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PRESENTATION

Jack Carsky *- Visa Inc. - Head - Global IR*

Okay. Good morning, everyone, and welcome to Visa's Investor Day. For those of you in San Francisco, hello. For those of you joining us on the webcast, welcome as well. I'm Jack Carsky. I oversee investor relations here at Visa. On behalf of the entire management team and the entirety of Visa, thank you for coming.

We think we have a pretty exciting day planned for you. It's a triennial event. We're hoping to make it more frequent than that and you'll all have an opportunity to weigh in on that, and a post investor day we'll be sending out to you and I encourage you to please respond to it.

Okay. As you can see from the accompanying slide, we have a pretty deep lineup today. We're going to commence the morning with Charlie Scharf, our CEO, who will provide you with an overview of today's program to share his thoughts on our current and future business opportunities and his strategic vision for Visa. Next up, Bill Sheedy and Elizabeth Buse, who I know many of you have met with in the past both at conferences and on-site at Visa.

Rather than speak to the geographies they historically managed, Bill and Elizabeth will split the Visa world into emerging and developing markets and will focus their respective presentations on what it takes to be successful in those sometimes similar but just as often widely divergent geographies in terms of how we approach them.

After that, we're going to have a brief Q&A session with just the three of them and I'd ask that you pose questions of them hold off on tech-related questions and so forth until we have our second all-in Q&A, when those speakers will be up here on stage and can answer that type of thing.

After that initial Q&A, we'll have about a 30-minute breakout or bathroom session, if you will. I encourage those of you who haven't been over to innovation showcase to take the time to go over there. There are some really interesting stuff we got and I think it's going to help you, in a lot of respect, separate some of the rhetoric from the reality that really is swirling around not just Visa but the tech space, in general, and certainly in terms of mobile and so forth.

When we resume, Jim McCarthy will bring you up to date on some of these newer initiatives and he will, I think, help bring a lot of that innovation showcase to light for you. Jim will then bring up the people who actually are in the trenches dealing with these technologies every day. That would be Sam Shrauger, Bill Gajda, Mike Walsh, and Silvio Tavares, who many of you may know from his past life at First Data, both as head of big data there and also IR. So there is a future for me somewhere else in Visa, apparently, if Silvio will have me.

They'll be followed by Byron Pollitt. And I just want to pause there for a moment and mention, most of you didn't realize, but last night, Byron was inducted into the local CFO Hall of Fame, given the Lifetime Achievement Award as one of the Bay Areas' preeminent CFOs. Huge honor. And after that, Charlie will come back with a brief wrap-up and then we'll have the general Q&A session, and that will be more of the focus for tech-related questions, if you'll please hold them for that.

At the luncheon, which is in the same room as the technology showcase, management will be present. In addition to all today's presenters, we'll have other folks from Visa, risk, finance, so forth. It will be open seating. So just pick your favorite Visa item and sit down accordingly and, again, spend some time in the showcase. It will really be worth your while.

Before the ceremonial reading of the forward-looking statement, which is what I personally live for, of course, I'd like to acknowledge the other members of the Visa IR team, Victoria Hyde-Dunn, who's somewhere in the back, and Patrick Laney, without whom a good portion of today never would've occurred. And then, copies of today's slides were distributed before the meeting. For those of you listening via webcast, they are on the IR section of the Visa website.

And so, with that, the forward-looking statement. We always mock it in the IR industry, but we take it seriously here at Visa. So please give it a brief read.

And with that, it is my pleasure to introduce Visa's Chief Executive Officer, Charlie Scharf.

Charlie Scharf - *Visa Inc. - CEO*

Thank you, Jack. Good morning, everyone. I too just want to take a second and congratulate Byron on his achievement. It is a real honor. Byron has done an unbelievable job for Visa and obviously before that, at his prior companies. But the company would not have had the success that it has had without Byron's position that he's in. So thank you for everything, Byron.

So I'm going to just talk a little bit about some of my thoughts on where we've come from and where we're going. And I guess I just want to start by just telling you all how I wake up every day and I think about how lucky I am to be at Visa. And that's really what today is about, is we're going to hope to share why I feel that way, why the rest of the team feels that way.

Part of it is our history. So we're going to talk a little bit about how we've done and how we've gotten there, but we're also going to talk more importantly about the future. Very big part of what you're going to hear from Bill, Elizabeth, from Jim and the panel, as well as how we see the world evolving, why that excitement exists, and what we're doing to capture our fair share or more than our fair share as time goes on.

As Jack said, plenty of time for Q&A. We do have the demos which we'd encourage you to go see. So I'm going to put a plug for that. And we have a broader group of the management team here and in addition to the people that you're going to hear from, who are going to be around at lunch to talk to. I also want to introduce Ryan McInerney, who's right over here on my right, on your left. Ryan joined us three days ago. So we're going to give him a reprieve from being on stage, give him at least four days before we actually ask him to do that. But I think it's great for the company.

I've known Ryan for quite some time, we've worked together, known to many of our customers as a great addition to what we think is just a terrific team to deliver these great results. With Ryan's arrival, it's been an opportunity to consolidate all of the client-facing functions into one place as opposed to where they had been, take all of our regional heads that we have across the globe, have them report directly up to Ryan. It's allowed us to take Bill's skills and talents and knowledge and let him focus across the world, as opposed to just part of the world.

And the same thing for Elizabeth, running what we call global solutions, which is really, if you think about it, as the pieces which we are heavily reliant on for the future. So arguably, the most important sets of things that we have, which is mobile, data, processing, digital wallets, among other things. So very excited to be able to do that. And then it's also enabled us to have Jim, who most of you know, who's going to be up here later today, spend full time on innovation's partnerships, how the world is evolving, and what our place is in it.

So hold on, I just want to look for the clicker. Right over here, here we go. All right, so with that, I'm going to move on. We're going to start with the key themes, which you can read up here. And again, our company is evolving and, clearly, these are dynamic times. But we're more excited than ever about what the changes in the payments world mean for us. We think we do have the strong foundation.

We're going to talk a little about the macro trends that most of you, but we think are certainly helpful to address. Talk a little bit about the progress that we've made and the consistency of where we're going, with some acceleration of some things. And the message that you're going to hear consistently is the company has invested materially for growth and we're going to continue to do that.

A little bit about our business for a second. We have an enviable business for sure. $4 trillion in payment volume, I'm sure you know a lot of these numbers. We can process 24,000 transactions a second. We have 36 million acceptance locations across the world, and that does not include mPOS, mobile point-of-sale, which we're going to talk a great deal about, which is extremely exciting to us. It's a huge opportunity to expand the acceptance of our products across the globe.

Square alone, we think, has over 4 million merchants today, most of which we believe are new to accepting our products, and they're just one provider of these services across the globe. And again, you can see here strong performance in our revenue and our EPS both over the past five years and over the past year. So again, I had nothing to do with that. It was the rest of the team that you're going to hear from, but certainly worth calling out.

Our business and our success we feel very, very strongly when we look at where we've come from and where we're going that our success, really, is built around partners of all sizes. It's not just about us doing something. It's the leverage we get from working with these fabulous partners that we're lucky enough to call partners across the globe. It's critically important for us when we think about what we're doing and what our opportunities are that we think about it as it's a very diverse set of partners, that means geographically, as well as partners of all sizes.

Everyone always likes to talk to us about the big deal, the big client, the big thing we announced with one of our partners. But the reality of our business is, we have the leading share of seven of the top 10 issuers in this country. We have long-term contracts with more than 600 financial institutions here. We have leading share with the credit union and commercial bank associations, whose logos you see off on the right.

In fact, just yesterday, we announced an initiative with ICBA, which is the group that represents the community bankers association to offer real-time offers to people that are part of that association. So it's just an example of it's not just big people. It's small banks and there's a deep commitment from us. They're very important of our business historically and going forward.

And our business outside the US we all know is growing faster than the business inside the US. Again, hereto, 3,000 non-US Visa clients, leading share in 17 of the top 25, and 60% were smaller banks. So again, it's a very diverse group of partners that help drive our success.

In addition to the financial institutions, our partners go beyond just issuers and acquirers. It's co-brand partners and it's merchants. We've talked a fair amount, we're going to talk more about the importance of thinking about merchants as our clients, as our partners. It's a big part of our CyberSource business that we have. It is our CyberSource business. And as we look forward, more and more opportunities to help us grow there.

We have some of the greatest co-brand partners in the world. Again, here, two in the US, seven of the top 10 co-brands are the majority of Visa. And beyond co-brands and merchants, we think of governments as great partners for us. And we're going to talk a lot about that in both Bill and Elizabeth's presentations, but as the world evolves and our opportunity to penetrate the world, the world's under-bank population becomes an increasing reality for us, it becomes a real strategic opportunity for us to think of governments as partners.

And then, we got lots and lots of questions about new payment participants. So I'm not going to do the specifics here. But from our point of view, we welcome them. People ask us all the time about our concerns and how we feel about it. We have a great asset here, which we're going to talk about, in terms of what our network is and what our capabilities are. Very hard to replicate.

But there are huge opportunities for people to help figure out how to grow electronic commerce across the world, and we welcome the opportunity to talk with them, work closely, let them do what they're good at, let us do what we're good at. And it's all of our goals to grow commerce and grow the electronification of payments. And again, Jim will discuss much more of this.

We're also, as we know, in addition to these partnerships, figuring out where we should be building our own solutions. So even though we love to engage with people on the outside where our building, our own things like V.me, which is our digital wallet, which is very issuer- and acquirer-centric to help us tackle the opportunity alongside the partnerships.

So let me just move on now and just talk a little bit about the Visa story, as I think about it. I think about the path that we're on as falling into three distinct periods, and I'll just do this very quickly. But the first, almost 50 years of our life was life as a financial institution owned association, and there were multiple associations across the globe that operated fairly autonomously, connected through interoperability agreements and brand agreements and whatnot. But what that meant was very regional focused, very regional resourcing, and focused on the owners, in that case, which was the banks.

Then 2007, 2008 comes along, merged these entities together excluding Europe, so a huge task to do this concurrent mergers at once. The company goes public. And then, just to get that work done to create one great global company, huge internal focus initially, and the idea of taking a company from an association to a for-profit institution is just it's a sea change within the company, with just a lot of focus on doing what's best for Visa. And then, after those initial couple of years, the work began to focus more externally. And you saw the acquisitions of CyberSource, Fundamo, and Playspan as part of that.

And then, I just kind of said 2011 and beyond really creates a whole new part of our story here. The world is going through huge technology change as we know, mobile is a reality, and the things that we can do with mobile both with smartphones and non-smartphones are very different than

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what existed in the world three, four years ago. We all know about regulation in the merchant voice as being something which is changing the dynamic and change in the dialogue. And it tells us we need to change how we think about them as well.

And so, all these things just tell us this idea of we are a maturing organization, the opportunities that exist in the world because of what's happening with technology, things like the opportunities, point of sale, the opportunities to use data, suggests that we do need to continue to evolve and actually accelerate our adaptability in this new world.

Just talk for a second about the macro trends and why we feel so good about our place in the technology-oriented payment space. Our business really grows several ways. And number one is we're lucky enough to grow along with the global economic growth, and that's what you see on the left-hand side. This is PCE. And you can see that in our countries, going back to 2009, it's up 6% with 10% growth in the emerging world and 3% in the developed world. And so, as people spend more, we're the beneficiary of that.

And on the right-hand side, you also see a combination of a couple of things. This is our penetration of PCE. And so, this is as the world continues to electronify and as we continue to either do a good job or a bad job with our share gains relative to our competitors. And here you can see the progress that we've made, 6% to 9% in the emerging world, 19% to 22% in the developed world. And you'll just notice here that it's flat over the prior year on that bar chart on the right. And just note, remember, we had Durbin affect us, offset by strong gains that we've had in our credit business.

And so, these things are obviously important drivers for us as we think about our future, because we feel confident that these trends will continue. And then, if you just take apart what has actually driven our growth historically, so this just takes our revenue growth from '08 to '11 on the right-hand side in 2012 and decomposes where our growth came from.

And so, in this case, you can see that PCE growth has been about a quarter of our revenue growth in both periods of time. And then, when you look at our penetration, it's about half. And then, what's on the bottom is, it's pricing and some other things. You can see the numbers half of what it was. And the reality in 2012 is the effect on pricing on our revenue growth is negligible.

And so we get lots of questions about how we feel about our opportunities to increase price. And we look at our opportunity in this world to grow volume and believe that pricing is not the lever that we have to pull in order to get the revenue growth that we think is right for a company like ours to attain. And all of this points towards the repeated theme, which we're going to continue to talk about, which is that cash is the single biggest opportunity bar none for us.

Again, this is our markets. So we're not in the European market. So these numbers might not tie to what you see across the entire globe, but remember, there's $11 trillion of cash and checks still in the world for us to penetrate, and that number is growing. And of that $11 trillion, people get surprised a little bit when they see $5 trillion of it is in the developed world and $6 trillion is in the emerging or developing world. And obviously, that's because that the developed world is still a big number and there's still a huge amount of penetration that can still take place in the developed world.

So very focused on growing the business outside the US, especially in the emerging world. But we think we still have plenty of opportunity to grow in both developed and undeveloped world, and Bill and Elizabeth will each take you through all those pieces as well.

And we're also excited these days, and we're going to talk a lot about this potential for the acceleration of electronification. I talked a little a second ago about mobile acceptance. We're going to talk in detail about what we're doing in mobile acceptance, how this actually works in reality. But for us, mobile acceptance, it's a huge driver of increased acceptance.

I referred to the 4 million Square users and our belief that a huge portion of those are new to the Visa payments universe. But you just look at the number below that and the number of mobile terminals grew from 4.5 million in '11 to 9.5 million in 2012. And Bill is going to talk about where that's projected to go. And again, so that both in developed worlds and developing worlds creates a huge opportunity for us to have our products served a much wider group of people than we were able to serve in the past.

Financial inclusion is a big part of that opportunity. Financial inclusion is trying to work with the 2.5 billion under-banked people across the globe, 1.7 billion of which have access to a mobile phone. This is the core of how we start the core of what we do, it's socially good, it's economically good, it aligns. What's good for us is good for governments and good for individuals across the globe.

And then, the other thing which we think a lot about is this idea of working with merchants. And you think again, it's easy to think about what's gone on here in the US and think about the relationship that we and our competitors have had with the merchant community in the United States. And it's hard to believe that they've been working really hard to help drive our business, right? I mean, that's obviously not been the case.

And so, we believe there's a great opportunity to work differently with them, to engage them in a way where they actually like our products and they can actually be a partner of ours over time to help drive not just their success, because that's how we're going to win their trust, but ultimately, we'll be a beneficiary of that on the side. That's both because of the e-commerce opportunity and what we think our products can bring to them, as well as things that we could do with the physical point of sale, again, which we'll talk about as we go through the day.

And then I just want to touch for a second on one of our core assets. When we think about our core assets, we have global acceptance at those 36 million or so merchants plus mobile point-of-sale. We've got the intellectual property that exists. It's been built up over a long time within Visa. But at the core, we've got our network. It's what we call VisaNet.

And then this just shows you just a little bit of how it's evolving and as we think about the future of the value of the core network, we actually it's growing, not being diminished in any way, shape or form, but it's obviously very critical that we continue to extend the edges of it, extend the uses, and extend the capabilities. And again, we're going to talk through that.

And so you think about how the network has evolved, we think about access and you think about, historically, there was this basic point-of-sale and ATM acceptance to date, new segments being opened up, small tickets on the Internet and things like that. And as we think about the future, that our network really becomes a platform for merchants and issuers to help customize their experience and grow their business.

Transaction processing, again, also great changes. We've gone from reliable, clearing out and settlement, to being able to create real value-added services especially that are geographically-centric as we've continued to grow our network. And now we're entering a world where we've got the ability to create highly customized processing solutions, and driving the processing solution as you've heard about and we'll hear more about from Bill and Elizabeth, key driver to our margins over time, and then the opportunity to continue to grow out our business intelligence and platform tools.

Again, here, we've gone from years ago just basic reporting to people who participated in our system, to what we think are some pretty advanced risk and fraud management tools, really hard to duplicate the way we've got them today, so just true value-added. But the opportunity is to go well beyond that. To connect issuers and merchants, let them use their data, our system in a way that they can't do on their own. And the ability to do that is because we sit in the middle of those transactions with the network that we have.

Our investments that we have been making, I just thought, just to help you, give you a little bit of quantification. We talk a lot about these things, but again, I just also think about this in the context of those great results you saw on the beginning pages. Those were not done at the expense of not -- I'm assuming like a triple negative here -- those were done with the eye for growing the future. So there was no skimping going on relative to investing in things that we thought were important to help grow the company.

And what this shows you is, this just shows incremental expense added to the company between 2013 and 2011. It adds up to $700 million of annual expense addition to our total base, of which -- you can see what the pieces are, and that's on top of the $2.3 billion that we've spent on the acquisitions of the three companies I mentioned earlier.

You can see $125 million of incremental expense going into non-US market focus. This is people, it's technology, it's marketing, it's helping build out acceptance, it's all the things that you're going to hear about in a little bit, and then product innovation. We talked a lot about V.me, CyberSource, mobile and things like that. Again, additional $300 million in our expense base. And then just basic technology, hugely important. That's what we are at the core of what it is. Our network is a technology business.

And as we think about the future here, we can think about it as a couple of different ways. This is a huge amount of money. We feel great that we spent it because that puts us in a position to capture that opportunity. Over time, we do believe we can become more efficient and that then becomes a lever for us to think about what do we want to do going forward. That means we can continue to reinvest and move on to the next things that Jim and the team are going to be focusing on, or it becomes a lever to do something different with that, depending on what we see as the outlook.

So again, I feel great that we've actually spent the money, it's embedded in our numbers, and it creates not just a great future for us, but a whole lot of optionality.

I've spoken a great deal about being flexible and being adaptable over the past seven months since I've been here. So I just wanted to touch on it again, because I'm not sure everyone in the audience has heard it.

As we mature as a company and as we go from what was a financial institution owned business that wasn't focused on its own results initially, to all of a sudden you're a public company and you've got to focus on your results. We're in a growth business, big expectations, huge focus on what's right for Visa. Over time, the only way we're going to be successful as a business is to put our customers first. And again, I've talked about consistently defining customer broadly, not just issuers and acquirers, but merchants and governments.

We're very clear when we talk internally about what our future is, that our future is supporting those partners that we have today. We're not interested in competing with them. We're not interested in being divisive amongst them. Our job is to bring all of the tools that are available to us, given where we sit in the payments value chain, and help every one of them grow -- big, small, US, non-US, and financial institutions, all the way through to the merchants. Absolutely critical for us.

But we're also very, very keen that we've got to do all of this while we stay very, very disciplined about what's important to us, because that means being principled. So we are going to adapt our practices. You started to see some of that. Part of that is our own mindset in terms of, again, who we view as customers and things that we should be doing in this evolving world. It's also going to be things like rules which we've heard a lot about, our ability to be flexible. And it's something that we have to do.

There are too many new opportunities in the world that didn't exist three, four, five years ago, whether it's things at the point of sale, or things that our data allow us to do. Those opportunities didn't exist in the past. We have people all across the globe that are trying to figure how to do that and we believe we're in the best position to do it.

So again, we're going to do it, we're going to be principled, we're going to do things that support the Visa brand, safety, soundness, and security. Nothing will stand in the way of that. We have to control the intellectual property. That's the core of who we are. We won't do something that advantages one client versus another. If they have differentiated capabilities, that's up to them to figure out how to compete with each other, but we're going to do something that we think allows everyone to compete. And whatever we do with someone else, it's got to add value to our network.

So again, lots of opportunities for us to do things, of companies with all sizes. You've seen some of the big things that we've done. But as I mentioned earlier, the announcement we made the other day is in fact something and it's just an example of what we want to do with smaller companies.

So I just thought the last slide I would use at this part of the section is this page, which is the strategic aspirations for 2015. But everything to the left of the checks on this page, this is the exact same page that was put up at the last investor day. So we just thought we go back, take a look, say what did we tell you and do we think we've accomplished what those things are. And I'm not going to go through each one of them individually, but you look at all of them and we are on track to deliver all of them by 2015, if not sooner.

I just want point out two small but significant modifications, which are the notes on the right. When we talk about entering new businesses, we're thinking about that just a little bit differently, right? We believe the value's in our network. That's what we are. We love the business that we're in, not someone else's business. All the things that we're focused on that you're going to hear about are all about driving more transactions by creating more value for all the participants in our network to run through the VisaNet system.

Great opportunity to do that because of where we sit, because of the capabilities that we have. So it's not about entering new businesses. It's about continuing to extend the network on the edges and doing the things that we think we can do to help drive more transactions to us that will prove to be more valuable for all of our partners in the process.

And then the last thing you can see here is, we had talked about being a top 25 company by market cap. And the reality is inside the company. This isn't a change inside the company. There's really no talk inside the company about market cap. The talk inside the company is about total shareholder return, and we talk about the pieces of it. We talk about the importance of driving revenue growth and EPS growth, because that's what we control.

It's doing all the things that we can do to help drive that over a period of time. That obviously will drive the stock price. But it's also about using capital wisely and making sure that we return it in a way that makes sense for you all. And Byron is going to cover that, so I'm not going to talk anymore about that.

But as we look forward, all of these things that are on here are still absolutely critical for us. This opportunity to expand the network through mobile, through e-commerce, these data-driven solutions, thinking about working in partnership with a broader group of people, all these things we think accelerate our opportunity.

And I'm just going to close with just a reminder. We love the space that we're in, we love the assets that we have, we actually get very excited, not worried in any way, shape or form about technology's role and what it's doing to the payment system, and believe very strongly that we'll be the beneficiary of that.

And so with that, I'm going to turn it over to Bill, who's going to start taking us through the developed world, and I will see you all a little bit later.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

Thank you, Charlie. So building on many of the same themes that Charlie just walked you through, the next couple presentations will touch on -- I'll hit the developed markets. Elizabeth will come using the same exact framework that you see on the chart in front of you to walk you through the ways in which we're thinking about growing and investing in our emerging markets.

I think many of the questions that we get as it relates to the developed markets. It relates to, do we have a strong and long runway for growth given the size and the significance of our business in the developed markets and the importance that it has to the business today, can we continue to drive growth as a growth company. And it won't surprise you that the answer to the question is yes. Hopefully, if I answer no question over -- if I only answer one question over the coming slides, it will be where do we view the primary sources of our growth in the developed markets. I'll touch on to a certain degree the how. But Jim McCarthy and the panel will touch on to a much greater degree the ways in which we're investing to deliver against that growth.

I'll break it down by product perspectives. Certainly, as we think about growth, it's first and foremost driven by the fundamental economics that Charlie talked about. PCE is going to be a common theme in my presentation and Elizabeth's presentation. I'll break it down by product. Certainly the acceptance of the product is fundamental to the consumer value proposition, not just the terminalization of the world, the engagement with merchants, the ways in which we incorporate innovation in their product, and the engagement with additional clients outside of our financial institution clients, in particular, with government.

So starting with personal consumption expenditures. You can see here, I'm going to focus throughout my presentation, most of the slides, on seven developed markets represented here. These seven markets represent two-thirds of Visa's business globally, roughly measured by revenue as well as volume. And you can see here even across these seven markets, you see varied mix of cash and check volume in these markets. The $5 trillion in volume Charlie references on the slides, this more than doubles Visa's penetration in these markets with electronic forms of payment.

And a couple of points. Charlie mentioned the cash volume in these markets on an aggregate basis year-over-year continues to grow. So not only is the opportunity for us to penetrate over the long term as we continue to execute against our business and ride sort of the secular shift as consumers and businesses go towards electronic forms of payment, but the pie continues to grow.

Second most important point. As a company that historically was in support of financial institutions who are issuing products to bank consumers, certainly our focus is on personal consumption expenditures. But there's an enormous opportunity. There are two enormous opportunities that aren't even reflected in PCE. Commercial consumption expenditures globally, another$5 trillion, we believe, is cardable and we are only roughly 1% penetrated even in the developed market as it relates to B2B expenditures, and none of this speaks to the even larger opportunity as governments transact with their population. So we look at all three of those as very significant and compelling sources of our growth.

Before I talk a little bit more specifically about sources of growth in the products and the market segments, I want to talk just for a few minutes about the ways in which we think about yield. It's a question that we often get particularly given our margins, how do we think about the changes in yield and the investments that we have as we invest in local markets.

And one thing that surprises many investors and analysts is that, when we invest in local markets and we drive what we consider to be more and more healthy growth in a country, it has the effect of actually driving down our yields. And let me explain why.

The highest yielding transaction we have globally is our cross-border transaction. Roughly speaking, you have 10 times the yield both in the multicurrency fees and other fees that we charge in those transactions, as well as the fact that all of our transactions globally when they happen cross-border run over our network.

So those yields are very attractive. We like that business very much. But a stronger source of what we consider to be long-term fundamental growth is when we start driving domestic volume and domestic growth. And you can see in the left-hand side of this chart that when that happens, it's certainly a sign of health in participating in the local economy. It's a lower beta volume because it tends to be more stable over time, but it's lower yielding. So that tends to drive down our yield.

Likewise, in many of the things that Jim and the panel are going to talk about is we invest in information products, processing services. Those require significant incremental investment, it differentiates us from the competition, but have lower yields than what has been historically the case with our processing services and our branded services, where we have very low incremental costs associated with moving those transactions on the network.

So just to illustrate, the example in Chile. We go back to 2008. We had a business that we like very much in Chile. It's fast-growing market. We have strong bank relationships in the market. 90% of the business is domestic in 2008, 10% international. The growth in the domestic business was a concerted push. Falabella is a very large retailer in that market, increasing our share position with the financial institutions, lots of marketing with a fast-growing middle class particularly over the last four years in that market.

And in doing so, we developed a stronger franchise in the market. And in doing so, we dropped the yields in Chile by close to 10%. But over that four-year period, we increased aggregate revenues in Chile by 80%. So lower yields, higher net revenue or total revenue of the company, and a stronger market.

The next few slides I'm going to walk through a product perspective in ways in which we think about sources of growth. When affluent credit is an increasing portion of the ways in which we think about the growth within the company, over the last five years, affluent credit has moved from just north of 20% of our total credit business to today in these developed markets, it is 40% of our total credit volume. And you can see in this column across the seven markets the affluent credit business is growing consistently faster than the rest of our credit volume.

And that's a combination of two things. One, the investments that you're seeing on the right-hand side, with co-brand partners and in marketing programs and sponsorships, primarily, historically designed towards the mass affluent consumer. In the US, households that have over $100,000 in annual income, mass affluent, they only represent 20% of the households, but they drive 70% of the spend, and these mass affluent consumers put more than 50% of their total household expenditures on cards.

We like that very much. We'll talk in a bit about the fact that we are still underpenetrated as you move up into higher net worth categories. So we view that as an incremental opportunity going forward.

Debit in the US, the largest portion of our business, is a place where we're very enthusiastic. Why? There's many truisms in payments, but one of the universal truths is when you look at consumers around the world, almost irrespective of geography and demographic, consumers want to transact with money that they have, not money that they borrow or have preloaded. We like those other businesses very much. But over the long term, we view debit as the most compelling way to penetrate cash and check. It's just natural to consumers and all of the market research that we do drives that home.

There are two sources of growth that we'd like you to think about as it relates to our debit franchise. Certainly the cash and check that I just referred to, but also as you move around the world. And I'll explain the data on the chart here in a moment. As you move around the world, many of the local debit markets are driven not by business that we currently enjoy, but by local players, domestic debit schemes. And sometimes they're national switches, sometimes they're strong incumbent players. And as you can see in the US given that 61% percent of Visa's business is debit, we've done a very nice job of growing that category.

Around the world, as you move on the right-hand side of this chart, you see here that there are very large developed markets where we haven't really even started. And when you look at markets like Canada where Interact has 99% of the debit market and Hong Kong and Japan as well, we view the services that you're going to hear from Jim and the panel the ways in which consumers are going to increasingly look to be able to transact with their debit accounts not just in a physical world PIN and chip-enabled environment, but online and in multiple channels, the concerns that financial institutions, governments and consumers have around risk and our network's ability to better manage and support those transactions as compared to local players.

We think that there is an opportunity to grow this category not just by changing consumer behavior around cash and check but by penetrating the share that's currently enjoyed by local players. And when you look at the Australia example, where we have 20% of our business on debit, we've been able to grow that very nicely at the expense of, if possible, local player.

Now, the debit business in the United States has been rather challenging. It's certainly been something that we've all talked about covering the press, certainly with analysts, a lot of uncertainty within the industry and particularly given the Visa share position lots of discussions. So I'd like to spend a few minutes talking about US debit.

As you know pre regulation Visa have enjoyed a very strong position in US debit. We were roughly 60% of the category when you look at signature and PIN-base debit. And that volume, our share of that category has absolutely declined. It's come down about 15% from 60% of the category to just about 50%.

And that share position decline is going to be something that will stay with us. The regulation, the ways in which Interlink competes with other products on those cards, this is the reality. The good news is from an investor standpoint, the volume ran away that will likely to stay away as we've talked about is lower yielding and frankly a portion of the business that was more competitive.

So when you look at the aggregate revenue associated with the US business which is our largest business globally when you look at it from a geography or product perspective, it's still about 20% of our global revenues.

We like it very much as you can see and as Byron and Charlie talked about in recent earnings calls, we have now lapped the four or five quarters worth of very significant decline in Interlink and we will now reach a portion as you can see in the top hand part of the chart, well we'll start growing right alongside with the rest of the industry.

Now, if you go back around Dodd-Frank and the Durbin amendment, there were lots of concern about the health of US debit and how the business would move going forward. What I can tell you and I think the data bears this out, the US consumer frankly has continued to power through and used their debit accounts.

THOMSON REUTERS

It continues to be, the market research says that 50% of consumers in the US continue to look at their debit card as their preferred form of payment. And when getting back to the point earlier, where consumers want to pay with money that they have, when you look at the range of options that the consumers have to access the demand deposit account, check, cash, other forms of payment, it continues to be the most convenient for them to use their debit card.

And even though the economics have certainly been hurt by the interchange regulation, the debit card continues to be the most profitable access device for financial institutions. There's no question the banks have dialed back the investment, we've seen a pullback in rewards. As I mentioned, our share position has declined and we've had to explain that over the last four or five quarters.

But we have now, I think settled out in a position and we like this business very much. It's I think a sign that while regulation is certainly something about which we need to be concerned, a new role, it's certainly something that I'm going to help the company focus on, the reality is the consumer values, debit products, whether it's the US or in other of these markets and we continue to think that it's a very strong business irrespective of any regulatory uncertainty or headwinds.

The other point I want to make in this chart and we'll talk a bit about the merchants here in a moment. It's sort of a lemon's lemonade situation as it relates to the debit challenge. We came out repositioned our debit product. We also made a very active push with the merchant community with the acquirers and the processors.

When you look at our incentives historically, they've been traditionally positioned on the issuing side of the business which is driven most of the competition and most of the share, we've now over the last couple of years established over 100 routing agreements with merchants, with acquirers, with processors and I think that that's been a healthy development in our business to bring out our balance, but it's also enabled us I think to weather this transition and position us well to grow.

Let me talk now a bit about prepaid, something we talk less about, we don't break that out as a business for you. But when we look at the prepaid volume opportunity globally, it's $3.8 trillion in market opportunity. In the United States alone, we see this opportunity at $2.2 trillion. Now would encompass general purpose reloadable which is a product category that the banks have now moved into in addition to some of the non-bank players Green Dot, NetSpend and others who have been strong partners of ours and have helped this category grow.

It includes the opportunity with payroll. We now have over 40 million consumers who are outside of the banking system being marketed by their employers in partnership with Visa and some of our processing and financial institution partners to take that paper check, the expense, the risk associated with that and move that on to a card. We see that as an enormous opportunity as well as to partner with governments.

There are 95 million individual's households receiving government benefits around the country. We see that as $400 billion cardable opportunity. There are 100 programs and 40 states and we continue to see interest across the market to continue to grow prepaid.

So we're very bullish about prepaid. It's our fastest growing consumer product globally in the US. If you look back a handful of years, we've been sustaining 20% to 30% growth rates in prepaid. So we've very encouraged about the opportunity to penetrate prepaid. It's in part because of the increase focus and increase in size of the in-bank population.

So that's the product field. I want to talk for a few minutes in the next slides about the importance that we place on processing. And I think that when you look at the business in the developed markets in particular in North America, we've talked for quite some time about the ways in which we link very closely the brand, the relationships we have with financial institutions, the help of our franchise with VisaNet and the processing insurance actions over our network.

And it enables us to deliver consistent services, distribute product much more effectively, lower cost, lower risk and as you're going to hear from the panel in a moment, it's inextricably linked to our ability to innovate in the market with our clients and ultimately impact consumers and merchants in ways that we like.

THOMSON REUTERS

We're well positioned in Canada and in the US and have been for quite some time. One of the benefits of the global merger that Charlie referred to in 2007 and 2008 is this emphasis that we have always had in North America with something that we started to globalize.

And when you look at the progress that Elizabeth's team made in AP CEMEA over the last few years, you can see that the rest of the company has absolutely gotten on board. You have a market like Japan where we still have situations where merchants have deployed multiple terminals at the point of sale and we're compelling more and more transactions coming directly over our network to switch through the network as opposed to directly from the point of sale.

The situation in Australia where direct partnerships with merchants has compelled those merchants like [Kohl's] to route transactions through loss as opposed to bilateral agreements to financial institutions.

And again, as I said, the more transactions we see, the more opportunity we have, the lower cost and distribute more effectively the product innovation platforms that we'll talk about over the course of the rest of the morning.

This isn't just a developed market play. Charlie showed you the hundreds of million dollars, $700 million of investments that we have layered into the company's annual expenses. A good portion of that is focused on building processing in these local markets. So I'm going to focus just for a moment, I'll deviate from the developed market view to an emerging market view, you see here, Brazil, Southeast Asia, South Africa, we've also been very successful in driving domestic processing.

And very often, you're going to see in a moment, making investments in driving domestic processing pays off and very often it takes years to take a foothold. In Brazil we now have our second largest population of transactions moved over the network. This upcoming year, we'll hit North of 90% of the transactions in that market moving over the network.

Very important that we just turn on debit in Brazil to transact online which is roughly 30% of our business, so we're having an opportunity to drive organic growth there. And the local market is very interested in our ability to support them there because we're able to lower risk by real-time risk going through those transactions over the network.

South Africa, likewise, we've been able to dramatically increase our penetration in that market not just by lowering cost and bringing our scale of our global network but by reinforcing to the clients in that market that our risk tools work better than their domestic processing options. As you can see they've responded accordingly.

Now, I think about earlier stage developed markets, mostly in Russia, but at the moment, we're not processing any transactions in Mexico or Colombia. And if you talk to the country managers in those two markets, they would tell you, it's a top tier priority initiative of theirs. Charlie and I were just in South America a month or so ago meeting with members of the Central Bank as well as the financial institution and local processors in order to establish our processing foothold in these markets.

It's critically important to drive terminalization. And the fraud rates in the Latin American markets are unfortunately high and we think that we have an opportunity to grow the market there and tap into even greater growth that we're seeing across the region that is already driving fantastic growth for us.

And the Russian market, huge business for us as a country and going faster than any other country we have within the global franchise and we've made some progress in domestic processing, the acceptance in Russia outside of the metropolitan area is now where we want it to be. We think we can be a partner in that not only for the financial institutions, but for the government as well.

Big part of the processing is merchant. We like to say internally they're probably the highest return on investment that we have within the company is deploying new terminals and you can see that over the last 10 years, if you went back there's lots of discussion even 10 years ago about the US being a mature acceptance market. When you look over the last 10 years, even the United States, we've increased terminals and merchants accepting by over 70%.

And when you look at the other developed markets on this chart, if we just bring them up over the next 10 years to where US and Australia are now, we have on opportunity to layer on an additional five million merchant locations. And Japan, Singapore, and Hong Kong are not as terminalized today as the US was 10 years ago, so we think that that's a real opportunity.

As Charlie mentioned, you saw on Charlie's charts, the mobile terminalization has more than doubled in 2011 to 2012 to over 9 million. Our projections are by 2017 that that number is going to exceed 38 million, that's additive to these numbers.

So if we do nothing else, same card, same financial institution, same products and market, just by giving consumers new places to use their cards in these developed markets, we should see fantastic organic growth.

Merchant partnerships, Charlie made reference to this. I'm not sure that there's much that I can do to build on that other than that I would tell you that outside of North America we have many very, very strong merchant partnerships. And when you look at the investment that we have in the CyberSource organization or what Mike Walsh and his company do is lower risk and add value to merchants every day, that's a big part of how we're thinking about the engagement opportunity globally with merchants not just to terminalize, to engage them and to increase and improve the health of the payment system.

On innovation, Jim and the panel will hit this in more detail. I just want to stick to an additional theme, the same theme, same number of cards, same number of financial institutions. If we accelerate the growth of the e-commerce channel by marketing to consumers, the safety and security of using their cards online, facilitating for banks and processors and merchants to move online, our share position, our growth will happen naturally because as you can see, our share position in the physical world relative to all forms of payment is 20%. As it moves to online it approaches 50%.

So that movement, that migration in it of itself will grow our business because of our stronger position which is only going to be strengthened further based on the readout and other initiatives that you'll hear from the panel later.

Processing services, very important not only for the reasons that I talked about earlier. In the US as an example, we are the world's largest debit processor with our DPS platform. We are not only the brand on the product but when we're touching that transaction from a processing standpoint, it's a stickier relationship because very often these processing relationships with the financial institutions are customized and the yields per transaction are 30% to 40% higher.

Likewise, I think that there's been much that's talked about the use of data leveraging of information, very few organizations probably have as much information as do we. I will tell you that the focus internally is to be very careful and that our focus as an organization is to drive value to our financial institution and merchant partners. We are not going to do anything with information that they don't support. You're to hear more about that from Silvio in a moment.

Our ability to risk our transactions with advanced authorization is unparalleled, so using information to lower risk as well as to deploy value added services to financial institutions of all sizes.

Charlie made referenced to the ICBA Bank card announcement, giving even local financial institutions, community banks and ideally credit unions. If we can deploy this service more broadly, the ability to deliver targeted value offers to consumers in their portfolios and overtime giving the ability to redeem those in the point of sale, we see that as a point of differentiation and a significant growth opportunity as well.

The last slide I want to talk about before I wrap up is on government. Shifting the dialogue with government is key. Again, we're going to view the relationship with governments more and more as a client.

And an example in Brazil where it was very clear to us, the local financial institutions, Banco do Brasil, Banco Bradesco as well as the government, it was very important for them to position the local brand Elo. We are a partner for that.

We are not going to compete with these local brands. We view that as an opportunity to grow the category and create an opportunity for these local brands to evolve into our business and we are supporting these transactions over our network.

Likewise driving efficiencies. I already talked about the size of government programs. We have in the United States an enormous focus with 40 states and over 100 programs global in the government to electronify benefits that will continue to be viewed as our partner not just domestically. We will continue to view government as a partner in these initiatives, not just in the US but globally as we drive financial inclusion and efficiencies of government.

In driving economic growth, lots of examples, there's $22 billion cross border flow into the Thailand economy. We have an initiative last year that Elizabeth's team led to increase the efficiency of that targeted marketing for tourism by over $750 million. We demonstrated that to the local government.

And, you know, we've also been much more active in quantifying the benefits of electronic payments to governments around the world. We're going to study with Moody's that over the last five years in these seven developed markets, electronification of payments on which we believe Visa was a big part has had an accelerating effect to GDP annually by 0.8%.

So if we tell that story, I think it's reinforcing your government the benefits of electronic payments and the imperative to partner. So to wrap up, the growth opportunity in even these developed markets we believe is key. On top of this, if we do nothing else, the fundamental economic growth is going to be a driver.

When we look across the opportunity to partner with merchants, to expand electronification at the point of sale, to improve the engagement, the range of products and processing services here, hopefully you're convinced as are we that we will continue to drive growth in the developed markets.

So with that, I'd like to introduce Elizabeth to come up and talk to you about an even more compelling growth opportunity in our emerging markets. Elizabeth?

Elizabeth Buse - *Visa Inc. - Global Executive - Solutions*

Good morning. So as Bill said at the beginning, the themes are the same, developed and emerging, the themes for growth, but they manifest themselves quite differently in emerging markets. And I'm going to go through each of those five themes in turn and show you what they look like and what we're doing in emerging markets to accelerate our growth there and our penetration of PCE.

So starting with the cash and check opportunity, Charlie already showed you this number, $6 trillion in cash and check, primarily cash payments in emerging markets. When you look at the markets on this chart, they have one thing in common with one exception, and that is that more than half of PCE in most cases, substantially more than half is still on cash and check. That's all opportunity.

The one exception of course is China which has a unique situation with UnionPay's domestic monopoly. The other one that stands out on this chart is Rwanda with its very small number. It's there for a reason and I will get to that toward the end of my presentation when I talk about innovation. But the opportunity is substantial.

And Bill talked about the evolution from high yield, low frequency transactions to low yield, high frequency transactions. He used Chile as an example that happens to be an emerging market. And so typically what we see is that every market starts out as an affluent credit market for inbound or outbound tourism, even if there isn't a domestic issuance market.

Typically you will have inbound tourist, that's an affluent credit product, high yield, high ticket, lower frequency. As the markets mature, you will see the move into more typically debit categories, everyday spend, more local markets in the tier two and tier three cities and then into the most frequent transactions which are ticketing and bill pay and on to prepaid.

I have given you three examples at the bottom and what you'll notice is that debit is growing faster than credit, prepaid is growing faster than debit as these markets are maturing. But if you go back to the left and look at the growth in credit, there is still robust growth in that product even as you continue to see growth in the products that build a more robust and sustainable domestic payments markets.

So while this trend is largely the same, for us to capitalize on it requires us to focus on the local market needs and the particular client's portfolios in those markets. And I'm going to give you a few examples.

We'll start with the UAE, you may remember 71% cash in that market, very big market for affluent credits, lots of travel. And the banks there tend to have pretty specific needs for their clients. So we partner with them to evaluate their portfolio, to identify the behaviors of their consumers, to put together marketing and benefits platforms that will allow them to accelerate their growth and you'll see at the top the success that we've had in winning new portfolios and the growth that we've had in cross border volume with those affluent credit portfolios where we've worked with the specific issuer to customize our offerings.

In South Africa, Bill talked about the success that we've had penetrating domestic processing. That is strictly because our banks wanted access to Visa Advanced Authorization and Visa Risk Manager. They can only get that if we saw the transactions over VisaNet.

The reason for that is that there is tremendous concern about risk and fraud as it relates to enabling debit at the point of sale. By having VisaNet, by deploying Visa Advanced Authorization and Visa Risk Manager, we gave our clients the confidence to authorize those debit transactions at the point of sale and accelerate that growth.

What you see here are the numbers of transactions going through Visa Advanced Authorization and Visa Risk Manager.

And then finally, in the Philippines where we have a lot of growth in prepaid, you see the 49% there because infrastructure challenges are particularly acute. In order to get funds on the card, we had to use a different approach here enabled by mobile.

People can add funds to their prepaid cards using their mobile phones. That has enabled us to grow this product and get cards into the hands of people who typically were unbanked. The other thing that we did specific to the Philippines was activate a distribution channel with Western Union agents because they were easier to get to than were financial institution branches. So these products are distributed through Western Union agents who also act as cash in, cash out locations.

So three examples of how the specific market instance or specific client need required us to change our business model in order to effect that progression, credit, debit, prepaid and accelerate growth. Merchant acceptance Bill talked about, huge opportunity in emerging markets because almost always issuance precedes acceptance and acceptance tends to come first in the tier one cities, in the T and E categories. And then it takes work after that to get to the kinds of numbers that Bill showed.

So I'm going to talk to you about starting on the left one historic example, very successful and two new things that we are doing to accelerate acceptance. Many of you will know the story of VisaNet do Brazil. Brazil used to be a greenfield market for acceptance. We in partnership with the financial institutions set up a company that had exclusive right to acquire Visa transactions in Brazil. It was owned by financial institutions who issued the Visa product as well as the network hugely successful model.

If you look at the merchants for 1,000 households in Brazil, it's higher than Singapore and it's coming up on Hong Kong's level, so really successful. But we also recognize that when at that particular point of maturity, it was time for us to change the model. As you know that company has gone public. It's now called Cielo and competition has given it an additional bump in growth and acceptance, very successful.

So we looked at that, we looked at the needs of some other markets and we're doing some other things that are quite different from the way that we approach acceptance in developed markets and allow us to do one thing that gets lots of acceptance locations.

And in Indonesia, we just started an acceptance program, working with our issuers to fund broad acceptance in two categories that are critical for debit and prepaid. Tier two cities at small merchants and food and fuel.

We hope to get that, take the 25 million cards, activate those, get more acceptance locations which then encourages more issuance particularly outside the tier one cities.

In Mexico where today we have 500,000 merchant acceptance locations, we partnered with Grupo Bimbo, the largest bakery in the world that distributes to small convenience stores around the country to take their drivers as a value added service, sell terminals to those convenient stores and we're expecting to get 160,000 POS terminals, a 30% increase in the total acceptance that we have in that country just through this one partnership.

And we believe as Bill mentioned, as Jim and the panel are going to address, that the biggest change that we will see in acceptance in emerging markets is the proliferation of mobile POS providers. This is not a model where they're coming in as an acquirer, this is simply a low-cost device that allows us to reach merchants that we couldn't reach before. And what's interesting about it is that in the emerging markets, these devices are going to enterprise merchants.

In India for example, the largest life insurance carrier is using them with agents to collect premiums via a mobile POS device. And you'll see across the bottom, the markets where we've already rolled those out and we expect those markets to climb.

Another significant opportunity is the e-commerce channel. In emerging markets as a whole, it's growing twice as fast as the face-to-face channel, but it's not because people are buying books on Amazon. It's overcoming the infrastructure challenge of having physically to go and buy something. Very often ticketing and bill pay are our highest types of -- the largest number of transactions, India being a great example.

India Railways is one of the largest merchants in India. And until we enabled e-commerce purchasing of tickets, the average Indian would have to go stand in line sometimes for hours and hope that by the time he or she got to the window, there was still a seat on the train that they wanted to ride.

Now they can buy that ticket online. It dramatically reduces their time. It dramatically reduces the cost for the railway and it's been a great business for us because you can see here we have more than two million transactions per month and because the government in India mandated verified by Visa for online transactions, we also can access debit transactions. So it's going to be a big accelerant of our growth.

Another huge concern in the e-commerce channel as it is for debit at the physical point of sale is risk and fraud. Our ability to work with our issuers and optimize their authorizations in the e-commerce channel significantly accelerates growth particularly in cross border transactions. And as you know, most of the time you don't know if you're doing a cross border transaction in the e-commerce channel.

In Russia where infrastructure advantages are particularly acute because the country is so large and so sparsely populated, this is a place where we spend time with our issuers, you'll see one example here where we work with an issuer to increase cross border authorizations from two and three, to three and four and climbing.

So those are examples of innovations that you might see as extensions of a business that's vaguely familiar, right? It looks like the developed market, but what we do is different. This is not something you're likely to see in a financial services related presentation in a developed market. In fact many of my colleagues didn't know what this is.

This is a bank account in Africa. It's a payment account, it's a savings account. These are cow horns that have been hallowed out and a person has worked during the day gets paid, comes home, rolls up his or her bills, sticks it to the cow horn, buries the cow horn, puts it under the bed and hopes that the money is still there the next day when they have to buy groceries or go reopen their shop.

Certainly not convenient, certainly not secure and not usually reliable. So this is banking in a lot of places in Africa. This is what they should have, right? They have a right to have convenient and secure and reliable and financial institution backed payments.

But how do you get from that to that? Well, you all of course know the answer. The answer is those people who have cow horns, most of them have mobile phones as well. Getting from a place where they load their mobile phones, they buy their minutes, to VisaNet through financial institutions is the opportunity. And very importantly to VisaNet, sure there are a lot of mobile operators who are investing in and establishing mobile payment systems, but they're not interoperable across operators. They're certainly not interoperable across borders and a lot of this labor goes across borders.

So how do we think we are going to penetrate uniquely this opportunity? Though the assets that we have acquired and built. Fundamo is the leading mobile wallet provider that allows us to get a payment account out of the cow horn on to the mobile.

Visa Mobile Prepaid is a Visa account optimized for the mobile channel. And the Visa Mobile Managed Service is the processing infrastructure that allows us to connect the mobile operator, the mobile wallet with the mobile prepaid product and the mobile managed service.

And the best example of where we bring all of this thing together is Rwanda, hence its presence on my first slide. In 2011 we entered into a charter of collaboration with the government, 88% of the population unbanked, we got 11 million people in Rwanda. And the government said, "We want to work with you to electronify our economy, to bring more transparency, to bring more people into the financial mainstream."

The first thing that we did was establish VisaNet in the country so settlement can be done in Rwandan Francs critical to the establishment of a domestic payment system. Then we connected ATMs to Visa so that when all of us go to Rwanda to see the extraordinary gorillas, we can put our Visa card into an ATM, get cash. It means we'll spend more money in the country growing their economy.

We brought acquirers in to acquire merchants and enable them to accept payments, you see the numbers below. We brought major businesses online, there was no e-commerce, even the domestic carrier of RwandAir didn't sell its tickets online.

And perhaps more importantly, that chart that I just showed you, that's easy to do in PowerPoint but hard to do in the real world, we've just introduced in January the world's first truly interoperable mobile branchless banking service.

So this is the ideal approach to greenfield markets like Rwanda and the government is absolutely critical. But markets don't evolve neatly either along that path that I showed at the beginning or the way that Rwanda did. Most markets that are emerging have some of both that what we call hybrid markets.

We've got great growth in our historic business. That's what you see from the yellow bars and we have even better growth in the mobile business. So what you're looking at here is growth in cards and forth and the yellow bars growth in fundamental registered wallets in the blue bars.

The two exceptions here, so you see Nigeria, Pakistan, Uganda, Bangladesh, and Ghana, Ghana the blue number is small, we just rolled out. We just introduced Fundamo in Ghana, so you're going to see that number rise pretty dramatically. And particularly for those of you in the back of the room you look at Bangladesh, the only reason that that yellow bar looks small, it's in fact the largest number on the page at 28% is that we're seeing such extraordinary growth in mobile because of the population there and because of the extreme infrastructure challenges.

So those are the ways that the same themes Bill talked about manifest themselves in emerging markets. And we think there's tremendous potential there now obviously as evidence by the $6 trillion and that's only going to grow.

The economic growth of these markets is extraordinary, $1 trillion in growth in annual PCE, that's just the tide rising. Merchant acceptance as I mentioned particularly with mPOS continues to be a huge opportunity. Mobile is going to be the story in the frontier of the emerging markets. And government is also going to be critical to accelerating our growth.

They are central to financial inclusion, to bringing the more than two billion people who today don't have access to traditional financial services into the electronic mainstream and to enabling a sensible domestic processing infrastructure.

So that's everything that I wanted to cover specific to emerging markets. At this point, I will invite Bill and Charlie back on stage and we'd be happy to take your questions. Thank you.

Jack Carsky - *Visa Inc. - Head - Global IR*

In terms of the Q&A, there are obviously people walking around microphones. If you would wait till they pass you on. And then identify yourself and your company affiliation for the benefit of those listening via webcast we'd appreciate that. Glenn?

QUESTIONS AND ANSWERS

Glenn Fodor - *Autonomous Research - Analyst*

Hi, it's Glenn Fodor from Autonomous Research. A question for Bill, I appreciate your overview. Our view is that, core US consumer credit not affluent or commercial which is doing very well, but core US consumer could be a pretty exciting opportunity for next year given the growth prospects.

I'm just wondering if you could share some views for us on the gives and takes of what you expect for that vertical market next year?

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

Yes. So the question is core not affluent in the US?

Glenn Fodor - *Autonomous Research - Analyst*

Correct, yes.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

Part of the problem you see when you look at our numbers is that you're still seeing a lot of fundamental conversion of our core business into our affluent products. So I think it does mask, Glenn, I agree with you, the economics of the credit business in the US when you look at funding cost, credit cycle.

Our economist is very enthusiastic about the pent up demand and when you look at just household expenditures that have been differed over the challenging economic cycle. We would tend to agree with you. And our forecast show pretty strong cross growth across credit even faster than debit.

As I said, when we report numbers it may not show that way only because you continue to see some conversion of accounts from core credit into some of the mass affluent products.

Charlie Scharf - *Visa Inc. - CEO*

I just want to just add just one thing real quick, which is, again, because Byron is going to talk later about guidance. He's going to talk about what we put in our 8k today. When we think about next year, I just want to be clear, we don't see some huge recovery happening. I mean, it's something possible, absolutely it's possible, but as we plan for the year, it's a continued, relatively slow recovery that we're planning for when we talk about next year. Over there?

Sanjay Sakhrani - *Keefe, Bruyette & Woods - Analyst*

Okay. Sanjay Sakhrani from KBW. Thank you. I was just wondering. Thank you for all the information, but I'm just wondering if you could just hit on the top one or two products or strategies that are important for Visa over the next five to 10 years? I think V.me is kind of, probably, is at the top of the list, but maybe you could just talk about its importance.

And then second I was just wondering if you could talk about any changes to your approach in educating or talking to legislators in D.C. post Durbin. Thank you.

Charlie Scharf - *Visa Inc. - CEO*

I can still take a shot at the first. I mean, I guess, we just spent an hour going through it. But if I had to narrow it down to a couple of things, I think the opportunity as we've talked about in mobile is significant. Again, very different type of opportunity, the developed world versus the emerging world, but you can't sit here and see the huge acceptance growth that has already occurred.

Think about what Elizabeth just went through in terms of how it can transform the way money is used in the developing world and not feel great about our position in that. So again, we're going to talk a lot more about that when Jim comes up and Bill Gadja is going to talk about it. Mobile is obviously extremely meaningful for us.

And then I guess the second thing I would talk about is this idea of adaptable, customized solutions across the world and especially here in the developed world in the United States is doing everything that we can, the position that we play sitting ultimately between issuers, their customers, acquirers and the merchants and getting them to work together in a way that really hasn't occurred predominantly in this country.

Hold on. There was a second question about D.C.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

D.C. is challenging. I think we can all agree that the company and the industry got caught, flat-footed when Dodd-Frank and the Durbin Amendment happened. The engagement wasn't there at the level that we would like. I would say that we approached it looking back in a way that was more confrontational than what was productive.

And I think that when we look at the model of engagement with governments around the world where more often than not, it's a productive relationship and we are viewed as force for good. I think that there's been quite a bit an education even through a challenging time about what we do and why we do it. And I think that the relationships have been built, we just need to deliver on the promise of supporting government initiatives, first and foremost I think in support of the underserved in the electronification of government benefits.

But it's going to take a while in D.C., I think, to repair some of the challenges, but we're committed to doing it. And I think if you look at the resources that we put in, a hire that we have made, we brought a new head of government relations in the America's focused on US. I think we're making strides.

Charlie Scharf - *Visa Inc. - CEO*

And let me just add to that if I could, which is everything that we've seen in D.C. over the past four or five years, D.C. is not the cause, right? That's the effect of what the entire industry and all of our partners have done to each other. And so absolutely, I think, and this is a broad comment not a Visa comment, and as much from my prior job and my own role on that is I think we all could have done a much better job engaging early on educating, make sure that the decisions are headed down the right path.

But again, that's ultimately, you got to solve the underlying problem. The underlying problem is we have merchants across this country that are talking to politicians and talking about their unhappiness. So a lot of what we're talking about in terms of this adaptability and flexibility and getting issuers to work with merchants and point-of- sale discounts and things you're going to hear about later, that's all targeted at getting at the underlying issue not trying to deal with it after the fact because if that's the case, we'll always lose.

Jason Kupferberg - *Jefferies & Co. - Analyst*

Jason Kupferberg from Jefferies. I want to pick upon the discussion around processing because obviously that's a big push for you guys to increase the percent of transactions going over VisaNet and seems like that would be an important driver of growth and yield over time. So can you just give us some general idea quantitatively in terms of maybe where you were five years ago, where you are today, and where you might be five years from now in terms of on a global basis percent of transactions that you're actually able to process?

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

The challenge if you look at it quantitatively because we've seen enough Interlink transactions US moved off the network. That sort of masks the fact that we have seen good steady progress in around the world in driving more transactions on the network.

So at the moment globally, we are 78% of the Visa transactions on the network, which I think is an impressive number. We do see that number steadily increasingly as I mentioned, in every one of the developed markets outside of North America, we see progress there. The fact that North America is such a large portion of the denominator, you probably wouldn't see that move up globally as impressively. But I think you're going to see a steady increase where the 78% certainly gets into the mid-80s range.

Jason Kupferberg - *Jefferies & Co. - Analyst*

And just a quick follow up on China maybe for Elizabeth. We've seen UnionPay introduced a prepaid card here in the US. And obviously there's a sense sooner rather than later that there will be some new rules put in place to allow yourselves and others to get into the domestic China market.

So is this just bode for an increasing overlap from a competitive standpoint globally between yourselves and MasterCard with UnionPay? Is that how you see it playing out?

Elizabeth Buse - *Visa Inc. - Global Executive - Solutions*

I think UnionPay has been tremendously successful. Internationally, they've been very sensible. I mean, I think you go to their website and look at their aspirations. They clearly want to be a global scheme like MasterCard and Visa. And they are looking to participate globally. And we are equally enthusiastic about the opportunity to be able to participate in the domestic market in China. We are eagerly waiting the terms of what that is going to require.

And we are excited because we have fantastic partnerships with all of the blue chip Chinese banks. And we're looking forward to being able to compete on a level playing field with UnionPay as we do with our other global competitors.

Charlie Scharf - *Visa Inc. - CEO*

And I'd like to add just a little color on that from my perspective, which is, again, UnionPay clearly has global ambitions. There's no question that that's the case. As we've said there's lots of opportunity in this world. And to have good smart competition is not a bad thing. And ultimately it's one thing when you have monopoly inside the country.

It's another thing when you then go and you try and build an acceptance network based upon the monopoly that you've had, that's very different than showing up in Bank of America's offices saying there's a compelling reason for you to issue our cards. And this is not just true for UnionPay. It could be anyone who wants to build the network.

And so that's why for us, it's not price. Price is a component of the decision. It's all the things that we've talked about not the least of what exist today which is hugely important, which is the size and the scale, the reliability of our system, the way we're willing and not willing to use data, which other people aren't willing to make those commitments, the safety and security that you get by using our actual network and all this value-added services that quite frankly the people that have come before me would spend 50 some odd years building. You don't build that in a couple of years.

So for anyone who wants to become a network, even if you're able to build it off of a strong domestic base, it's a long road to build what we have here, not something that we look at and say, isn't doable when you got the resources that the Chinese have? But it just it's a comment about how we feel about what we have here.

Gil Luria - *Wedbush Securities - Analyst*

Yes, thank you. Gil Luria, Wedbush. First of all, thank you for the presentations. It's been extremely helpful in terms of citing your path. I want to follow up on one of the items you talked about during the presentation as well as to one of the answers, which is that you are now reaching out to US retailers and trying to help them understand the value of what you're doing as opposed to have them going in a confrontational path.

And you also made similar comments about the technology innovators that are working right now to advance the cause of digital payments. Two parts of the question, the first part is US retailers haven't seemed to reach back to you yet. They've escalated on the litigation front, at least some of the really big ones. And they have a very big broad initiative to compete with you in US domestic debit. Do you think we've passed the point of no return in terms of engaging with the retailers or do you think you can still convince them not to go down the path of direct competition and to try to go into the framework of settlement? That's the first part.

And then in then in the technology front and the so-called aggregators, your competitor from Purchase, New York has chosen to go down the path of considering them as competitors and penalizing their business model as it seems today especially Google and PayPal, the ones that have kind of broke into the front. You've hinted in the last few weeks and months that you're going to come with a new framework of how to engage with them. Is that framework going to go in the same direction of considering them as competitors thereby needing to define a way to stop their progress, or is going to be more down the path of trying to expand the shared path?

Charlie Scharf - *Visa Inc. - CEO*

I want to take a shot and then, Bill, feel free to chime in. On your first question, is it too late? Absolutely, it's not too late. Is it easy? No, it's extremely hard to change the dialog that we have and we're not naive about this. It took us 10 years or so, when was the first lawsuit? In 2002? 2003?

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

2003?

Charlie Scharf - *Visa Inc. - CEO*

2003. It took us 10 years to get where we are, where we've been facing each other across the courthouse steps. It's going to take a long time to change that dialog. It's also particularly complicated right now, but because where we are with the existing MDL litigation that exists. But ultimately, retailers are in a business to sell whatever it is they choose to sell. And if we can show up along with issuers or groups of issuers and we can convince them that we can help them do a better job, and sell more, and make a reasonable amount of money, and that we're charging a fair amount for our services and all of our partner services, that will change the nature of the dialog.

Okay, yes, we got to resolve the litigation and you can hear lots of noise about that between now and the time it all gets resolved, but that's a meaningful conversation that we didn't have in this country in a meaningful way. By the way, it's a hard thing to do when you're in the middle of trying to resolve legal disputes. But it's something we're committed to going forward because, again, we think, and you're going to hear more about it after the break, we think we've got lots of assets that can actually help them do a better job. And it's up to us and the participants in our network and the rest of our clients to prove it to them.

So again, that's an on us approved but it logically make sense. And if we can actually get some proof points in the marketplace as some of our clients have referred to that they're close to doing then that's what will make a difference or not. Anything you want to add on that?

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

The one thing I do want to add on that, and I agree with Charlie, there's lots of noise around litigation in Washington and posturing, it's difficult to understand what the true nature of the challenge with the merchants particularly in the US. The difficulty and a fundamental level of the merchants is that when they view your products and your service as a cost of goods sold, there's going to be natural tension and you become just a cost line item and the posturing about managing that number one.

I would argue that when the business involved very simple form factors in the card and very simple terminals at the point-of-sale then there was a natural way of over time becoming a dial tone and being commoditized and creating that price tension.

What you're going to see and I think we can all see it is that in the form factors and the sophistication of the point-of-sale, we have an opportunity we invest in the right platforms to be not just the movement of money and the movement of electronics and support of that transaction, but delivering value-added services, delivering the merchants more information so they can better understand their customers because we have a lot of them that are carrying Visa products and helping merchants not only reduce their cost but market themselves better.

If we do that well, I think that's the best path to improving the dialog with the merchants. That doesn't change the fact that you're dealing with billions and billions of dollars and interchange merchant discount. And I just think that there's naturally going to be buy or sell attention.

Charlie Scharf - *Visa Inc. - CEO*

Second question about the aggregators and PayPal and some of our competitors, so directly to answer the question, we're not currently contemplating a fee like that. When we think of the role that these people play and the issues that they've raised, we don't see that solution as actually solving the problem. It might be a way for us to make a little bit more money, but our focus is to figure out what's changed and how should we deal with it.

What's changed is these people started out, which we have a lot of respect for, to develop great businesses. They started out small tickets, Internet-focused, transactions wasn't easy to use other general purpose cards, fast-forward 10 years later and all of a sudden they're very Amazon like, they're representing very big merchants, they're going to the physical point-of-sale. And the rules that we had in place and the pricing structures we're not designed for something like that.

And the position that we're in is that they're sitting there in a position where whether they're doing or not we're going to argue about, but they're certainly encouraged to steer away from our cards and 50% of the activity in PayPal's case is on general purpose cards. And the way the data flows our issuers are being disadvantaged. And then it creates other complication in terms of whose transaction is it, whose customer service, whose rules apply.

So when you go through all that, that's just tells that we need to rethink what we've allowed to happen over these past 10 years because this is all have dramatically changed over the last couple of years. So what we are thinking through is how we do that, what it means to pricing, what it means to the rules, what it means to the flow of data.

And what we'd love to wind up with is a situation where we and our issuers because what our issuers think is absolutely critical because there are being hugely disadvantaged today in this is that we believe that those transactions really are incremental and they don't lose anything in that relationship as time goes on. So we're working on it. We've got nothing to report now. But that's just because it is how we're thinking about it.

Jack Carsky - *Visa Inc. - Head - Global IR*

Tien-Tsin?

Tien-Tsin Huang - *JPMorgan - Analyst*

Yes, kind of building on that last question. Yes, Tien-Tsin Huang from J.P. Morgan. How should we measure sort of the success with the risk of some of the changes that are happening, the relaxation of the rules, for example, pushing value to the edge of the network, should we see greater incentives as a result, or is it greater merchant acceptance, for example, we should measure that before we get to greater volumes.

And thinking about mPOS that was mentioned a few times by all three of you, is that creating more risk to the network? I'm curious as you're opening it up and putting it to the hands of the consumer.

Charlie Scharf - *Visa Inc. - CEO*

Why don't we just we defer the second question and have the tech panel addresses that so -- and then if not, we'll actually cover it in a Q&A that follows because it's a big part of it. And the first part of the question was ?

Tien-Tsin Huang - *JPMorgan - Analyst*

The relaxing of the rules.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

How we're going to measure it.

Tien-Tsin Huang - *JPMorgan - Analyst*

Yes.

Charlie Scharf - *Visa Inc. - CEO*

Listen, you really going to see it in our volume numbers and ultimately our net revenue numbers and that's where it will be.

Tien-Tsin Huang - *JPMorgan - Analyst*

In the interim, I guess, where I was going with this is there is an investment to get there, right? We're going to see a higher level of incentives, for example, to get there or some change in the face of the P&L to get there.

Charlie Scharf - *Visa Inc. - CEO*

Again, people can answer it themselves and see if you think differently unless it comes to play later. We're not thinking about this is a big driver of additional incentives. I mean, we're thinking about this, the investment to get this done are those operating expenses that where you put into the system to build the products out that didn't exist three or four years ago. And again, Jim is going to actually show you what's been rolled out over a period of time. And it's a huge amount of expense that's embedded into place so that we can actually show up on the merchant's door step and have a conversation that we quite frankly weren't able to have three or four years ago.

Tien-Tsin Huang - *JPMorgan - Analyst*

That makes sense. Just a quick follow up, I don't know if it's quick or appropriate to ask now or later, but MDL 1720, any change in your confidence level, Charlie, in getting that settled as this?

Charlie Scharf - *Visa Inc. - CEO*

No. No change. Opt out, looks like they're around 25%. As best we can tell, the number will be reported to the court in a little bit. I'm not sure exactly when. And we don't think it changes the outcome of our position or the courts.

Jack Carsky - *Visa Inc. - Head - Global IR*

Chris?

Chris Brendler - *Stifel Nicolaus - Analyst*

Thanks. Chris Brendler from Stifel. Very curious about the processing follow up there. I wasn't clear exactly how, and I'm sure it varies market by market, but how you're driving increase profits in the share. What are the strategies that you're employing?

And then if you could potentially give us a little more insight on the countries that it could be highlighted in three years, your next annual Investor Day, are there going to be certain countries that you have significant opportunity in processing share, are there certain countries that you're probably not going to have business opportunities and have local regulations the governments can play a role there. Just help us frame the opportunity there.

And then a more broader question all this discussion so far has been about the opportunity for Visa and the tremendous potential for growth. What do you see is sort of the biggest risk right now in a competitive front? Thanks.

Elizabeth Buse - *Visa Inc. - Global Executive - Solutions*

So processing is a big opportunity in most of the developing markets. And I'll take your, sort of, turn your question around-the places where we're not going to see, we're not likely to see significant increases in domestic processing. First, where the government has said it's something that has to be done domestically by a domestic-owned and operated competitor. There is a smattering of those markets around the world.

Second is where there is a government interest in preserving some domestic payment infrastructure. Korea, would be a great example where the [] domestic networks (VANs) due the domestic processing. But outside of that, markets that have a strong issuing base you should expect to see that absent government intervention, we will be able to increase processing. And you said - - how does that work? It works in two ways. The first is absolutely leading with the reliability of the network and the risk and fraud products.

We've had a couple of markets where they're dabbled with a domestic processor, usually starting with ATM then you start seeing outages, you start seeing fraud spikes and that becomes a compelling discussion I gave. South Africa is one example.

You also, where we partner with governments, which is something Bill touched on, I touched on, and we're going to do more comprehensively, governments can be a massive accelerant to domestic processing usually in consort with their desire to accelerate financial inclusion and electronification of payments, governments increasingly or interested in doing that because that leads to economic growth as Bill said. It reduces corruption and it increases transparency. So it's a trend that you're going to see broadly.

Jack Carsky - *Visa Inc. - Head - Global IR*

Okay, at that point, we're going to stop there.

Elizabeth Buse - *Visa Inc. - Global Executive - Solutions*

Just a second.

Jack Carsky - *Visa Inc. - Head - Global IR*

Oh, you want to--

Charlie Scharf - *Visa Inc. - CEO*

The second was biggest risks. The two that come to my mind that we think about all the time are number one, regulation and legislation, which we've talked about. And so building relationships with the government, engaging differently, becoming more of a partner as well as solving the underlying issue with the merchants is the way of going about that.

And the second has to be that you don't miss something when it comes to technology. And so, again, the whole next session is dedicated so that you can make your judgment to whether or not you think that we are or not. We talk about it all the time. We talk about all the things that are going on in the world, all the capabilities to make sure that we're not. But you always have to re-ask that question.

Jack Carsky - *Visa Inc. - Head - Global IR*

Okay. So we're going to break now. Please be back here precisely at 10.15. Avail yourselves to the showcase and enjoy.

(BREAK)

PRESENTATION

Jack Carsky - *Visa Inc. - Head - Global IR*

If everybody could take their seats, please, we're going to get started in a minute. Okay, we're ready to commence once again. I'd like to introduce Jim McCarthy, who's Global Head of Innovation and Strategic Partnerships. Jim?

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

Thanks, Jack. Great. Thank you. I have the great job of following up after everyone's still on our [thunder] this morning on the innovation space, so it makes me feel good about the work we've been doing. Thanks, everybody, for joining us this morning. I'm Jim McCarthy. As Jack said, I manage and I have the privilege of managing really what has been the innovation agenda for the last three years.

And what I'd like to talk about today is how we are very excited about the position we occupy with respect to the future of this business, primarily because of the way in which the network asset that is Visa and that is transforming. And I believe in ways that will only fundamentally accelerate our business model.

So to that end as Charlie, Bill, and Elizabeth have talked about, the way I tend to think about Visa is really two different networks. The first network, which you heard a lot about today and one that we can't emphasize enough is a network of our financial institution partners globally that we have a commercial relationship with them and we share a brand with that we license the Visa brand, too.

And over the last 50 years, that partnership has succeeded to the extent that through them we've been able to distribute over 2.1 billion cards around the globe and have created relationships through the acquirers with over 36 million merchant locations. And that commercial relationship that that relationship that found by the brand that's on the card and on that merchant storefront is a very, very powerful and important one to us. And we'll continue and you'll hear that throughout the day when you talk about distribution even in this new inherently digital world.

And I would argue really differentiating network that we share is when those two billion cards interact to those 30 million merchants and a transaction occurs and flows across the VisaNet physical network is the one that we're really focusing on today and how that physical network is evolving to embrace and expand the edge of the network as Charlie talked about to move beyond what is traditionally been a kind of point to point issuer, acquirer network to embrace the changes that are occurring around the globe primarily driven by the Internet of things.

So when I think about VisaNet and the traditional edge of the network, when I got here the Visa over 14 years ago, we were still running on an IBM system network architecture 30 to 70 network, more or less point to point that ended somewhere in the back office of an acquirer or a merchant location.

Play forward 14 years and look at the numbers when you think about scale and the scaling of our network, over two billion, 2.4 billion Internet connections globally. We in 1999, 2000 re-architected VisaNet to take advantage of the coming change that was driven by the Internet. We move from that S&A network architecture to a TCP/IP Internet protocol to actually extend the edge of our network and CB on the back office of a retailer.

You play it forward over the last five years not only are we talking about Internet connections, but we're talking about social connections, consumers talking to merchants, merchants talking to consumers, consumers talking to others, creating, again, a large network effect that's predominantly connected by, again, this wired Internet environment. And then as you heard earlier today, mobile.

When you think about the numbers are just staggering, over 7 billion subscribers connected to mobile devices around the globe in every one of the markets we serve and others that we're not in yet. And every one of those consumers is connected and making payments or making transactions and we have the opportunity to extend the edge of the VisaNet network today will be on the borders that we currently exist, still within the confines of those commercial relationships that are very important to us, but extend the edge and address the needs of a growing population of connected consumers and merchants and new transactions that we've never service in the past.

So when we think about that, we have to put all of our strategy in the context of what's really happening at the furthest edge of our network because while we will continue to serve and our customers will be financial institutions, governments, merchants, in order to win in this space, you have to think about the end-users of our products and services who are predominantly consumers and merchants.

So when we think about this environment and while we get really excited about the opportunity is these consumers that have traditionally been bound by a form factor, which was a plastic form factor, that only worked when it could find the terminal that was connected to a wired, a telephone line with electricity that was working. We now find ourselves in an environment where the consumers with these new devices, be at iPhone, a flip phone, an Android phone, they're always connected and they're always on, which means they're always ready and able to transact.

More importantly versus the card form factor where in the past -- this was always ready if you could find a terminal that was up and running. That not only are these things connected and on, but they're highly personalized. I imagine the vast majority in the room have an iPhone or an Android device. And while the hardware maybe very similar, that the actual desktop, the deck that you have is very different.

The operating systems and the software that are running on these devices allow us to have a very different discussion and dialog with the consumer, one that's highly personalized and therefore, highly relevant. So when we think about the opportunity or not only around payment but commerce, the ability to actually get out of this business or pushing information but allowing the consumer to create their preferences, expose those preferences and allow commerce to occur seamlessly and easily on a 24/7 basis gets us really excited. Because what we're seeing is for the first time is really the mash up if you will of commerce and payments coming together.

Again, when I started 14 years ago, not only that VisaNet stopped in the back office of the retailer but as you've heard a lot of the friction you hear about when we talk about in developed markets around merchant interface, our interactions with merchants was created by the fact that payments was a last mile thing as Bill described, there's a cost of goods sold. But in this new environment, payments is absolutely core and critical to commerce. They're blending together.

And again, this is last point about taking friction out of the commerce experience. If you got a great retailing experience online or on a mobile device but the payment experience requires to key under 16 digits of billing information, shipping information to complete the transaction, it's a bad experience.

And what we're finding for the first time is this concept of search to purchase that the whole thing is wrapped up that we have a seat at that table and an ability to fundamentally shift away consumers interacting and transacting on these devices. And as I said, it's not just the consumer, it's a merchant. These devices as you heard from Elizabeth, and Bill, and Charlie are fundamentally changing the way merchant's interacting.

So a retail storefront that used to be open from eight to five, Monday to Friday is now can be open 24/7, always on, always connected. And again, you've heard a lot about the mobile Point of Sale devices that are coming out around the globe, certainly putting this on this device, turns it into a point-of-sale. And as Elizabeth talked about, I mean, there's a lot of growth in her markets with respect to mobile pause.

But again, back to the Internet of things, it's not just more merchants and micro-merchants in the long tail, but we're fundamentally seeing a ship even in developed markets as merchants have the ability to take this technology along with payment move from behind a sales desk move to the front of the store, interact with consumers in ways they never had before, again, highly targeted, high relevant, you can check in, they know who you are, they can share information with you, they can bring you into a commerce experience that again it's fundamentally tied to payment because the payment piece can be integrated.

So making that a better shopping experience. And further when we talk to segments like quick service restaurants, they have the ability, I guess, it was 2003, 2004, one of the greatest things we did within my lifetime of Visa from an innovation perspective was do something called No Signature Required with a stroke of a pen back to the power of rules, we change the way in which a Visa transaction could occur in McDonald's location. And you no longer needed to give a signature print the receipt, hold that receipt. We allowed commerce to take off in the QSR environment and fundamentally change our share position in a category that up until that point was really underpenetrated.

What happen is if you play forward 10 years, payment is not the pain point in quick service restaurants anymore, it's the queue at the end of the line. So I went to Starbucks this morning, bought my coffee, that line moves quickly so I can make payments very quickly but now really queues up around the barista in the espresso bar. Well, those retails are now looking at another pain point which is how can I get people to not only pay in advance but order in advance. And again, these devices hold a key to that.

And so we have the ability for the first time to really change the way commerce and payment are interacting because of these devices, because of the mobile pause application both in emerging and developed markets. The key to this and what's oftentimes lost in the discussion and I'm sure love lots of questions around this as lots of competitors, lots of new business models, lots of interesting things happening in the space, a lot of really smart people innovating in the space. But we always have to focus back on the consumer and the merchant on ease of use, ubiquity, and taking friction out of the process.

Oftentimes the discussion we have around the management table is there's a lot of interesting things we look at that we think we could do. But really the question is should we do it, are we helping the retailer close the sale, are we helping the consumer get out of the checkout with the goods they want, reliably, securable, with security, all the things we've done in the past that made Visa the brand that it is today.

So again, the opportunity is really huge for us. So when we think about an innovation in the space, it's really straightforward and something that Charlie referred to earlier. It's all about VisaNet.

So taking the needs of that consumer, the needs of that merchant, which are inherently living in a connected environment and always on environment looking to take friction out of the system, how do we take the edge of the VisaNet network and expand it further to embrace these new technologies, the Internet, social networks, personal payments, remittances and commerce in these new form factors.

And our belief is, is that we're starting the best position of anybody because we have VisaNet, which is already built for this and really the challenge in front of us, the opportunity in front of us is to effectively scale on to embrace these new environments and move into this new electronic age.

So as Charlie referred to and I'll spend some time in this, the last three years since this last that's remaining has really been all about starting this journey. I have the benefit of having a lot of great work in front of me and the fact that VisaNet was already TCP/IP enabled, but when you started to think about how can we really penetrate this market, how can we move forward with an accelerated approach, we really started to think about the capabilities that will be required in developed and emerging markets and what you need to do to build that out.

So when we think about the developed market, it's all about click, touch and tap. The fact to the matter is consumers are transacting in large number still over wire line Internet connections. But with mobile devices, we're just at the early stages of mobile remote payments, the ability for consumers to use the browser on the phone to make purchases. Again, we need to make that easy.

We're also seeing the convergence of these devices as I mentioned at the physical Point of Sale and that game is still being played out. The big challenge that we all have is that that card, that No Signature Required experience creates a really high barrier entry not only for consumers because they know what to do but merchants as well.

So the capabilities we've been investing is really to think about how take our network, how do we take our capabilities and solve for those pinpoints for the consumer and for the merchant. And since the last time we have this meeting, we've been making significant investments in the space. So four of them that I referred to this morning, the first one is the developer center.

And again, as I said on the software, on the phones, the software on e-commerce devices, one of the major macro shifts in the space has been the fact that software developers are having a much greater impact on the convergence of the commerce environment and the payment environment.

And so one of the things we realized we have to do and back to what Visa has done historically very well is publish standards and APIs and make it easy for those that are license to use the Visa brand to connect to our network. It just happens to be generally speaking and authorize clearing our settlement message. Those are our words for our APIs.

But going forward, we realize we have to create a way to expose these other capabilities of third parties to software developers so they can use the power of the mobile phone, the computing power of the tablets and notebooks and other form factors to expose the edge of our network. And so we stood up a developer center and you're going to see greater emphasis on this going forward so we that we can actually integrate more closely with those that are innovating on the edge of our network.

The next thing we did, we had a payWave application, a payWave specification that most of you know on a contactless. As you heard throughout the day, mobile is taking off and mobile is an important form factor for us in developed markets. So one of the first things we did was we took the payWave application and made it available on mobile phones.

But more importantly, we took the next step and have created a reference application that we've actually published along with APIs and software developer kits for third parties to begin to integrate the payWave application natively into the devices.

For those that saw the announcement in Barcelona this year at the Mobile World Congress, you saw the first announcement with a major handset manufacturer, Samsung, where they're now embedding the payWave application natively onto the deck, on their phones, on the Galaxy S4 and the Note III tablet. That's one piece of the equation in the payWave ecosystem to solve. And again, we're beginning to make progress there. But the second and equally fundamental piece that's often that's often lost on folks is how do I get that card information onto the phone.

Issuers for years have gotten really good at producing plastics and there's a whole ecosystem of companies that supports the personalization of cards. That ecosystem does not exist today in the phone space. So Visa has stood up a service called the Visa mobile provisioning service which is our trusted services manager that allows for us to help the banks on behalf of them to provision that card information on to these devices.

So like we've done in the past, we're creating an ecosystem approach and not only make it easy to get the applications on the devices but help our clients put their card information onto those devices and close that loop.

And then the last piece of the equation and something that you guys are all aware of is our investment in V.me. And again, I think we tend to really kind of ground as consumers first on V.me is a consumer wallet but I want to stop and make the point really clearly. It's really about the merchant experience and helping merchants drive sales conversion in these new digital form factors.

If you look at our growth in e-commerce last 10 years on a traditional wire line Internet environment, you didn't see us make the move into the wallet space and accept a new acceptance primarily because our cards actually work very well today in those environments. But as Charlie noted, looking forward, mobile is not lost on us. We have to evolve like we've done in the last 15 years to make it easy for our products not only for consumers but more importantly for merchants.

For wireless to take off, wireless web and wireless commerce, we need to have an easier way for consumers to use that Visa credential for a merchant. But again, if you want a proof point for how we're thinking differently about the business and about merchants in particular, you'll notice that V.me and the first thing we did, we didn't make a Visa only. Well, I love to say it's a Visa world that you' re all living in, that's not the case.

And if you ground in the merchant value proposition, what merchants want which is what Charlie pointed-out earlier, retailers, is to sell their goods and services, they want to take all tender types. They want to drive sales conversion. So V.me supports all the major general purpose card brands out of the gate. We want to make it an easy one click experience for that merchant to check you out regardless of the digital channel you come through.

So we made significant advancements in that space. We're making progress on the issuer side and the merchant side, again, to create a network effect much like we did with the Visa brand 15 years ago. And you'll hear more about that.

When we start to think about the emerging markets, again, Elizabeth talked a lot about kind of the traditional approach, how we go in and lead with affluent credit, we follow with oftentimes debit and we move to prepaid. And again, predominantly urban centers while leveraging travel quarters to build the traditional approach, she also showed you the rise of the mobile wallet in a lot of these markets.

There are today, I think over 150 closed loop mobile money schemes across the globe, addressing the needs of the oftentimes unbanked and underserved consumer who has money, they want to transact, they have bills to pay, they want to buy a train ticket as Elizabeth described, they want to remit either from an urban center to a rural center or oftentimes remit across countries because they've left the Go-To Device an example from India and they've got to send money back home. The way they're doing that today is not with cards. They're doing it today over a mobile device.

And again, those 150 closed loop mobile money schemes have popped up to serve those unique needs. So instead of, like, playing pass that and looking strictly the traditional Visa model purchased only in these urban categories, we embrace this and we're focused on opening these closed loops.

So if I take you back historically to where we started as a company, Bank of America had a closed loop business that they ran a product called BankAmericard and then they realize that the way to grow this thing is to go open. To license that brand to a new company that could partner with other banks to create an open network, connecting these closed loops if you will, these pockets of consumers and merchants that we're acquired and issued by different banks to create the business that today is Visa.

What we find ourselves at a very similar position in these emerging markets, these 150 closed loop networks Elizabeth referred to that do service their consumers very well have a problem and has fundamentally scale because you can only transact within that closed loop, within that mobile network operators, mobile schemes, so you can't send money to your relative who's in the same country on a different mobile network.

You can't send money across the globe to your relatives in a different country. You can't top up their phone remotely. You can't do e-commerce transactions. So what we've done and we're focused on is opening these closed loops. And again, it's a playbook that we know well. So what we've done is create a focused effort on open loop prepaid. So in essence, taking a 16-digit Visa account number and overlaying it on this 10-digit phone number so the consumer can send money using that flip phone to any person on the Visa network around the globe. So that's a fundamental strategy for us is to figure out ways to open these closed loops.

The second piece as I mentioned is these transactions aren't traditionally what you think of is a Visa transaction. So you heard oftentimes this morning about PCE, Personal Consumption Expenditure, which is more or less a purchase metric. Well, a lot of these transactions aren't what we think of as purchases. Some are, but a lot are just remittances.

And so what we've done with Visa personal payments which is our products, which is based on a unique transaction within the Visa system called the original credit transaction. We've enabled any tender type through any channel to send money to anyone around the globe to any Visa card, credit, debit or prepaid.

So when you think about the combination of these open loop mobile prepaid devices, we now have a Visa card associated with my mobile phone and now the ability to send money from any tender type over the Visa network to that device is extremely powerful. It's a new transaction type and a new combination of the form factor along with this transaction type really opens up the edge of our network.

And then the last piece, mobile point-of-sale, again, a lot of time and energy on this because, again, when you think about 7 billion devices that if I can put a dongle or a device on that phone and turn it into a point-of-sale device, again, compared to the 36 million merchant locations we have today, as we talked about, just the numbers, just making those into mobile point-of-sale devices, changes the entire trajectory of our business.

And so we focused there as well to not like work on models of aggravation, work with partners from a business model perspective, but work to certify new devices. So again, over the last three years, what we've been doing? So the first thing is we acquired Fundamo.

And again, Fundamo is really important to us for two reasons. I'll come the next one on the next slide, but fundamentally, Fundamo gives us an access to the largest number of closed loop mobile wallets in the world, so it's a great starting point. Remember Visa traditionally has dealt only with financial networks and we realized it's a mobile network, it's a different language, it's a different game we need to really start to understand how the telcos think. And so Fundamo really helps us not only from a positioning perspective but truly understand with telcos effectively.

The second thing we did was Visa Mobile Prepaid. So we announced the Visa Mobile Prepaid product, which is again, fundamentally different than a prepaid product because we don't require you to actually issue a companion piece of plastic. For a number of these people they'll never see a terminal. So we want to get flexibility to the issuers in this case to issue the 16-digit Visa card number only on the mobile phone.

And again turn those closed loop mobile wallets into open loop Visa prepaid cards. The third thing we did was the personal payments application. So we've had Visa personal payments for a number of years, but in the last two years, we've made significant inroads because we introduced a new fast funds requirement that allows the sender to send money and get it to the receiver with guaranteed delivery within 30 minutes.

So oftentimes these are funds, their emergency funds folks need to get it back to the home, to top-off the prepaid to pay a bill. And again, with 30-minute guaranteed payment and guaranteed settlement, it's really changed the trajectory of that transaction type across the globe.

And the last most importantly I think this goes to Tien-Tsin' s point earlier around security on mobile point-of-sale devices, one of the things we announced at the Mobile World Congress was a new Visa certification process. And I think this goes to something we don't talk enough about is Visa is in the business of standards.

We're in the business of making it easy for folks to transact on our network and also the reliability and with security. And so what we announced was a new program that we would actually certify mobile point-of-sale devices. And so yesterday we announced three new participants in that program, iZettle, Sumup, and Swiff .

We're trying to create an ecosystem, a standards based ecosystem. So not only our acquirers but consumers and merchants will know that these devices have been certified for security PCI standards across the Visa network. And so the Visa Ready Program is really intended to help drive an ecosystem approach around the standards and reliability in the space.

So capabilities are great. But again, this is a fast changing space, our issuers, our customers, our acquirers are confused oftentimes about how to get started. So we've taken our capabilities. We've rolled them up into a set of platform, predominantly focused on making it easy from a turnkey perspective for our customers to get involved in this new and changing space.

So when we think about, again, platforms, again as I said, the first recognition is a big change for us in the past and to say, it's not just a Visa environment. So when we think about platforms, we have to think about a real open and flexible approach. It has to go beyond reason. And so when we think about what we've done to support other brands in the space both on the issuer processing as well as the acquired processing side is really the way we've been developing our platforms.

Second is according to the payments business, trust is absolutely at the core of who we are. Payments is all about trust. And so, one of the things we've done and every one of the processing platforms that we stand up on behalf of our clients has built risk management into that.

As you heard from Elizabeth, it's a key driver for our ability to open up not only new segments and new channels, but to really drive the authorization and approval rates that we need to really grow this business. So we continue to bake risk management and risk tools into our platforms.

And then last but not the least, this payment analytics. Especially when you think about the platform business from a merchant perspective, it's all about conversions. They need to understand what payments are converting. They need to understand what kind of data should be open. The information that's embedded in the payment stream is absolutely critical to their analysis of their business in driving their business forward.

So we bake payment analytics into all of these platforms. And again, for over the last three years, we've been busy rolling out platforms to make it easy in a turnkey way for our customers to engage here. So the first is, as Bill talked about, Visa DPS. It's been around for a while, the world's largest debit processor. But we continue to innovate on that platform. So what have we been doing?

So prepaid processing, as you heard big growth industry for us from a branded perspective. Prepaid is absolutely critical to the DPS platform and we continue to not only innovate on the current enhancements for prepaid processing, but the reliability of the Visa debit and prepaid processing service.

More importantly, we've now also invested in a relationship with Monitise to create a mobile banking and mobile payment platform on that service. So we're taking DPS and bringing it forward into this mobile environment.

Charlie referred to the CyberSource and Authorize.net acquisition. And again, Mike will be up here in a second. But it's absolutely critical to the growth of our network, the reach of our network. And so what we did was to stop the channel conflict, we're already acquiring business and focus. On the value added services that we can provide to acquirers to take the CyberSource platform and extend and provide services, sticky services to merchants.

So a lot of the capabilities I described, we want to be able to make it easy for that last mile emerging connectivity to take advantage of both domestically and globally. And then last in the processing space with Fundamo which had been commercially an enterprise software sales organization. We've taken that business and actually turn it into a processing service called the Visa mobile managed service, which is like DPS for mobile phones.

So helping the Telco's in large parts who are no longer have to invest in fixed cost infrastructure, but write our variable cost processing rails, get the extension that they're looking for and get into the marketplace in an easy to use turnkey way.

And at the end of the day, all of these things are going back to the 82 billion transactions we saw last year. It's all about the information we see and how we can play that back to help our customers grow their business and take risk out of their business.

So again when we think about issuers and how they can do a better job of servicing their portfolio, getting activation, getting penetration and getting usage, we're investing a lot of energy in world class payment analytics business intelligence tools to help our issuers visualize their business and figure out better ways to serve their customers.

Equally we're doing the same on the merchant side of the business. When you look at our share position on the global basis, we have a unique set of insights to help merchants understand how their businesses are working, where they should put their stores, how they should interact with their customers. Again, payment is at the core of that information. We're beginning to create visualization tools to help them understand more effectively how to run their business.

Traditionally, our information business, however, has been focused on risk. Again, what we've done effectively is seeing those 82 billion transactions, we've been able to run all sorts of data models. And as both Bill and Elizabeth spoke to, take those data models and in real time make a risk decision and risk scoring and hand it the issuer as transactions living from the physical point-of-sale back to the issuer.

And as a result, we've been able to drive not only fraud out of the system, but approval rates higher. And both are not only good for Visa but they're great for consumers, it's great for merchants and it's great for our clients. And that model will continue. It will continue to make big investments in the fraud space.

But when you think about it, if you flip the fraud model on its head and we're in fraud models, we're looking to find the bad transaction sort of think about those 82 billion transactions used to propensity modeling, meaning if a consumer is shopping in a certain time of day, we know how that card usually behaves because cards like this in a certain zip, at a certain merchant are more than likely to make another transaction that looks like something.

We can start to expose that intelligence to our clients, our issuers and our merchant clients to better understand how to effectively not only deepen their relationship of those customers that already have, but effectively acquire new customers for the first time.

Now, a lot of people say they can do that because they've got data and certainly data want a piece of that equation. But back to the message we want to leave you with today is more important what we have a network called VisaNet that is a real time network that we see these transactions coming across our network. And so we can actually effectively act on them on behalf of issuers and acquirers to more effectively deepen the relationship with consumers and merchants.

So what have we been doing again in this space for the last three years? So we can again as I said to make investments in Visa's advance authorization system. But not only make the data models better, but also effectively create new tools like the Visa risk manager and Visa strategy manager to effectively allow issuers of all sizes to automate the risk decisioning process.

So that's great in the authorization message. But as we all know, there's an inherently new world of card not present but customer present. Is it a physical world transaction? Is it an internet transaction? I mean if I go to the Apple store and use my Apple store app, the easy pay app to make a purchase. I'm standing in the store but I'm making a card present transaction. The issue is the form factor itself doesn't really present itself to being able to send all that mag-stripe information we usually got to see.

So we think about this. We need to be sort of thinking about how we effectively authenticate the customer. I mean the customer standing in that store to the transaction in buying the two, but also getting the way that doesn't put friction in the system that drives down the transactions. So we've taken the data models that we've built for Visa Advanced Authorization and are now applying them to new tool we see on the page here called VCAS, which stands for Visa Customer Authentication Service which in essence effectively on transactions where we use the risk that we used to use in Advanced Authorization like the transaction of higher risk based on the behaviors of that card in the past.

We can now step up the level of authentication and ask the question to authenticate themselves back to their issuer of the real time into the network. So as for the questions asked earlier about how do we think about some of these aggregator models and this customization models, we have the ability to sort of actually quantify when a customer is present but the card actually is not presented to us. So a lot of work that you see here in this page related to information is going to be the key to the way we think about this new converged world of customers being in an environment, the traditional data mapping test. So that's the risk side.

To the data side as it relates to offers and deepening customer relationships, Charlie and Bill mentioned the relationship we announced yesterday with the ICBA to take our offers platform and provide an offers capability to a number of the small banks and credit users in the US. But I think you have to go down a layer because when we talk about offers, we often talk about it again as a platform, but it's a set of capabilities that are unique to Visa here but I think really make the story compelling.

So the first is again we have 80 billion transactions. We have 2.1 billion card holders that we can start to look at how they behave so we can help issuers again to payment analytics and business intelligence to effectively tailor solutions where they can provide offers to their customers.

Once our offers are provided, we have the ability to link those offers to the card or to the mobile device or the mobile wallet such that when that card is used, regardless of channel, we see the transaction in real time. And we're in the past using that transaction to trigger a follower, we can use it to trigger an offer, an offer redemption.

And when that occurs, you see the last piece of the slide, POS redemption. For the first time, instead of having a promo code, you have to tell the merchant what the code is to key into the register or have a statement credit delivered via the settlement message back to your card issuing statement. We have the ability to actually do an inline adjustment as the transactions coming through Visa net and take the discount before it gets back to the merchant point of sale, and you'll see it on your receipt.

And again, it's the combination of the data position that we occupy. It's a combination of the distribution that we have through issuers and acquirers but more importantly the network and the real-time nature that allows us to differentiate our capabilities here and package to something called Visa Offers.

So when we think about all of this, and by the way, when I talk about capabilities, I want to be clear, these aren't just made of things that we're thinking about. The things you see here in yellow, and again I encourage you, as Jack did earlier, to go down the hall and see these things. Every one of these things in yellow is live. It's a product, and you can see it in the showcase.

So again three years of investment here and we're just beginning to hatch this out the door. But we believe again that if you think about these capabilities, they can fundamentally change the way we engage with our clients and through them with customers and merchants.

So as I think about the story, you've heard a lot about today, and it is a growth story and it is a story about evolution. The last 50 years has been wonderful. And the commercial relationship that we have with financial institutions around the world and through them with consumers and merchants is a great story. But I believe the next five to 10 years really will fundamentally accelerate the story you've heard about the last 50 because again when you look at the numbers we're talking about and the connectivity and the edge of our network, if we are able to fundamentally punch through and actually on behalf of our clients, more effectively engage, in this case this connected consumer, this connected merchant do what we've done with the physical form factor.

There's been a card and things like swipe and go or dip and go or tap and go and take it to this new digital environments, take friction out, make it convenient, make it easy and do it in a way that's secure and reliable. It's a tremendous upside to us. So it's our story on steroids.

Further, we can do it with relevance and in a way that's customized like never before. And remember, there's only less than 10 years ago that you'd all -- if you've got your card from your issuer, it was a gold card or a platinum card. There is a very little difference from any card that the issuer gave to you. Well, now we're talking about the ability to actually customize the experience for both the consumer and in the issuer. So it's really exciting. So that's the consumer and merchant piece.

Access. You've heard about mobile POS, but I'm here to tell you because a lot of the discussion today and in the room, I'm sure, is about what about EMV and about QR codes and what about NFC. The fact is Visa at its best is always agnostic.

The edge of our network doesn't care whether it's a QR code that's presented, whether it's an NFC tap or it's an NFC contactless card. And we're going to continue to drive more access, more openness on the edge of that network because as we've talked about mPOS is just scratching the surface. We want to make it easy to get a transaction onto our network. So we are going to be agnostic and we're going to create standards what we've done in the past to make it easy for those that are licensed to get access to our network to get on our network.

And then we think about the platforms, better distribution. I mean when I think again about our position with respect to 15,000 FIs globally, there's no better distribution. And we're going to continue to invest in those relationships.

But as Charlie and Bill and Elizabeth also said, we're going to become more local, and those platforms and the services and capabilities I've talked about when we exposed on either through the developer center or through our processing platforms allow us to engage more effectively at a local level with more flexibility.

But we'll never lose sight of the reliability and security that we owe you, we owe consumers, we owe merchants. And that will always be a piece of who we are. And so when we do this, we'll always do that with that as a first order priority.

And then last but not the least, so what, why Visa? Well, again, why Visa because we're starting with two billion consumers. We're starting with 36 million plus merchant locations. We're starting with 82 billion transactions. And all that data information, not only can we expose it to help our clients perform this business better, but we're using it to differentiate who we are to do a better job of interfacing with our customers to sell for a lot of that merchant friction because we could help them grow their business.

And in the past, we haven't packaged it for easy consumption. Well, we're doing that now.

More importantly, we can then customize it. So we can actually not only on have a very different discussion, but we can actually have a very relevant discussion with both issuers and acquirers, with consumers and merchants. And most importantly, when we do that, we differentiate. So again we're going to stick to standards, we're going to realize that again grounding consumers and merchants who inherently living in an open environment to make all sorts of choices every day. That's when we're going to build. But at the end of the day, if we do it the way we've discussed with our network allowing easy access to merchants and issuers in this new converged -- I'm sorry, merchants and consumers in this new converged world.

We will differentiate in winning the marketplace. And from the financial perspective, what's it's all about, and Charlie said it before, it's more transactions. If we open the edge of our network, if we start to drive consumers and merchants to prefer these processing platforms, these new capabilities, we will win and we'll drive more transactions over the world's most scalable payment network.

So with that, what I'd like to do is go a little bit deeper on each of these areas, and I'd like to invite up some of my colleagues from Visa to spend a little time talking about some of these areas in more detail.

So first off, let me introduce the folks on the panel who will join up here. So first is Sam Shrauger. Sam is the Global Head of Commercialization for Visa; and next to him is Bill Gajda, I appreciate that, who is our Global Head of Mobile Products for Visa; Mike Walsh, the CEO of CyberSource; and Silvio Tavares, our Global Head of Information Products.

So let me first start with Sam. So Sam, you relatively new to Visa having recently joined as past head of product to PayPal, and I think Sam can offer us. I'll ask your point of view, if you will, on what we're doing with V.me, the relative strength of that product in terms of what merchants and consumers are looking for and most importantly, how Visa's core assets hopefully can differentiate us in the space.

Sam Shrauger - *Visa Inc. - Global Head - Commercialization*

So I think first I think I'll start with the assets because we've talked a lot about them today. But I think you really can't underestimate how critical these are to us both in the success that we've had, but also the success that we will have going forward.

Since I've come into the company, I've been really struck by two things as our core assets of this business. Number one is the network. We talked about it today. The numbers are staggering. This is a global network. It is at scale, and most importantly it's architected to see us into the future of electronic payments just as they've seen us to the past electronic payments.

Secondly is the brand. I think if you look at the Visa brand and you look around the globe, there are millions and millions and millions of people who are interacting with this brand every single day. They recognize it, they know it and they trust it.

And if you look forward to the future of electronic payments that we're talking about, e-commerce, m-commerce and some of these other things. That trust and that awareness and that knowledge of our brand are going to be critical to us as we move forward.

So looking forward, I think, specifically around V.me, you talked a little bit, Jim, about why we're doing V.me. And I think the bottom line is there are a lot of transactions. We used to consider the point of sale to be a physical place. Well, now the point of sale has moved into our homes, it's moved unto our mobile devices. It's moved into our offices, anywhere that we have connectivity is now a point of sale.

But I think we inherently recognized that there are still frictions in that process as you talk about. E-commerce is a $1 trillion market globally, and it's growing 21% a year. Mobile commerce, which honestly was virtually non-existent about three or four years ago, it's tens of billions of dollars now and it's growing in an absolutely furious pace. So these are big opportunities for us in particular because by their nature, those are electronic transactions, cash and check don't work in the mobile and e-commerce environments.

And so they're right in our sweet spot. They are electronic transactions, that's what we do best. But there are places where there are still frictions. And just as we've done in the physical world taking friction out of payments by making Visa product easier to use than cash or check, we want to do exactly the same thing in the online, in the mobile commerce world with V.me, and that's really what that product is about.

So what is V.me, first of all? And by the way, I would encourage you all to check out the demos which are down the hall and experience it for yourself because I think that will really bring it to life. But for a consumer, V.me is a digital wallet. So it's a place where they can safely securely store the information that makes checkout and payment on the web and on a mobile device easier and faster than it is now, so personal information, all major card type information as well as preferences.

Consumers can store that in their V.me wallet and then anytime that they're at a merchant who's V.me accepting, they can access that information to be able to make a transaction in just a few clicks or a few taps or a few swipes.

And that's really, really important in these environments because as Jim said, and particularly as we've move to mobile, if you think form filling is fun on an internet browser just try that on a mobile device sometime. It really doesn't work. And so for consumers, we need to solve that problem. But that also solves a problem for the merchant, which is really conversion to sale.

And that again is what we're all about on the merchant side, making payment simpler and easier, taking friction out so that for a merchant, a consumer is more likely to complete the payment process and complete the checkout process. And that's really the value proposition on the merchant side for V.me.

I think the most important thing though for V.me is to recognize this is fundamentally an issuer, an acquirer centric solution. So for acquirers, this is a payment solution that they can offer to their merchants to help them solve the payment problems that are inherent in a mobile commerce and an e-commerce environment. So it's additional service that they can offer to their merchant portfolio.

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On the issuer side, this is an issuer centric product. This product is intended to help issuers have their products work better for their consumers in an online environment. Issuers can easily add their cards to the V.me wallet. They can maintain their branding within the wallet environment and most importantly they maintain that customer relationship.

So V.me is not a direct to consumer play on Visa's part. V.me is a way for issuers to allow their customers to use their products better in an e-commerce and mobile environment and it's a name by Visa. Now, if you take this problem of kind of taking friction out of the e-commerce and mobile commerce space, including by the way remote payments when you're standing in store or in isle in the store, are there other people that are out there trying to solve that problem? Of course, there are. There are a lot of smart people out there trying to solve that problem and some of them over the years.

PayPal and others have created relatively good products to go after parts of that. But from my experience in the e-commerce and mobile commerce space, I know there are really four things that are going to make any digital wallet successful. And I think there are things that if you look at them and you evaluate V.me, you'll agree that we're incredibly well positioned on each one of these dimensions.

The first is the quality of the user experience. Just back to Jim's point, got to be simple, got to be easy, got to be fast, got to be safe. And if you use V.me at the demos, I think you'll agree that it is really unlike any other payment experience out there in terms of its ease of use and simplicity. It's equally easy for the merchant in terms of adoption and usage in their online and mobile commerce properties.

Second thing is the network. Again, there are the scale demands, the performance demand in the online and mobile environment are just the same as they are in the physical world. And the Visa network brings all that same capability to those environments and is what's really sitting behind V.me. And so again the network strength is there, I think with the product as well.

The third thing is distribution. So it's great to have a great digital wallet experience. But if you can't get it into the hands of consumers and merchants, it's not going to be successful. And because this is an issuer and it acquires centric solution, by definition distribution scale is built into our model. And I think that's a really critical point about V.me.

And the last thing I'll say is about the brand. The brand is I think particularly in an online environment and in mobile commerce environment, trust and knowledge of a brand are absolutely critical for any digital wallet that's going to be successful. And I think if you look at the Visa brand, you would agree that it's incomparable to anything else out there from a branding standpoint.

So let me talk for a second about how we're going to go to market with V.me. And I want to be very clear about the fact that V.me has been built as a global platform. So we built this on top of the PlaySpan technology asset we acquired in 2011. We're distributing it in part through the CyberSource platform which has great reach in the US and extending reach globally as well. But this is a global platform and we are going to be making this product available globally.

With that being said, we're starting very focused here in the US. It is the largest e-commerce market in the world. It is one where we have to win and we have to get it right and that's exactly what we're focused on doing. We're going to be extending next into Australia and Canada, and then over the coming year, you're going to see us extend in waves into additional countries in Asia and Latin America. So that's kind of the global rollout plan.

As we do that, how are we going to measure our success? I think it's really pretty simple. It's two things; number one is what is our merchant acceptance and what it looks like in any market that we're in, and number two is what kind of adoption are we getting on the consumer side, adoption and usage of V.me wallets.

So if you look at V.me and where we stand now, we've been in market since November 2012. We have 240 enterprise in mid-market merchant sign for V. me. They represent $25 billion in addressable e-commerce volume. And we have 35 of them live and are working to bring more and more merchants into the pipeline and get them live as quickly as we can every single day. So that's our real focus here.

On the consumer side, we have 86 issuers in the US who have committed to the program. That's 15 of the top 25, 35 of the top 100 includes names we all know, Bank of America, US Bank, PNC. And in total they represent 49% of our US card accounts.

And so we have great traction on the merchant side. We have great traction on the consumer side and I think most importantly when you look at this, that is what we're doing. We're building a merchant to consumer side network again. And I think what's most critical to realize is that again. So is it hard to do? Absolutely it's hard to do, but this is something that we do as a business. This is what our business is. And so, we have to build that network with V.me. But it's something that we've done before. We know how to do it, and that's exactly what we're going to do again with V.me.

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

Great. Thanks. So Bill, as a veteran among those out there, you started here three years ago, actually at investor day. And at that time, I think Elizabeth was talking about our mobile aspirations, and I think it was 23 pilots in 19 countries. So with that as a public appraisal? How have you done?

Bill Gajda - *Visa Inc. - --Head of Global Mobile Product*

Yes, it's difficult to say because as I've said there are some people in this room before that you can't swing a dead cat without hitting a mobile wallet every day. And so, as Charlie said you wonder what you've missed because mobile is changing so quickly. I think that being said, I think we've put together the right set of assets for developed markets and emerging markets for the landscape that we see today as well as what we see at least in the next few years.

And so let me talk about that in that order. First of all, with respect to developed markets, and there's been a lot of discussion already this morning around the proliferation of smartphones and the emergence of mobile wallets and mobile commerce applications. And we're already benefiting from that as a network today and driving your terminal revenue.

As an example, the point's been made where 4 million or maybe 4.2 million merchants in the relatively short time, these are merchants that only accepted cash and check before. And so we're seeing volumes driven as very inexpensive mobile point-of-sale devices are being driven out to the long tail of merchants. On the other hand, think about the Starbucks app, where millions of consumers are loading their Visa card into that Starbucks app and using that app to pay for coffee instead of cash.

We're going to see the proliferation of those apps in a number of verticals not just coffee. And again, this really drives our network and incremental transactions in these developed markets. In addition, and there hasn't been too much talk about NFC this morning. But after some false starts, when I was in the mobile industry, I was partly responsible for some of those false starts.

We are seeing now the rollout of NFC at some commercial scale. Nine of the 10 top manufacturers are producing their smartphones with NFC in them. Virtually every smartphone you walk out with AT&T and Verizon and T-Mobile today will have NFC capabilities, as an example. All of the major merchant point-of-sale devices are embedding NFC into their terminals. And Ingenico will sell 5 million NFC terminals, 100% of their portfolio.

And so we're starting to see that whole chicken and the egg problem being addressed and we'll see rollouts in markets like Canada, Australia, New Zealand, Singapore, Hong Kong and surprisingly Brazil, South Africa, and of course, the US with ISIS and others leading the way. And so again I think that we are seeing this transformation in developed markets with smartphones on people taking what's in their physical wallet and putting it into their mobile phone and driving incremental transactions on their network.

We'll continue as part of the mobile team to support what Sam is doing and mobile optimizing V.me as well as e-commerce as the large screen moves to the small screen and we'll think about as well how do we take what we've done with the payWave account that you described and extend that to QR codes if that's a vertical that's going to be meaningful.

You talked about the Samsung example where they're introducing an alternative secure element of the SIM card and we made that agreement. Well, how do we continue using our assets, our mobile provisioning service, what we're doing with the pay wave application, and continued development to continue to encourage our issuers and merchants and acquirers to drive people from the physical point-of-sale to electronic or mobile devices where we get 2.5 times the market share and take a lot of the friction out of what can be some complex technology.

So I'd say that the shape of what's going on in developed markets is very strong. I think we've got the assets that are relevant for Visa. But quite frankly, I think where the games really going to be played and this has been alluded to a couple of times as Elizabeth spoke is what's happening in the emerging market because in these markets, it's not about that incremental convenience of tapping my phone or swiping my card, it's transformative for these economies and for consumers in those economies.

There's been a lot of discussion around the 150 plus mobile money schemes that have been launched in partnership with banks and mobile operators to provide these very basic financial services to consumers. Fundamo, which we acquired two years ago this week actually, was the software platform that powered a majority of those early instances. And in fact, is still the largest provider of mobile wallet software in emerging markets.

And as Jim and Elizabeth alluded to, over the past two years, we've taken what was already a great piece of software and a keen understanding of those emerging markets and strong relationships with mobile network operators and did a couple of key things.

The first thing we did, as Jim described, was take that software and put it in our largest data center in Virginia and another data center in India to provide a turnkey managed service for banks and mobile operators because before they would buy the software, they buy their own hardware, they buy their own data center, they setup their own service centers and customer support before they got transaction number one.

Well, now they can plug in to the Fundamo software in our data centers with a variable cost model and really just focus on building out our agent network, building out their customer based, getting the pricing and distribution rate and have this variable cost model. So again we're taking the friction out of launching these mobile money services which will drive further adoption.

I think most importantly though, we developed Visa Mobile Prepaid based on the principles of the Fundamo platform. And as Jim said, the challenges that exist with this mobile money scheme is they don't talk to each other and they don't really talk to the global payment ecosystem. So with Visa mobile prepaid and overlaying of Visa account on top of a phone number and letting people use that phone number to now make open transactions.

So again, we didn't talk about it yet this morning. But we've developed Visa mobile prepaid in a way that really respects what's happened in these emerging markets in the way that people are transacting on their mobile phones. So in order to make a transaction on a close loop scheme, all you need to know is your phone number and all the transactions are phone number to phone number.

Well, the same is true with Visa mobile prepaid. We'll do the translation from that phone number to the account number, expiry date, CVV in our network, using our network capabilities and allow consumers to have a very easy transaction phone number to phone number whether it's an international peer to peer payment, an e-commerce payment and overtime payments at merchant point-of-sale.

And so again I think the combination of the managed service, the inherent robustness of the Fundamo platform, what we've done with Visa Mobile Prepaid are also the right capabilities for those emerging markets, and it will be transformative.

We've already seen some really successes with companies like Vodafone, MTN and Orange where we really work with the largest mobile network operators in the world to drive scale, more recently, we've got our banks into the game, we've launched a person-to-person payment program in Kenya with Equity Bank based on mobile to mobile person-to-person transfers, and we're going to see those implementation, those programs continue to grow.

I think this is common between an emerging market and our developed markets is all the discussion we've heard today about mobile point of sale. We're all familiar with Square, hopefully we've all used Square. Very convenient that people and the merchants that use Square love it and US is not just Square anymore, it's into it. It's PayPal and several other smaller companies. Around the world, there are more 100 companies that are putting together this very basic piece of hardware with a relatively basic piece of software in any phone to transform that phone into a PCI compliant terminal.

And what we've seen innovation both in terms of the hardware and the software, moving from Square, which is really kind of Mag-stripe base. To yesterday in the announcement, we actually certified three pin, chipping pin-based solutions. We've also seen innovation on the business model.

So Square represents not just technology innovation, but innovation in terms of a unique way of aggregating all of these micro-emergence and bringing electronic payments to the whole classes of merchants that really were required traditionally before.

And that's great and we'll see that continue to proliferate that these 100 plus companies in developed markets. In emerging markets, it's not about the long tail, it's about core acceptance. It is moving from 9 million this year of mobile acceptance points to 38 million over the next five years which could literally double our acceptance points.

So when I think about emerging markets or developed markets and what's happening in mobile, I go back to the point that Jim and Elizabeth, Bill and Charlie and everyone has made today, which is it's ultimately about driving our core business. So we're going to talk a lot about startup companies and edges of the network and APIs and STKs. But they're all geared towards what we do with Visa and have it done for 50 years.

Mobile is going to drive more people who have accounts because our mobile phones and people accounts today, we are probably going to near double the number of nodes where you can use those accounts, either at the point of sale or virtually, and that's only going to expand the size of our network and the number of transactions across it. So as Charlie said, I'll wake up every day worrying about what's next and what I've missed. But I think that we've got a decent set of solutions.

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

Great. Thanks. So Mike, I think everybody today has mentioned your piece of the business which is the acceptance side of the house, and in particular we've acquired CyberSource recognizing that we needed to get closer to the merchants in order to deliver value-added services. Can you give the group an update on how we're progressing and where you see CyberSource going and support everything we've talked about?

Mike Walsh - *Visa Inc. - CEO -- CyberSource, Visa Group Executive - Acquirers & Merchants*

Yes. Sure. So what I'll do is spend a few minutes talking about the evolution of the CyberSource business since the accusation. And then I'll talk a little bit about the role that CyberSource is playing in bringing a lot of the capabilities and the innovation that you've heard about today to market. So I see a lot of familiar faces in here. I know some of the people in the room were very familiar with CyberSource. But I'm sure some aren't as familiar.

So just as a reminder, CyberSource is acquired by Visa in the summer of 2010. So it's been almost three years since the acquisition. In its simplest form, you can think of CyberSource as sort of the internet version of that terminal that sits on the checkout counter in the merchant location.

We enable merchants and partners to accept electronic payments of all kinds. And over the years, we went public in 1999 and we built the business around that fundamental opportunity in the e-commerce space. But what we've done overtime is build a lot of value around that core function of an e-commerce gateway, things like fraud capabilities, managing risk as it relates to transaction fraud, but also managing risk as it relates to payment data security. So a whole host of services and solutions for merchants and financial institutions and technology partners to help them mitigate the risk of payment data.

And then third sort of broad category of business intelligence or, you can think about it more specifically as analytics, payment analytics. So helping our customers understand their business. Here, you're going to hear more about that from Silvio in a few minutes in the broader Visa context. But this is something that the CyberSource business has been focused on for a number of years.

And so to give, again, for those that aren't as familiar to give you a sense for the scale of the business, CyberSource has a little over 400,000 merchant customers around the globe. We partner with hundreds of financial institutions around the world and thousands of developers and technology partners as part of our community. Jim mentioned the importance of the developer community to all of us, not just in the payment space but in the technology business as a whole. And that continues to be a very, very important constituent for us as we extend the capabilities for the merchant community.

They are more and more dependent on their developers whether they're internal or external because of the rapidly changing technology landscape out there. So if you think about CyberSource, its heritage, its origin as an e-commerce enabler and then you think about a lot of the things that you've heard about today, we're in a great position to not only participate and benefit from the electronification of all of that cash that Elizabeth and Bill talked about earlier, but also drive a lot of that innovation.

And it's one of the exciting things that CyberSource team has been focused on as being part of Visa as we're able to innovate its scale. We're able to innovate at a much higher level of scale than we were as a stand-alone company.

So I'm going to kind of just sort of double click on a couple of the areas that we've always focused on as a company and that we are two key tenants of the acquisition pieces; one as I mentioned, the area of risk management. And for us, that's really two things. It's transaction fraud management and that is also payment data security management. And so this has been a big area of focus with the CyberSource business as a discrete business, but also in partnering with all of the Visa functions and capabilities that focus on risk and fraud.

One of the ways that it's manifested the evolution and the new capabilities that we built in conjunction with Visa has manifested itself. It's already been touched on by Elizabeth in particular earlier. If you think about e-commerce and some of the developing markets around the world, one of the challenges for years now going back from you know, we have more than 10 years, has been the concern around risk, the concern around fraud because you can't, it's a non-face to face environment.

And it's been a big inhibitor for the acquiring community to enable their merchants to do more ecommerce as well as the merchants themselves in expanding their sales channels and expanding the way that they can reach their customers.

And what we've been able to do very successfully over the last year in particular as a combined Visa CyberSource capability, is to open some of those channels up, to provide tools fraud and risk management tools to the acquiring community in these developing markets to the merchants themselves so that they can open up broader ecommerce channels.

Some of them weren't doing ecommerce at all, some were doing a small amount of ecommerce, but again because of the lack of risk tools, the lack of ability to manage this, they weren't able to do it, to expand that.

A good real world example is just recently in Brazil, in the Middle East, some of the acquirers have opened up the acceptance of debit online, and Bill touched on this earlier.

So previously, they had not, they didn't feel comfortable, but they have the tools and the capabilities to accept debit online and the attending risks that come along with that, but by partnering with Visa and CyberSource, they've been able to open up those new channels and so that's been an opportunity and area of a lot of excitement for us.

And it's a good segue to the next topic I wanted to talk about that was a big part of the acquisition thesis was the notion of global expansion. So not just growing the CyberSource business globally, but as I just said, using the CyberSource business to help expand the acceptance in the Visa context and to help accelerate Visa's global expansion.

And so another example of where we're seeing this manifest itself would be China. And I know China has been talked about throughout the presentations today.

Lots of challenges in China, there was a conversation earlier about China Union Pay. One of the things that CyberSource brings to the Visa family is, the platform that we provide is agnostic. And it's agnostic in multiple ways.

It's agnostic in terms of payment types, so we support not just Visa branded payments, but all of the relevant forms of payment that the merchant community needs to accept around the world. But we also are agnostic in terms of device or form factor.

So a lot of the talk about mobile, you know, a lot of the comments that Bill just made, the platform doesn't really care about the device or the form factor.

And because the internet is by definition, global, the platform doesn't really care about boarders either, so we've been able to take the platform capabilities into places like China that are very challenging markets for a lot of different reasons and open up new opportunities for Visa.

One partnership in particular, I'm sure it's a name that many of you are familiar with, is the Alibaba Group. One of the largest ecommerce entities on a worldwide basis now, a multi-business conglomerate, we've done a bilateral relationship with them where they use our fraud screening capabilities to manage a lot of their market place activity on alibaba.com and some of their other properties, and then we enable their payment methods.

So many of you may know that they have their own digital wallet, it's called Alipay, and in fact, if you measure it by registered consumer accounts, it's the largest digital wallet in the world. And so we enable that on our platform.

And so it's a very symbiotic relationship, and it's a good example of how the CyberSource business help to extent Visa into some of these emerging markets.

Let me shift gears into some of the ways that CyberSource is enabling some of the core Visa capabilities that have been touched on. I think the most obvious example would be v.me, Sam talked about it, so I don't need to go into much detail, but I think the way to think about the role CyberSource plays for v.me is that it's a built in distribution channel.

As I said, we've got that last mile that Jim talked about, we got that last mile into over 400,000 merchants around the world. And so when we at Visa develop new capabilities like v.me, CyberSource is an easier way to distribute those capabilities into the merchant and acquiring communities, it reduces the amount of technical work that the users have to do whether they're a merchant or a service provider. So good example of where CyberSource helps to extend Visa innovation.

Another sort of fits back into that global expansion category is something we call CyberSource through VisaNet. And again, this has been a big initiative to help enable a lot of the acquirers in emerging markets open up ecommerce as a channel.

So essentially, what it does is it's a new model, a new connection model that allows them to take advantage of their existing Visa Net connection, but leverage all the functionality that we bring to the table to open up those ecommerce channels, those new mobile channels, and that's something that we've had a lot of success with, we've got over 40 acquirers in developing markets around the world that are either live or in some process going live.

And lastly, it's a good segue to Silvio, we're enabling a lot of the information products, the big data capabilities that have been talked about today through the CyberSource platform. So I would just leave you with that.

As you think about CyberSource in the Visa family, think about it as a platform of technology, you know, and connectivity into the merchant and acquirer community, think about it as a platform of subject matter expertise in electronic commerce, and think about it as a platform of relationships that Visa can leverage. So very exciting times.

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

Great. Thanks, Mike. And so Silvio, last, obviously new here at Visa, having built the data business for First Data, get that off the ground, you're in somewhat in the position here, would you mind spending some time taking the group through how you view the opportunity in respect to the amount of data you have, that we get to process on behalf of our clients, and more importantly, how we've used it historically, and how you see it path forward to help our clients deepen their relationships with their customers.

Silvio Tavares - *Visa Inc. - Head - Global Information Products*

Absolutely, Jim. And I'll start with how we've used data here at Visa. And it's not widely understood that Visa has just a great track record of using data for the benefit of its customers, issuers, merchants, and acquirers.

The reason we've been able to do that effectively is because we've been focused on how we can use data to benefit our customers.

Visa data helps our customers reduce fraud, Visa data helps our customers manage their business more effectively, and Visa data helps our customers increase sales, those are all three critical things that we do with our data. And just to make that real, I want to give you a few examples starting first with our risk in fraud area, we have over 7500 global banks that use our real time in-flight risk score to reduce fraud.

Last year, we delivered 55 billion risk scores and identified an incremental $2 billion in fraud. And so our data in real time through the product you've heard mentioned before advance authorization, really helps our customers reduce fraud.

Second key area is around increasing sales. We've been able to effectively leverage our offers platform and API capabilities to help companies actually market themselves more effectively. Really good example of this is Sears Holding Corporation which has a royalty program with tens of millions of consumers in it.

We signed an agreement with them to enable them every time a Sears customer enrolls their Visa card, get additional benefits like discounts to their Visa card. And it's important because Sears Holding is a top 20 merchant and top 20 retailer in the United States.

A third key area example, by way of example is in the area of managing their businesses more effectively. We have a great product called Visa View Online. And that enables our issuers to visualize what's happening in their portfolio of Visa cards in real time from their desktop.

So when you look at those three examples, it comes down to something very simple and very fundamental. With 82 billion transactions, two billion cards, every time there's a Visa transaction, that's an opportunity for us to produce incremental revenue for that Visa transaction, but also produce differentiation for our most valuable core asset which is that Visa network.

Now none of that would be possible if we didn't really focus on a fundamental core tenant. And that fundamental core tenant you heard from Charlie earlier on in his comments, that tenant is simply this, we use data for the benefit of our issuers, our merchants, and our acquirers in a way that is consistent with their business objectives.

And it's an important point, so I'll just repeat it, we're really focused again, how we could use Visa data to benefit our issuers, our merchants and merchant acquirers in a way that is consistent with their business objectives.

Now changing gears a little bit and looking towards the future which I know all of you are focused on as well, the biggest future trend that impacts Visa's information products business and industry overall, is mobile phones.

You heard just the amazing statistic, there's 7.2 billion mobile phones on planet earth, but only about 6.8 billion people. It's an amazing technology, it's the first truly ubiquitous technology. And what that means is that there are many different ways now that Visa can both collect payment in commerce data as well as deliver payment in commerce data.

And when we think about that opportunity in terms of mobility, there is really three key areas we focus on; the first one if personalization, the second one is authentication, and the third one is visualization. And let's just spend a few moments on each one of those, starting with personalization.

Increasingly, we are focusing our products to enable our issuers and merchants to get to the consumer before a transaction ever happens with a personalized message.

We have launched our offers platform and you heard about it a moment ago, we signed the agreement with ICBA to enable that technology for small community banks and financial institutions.

But what it really does, is it enables us to deliver a message in real time personalized to the consumer, it's based on their location, it's based on their historical spend. Incredibly powerful capability in an age where consumers are connected and wired all the time.

Second key area is authentication, particularly in the card not present space. In the authentication space, just about seven months ago, we launched a new product which is called Visa Consumer Authentication Service, you heard it mentioned a moment ago.

And what that product does is, it enables us, every time there is an ecommerce transaction on a Visa card, to look at the Visa card, and then also pull information from that consumer's device, like a cellphone or a PC and just see whether that card number and that device ID had been presented before in an ecommerce transaction.

And when they have, it's very unlikely that that transaction is fraudulent as a result, we can let that transaction go through.

It's been a very successful product for us because as you know, ecommerce transactions are the fastest growing segment of our transactions, but they're also the area, as you heard earlier, which has a higher relative level of fraud.

So we have now issuers, large issuers in three different counties using that service, we have a top five issuer in the US using that service and we expect by the end of this year to have over 100 million cards enrolled on that product.

And importantly, as you look outside of the United States, our ability to more effectively authenticate our transaction and reduce fraud is a key driver for domestic issuers outside the United States to actually take transactions before, hadn't been flowing on Visa, and put it on to Visa. So that's a really key area for us going forward, is that area of authentication.

The last area I want to touch on is visualization. Increasingly, issuers, merchants, want to understand the overall trends in their business. One of our fastest growing and most successful capabilities is our API capability called close the loop.

And that enables our merchants and issuers to understand what proportion of their digital marketing spend is actually converting into a physical point of sale transaction on a Visa card.

And again, that's important because most companies increasingly are spending more of their marketing budgets on digital marketing and they want to understand how that translates into increased sales at the physical point-of-sale.

Really, the most important point that I can leave you with, is this one, and you heard it from both Charlie and Elizabeth a moment ago, and that point is that the Visa network is perhaps one of the best positioned data delivery networks in the industry because we are ubiquitously connected to the merchants point of sale, we're also connected to the issuers and the acquirers.

We sit right at the critical linchpin of digital commerce. And there's perhaps no other better example of a digital delivery network that create huge value in real time at the point when it matters the most which is when a consumer wants to make a transaction. We're connected to billions of consumers, millions of merchants, and thousands of global banks.

Now as we look to the future, we feel very confident, we've had a really successful track record of deploying information products, we continue to invest in this space and we fully expect to maintain our leadership position in this space.

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

Great. Thanks, Silvio. And let me thank the panel. And again, as I said earlier, you can see almost everything they talked about at the showcase, and again, I encourage you guys to actually see firsthand how those works because it's real, and it will be a game changer for us.

So with that, let me introduce Byron Pollitt to come up and discuss how this all rolls up to the important things, the financials.

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Byron Pollitt - *Visa Inc. - CFO*

Okay, home stretch. So four topics as we enter the math part of the morning. Client incentives, capital allocation, a little color on May metrics which I know you've already seen, and then some early thoughts on fiscal year 2014.

I thought we'd begin with a refresher on client incentives. So client incentives are really customized price discounts. And because they are discounts, they have to be treated a contra-revenue.

We use the discounts to help secure multi-year contracts which are at the heart of how we want to memorialize our relationships with our important clients, this allows us a period of time over which we can invest, and really establish a deeply embedded value added relationship with our clients. And price discounts or incentives are what we use to induce the multi-year contract, and then we structure them in a way to promote payment volume growth. And so far, that's been pretty successful.

A couple of points to consider; when we guide each year to the incentive levels, the metric we use is incentives as a percent of gross revenue, and we keep two things in mind, one of which is a very good understanding of what contracts will come up for renewal that year, and the second, we have to make some judgments about how the incentives are going to be structured that we actually put into play for the year because there are different accounting treatments for incentives.

In some contracts, there is a heavy upfront that will be put in its entirety through the income statement, and then there will be some contracts that are completely amortized. So on a $10 million, five year contract, if $5 million were upfront, you'd put $5 million through the P&L right away and amortize $1 million a year over the balance. That is a very different look to one that is completely amortizable at $10 million, two million a year over five years.

And so when we guide, we're guiding not only to what contracts will be renewed, what new contracts will we enter into and be effective that year, but we're also guiding to how they will be structured, which is why we use a range for the year because as you can imagine, trying to predict when contracts will be executed in which quarter, would make it even more difficult.

Also, as I mentioned on the last earnings call, the relationship we have with Chase, it's one of our largest contracts, historically has had a high level incentive component to it. In the new contract, more of the pricing will be direct. And the way to think about that is, gross equals net, there will be more pricing per transaction and therefore, much of the contract won't involve incentives. There still will be incentives, but not to the degree that we had historically.

And then really importantly, we expect incentives to grow over time, not only in dollars, but in its percent of gross revenue.

And you should look at that as a healthy sign that the business is growing because the level of incentive that we pay, is directly tied to the growth in portfolios and as clients deliver increasingly larger portfolios over time, the incentive levels go up, it's the way the business has always been run, and if we have a healthy growing payment volume, then an indicator of that is a rising level of incentives, and I'm going to give you more color quantitatively on what that looks like in a moment.

But first, let's talk about what gives rise to incentives which are multi-year contracts. When we went public, multi-year contracts were relatively well embedded in the developed counties, but were just getting underway in the emerging markets. But it has been a fundamental part of our strategy from the word go, and so we have worked hard over the past five years in putting much of the rest of the world under multi-year contract.

What you have in the table before you, is a snapshot of the payment volume for the second fiscal quarter. So this is the March ending quarter.

And what you can see is that basically, the rest of world has caught up with the US. We literally have 88% of our volume under multi-year contract across the globe. And that's a good thing, it means well established, multi-year relationships with our clients, and it brings a level of stability in our payment volume flow and in our revenue.

The question that normally follows from this group is, that sounds great, what are you renewing next year?

And so we've included a snapshot of that, that's the final column to the right, so if you take the contracts across the globe that are scheduled to renew in fiscal year 2014, it's roughly 3% of payment volume in the US, 12% rest of the world, 7% overall, and we would consider that a modest year of renewal.

All right, let's take a look at incentives over time which is another area I know that is of significant interest to the group.

And I said before that as portfolios grow as our payment volume grows over time, we would expect incentives to rise. So we begin with a time series, fiscal year '09 through '12. All of us I think are painfully familiar as to the global economics in '09 which didn't do much for our portfolios that year, and the incentive percentage actually fell back. It had been in the 16 zip code and actually fell back to 15 because incentives also act as a stabilizer.

A portion of our contracts are structured to pay incentives on year-over-year growth. And so if there isn't growth, or if the growth diminishes significantly, then incentives dial back and that's what happened in '09.

But more importantly, as you look forward to '10, '11, and '12, the growth in the average portfolio was significant, and you can see that over time, as the portfolios grew, so did incentives, and we look at that relationship and say that that's a pretty healthy and expected relationship in the way our business has evolved over the years.

So if we look at fiscal year '12, it says client incentives as a percent of gross revenue is 17%, that's an average across the globe.

You might be interested in seeing what kind of incentive level you get when the portfolios are the largest, in other words, among our largest clients, and so on the next slide, what we've done is take a snapshot of our top 20 global clients.

In fiscal year '08, the average size of the portfolio of those top 20 was 82 billion, and if we fast forward to 2012, it had grown 36% to 112 billion.

Client incentives for that group was 20.3% in '08 and the percentage increased by six percentage points by 2012, a 29% increase in the level of incentives.

So when we look at 36% growth in the average portfolio, 29% growth in the level of incentives, that feels like a good, healthy correlation between the two.

And what happens here, as you increase the level of incentives, as portfolios grow in size, we increase the level of discounts.

Bill mentioned earlier several drivers of why yields come down, this is another one, and an important one, that as the portfolios grow in size, we offer more price discounts and the incentive and the yield levels moderate, but when you do the all in math, the size of the pie has been so successfully driven larger that even with a higher level of incentive, there is net-net, plenty of revenue left to drive very attractive revenue growth which has been the story of Visa over the last 50 years.

So all in, we find, we believe that the incentives that we are currently reporting are a very natural and healthy outcome of the significant payment volume growth that both Bill and Elizabeth demonstrated, that we have already delivered and expect to deliver.

So on balance, on the fourth quarter call, we'll give you more perspective, we'll give you a range of where we think guidance will be on incentives for the upcoming fiscal year, but we took a snapshot today, we feel very, very comfortable that this is a very healthy level, and over time, we still expect it to rise.

All right, enough on incentives. Capital allocation; I want to begin with just reviewing our guiding principles as it relates to uses of cash. This should look very familiar because it has not changed since we went public.

The first call on our cash is always to reinvest in attractive organic investment opportunities which Jim and the panel talked extensively about just a few moments ago, significant reinvestment in our offices and our people in country which Charlie mentioned, in JVs and in any acquisitions we do, this is always the first call on the money.

We have historically and intend to continue to preserve a very strong balance sheet with sufficient liquidity to back stop settlement risk which I'll talk more about in just a moment, but also Visa Europe. Remember, they have a put. And when that put comes, not a clue when, but when it comes, in less than one year we have to complete the transaction and fund it. And so today, we have no debt.

Given a chance with a good use of proceeds, we'd put debt on the balance sheet and that might be a good time to do it, but in the absence of a strong use of proceeds we have no debt, and we will continue to reserve that debt capacity for good use such as the put.

We have been, as I'll talk about in a minute, very consistent and decisive in returning excess cash to shareholders through dividends and share repurchase and then, at the appropriate time, we would introduce debt into the capital structure. So when returning excess cash to shareholders, how do we determine what is excess?

So I'd like to walk you through this snapshot which is really a form of sources and uses. If you were to go to the end of Q2, our fiscal Q2, the end of March 31, 2013, and just start there, we had beginning cash of about $5.3 billion after set asides for the small amount that still remains in our litigation escrow and any domestic working capital.

So beginning with $5.3 billion, we would then subtract from that, $3.9 billion which is cash held in foreign subsidiaries. And you should think of the vast majority of this $3.9 billion as having not been repatriated, were we to repatriate, we would pay US tax.

So after subtracting $3.9 billion, we'll add back as a source, our credit line of $3 billion, if you add all of those up, you come up with net sources of $4.4 billion.

I mentioned earlier, settlement risk. So when transactions occur, we insure Visa stands behind that those transactions will get funded. And so we operate to a Basel standard that says you should have at least enough liquidity set aside so that if the single largest settlement exposure from your largest client occurs, then you can back stop it and fund it in the event that they didn't fund any on that day.

That event is always at the end of a heavy three-day shopping weekend. Historically, it's either been around Thanksgiving, or it's been around the December holiday period. The proliferation of internet sales has begun to level out those holiday periods, so that I can tell you the largest day that is driving, or weekend that was driving this calculation was actually President's Day weekend in the United States this past February.

And so what we do, is we set aside the single largest exposure, that Monday morning, if that client with the largest exposure failed to settle, then we need to be able to step in. That's how we size it, and then we plus it 20% as an extra cushion to be above and beyond the minimum standard. That's $3.7 billion, that leaves excess cash at the end of Q2, of roughly $700 million.

And so I'll talk more about how we've used our excess cash in a moment, just to comment on our debt capacity. Often the question comes up if Europe were to put, how would you finance it? I've already indicated, we'd undoubtedly use some debt and at an A rating, we estimate our debt capacity to be about $10.5 billion.

So this is how we derive our excess cash. How well have we walked the talk in delivering that excess cash since we've been public? So that's what this table summarize. So let's walk through it, let's take the first column fiscal year '08 to '10, let me go down that column, and then we'll go over to the cumulative.

So during fiscal years '08, '09 and '10, using the definition of excess cash I just described, we generated about $5.8 billion of excess cash, we bought back directly in the open market or we placed deposits in the litigation escrow which has the effect of a share repurchase. The combined total of which was $3.3 billion. We paid $800 million in dividends -- that left $1.7 billion of excess cash unutilized in those three fiscal years.

And then if we stay with the remainder row, you'll see that as we move into fiscal years '11 and 12, we work that balance down by $300 million and then another $1.1 billion in just the first two quarters of this current fiscal year such that cumulatively, since the IPO, since our original fiscal year '08 as Visa Inc., we have returned all our excess cash except for $300 million, and we have an authorization that is an open-to-buy to so speak, that would more than cover that.

That means we've returned $12 billion in the form of share repurchases, and we've spent $2.2 billion on dividends. So I'd say we've walked the talk.

Speaking of dividends, at the time of the IPO, we actually started with I think what we'd all describe as a relatively modest dividend, it represented about an 11% payout on the '08 earnings, and we had a covenant during the period, that we were going public that within five years, we would strive to reach a dividend payout ratio of 20% as measured on the previous fiscal year's net income, adjusted net income.

And with the October 2012 dividend increase, we basically, not basically, we hit that target of 20% and we did it in four years, not five. Going forward, we will be looking more towards setting our dividend based on positioning it attractively relative to companies in the S&P 500 that are growing their EPS at 15% or better.

We obviously had to go through some pretty significant year-over-year dividend increases to get up to the 20% payout. Going forward, having reached that benchmark, we will be targeting against this type of peer group in making sure that we always position ourselves attractively, and we will be planning on dividend increases on an annual basis.

So going forward, think of it that way as opposed to solving for a specific payout ratio. So that's a word on dividends, just a couple of highlights on the May metrics, first of all, how to read these tables, the Q2 is as reported, these are not normalized for the leap year that would have occurred in the prior year.

If you want to do it just simple and quick, add a percentage point of growth to Q2 and that would roughly give you the normalizing effect.

A word on April, the last time you saw April, it was April, 28 days, this is the full month, so the numbers actually moved up a tad, and May is a full month. So when you look at this particular metric which is US payment volume, your eyes are immediately drawn to debit, and April, and you will remember, it was the month of April last year that the routing rule was effective with regards to US debit in having two networks, a minimum of two networks on the card.

And so with this April, we're now lapping last year and you can see the difference in the growth. Otherwise, US payment growth has held very steady April to May. Cross border, we always talk with cross border in constant dollar terms, all I can say here is full month of May of 12%, excuse me April of 12%, full month of May at 11%, both a tad stronger than what we saw in Q2. Steady as she goes, with all the unrest on the planet today, we look at these numbers, and we like them.

Finally, processed transactions, again, what you're seeing here is the lapping of the routing rules of last April and May, very strong mid teen growth, move over to the US, you can see in the US at 12% growth in both April and May, this is the effect of lapping the routing rules, otherwise rest of the world, very, very strong growth rates year-over-year, this reflects what Bill and Elizabeth talked about this morning in terms of the significant progress that we've been able to make in penetrating with greater processing in country.

All of these metrics are completely consistent with our guidance, and so we affirm all the guidance that we have historically given, no changes.

A few thoughts, early thoughts on 2014. So revenue growth, as Charlie mentioned this morning, we assume a slow sustained global economic recovery, low double digit revenue is the first call, and I would just say to the group, just remember, we don't typically give next year's guidance until the fourth quarter earnings call, we're five months out, early days on this, on the fourth quarter call, we still expect to be in a range, but with a higher level of confidence, and there will be a lot more specificity around the guidance come the fourth quarter earnings call, but given the momentum and opportunity in the business, we feel very comfortable saying low double digit revenue growth for next year.

As we move down the income statement, marketing expenses, recall that this coming year, in 2014, we will not only have winter Olympics in February, but we will also have a summer World Cup. So expect some modest increases in marketing, going further down. Tax rate is always a work in progress but we will give you very specific tax rate guidance on the fourth quarter call, bringing us to earnings per share growth.

So we've said mid to high teens and supported by share repurchases and we've also said free cash flow of $5 billion. And you will remember that our guidance for this year was $6 billion what is it given our growth that is causing free cash flow to drop by $1 billion. Let me remind you we began Fiscal 2013 with guidance of $5 billion in free cash flow. Then in November/December time frame, Judge Gleason gave preliminary approval to the litigation settlement here in the United States. And once he gave preliminary approval, that triggered a $4 billion payment from our escrow account to the plaintiff's escrow account. And although we had already reserve that $4 billion in our reported earnings, you can't actually take the tax deduction until you make the payment.

And so when we transferred the $4 billion, that constituted the payment and for tax purposes, we were then able deduct it. And if you think about, it was a little over $4 billion, roughly on the margin 35%, 36%, 37% tax in the US, that created another $ 1 billion plus of cash flow, non-recurring that we were able to book in fiscal year '13 that won't repeat in '14.

In the view that life is never quite that simple, let me give you a little more color of what to expect and then we'll give you plenty of guidance when this thing ultimately sorts out. Charlie mentioned earlier that our current estimate of opt outs is 25%.

So what will happen when the judge marks final approval on the litigation, then based on the opt percentage and let's just say it's 25%, whatever the opt out percentage translates into, there will be a return of the escrow because that money won't apply to them directly. So let's say 25% on $4 billion is a $1 billion. $1 billion will come back to us, we'll put it back into the escrow. We will then have to take that out of our tax return.

It could happen in September of this year which would make it a fiscal year '13 event, much more likely to occur in '14. And so not only will we not have the repeat of that $1 billion tax boost to our free cash flow but we might actually have a few $100 million going back the other way as a headwind in 2014. As soon as we have a clearer read on that, we'll let you know. Even if it happens in September, we're still going to deliver about $6 billion of free cash flow. But the free cash flow number for '14, as best as we can see it today is about $5 billion.

On that note, I'll call it a wrap and time for Q&A.

Charlie Scharf - *Visa Inc. - CEO*

So listen, while they're working up, the only thing I was going to say is I hope you get a sense for the way we see the opportunity at Visa. We have a great history. Almost everything that we're doing is building off of the history and building off of what we've done. But at the same time, adapt change of all that's a very different kind of opportunity that we have than the opportunity we have five years ago or 10 years ago.

The position of the company is very, very different. And both internally and the way we engage externally is in fact evolving. It's something that when you hear everyone talk about it, you get a sense of consistency in terms of what we're focused on and the opportunity.

So we are running a little bit late, which is why I'm doing this very quickly. So I thought we go right to Q&A, so we get in as much of that as we possibly can.

QUESTIONS AND ANSWERS

Jack Carsky - *Visa Inc. - Head - Global IR*

And just to let you know, if people have specific questions of any of the panelists, they're here and they'll be able to answer them directly as well. That's the fastest hand I've ever seen go up in my life.

David Togut - *Evercore Partners - Analyst*

David Togut with Evercore Partners. Question for Elizabeth on the global prepaid and P2P business. Elizabeth, you highlighted your use of Western Union's cash in and cash out now work in the Philippines for your prepaid business. So really, a two-part question, number one, outside of the Philippines, how do you build out a cash in, cash out network? And number two, over time, do you see Western Union more as a friend of foe since obviously, in some respects you're competing directly with them in P2P certainly?

Elizabeth Buse - *Visa Inc. - Global Executive - Solutions*

I'll start with the second half of that question and certainly, the opportunity to partner with Western Union globally is greater than is the competitive threat from them. And much of that, I mean, it all just comes back to the absolute size of the opportunity. Charlie started with that, Bill talked about, I talked about it, the panel talked about it. There's enough room for everyone, and there's going to be a lot of this. We're both partners and competitors.

Prepaid in almost every market around the world, including the United States relies on a different distribution channel. So in some markets we use post offices. In many markets, including the United States, we use retailers. In India, we use very small, local retailers in the towns, it just happens that in Western Union, their agents, which also, in many cases happen to be retailers are particularly well positioned to distribute that.

So we look for where are the places that the people who would be target either for the benefits programs or to use prepaid as essentially their mobile current account, where is it that they are shopping and that they have a trusted relationship and then let's sign that up as a distribution point.

Moshe Katri - *Cowen & Co. - Analsyt.*

Moshe Katri with Cowen. Since we're talking more about maybe collaborating more with merchants opening and more direct dialogue with them, can you talk about your views so far on the MCX kind of venture, where this is going? Shall we worry? Are you worried about that? And then looking at that second part question, looking at private label cards, and obviously, they have been aggressively push the consumers by merchants, what's your view about that? Obviously, they're also partially our competitors. Thanks.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

We have markets throughout Latin America, Mexico, Chile, I mentioned Falabella. The fastest growing categories of our growth on issuance have actually been the conversion of private label programs for those of you who think that we don't have good relationship with Wal-Mart. One of our fastest growing programs in Mexico has been the conversion of their private label program to a Visa program.

So we view private label in much the same way that I made reference to the Elo program in Brazil. Getting consumers to electronify their transactions, get use to transacting with an account, we view is a wonderful bridge to a higher value, higher functioning account that they can get with their financial institution with the Visa brand. So yes, it's competitive but ultimately, if it can create that path towards moving away from cash and check, then we think it's all good.

Charlie Scharf - *Visa Inc. - CEO*

On MCX, I guess, what I would say is first of all, I'm not sure we know what it really is and what its end game is. So I don't think we have a lot of ability to talk specifically about it. What I will say is that we think about this very similar to the way we think about the close loop versus open loop discussion you heard earlier on mobile phones, which is again, we believe in the open solution that we have is the best platform. We haven't had the kind of dialogue with merchants and engaged issuers, talking directly to merchants in a way that can add that kind of value.

So if you're them, you start thinking about close loop solutions because that's all you can do. Over time, if we change the nature of that dialogue, it changes what they would want to do in something like an MCX. But time will tell.

Bob Napoli - *William Blair & Co. - Analyst*

Bob Napoli from William Blair. Two questions; one, you've added $700 million of incremental expense over the last two years. Did you see adding that level of expense over the next couple of years and what is generally a high-fixed cost business in generally the same areas?

And then just on the Chase deal, really how does that, under what situations does Visa lose control of its brand or get less exposure for its brand out of the Chase deal? How does it change Visa's role and what has been the feedback from your other issuer customers? Does it put that risk or give an opportunity to MasterCard at some point?

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

It's important if I can bring clarity, the transactions that are launched by the Chase merchant services relationship that we've helped facilitate with Chase, these are Visa branded accounts, Visa account numbers, cards, use at the point of sale. So in our view, it doesn't do anything to diminish the brand.

Arguably, it actually does the reverse because what Chase is trying to do, what we think frankly is a trend, even the ICBA announcement that a number of us made reference to is a reflection of the fact that there are increasing opportunities that we can facilitate, hopefully, within the brand, within the bank's brand to drive more value to consumers and merchants to the point of sale. That should be additive to the brand.

It's confusing because it's new. It hasn't even hit the market yet. The client reaction, I think we can all appreciate initially was mixed as is usually the case with things that are confusing. I would tell you that over time, when we've sort of broke it down and appreciated the dynamics of what was motivating Chase, the sophistication of foreign factors, the opportunity to partner with merchants, things like offers, paying with points, things that we think will play to our strengths and bring more strength and value to the payment system and bring the merchants more into the fold.

We're getting a better and better reception apart of other clients who are less concerned frankly about what it might mean for them competitively and more interested in seeing how we might be able to partner with them to deliver similar value with card or with their merchants, which we think is possible.

Charlie Scharf - *Visa Inc. - CEO*

What I'd like to add on that is on the brand, I mean, what we want is we want solutions in the market place that grow our brand and grow our issuers brands. It's the way V.me has been designed so it's not in our minds a question of our brand versus our issuer. We want them to grow jointly. And why don't we put up the slide that talked about some of our principles were to do transactions like these, preservation of our brand and the ability to continue to grow the brand because it's an important of who we are is extremely important.

And then the one thing I will just add to the Chase transaction comments that Bill followed up on was I think the most important thing honestly, about actually announcing it publicly and getting people to think about it, even though it was done a little prematurely before we can actually talk about the specifics, is it's gotten many, many people in this ecosystem really focused on figuring out how to work more closely with merchants.

And if it did nothing other than and we aided and abetted getting issuers focused on, hey, there were things that I can do directly with merchants that I haven't been thinking about before using Visa Net as an important part of that, that's a hugely important catalyst which is playing itself out today.

Byron Pollitt - *Visa Inc. - CFO*

With regards to the earlier question on expense growth, as opposed to answering it in dollars, let me offer a perspective on growth rates in the sense that, Charlie went back a couple of years to set the base.

Remember, we went public in '08. We had six companies to merge together and I would say the bulk of that took an enormous amount of management's attention. And we spent the first two years not as focused on investing in all the kinds of things that Jim and the panel talked about but instead trying to create a global company, one global company out of six.

And as a result, once that was behind us and we had the management bandwidth to really start focusing on the kinds of investments that will make a difference for years to come. You saw a surge of very thoughtfully and deliberately placed the investments and a growth rate in percentage terms which shot up, which we would expect to moderate.

And so as we go forward, you should continue to expect very significant investments in technology and the strategies that are going to drive growth five and six years out. But in terms of percentage growth, at this point, we would expect that to moderate somewhat.

Wayne Johnson - *Raymond James & Associates. - Analyst*

Wayne Johnson from Raymond James. Questions for Elizabeth, on the emerging markets, can you talk a little bit about site resource and the Alibaba relationship. I know that was mentioned earlier but what's the opportunity to cross-sell more services there. What do you think that relationship is going to look like over time? I'm assuming that's been helpful in terms of keeping a relationship with China Unionpay in the backend somehow. And the follow-on is, can you use that as an example perhaps in other countries, particularly like India, if you could add some color to that, I would appreciate it.

Elizabeth Buse - *Visa Inc. - Global Executive - Solutions*

Sure. And I do think that's exactly the right way to think about Alibaba, and that is that we can use CyberSource to enable e-commerce broadly in markets where it hasn't worked well or comprehensively. There's benefit to the CyberSource part of our business in that but of course, it also, particularly outside of China is hugely helpful to our Visa branded business because we benefit disproportionately both because it's online and because we tend to have the privilege of starting with a large share position.

So Mike made reference to the fact that we have had done similar things in Russia. We've done similar things in the Middle East. We haven't yet done that specifically in India but that's the kind of market where we could accelerate e-commerce growth in the same way. And just because it's Alibaba and because it's China, it's a big opportunity but there isn't anything unique about the structure of that relationship and the opportunity that we have via the combination of CyberSource and VisaNet.

Darrin Peller - *Barclays Capital. - Analyst*

This is Darren Peller from Barclays. I just want to start off, I mean, you have a great position right now in your US credit card portfolio, obviously, having some of the top US banks in terms of the issuers that are growing the fastest and largest as well. And while in 2014, there's not a lot of renewal necessarily, in 2015 and '16, there probably will be. Can you give us a little color on should we be expecting the negotiations to be almost entirely around price? And really, what can you do to offset that wave of renewals to come around whether it's a value-added services or merchant pricing to merchants. Is there enough power left out there to really offset pricing with Russia down the road? Then there's a quick follow-up I'm going to have on the merchant litigation.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

I'll take a first shot. I think I'll answer this question the way that I have similar questions at similar forums in the past. I think you might be surprised when we're negotiating, sitting down with a client around a multi-year contract, either new business or extension of existing business. The percentage of the time that's focused on the economics and the pricing is just not as significant as you all think.

I don't mean to diminish -- we're talking about large portfolios and significant sums of money. It's there but the initial engagement with the clients, when you look at the fees that we represent as their portfolio and we look at their objectives to drive activation and usage and ideally pick up share within the category relative to other issuers in the mix.

I really do think that the investments that we're making in credit, some of the things I talked about in my presentation. I wouldn't deviate at all from what Byron suggested to you. There's no question. As our business grows with our largest clients, we see a slight uptick in incentives, slight downtick in yield, increases in the dollars of returns that we get on that business. And as I look out to 2015 or beyond, there's nothing that I see that would change the dynamic from what we've seen in the past.

Charlie Scharf - *Visa Inc. - CEO*

And I just say on that, if we did nothing other than what we're doing today and the whole industry did nothing other than what we were doing today, as new people develop capabilities and things like that, then you do start to feel like, gee, that doesn't sound like something that can preserve any kind of pricing in the market place.

So all the things that we've talked about and the slide that Jim put up that showed all those things that have been delivered over the past couple of years, all these value-added services that they're talking about, those are all things. We can argue that they're either things that are going to generate new sources of revenue or they're value-added services which are going to support the price you have in the market place. And listen, we understand because as customers grow, they're entitled to a different price in the market place. There is competition.

That's a good thing but the way we're going to both differentiate ourselves versus our competitors and preserve the value in our price is to develop all the things that we've talked about so that there's more value by doing it, having your transactions go over our network than go over someone else's.

Darrin Peller - *Barclays Capital. - Analyst*

Just one quick follow-up in the merchant litigation. Is it correct that the merchants that have opted out can pursue further monetary damages on their own but not injunctive relief on interchange or anything along those lines?

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

Yes.

Julio Quinteros - *Goldman Sachs. - Analyst*

Julio Quinteros from Goldman Sachs. I have a quick one just on the thought with regards to extending the network. You guys have talked about that today, and then thinking about how that translates into additional sources of revenue. A lot of competitors are kind of circling around this thing.

It sort of evolved to this notion that maybe getting revenue sources from interchange and merchant discount or et cetera is not possible but advertising seems to be area that they're kind of evolving to. As you guys think about that, and the extension of your own network, do you see advertising opportunities take rates, other ways to source revenue beyond just expecting process volume growth to continue to grow?

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

Somewhat Silvio was referring to that the close loop services, the Sears relationship, I mean, speaks just to that. I mean, it's early days and I think as an ecosystem, I think a number of folks are trying to your point, circle around this. But I really think it's going to take an ecosystem play. I think I go back to what I talk about in terms of frictionless commerce. I think, right now, unfortunately, most of the earliest thinking on this creates more friction that it actually resolves.

I mean, you got to remember that you're tying it to the payment and at the end of the day, the retailers from the business to close the transaction, not create confusion at the point-of-sale. That said, I think the work that we're doing with card link offers, then Visa offers platform that Bill referred to with ICBA is just that.

We can help use the data in conjunction with the issuer to source an offer to the right customer. We can take advantage of their location based information through the geo-location information we get off of the cell phone on a permission basis to link that offer to the phone or to the card when that card is used at a participating merchant, the offer is actually redeemed.

Because we see that transaction real time, we can actually deliver that message either back to the issuer so that they can communicate directly to the consumer that that offer is being redeemed or we can actually do the inline adjustment via point-of-sale redemption and deliver that discount in real time at the point-of-sale so that the merchant and the consumer see it there.

All of that is an opportunity to only deepen the relationship in this case with like the ICBA's consumers from a customer relationship perspective but there's a median advertising component because there's absolutely an opportunity for merchants to begin to source offers on a targeted enrollment basis to draw in new customers. So there's absolutely new revenue streams there but again, I want to be clear that it's early days, it's really about growing the ecosystem. But I do think that there is a knock on effect that is good for all participants in that transaction.

Charlie Scharf - *Visa Inc. - CEO*

But just to be clear on that, when we sit around and we do our own modeling, we don't have a big advertising line. That's not the way we're thinking about it. We're thinking as we said, over and over and over again here, we believe the biggest opportunity we have is to use the information that we see and flows over our network for the benefit of where that data comes from.

And do we have the ability to go do other things with it? Yes, absolutely we do but we want the issuers to trust us. We want the merchants to trust us and that to us is the important thing because using it in that kind of way drives the transactions thus again, can we charge for it? Probably but it's all about driving transactions to the network.

Greg Smith - *Sterne, Agee & Leach. - Analyst*

Greg Smith with Sterne Agee. My question is what is the long term future of the acquiring model, and just the merchant acquiring model and thinking about it from the perspective that here is Visa trying to add more value at the point of sale while I would think acquirers want to do the same thing. Where does this all shakeout for the merchant acquirers.

Charlie Scharf - *Visa Inc. - CEO*

I guess I would just start with -- and we want to be clear -- when we say working with merchants, nothing that we're doing in those types of conversations are in any way cutting the acquirer out of where it is the economics flow.

So what we're talking about is, in these cases, sometimes it's inserting ourselves so we can have the direct conversations, so we understand what they want and what their issues are, so we can figure out what changes need to get made. If we figure out we can do something with them, working with an issuer, none of that has any intent to actually cut the acquirer out, so it's not a model that we're going towards. We like the acquiring model.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

We like our company very much. We're over 8,000 employees and there are over 35 million merchants around the world, are dealing a lot more into the future. When you look at our business in the US, the reason why we have such broad based, ubiquitous acceptance is because of the acquirers, the ISOs, the processors who work on that side of the business that we think about supporting every day. And when we have difficulties in many of the emerging markets that Elizabeth and I referred to, it's because and arguably, we haven't done enough to support those organizations to go out and terminalize and drive the value to the merchants.

So we view the acquiring business as fundamental as on a partnership not something into which we want to get. And as you may know, when we acquired CyberSource, we reinforced that point by divesting the acquiring business to send a very clear message to our clients that we're here in support of acquirers.

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

In the innovation agenda, when I talk about point-of-sale redemption, Vantiv is the first partner. Again, we think about the network and the partners and how we serve the capabilities up through them and even in the case of V.me, scale will come through acquirer partners. So they actually sign the merchants and process the transactions as they do today.

Bill Carache - *Nomura Securities. - Analyst*

Bill Carache with Nomura. There is this notion of disruption particularly in the emerging markets, given the opportunity that mobile creates. Can you talk a little bit about comparing the role of the participants in the four-party system in developed markets, versus how those roles could change in emerging markets? And potentially, if you could also give a little bit of color around the economics of mobile in particular what you're seeing with some of the partnerships. I think you had mentioned 150 closed loop mobile network operators that out there. What kind of things are you seeing? I know its early days but a little bit of color around the economics would be great.

Elizabeth Buse - *Visa Inc. - Global Executive - Solutions*

So I'll start and Jim will add on, at least Jim. So the number of people Bill, Jim, I talked about the fact that there are all of these closed-loop mobile network enabled payment systems. There are 150 of them and there is only one that has achieved scale which is obviously M-Pesa Safaricom in Kenya. The reason that they have not achieved scale is lack of interoperability, lack of network complexity, all of the things that you have heard about repeatedly.

And when they start to get to a certain size, the government, around the world consistently in emerging markets, the government says, where is my regulated financial institution in that transaction. So the governments have a huge interest in having banks, the four-party model is alive and well in mobile if it is going to grow to any sort of scale.

So we love the asset that we have, the position that we have with the financial institutions and the mobile network operators see opportunity there as well. And you're exactly right. That is adding people, mouths to be fed in the value chain. What we are seeing, again, very early days, but what we're seeing in mobile is smaller transactions but more frequent and transaction based economics. So you have the banks holding the underlying account of both sides of the transactions. You have the mobile network acting as the translation layer, sometimes as the merchant, as the agent, and then of course, we play the role that we have always played in those transactions.

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Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

And I would just add from an economics perspective, unlike developed markets, a lot of these cases is a sender-pays model because of the value and functionality is so high that it doesn't impact our underlying economics. Actually, it's accretive in a lot of cases, given the role we play from a processing perspective as well in the case of Visa mobile managed service and the gatewaying capabilities.

And again, the theme here is we actually see this as a big opportunity. Again, the slide also showed in terms of then growth in mobile wallets. That's a great beachhead because these will all eventually go open. It's inevitable. It will become a scale business like it is in the rest of the world and there is no one in better position that we believe than we are to help the impact that changed and bring this together.

Dan Perlin - *RBC Capital Markets - Analyst*

Dan Perlin with RBC. In the aggregate, I just want to think about all of these new investments and products that you guys have outlined today. Should we be mindful of something down the road where the way these things are priced for the economics, for the strategies are ultimately porting more and more of your network economics to your clients, and that's part of the strategy to become more open, flexible as a company? And I have one other quick question..

Byron Pollitt - *Visa Inc. - CFO*

The model that we have used over time is grow the pie, bring more transactions to the network, grow the pie. And historically, we have disproportionately shared the marginal economics of a larger pie with our partners, mindful that there has always been attractive economics remaining to drive double digit revenue growth for the network. And so that path is one that we see traveling the future on.

Dan Perlin - *RBC Capital Markets - Analyst*

And the next one is just a brief question in terms of Amazon. We hear, I think increasingly, both financial institutions and general retailers. And to a certain extent some of the things you built, wanting to look more like what Amazon has created over the years? And I would just be interested to know your thoughts right now.

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

Well, I think, generally speaking, I think the recognition is, is that you got to go Omni-channel. I think the whole point around capabilities, you're seeing a lot of retailers beginning to think about their brick and mortar shop as basically a distribution center. A lot of the things we're investing in that you've heard about today really are trying to enable the retailer compete more effectively in this, again, increasingly Omni- channel, connected environment.

With respect to Amazon, I mean a lot of retailers wake up every day very afraid of what Amazon is doing to their business. But I think in the long run, at least in our view is electronificaiton is inevitable. The retailing environment is changing and again, what we're trying to do collectively is bring the tools available so they can compete in this space both on an online and a mobile fashion.

My view is good for everybody because merchants can sell 24/7. They're connected, they can be more personalized than the micro-merchant or the retailer down the street. I think the connectivity again to the acquirer, the ability to use data to inform my business as well as in the offer space. The ability to source offers to local customers as well as those that are across the country and around the globe, I think really creates a very competitive and healthy environment. And again, we're trying to do our part to make it easy certainly around the integration payment in that space.

Charlie Scharf - *Visa Inc. - CEO*

Yes. And they have a simple, effective payment solution that works so it should be enviable to people. But they also have the scale where they can build. Not everyone has got that. Very few people have that.

Bryan Keane - *Deutsche Bank - Analyst*

Hi, it's Bryan Keane, Deutsche Bank. I just want to follow up on the pricing question. I mean, it feels like some of your competitors are still raising price, adding fees, different ways to add fees to acquirers or to the aggregator model. It feels like Visa is doing the opposite, almost wants to take fees down to be more appeasing and to add volume that way. Is that the correct strategy, the way to face it?

Charlie Scharf - *Visa Inc. - CEO*

No. I wouldn't say that. Again, I think what we keep consistently saying is that we don't feel like we have to raise price to get the revenue growth that we think we should be getting. At the same time, don't at all think that we want to compete on price. We want to compete on capabilities. And so depending on what the market place says that pricing is, we will always look at that, we'll always make a decision. We're not saying we're not going to change price either up or down, but we want to build the business so pricing doesn't have to be the lever to grow. But we also don't want to be the ones leading it down either.

Bryan Keane - *Deutsche Bank - Analyst*

And then just a quick follow-up for Byron. On client incentives, I know the Chase deal was more direct pricing and so that changed the incentives actually when lower. I would assume if there are more deals like Chase in the future, I was under the impression that incentives could come down again if there were similar economics. But you're suggesting that incentives are likely to keep growing. I just want to make sure I understand that.

Byron Pollitt - *Visa Inc. - CFO*

So too early to comment on whether other deals, whether there will be a trend to direct pricing. But we have at least two phenomenon to work through and the guidance range we'll give on the fourth quarter call will make the assumptions clearer. But we have incentives that are now established and particularly in US merchants, we had a partial year-end '12 where we're still signing deals, we're still establishing relationships with US merchants, particularly as it relates to our US debit strategy.

And so you have that lever that is pushing incentives north where I know 88% sounds like a large number under multi-year contract but we have further to go. The more payment volume we put under contract, that also pushes incentives north for a very good reason. And then, working the other way, you have the situation you just described, so the direct pricing. So that was a big deal where we had more direct pricing. But it's too early to say that that's attractive.

James Faucette - *Pacific Crest Securities - Analyst*

This is James Faucette from Pacific Crest. I wanted to go back to kind of the Omni channel related questions for retailers et cetera. One of the concerns that retailers have expressed in terms of trying to pursue Omni channel is the distinction between card present and card not present rates.

And Jim, in your presentation today, it seemed like a lot of what you talked about was technology that could start to enable at least, harmonization of those two or eliminating the distinction between card present, card not present. Can you talk a little bit about what has to happen from a technology perspective so that Visa can really start or other networks can start to be indifferent? And then for Byron or whomever, what does that imply for pricing? I mean, should we be anticipating ultimately when the technology is ready a change in pricing models around card present and card not present transactions?

Jim McCarthy - *Visa Inc. - Global Head - Innovation & Strategic Partnerships*

It's not really how many channel. I mean, from our point of view, it's a great business for us and quite frankly for the issuers and the acquirers. I mean, it's more electronic transactions. When a customer again, walks into the Apple store here in Union Square and pulls out their iPhone and uses the Easypay application and they don't need to get online and they can pull an iPhone off the shelf, scan the skew and walk out the door.

In theory, that's good for everybody. It's good for us because again, because we have a good position in the wallet. It's good for Apple because they obviously are selling more goods. It's good for their acquirers, it's good for issuer because again, we're converting transactions.

The challenge is as you describe our historical point of view has always been that that credential that was handed over to the sales clerk was a form factor that use the data that was on the card as the way to more or less authenticate the form factor, meaning the mag stripe or EMV chip whether it was tapped or dipped. Sending the information back to our network, back to issuer where they and only they were able to with integrity say, yes, that was my card and as a result we built an economic construct around that.

Certainly, card not present divorces those two as key entered and so, again, there was that gap. We find ourselves in an interesting place with Omni-channel. The customer is there but the card isn't being presented. But the difference is, getting back to Easypay application, there's a lot of other data that can be used. And so the challenge for us and Charlie has referred to this in other discussions and Sam talked about tokenization as a token in the broadest sense was the piece of plastic, the magnetic stripe that an issuer issued.

The underlying financial account was really the most important piece of that relationship, meaning whether it was debit, prepaid or credit account, the bank issued me something that initiated that transaction and came across VisaNet. Well, we're at an inflection point in the business with these mobile devices where we need to think about what these form factors look like and how we pass new pieces of data, device fingerprinting information, geo location information, payment related information, potentially card holder authentication back to the service that Silvio talked about.

And in aggregate, pass that information back through our network with integrity, with transparency such that the issuer can make an authorization decision much like they do today when that plastic form factor is presented. So we're early stages --

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Charlie Scharf - *Visa Inc. - CEO*

Just keep it like from my own layman's terms here that there is this new category in reality that exist which as Jim said is person present, card not present transaction which didn't exist several years ago. And if we can figure out which we think we can and we're actively working on how to authenticate that in a way which is safe and secure, then that's a reason to have a different category of transaction that exist today. And that's something that we're actively working through. And that will be good for everyone.

Tom McCrochan - *Janney Capital Markets - Analyst*

Tom McCrochan with Janney Capital Markets. How should we be thinking about the current level of debit card interchange fees and the glide path? I mean, the $0.21, should we be considering that kind of fix for the foreseeable future? Again, you talked about some of the schemes outside the United States, I believe interacting one of them --

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Charlie Scharf - *Visa Inc. - CEO*

Can you just repeat that?

Tom McCrochan - *Janney Capital Markets - Analyst*

We're trying to get a read on the glide path, the debit card interchange fees with $0.21. Is that something we should consider will be fixed and help steady for the foreseeable future or given some of these schemes outside the United States have rates I think well below that. Are those going to be drifting higher or are you going to be drifting lower to meet those rates to kind of penetrate those markets? Thanks.

Bill Sheedy - *Visa Inc. - Global Executive - Corporate Strategy, M&A, and Government Relations*

As we see here today, on the trajectory of interchange fees in the US or internationally, I will tell you that -- and the Fed, I think over the past month produced a study showing what's transpired post the Durbin Amendment. The interchange fee continues to be a function, even if the regulated cap, within that regulated cap in the US and the more competitive markets fortunately, in most markets around the world, continues to be a function of competing for issuance and competing for routing on the acquirer processing merchant side of the business.

So we're going to continue to respond as we always have to sort of market pressures and market conditions and opportunity to grow the business and support both sides of the value chain with how we manage the interchange fee. And it ends up being driven by competition. So I think we've managed it pretty well thus far.

I think that the more important dynamic which you touched on which is to try to reinforce in any markets where the prospect of regulation comes up, we just need to engage differently and more effectively than we did in the US to make sure that it's the market forces that are driving those rates as I described and not legislation regulation.

Jack Carsky - *Visa Inc. - Head - Global IR*

And our final question back here.

Matt O'Neill - *CLSA - Analyst*

Matt O'Neill from CLSA. I understand Visa Europe obviously a separate entity, I was wondering if you guys could just discuss from where you sit how you see market share having shifted over the past say five years in the European region?

Charlie Scharf - *Visa Inc. - CEO*

I don't think we feel qualified to answer the question. I don't feel qualified to answer your questions. Sorry.

Matt O'Neill - *CLSA - Analyst*

No problem. Thanks.

Jack Carsky - *Visa Inc. - Head - Global IR*

And on that note, I'd like to extend a heartfelt thank you to all of you for making the trip out here. Those of you on the internet, on behalf of the management team here at Visa and the analysts, feel free to join us for luncheon down the hall, reacquaint yourselves with the innovation apparatus and we'll take it from there. Thank you.