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Visa, Inc. (V)

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MANAGEMENT DISCUSSION SECTION

Jason Kupferberg
Analyst, BofA Securities, Inc.

Hi, everyone. I'm Jason Kupferberg, the Payments, Processors and IT Services Analyst here at Bank of America and very excited to again have Visa at the conference. We've got Vasant Prabhu, Vice Chairman and CFO joining us today. Vasant, thank you very much for your time and being here with us. We appreciate it.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

Thanks to you Jason. Thanks for having me.

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QUESTION AND ANSWER SECTION

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Sure. Sure. I wanted to start off just talking about the spending recovery, right, and as you watch that kind of unfold here in recent months and obviously you had a mid-quarter update last week. I wanted to get your perspective on which aspects of the data that you're seeing have surprised you the most whether that's a positive surprise or a negative surprise? Maybe we can start there?

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Yeah, I guess the way I would summarize it if I had to summarize it in a sentence, just looking at the May numbers that we disclosed last week. The surprises were entirely positive with very few negative surprises. Just to highlight sort of what I would call the positive surprises, you saw that in the US that our payments volumes were essentially the same as April in terms of growth relative to 2019 and as you know, we're comparing to 2019 because it's the sort of clean [ph] recorded (00:01:31) comparison. So, we were up 31%, I believe 32% actually. And we were up 31% in April. The positive surprise there was that we had thought coming into May that some of the impact of stimulus in the US like, you were seeing in our week by week numbers since March, will start to wear out. What we have found is that perhaps reopening related spending in debit has been offsetting the impact of stimulus [indiscernible] (00:02:05). And debit stayed extremely strong and stable, up 150% over 2019, 150%, so our debit is 50% larger than it was in 2019.

So, that was clearly a positive surprise. The second surprise, positive again, was that debit stayed strong even as the credit recovered. So, credit was up 10% over 2019 in April. It was up 14% in May, a 4-point improvement. So, this belief we've had that what we're seeing in debit is really an acceleration of digitization of cash is holding up so far. And credit is recovering clearly because reopening spending is driving it. We're starting to see recoveries in restaurants, travel, entertainment. And in fact in the US, in May, towards the end of May, domestic travel was almost back at 2019 levels. The other thing that was a positive surprise was that eCommerce spending in the US stayed strong even as card present spending recovered. So, eCommerce spending in May was up 159% versus April, even as card present spending grew by 4 points and now is about 13% above 2019. So, clearly in the US, the surprises were positive.

Outside the US, I mean we don't report those in May, but as a general indication, Europe is recovering from some of the restrictions that they had in the first quarter where we have some ups and downs in Asia. You know the situation in India. Singapore and Japan had to put some restrictions in and so on. The other thing I would point out is, again, was more positive than we expected is cross-border. It improved by 6 points, and travel within cross-border improved by 5 points. Even though it's still indexing at only 45% to 2019, it was still up 5 points. And we can talk more about this, I'm sure, but we are seeing a clear desire on the part of consumers to travel cross-border where borders are open, and we can come back to that if you like.

The last thing I would say is that eCommerce, of course, has been the big surprise on cross-border. As we've told you before, it's now two-thirds of our cross-border business. It indexed at a very hefty 162% in 2019. Now some of that is driven by cryptocurrency, of course, but cross-border eCommerce is holding up extremely well. So, as I said earlier, bottom line, there were few to limited negative surprises. May was mostly positive. Now I just want to caution you in that we do live in a relatively uncertain world, and if there's a spike in infections or more border closures, things could change, but speaking of May, we were definitely positively surprised.

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Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

That's great to hear. You mentioned the crypto volumes there. I mean, is that – it sounds like that's moving the needle, I mean at least in that slice of your business, cross-border, eComm. Is that fair? Is that kind of a meaningful tailwind right now? Any way to quantify it?

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Well, yes. Crypto purchases clearly have been a tailwind for cross-border eComm. The reason it's cross-border is a lot of these companies that are selling crypto that people are buying and converting fiat into crypto are based out of Europe. So it's acquired out of Europe. The largest quantity of these Bitcoin or cryptocurrency purchases are happening from North America. And you may be surprised by this, by SEMEA region, Middle East, Russia and places like that. It's not easy to fully quantify it precisely nor do we want to get into that more, but if you look at our trends, it all started really to take off in mid-April as it relates to crypto. So, if you look at our trends, which we report now on a weekly basis that you've seen and you look at cross-border eCommerce and you look at how much it's accelerated let's say since the middle of April, I think you could say that a large amount of that acceleration is in market flow. And as a caution again, I mean that can change really fast. But regardless of crypto, I mean, cross-border eCommerce was still extremely strong even before crypto gave it an additional kind of ballast.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Right. Right. Okay. Yeah. No, thank you. Thank you for that color. I did want to follow up a little bit on your broader cross-border travel comments. We've seen all the headlines. The EU seems to be getting ready to open its borders soon to foreign travelers, what doesn't really seem to be terribly onerous restrictions in terms of quarantining and so forth. So maybe you can talk more just about the pent-up demand for cross-border travel into Europe as compared to the pent-up demand that has already been starting to get released in the US domestic travel space and are you seeing, for example, a notable increase in cross-border airline volume as more consumers start planning summer vacations?

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Yeah. Look, I think, again, the headline here would be that every sign we're seeing says consumers want to travel. Consumers want to travel not only domestically, but they also want to travel internationally and it's only constrained by where they can go. So when something opens up, we see some significant impacts relatively fast. If you look at the cross-border business today, the areas where you'll see the greatest propensity to travel because borders are still relatively open is into Latin America which is almost back to pre-COVID levels, travel into Latin America from all regions, and ultimately US, which is US – vaccinated US travelers are very keen to travel out of the US. So outbound travel from the US is almost back to where it was pre-COVID.

If you take one particular corridor we've often talked about is US, Mexico. It has been open for a while. It's pretty frictionless. In the month of May, if I remember right, spending by US cardholders in Mexico was 70% above 2019 levels. So as you can see, when you have an open border, a lot of travel then tends to crowd into that open border because they can't go elsewhere.

If you then take Europe, which is where we are quite optimistic about the summer, in general Europe has signaled that they're open for business in summer, especially in Southern Europe and they've made it very clear that they

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would love to have vaccinated US travelers in Europe in the summer. So, for example, between the US and Spain and Greece, airline booking volume was up 2.5 times in May versus April. So this all – things started opening up in mid-April. For example, booking volume into Greece has surpassed 2019 levels by almost 10 points right now. If you look at Greece again, they opened their borders in mid-April. And in the six weeks between mid-April and the end of May, cross-border spending in Greece has increased 2x and it's been accelerating every week. I gave you the example of Iceland which is of course not the most significant place people travel to, but it happens to have an open border in several countries. And since mid-April, volume is up almost 4x in the last week of May and it's been improving just about every year – every week.

I think where people are more cautious is in Asia. I would say Asia is where travel in and out of Asian countries by Asians remains fairly depressed. But elsewhere, it's really showing signs of pent-up demand, as you said. If you take Australia and New Zealand that opened the bubble, which is perhaps the only place in Asia where there's some travel possible, we saw some significant increase in travel within that bubble. So, [indiscernible] (00:11:02). People do want to travel. Once borders open, we think things come back very fast. And where they're open, there's a lot of travel going in there because they can't go elsewhere.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Right. Right. Yeah. No, that's good news for sure. And I wanted to come back to the comment that you made around the cross-border mix now being two-thirds eCommerce, right, and one-third travel. It's really been a flip from what we were looking at pre-pandemic. So, as you sort of think forward with more borders reopening, like you just mentioned, and travel eventually recovering more fully, maybe it's 2022, where do you think roughly that that mix of cross-border business settles out? I mean is 50/50 kind of a reasonable estimate? Would just love any perspective there.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Yeah, I mean look it's hard to predict right now where it settles down. So, I don't think I would – I will try and predict that right now. Clearly, the big surprise that this last 18 months have – there are two big things that changed in our business, one was the extraordinary growth of debit through the propensity to digitize cash and then, of course, the extraordinary acceleration of eCommerce especially cross-border. I think what we've realized and consumers have realized through the pandemic as they have gone more online for their purchases is they become less sensitive to where the product originates. And this has given a lot of cross-border merchants some extraordinary opportunities to grow their business. And that is really a lot of what's driving the huge increase in cross-border eCommerce. And as you said, it's now two-thirds of our cross-border volume. But as you said, it's partly because travel is also depressed.

As I said earlier, cross-border travel is still indexing, even in May, at 45% on 2019. So, there's a long way for cross-border to recover on the travel side and so that percentage will change. But there are some real differences on the cross-border eCommerce side that are important to highlight that are structural. One is, as I said earlier, consumers are more willing to buy items cross-borders when they buy online. I don't think that habit changes. The other thing is that our cross-border business is also diversifying quite fast. As you know, we're doing more B2B cross-border and more businesses are digitizing their cross-border movements [indiscernible] (00:13:41). We're also, through our Visa Direct business, now in use cases that we were not in before like remittances, for example, like marketplace payouts. There's a fair amount of gig economy kinds of stuff that happens cross-border that we're enabling.

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Certainly cryptocurrency purchases we talked about are cross-border. Now those could go up and down. But we're also facilitating a whole range of possibilities on the crypto side that have a big cross-border element to them. We are working with 50 wallets, for example, where you can use cryptocurrencies to pay merchants where merchants will accept them, or to pay gig economy workers that they will accept them. So I think it's fair to say that the structural change is that the flows in our cross-border business, eCommerce-wise, are also diversifying in permanent way and that should help us in the long run.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah. Well, it's nice to have multiple vectors of growth within that cross-border business, for sure. Why don't we move on to client incentives? That's a topic we continue to get asked a lot about by investors. It seems like more often than not over the years you tend to outperform your expectations on this metric. Is that just because inherently you try and be a bit conservative, because there's so many moving parts that go into the incentives equation? And then I have a follow-up on this topic, too.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Sure, sure. Look, I mean, in the end, I know client incentives are something people like to watch and what the percentage is of gross revenues. I would just tell you that what really counts in the end or what drives value in this business or what gets taken to the bank by us is net revenues. So you should really be looking at net revenue growth. It's really what counts. And there's an interplay between gross revenue and incentives, and there's a percentage that we all look at as a result of that. But I would tell you it's net revenue growth as you would expect that you really want to focus on. So setting that aside, going back to your question on client incentives as a percent of revenues, which I think is what you're referring to, look we've tried to do our best to give you the best sense of what it's going to be. There's a lot of variables that go into it and you can't always get them right.

In retrospect, has that tended to be a little bit of conservatism on that? Possibly, but each time we try to do the best we can to give you our best sense going into the year of what it's going to be and then update it as we go along through the year. I don't think we're trying to be intentionally conservative. Obviously we're happy where it's lower than it was expected [indiscernible] (00:16:35). That's a good thing. That means more net revenue growth. But I don't think we are trying to be conservative. So, what makes it particularly difficult to be precise in a time like this, first of all we are in a relatively volatile times and we have seen a big change in the mix of our business and that is causing some quarter-over-quarter or year-over-year sort of distortions in client incentives as a percent of revenue.

As you know the mix of our business has changed a lot, a lot of our client incentives are tied to our domestic volumes, they're not as tied to cross-border revenues. As you know, our cross-border volumes have not recovered whereas domestic volumes are actually well ahead of where they used to be pre-crisis. So, you've seen a big shift. And that cuts the client incentive percentage in ways that will change as the cross-border business recovers. So if the mix we assumed is wrong, then of course – if the cross-border business is a little stronger than we expected, then of course the incentive percentage will be lower than we expected.

Another factor that is causing a certain amount of difficulty is the fact that we recognize service fees with a quarter lag as you know, but we book incentives without a quarter lag. So the incentives reflect the volume we had in the quarterly report. The revenues on the gross revenue line for service fees represent revenues we got in the prior quarter. That is not normally an issue because our business tends to be relatively stable from a growth standpoint. But when you have these extraordinary changes in growth rates going on from one quarter to another, it does affect things. So, for example, if the quarter we're in right now has a higher growth rate than the last

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quarter, our incentives will reflect a higher growth rate. But our service revenues will not. So when you do the ratio, it hurts you. And so if we get the growth rates slightly wrong, our ratio can be different than we expected. So if the growth, for example, like it was in May is [indiscernible] (00:18:47) your gross revenue, it could hurt your incentives.

A couple of other variables that are also unique to this period in time is that some of our incentives are tied to picking certain thresholds. And last year because volumes just fell off, people didn't make those threshold incentives. And so our incentives were lower as you know. This year, we're expecting they'll make all their threshold incentives. So you're going to have a year-over-year increase in incentives that is not a long term trend. It's just because last year was amusingly depressed. So – and then, finally, it's the usual thing. I mean 2019, 2020 were very big years for renewals. Some of that is flowing through in 2021. And in terms of renewals that happen this year, you can sometimes get the timing wrong.

So, there's a bunch of variables that go into this. I don't think you should just assume when we give you something that we're being conservative because one of these days, you'll be right and you [indiscernible] (00:19:55) wrong. We're just trying to do our best. And when they come in lower, we're happy. You're happy. So, that's fine.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Some day they may not.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Right. Right. Right. Okay. But it sounds like net-net, nothing can make you think different about the two to three points of year-over-year increase as a percentage of gross revenues that you've been guiding to for fiscal 2021?

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Yeah, I wouldn't change any of that. I would just say that we try and update you every quarter. And we will do that again when we talk to you in July.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Right. Right. I wanted to also switch over to the regulatory side for a second. A few weeks ago, the Federal Reserve announced some proposed changes that they put out for comment as it relates to language and the Durbin amendment to more explicitly state that online transactions are part of the requirement for merchants to have a choice of more than one debit network to route over. So in your mind, how significant of a development is this? How much concern, if you will? Would you have about potential market share loss in US online debit if these proposed changes were to be implemented into law?

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Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Well, I mean there's a – it's a proposal at this point. There's generally a 60-day comment period before we really know what the final outcome or what changes may happen here and what that impact might be. So, I think we'll just have to wait and see. What I would say is that we do not, Visa does not inhibit a merchant's ability to select their route that they want to use, the routing decision of their choice. We believe in choice: consumer choice, merchant choice, issuer choice. Merchants are free to, and often do, route to unaffiliated networks that are enabled on debit card. We think that it is a very competitive business. There are lots of players.

We like to differentiate ourselves. We like to invest in technology. We've made very substantial investments, almost $9 billion in the last five years, to upgrade the capabilities of our debit business, whether that is security, reliability, the value-added services that go around it like dispute resolution, all the stuff we've done on tokenization, the things we've done on authentication.

So a lot of factors go into the selection of a network, and what we try to do is try to be as innovative and as differentiated as we can be in a very competitive environment.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah. I mean, I guess kind of the part you're – the point you're kind of making also is just because merchants may have a choice of multiple networks to route over, it's not necessarily a commodity-based decision just on price. There are technology and security factors to consider which, arguably, are maybe even more pronounced than the online channel.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Yeah, as you would expect us to do as any good competitor does. You want to make your solution the preferred one by being better on as many dimensions as you can, and that is all we try do every day, and hopefully that is what, in the end, makes the difference.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Right. Right. Right. I wanted to also cover the topic of OpEx with you. You're guiding to mid-teens growth there for the current quarter for the June quarter. We're expecting double-digit OpEx growth in your fiscal fourth quarter in September. Can you tell us a little bit about some of the specific investments that are driving that growth? You obviously showed strong ability to manage costs during the heights of the pandemic.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Look, as you saw, we tried to be as intelligent as we could be in terms of dealing with the realities of what the pandemic brought and managing the long term and the near term as best we could on the expense front. We try to keep as many of the important long-term initiatives going as we could while delaying or scaling back the less important things. So, for example, Visa Direct continued to grow at extraordinary rates through the pandemic. We kept investing in it. Our value-added services business continued to grow in the mid-teens through the pandemic. We kept investing in it.

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But as we now look at the year ahead and into next the five years, we think we have some unprecedented growth opportunities in our business. We have growth opportunities we have not seen in a very, very long time. We highlighted a lot of them at our February Investor Day last year. We talked about a 10x growth opportunity and we meant it. We see some huge growth opportunities as we go beyond just an enabler of merchant payments to a mover of money and a network of networks. There are huge opportunities in inflows.

There are huge opportunities in value-added services. And yet there are huge opportunities in our core business. We have opportunities in our core business to continue to make payments frictionless, to continue to build acceptance, to continue to build issuance, and continue to build in certain parts of the world that are still heavily cash-driven.

And so we need to invest in all that, whether that's resources on the ground in places like Africa, for example, whether it's in sales resources. We just need to invest in building given the growth potential, and you would want us to do that.

The same goes for what we are doing on the Visa Direct side. We are expanding the number of use cases in Visa Direct. That means investment. We're expanding globally in Visa Direct. That means investment. Oops, I've lost you, Jason. Hopefully, you haven't lost me. Can you hear me?

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

We can still hear you, yeah. So you're fine.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Okay. You're back, although you're frozen as a picture, but I can see you.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. Okay.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

And then finally value-added services. As you know, we keep expanding our portfolio. We add new services, and that means investment, too. So you should assume that, as we now enter the recovery phase, our expenses will step up and grow. We've given you some sense of what they're going to be for the next few quarters, and you should expect that that should continue as we get into the next year. And you will want us to expense – to invest because the ROIs are very good.

Jason, I hope you can see me.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

I can't see you, but I can still hear you, so we're okay. The video may go in and out a little bit.

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Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Okay. I don't know which side of this is a problem, hopefully not me. But we can keep going.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah. Yeah. Yeah. No, I appreciate all those thoughts on the OpEx. And so I guess all that makes sense. Obviously, you need to step a little investment back up. But now that the top line recovery is underway, is there isn't – is there any reason that just at least directionally going forward we wouldn't generally see revenue growing faster than OpEx?

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Well, I mean, clearly the revenue growth profile of the business will accelerate as we get into a recovery phase. And yes it's – I'd say, I'd hate to give you some sense of next year because we're not at that point yet. I think I would just stick to what we're thinking about for the rest of this year. And as you can see, we've said mid-teens and double digits for the next couple of quarters. And as we get into October, we can talk more about what we think the trajectory of expense growth is going to be next year.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. Yeah, no, fair enough. That all makes sense. Anyway to give us a sense of how much the relative importance of fintechs has increased over the past few years in terms of helping to fuel Visa's volume growth? It feels like you've got a lot of announcements in that space. I think there was a period when you felt like you could have been doing more. You stepped up the efforts. You saw some really nice results from those efforts. So, we'd just love to hear your thoughts on how much of a contributor kind of all these fintech relationships have been to volume growth?

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Well, fintechs are absolutely significant, right, in terms of driving our long term volume growth. There is no question about it. So, if you think about it, fintechs – our business is built on partnerships. And fintechs are innovators in our space. And we are in fact the enabler of disruption in the payment space, right? We allow fintechs to scale. We allow fintechs – and facilitate fintechs to do what they want to do. And in turn, our business benefits from what they do. So, let me just go through how.

If you look at our core business of payments, I'll take the example of the massive increase in acceptance that has been happening because of fintechs because of innovative companies that have come in and substantially expanded acceptance.

Whether that's in emerging markets with smart devices that can be used for acceptance or people like Stripe and Adyen, who made it very, very easy for eCommerce retailers to build their business or Square that has done a phenomenal job in the US to build acceptance at smaller merchants. These are companies that have massively increased acceptance, which we have – which has been good for them and good for us.

Another area where we've seen some extraordinary growth and it's still happening is what we're doing with wallets, right, the wallets are embedding our credentials, we have deals with wallets in all parts of the world,

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whether it's Paytm in India or [ph] Limepay or Rapi or UMoney (00:30:45) in Russia, or you can go on and on. And they're embedding our credentials in their wallets, which makes their wallets more valuable for the wallet users. And they're also opening up their acceptance locations to us that substantially expands our acceptance.

So, here are some fintechs that are clearly benefiting from the partnership with us, they're becoming open loop, not close loop. They are gaining revenue streams from being issuers and acquirers and we are substantially expanding our issuance and acceptance. If you go beyond that, if you look at our Visa Direct business, a lot of the use cases we're focused on depend on fintechs and they depend on us to help them scale. If you look at P2P, you saw what's happening there. If you look at cross-border remittances, every one of these remittance players, including the fintechs there have signed up with us and are extremely excited about what we can do for them.

If you look at what we're doing with marketplace payouts, if you look at what we're doing with Earned Wage Access, that's all driven by fintechs and we are helping them scale. And in turn, we are helping completely revolutionize big chunks of those businesses whether it's payroll or cross-border remittances or a range of insurance payments and so on.

And then, finally, in B2B, lots of opportunity here needs creative solutions, needs people to come up with how to change the value chain and how AR and AP happens in big businesses. They're working with fintechs to do that. And we can go on and on, right? We can go to [ph] a whole range of other fintechs (00:32:31). So there's no question whatsoever that there is a mutually beneficial partnership where between fintechs who are trying to disrupt various sectors of money movement and our network's ability enabling them to do that. And we benefit from both of those.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah. Understood. Understood. I can't let you go without talking a little bit about digital currencies. You guys have obviously been all over this topic. But I wanted to hone in specifically on the stable coin market. Maybe you can tell us about your partnership with Circle. We know they're behind the USD Coin, which is going to be the first stable coin that will be settled on the Visa network. So we'd love to just hear a little bit about that.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

A

Sure. Look, I mean, on the whole area of stable coin, I will say they are very excited about it. We think that this thing has legs. We think stable coins are in many a digitization of fiat currencies, in much the way we digitized fiat currencies 60 years ago. It's a new way to digitize fiat currencies. We are very keen to play from the very outset in this business. We are very early to partner with Circle with USDC. We're working with Circle to have pipelines initiate cross-border payments that will be able to be received by the 50 crypto wallets that Visa has vetted and approved as issuers on our network including Coinbase, Crypto.com, BlockFI, Bigpanda and so on.

So what does that mean? For example, if a large global market players wants to pay out small sellers in emerging markets, they can partner with Visa and Circle to originate these payouts in USDC and enable their sellers to use one of the 50 Visa partner wallets, receive that pay out and then have the ability to spend that value at a local merchant using an associated Visa credential.

We are also, as you know, setting ourselves up to help custody USDC as well as to help settle USDC in much the way we might settle the 200 currencies that we operate in today. A portion of which we settle every day. There are hundreds of USDC compatible crypto wallets and that Circle already has capabilities to payout through. Due to the wide range and compliance user experience in cyber security, Circle chose Visa to work with them to create

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Visa partner wallets. So similar to our consumer business in which Visa continues to grow acceptance, Visa is also expanding the number of Visa partner wallets that are on our network in order to reduce friction for USDC payouts. And we were talking about 35 partner wallets just a few weeks ago on our earnings call, and now we have 50 partner wallets. So this is moving very fast.

So we do believe that some version of stable coins – some of them private sector like USDC and some central bank-driven, also known as CBDCs, central-bank driven currencies, are all things that are very important for us to play in because our goal is to enable all forms of money movement and take the friction out and bring our value-added capabilities to them, and we're trying to do that at a very early stage in the stable coin space.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Okay. Well, this has been terrific. Unfortunately, we did just run out of time. Always appreciate your comments and your insights. Thanks again for joining us, Vasant, and thanks, everyone, for tuning in. Take care.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

Thank you, Jason. Hopefully, you heard everything.

Jason Kupferberg
Analyst, BofA Securities, Inc.

I did. It was great. Thanks again.

Vasant M. Prabhu
Vice Chairman & Chief Financial Officer, Visa, Inc.

Bye.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Take care.

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