind in that conversation. But I think it's the conversation around AI agents has picked up, we're hearing more and more about the topic of agentic payments and the role that payments companies could play. So, can you talk a little bit about your theory of the case there around agentic payments, the agentic tokens and how you see Visa's role to play there?

Jack Forestell*Chief Product and Strategy Officer, Visa, Inc.*

A

Yeah, we became big believers that AI and agency with AI was likely to transform the way discovery, shopping and buying happens quite some time ago. And so, we got very serious about building capability early in 2024. And the way we saw it and still see it is, for us, it's about trust, right? AI can be deployed to search for new things, consumers will trust that. AI can be deployed to find new products, you'll trust that. To compare products, you'll trust that. But that's not agency. That's just better search and discovery, for this to turn into agency, the AI, the agent needs to take an action. And in our world that action is buying something to execute a payment transaction on your behalf. And that is all about trust.

And while consumers will trust and issuers will trust and merchants will trust, the first part of what I said, when you get to exchanging money, the premium on trust goes way, way, way up. Issuers need to know that this agent is legitimate. Merchants need to know they're going to get paid. Consumers need to know the agent is actually going to do what the agent is supposed to do and that's the problem that we set out to solve when we started to build our Visa Intelligent Commerce platform in the middle of last year.

Tokenization and authentication is at the very core of it. The basic principle that we're going to certify and authorize an agent and we're going to take Will's payment credential, create a token, and bind that Visa token to Will's agent. Then, we're going to authenticate Will with his financial institution and now we've got a route of trust. I know it was Will who generated this token, I know this is Will's agent, and when that shows up at a merchant in the future, I'll know exactly what it is. And I can ask Will for a very simple authentication to know that this was something that Will had intended to do.

But we're going beyond that and providing more than just those basic tokenization, authentication capabilities. We're providing richer data sets to our issuers, and our acquirers and our merchants, recording what the consumer's intent was through a new API we've developed to make sure that we're getting accurate behavior out of the agents, providing a richer post-transaction data set that's got more granular information to create a simpler and faster and more seamless problem resolution process on the back-end. And we're building in personalization capabilities, so that you can bring your data with you as a user and share it with your agent or share insights from your data with your agent to create a better shopping experience, whilst retaining complete control over your data as a user. So we're very excited about platform. We've got about 30 partners working in our sandbox today and about four pilots up and running so far.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Q

Right. Looking forward to hearing more about that. All right. Couple of minutes left here. I wanted to touch on the Visa Direct business. It continued to be a major driver of growth, 25% transaction growth in the most recent quarter. The Investor Day cited several high growth use cases, including things like earned wage access and payouts. So, first I want to talk about this in a domestic context because, there are alternatives to Visa solutions in payouts, things like real-time pay-outs and A2A solutions. What's the strategy for competing with providers that leverage some of these competing form factors and what differentiates Visa Direct from these other rails?

Jack Forestell*Chief Product and Strategy Officer, Visa, Inc.*

Yeah. I think our Visa Direct story is near and dear to my heart. It's been a long journey. And when we conceived of it a little over 10 years ago, the idea was to take the richness of that transaction that I'd been describing and all the capabilities that we have built into Visa and take it from what had dominantly been consumer to merchant use cases and start to apply it to new use cases like P2P and B2P, G2C, all kinds of new use cases. I start there because that is kind of the root of the differentiation that you're asking about.

More specifically, I'd say there are probably combination of three things that really differentiate a Visa Direct transaction. One is scale and coverage. You have to start with the almost 5 billion Visa credentials that are out there that users are familiar with, that they trust. That's the starting point for Visa Direct. But we knew that unlike a pull transaction, when you're sending money, you need to have even more ubiquitous coverage than the 5 billion. So, we've added bank accounts. We've added wallet capability. We've labored for many years to create that connectivity. And we now have a comprehensive network that, yes, can access those 5 billion endpoints using Visa credentials, but can also get to 11 billion total endpoints using bank accounts, wallets and other payment networks. So that ubiquity is a unique feature of Visa Direct.

Second is the transaction quality. We have built-in risk management. We have built-in repudiation. We have built-in post-purchase and post-transaction problem resolution capabilities. We have the trust of the brand. And the third thing is simple ease of use. These are composable APIs. We cover 65-plus different use cases today, and our clients consistently tell us integrating Visa's composable Visa Direct APIs for their use cases and the solution bundles that we've created around 65 use cases is easier by an order of magnitude than integrating to a raw account-to-account or RTP infrastructure.

So, it's really the three things you add them together, you're asking specifically about the US. I think those three things are very true in the US. There's really not that set of capabilities that sits out there from an RTP or an account-to-account standpoint here.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Great. Well, we're probably going to go into overtime here, but let's see if we can do stablecoins in about 30 seconds. It's been the stablecoin summer. I'll turn the floor over to you, stablecoins go threat or opportunity?

Jack Forestell*Chief Product and Strategy Officer, Visa, Inc.*

We very much see stablecoins as an opportunity. We don't see stablecoins as a new currency. We see stablecoins as a digital representation of an existing currency. And as such, they're infrastructure, right? We have, I would argue, one of the leading teams in the business, we've been in the crypto and stablecoin space for many years. In addition to our product development, our team does a lot of work in the analytics space. We actually

publish an on-chain analytics capability. And as part of that analytics work, one of the observations that we have, great thing about stablecoins, by the way, it's all out there on chain, you can see it.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Yeah.

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Very little demand to this point in history for consumer to merchant payments. So, you asked me about threat or opportunity? Don't see a lot of demand for the consumer, the merchant side, at least not yet. Do see a lot of demand for other use cases. Obviously, there's capital markets. That's a massive number, that's not necessarily our focus, but we're seeing more and more demand in other use cases, like the holding of US dollar denominated funds in markets outside of the US growing rapidly, the use of stablecoins as a more efficient mechanism for moving money across borders is growing.

And so, we're taking those learnings and integrating them with our product development capability and our partnership efforts and focusing on areas like on-ramping and off-ramping. People want to hold US dollar-based stablecoin deposits in other countries, but when it comes to using that money, they want to off-ramp it back into their local currency. So, we're providing those on-ramps, we're providing those off-ramps.

We're also providing settlement capability for all those partners of ours who are native operators in stablecoin, we're offering them the opportunity to settle on our network in stablecoins. We started that several years ago with USDC. We've added EURC, we've added PYUSD and USDG now. We're operating on four blockchains. Last time I talked about it publicly, we were at a run rate of about \$250 million a year in stablecoin settlements. I checked in with the team just the other day, we're at about \$1 billion now. So, just in the space of several months, we've quadrupled the amount of volume that we're doing in the stablecoin settlement space.

We're also using stablecoins, by the way – I referred to them as infrastructure – for our own purposes. You think about the Visa Direct business and those 11 billion endpoints I talked about, many of them being bank accounts and wallets, in the guts of how the settlement works on the back-end, we have the same problem as everyone else. We've got to stage liquidity all over the world to make sure that we're replicating real time, even though the world's underlying settlement infrastructure isn't real time. We're using stablecoins to start to solve that problem and create more efficiency for us. And lastly, we're building capabilities for our clients to enable them to offer tokenized assets, deposits and stablecoins to their own customers through our Visa Tokenized Asset Platform.

Will Nance

Analyst, Goldman Sachs & Co. LLC

That's great.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Well, I'd love to continue that conversation, but we are out of time. Thank you so much for joining us.

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Thanks, Will.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Really appreciate the conversation.

Jack Forestell

Chief Product and Strategy Officer, Visa, Inc.

Yeah. Appreciate it. Thank you.

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