

**Portion of Gayle M. Rigione's Handwritten Notes of MasterCard Senior
Management Group Meeting on June 4, 1996
(as interpreted by Gayle Rigione)**

6-4-96 SMG Meeting

1. Amex

- (1) Doors not being beaten down
- (2) Seems to vary by region
- (3) Why are EPI members silent about Amex in light of Exclusives?
- (4) Net: haven't hurt ourselves by remaining flexible
- (5) Discussed Amex letter to be sent to board. Was to be standard letter to all board members as agreed at last SMG meeting.

RWS - ME/A would not have sent out. Not appropriate.
Canada - would have a proposal

- (6) *REDACTED*

AJH: Important to give U.S. members a say in this since perceived as U.S. (primarily issue.) Would like to see a global consistent rule, concern about differentiated rules

REDACTED

P-1198

DOJTE 000767

HEL: Europay board has always argued on other side. (Non-free market.)

Let free market reign. Now would be difficult to justify stand on exclusives. Would not want to hard code into rules.

Commission taking position it's taking - runs counter to position of certain banks in Europe who issued Amex cards. TC, etc.

What should paper look like?

- CDT:
- A. Do nothing
 - B. Restrict card members to duality
 - C. Insist on share of portfolio, future mailings, new cards
 - D. Increase interchange for all selected products
 - E. Change assessments based support of other products
 - F. Brand development fee if they do issue -- eye off ball therefore, owe MC (divergence of funds to competitor.)
Global methodology with regional execution
 - G. Stop exclusive arrangements with members

PNC: If Amex successful might steer banks away from MasterCard down road.

If Amex successful, extent to which members would drop, down road, MasterCard for Amex as the other card.

WIJ: need real strategy that stops Amex

AJH/JVT: Would not throw them a lifeline.
Trying to sustain them when we should let them wither.

AJH: *REDACTED*

RNC: Where does Citibank come out in all of this?

AJH: Have asked Citibank how they'd view it if we were silent on Amex. Citi checking with counsel.

WIJ: Visa doesn't allow.
Don't want to be riding on Visa coattails. Passivity would be wrong.

JVT: Why not embrace Amex. Would bring assessments down.
CDT has a half-pregnant strategy

REDACTED

HEL: Why not prohibit issuance of another brand that's a competing acceptance mark.
Mark equals acceptance mark.

RNC: Could we grandfather in Diner's?

Hel: Very complicated. Largest U.S. member.
Would we have to do same for JCB,
for Credicard?
Bank one buys Discover with Novus mark

RWS: What's Threat?

Amex 3rd viable global payments scheme?

Competing for relationships with key members?

AJH: American Banks issue more cards. More cards - stronger your leverage with merchants.

Helps stem share loss

- cards out, stems share loss, helps acceptance.

closed loop - quality is another factor/advantage

RWS: Will banks and other markets really abdicate control to Amex? Will be a really hard sell if Amex thinks they'll get top ten members in U.S., that U.S. guys will void their own business.

AJH scenario is on margin.

CDT/AJH: Market share ploy

AJH: Four or Five at risk.

JVT: small to medium guys may jump.

WIJ: Expect Amex is significant competitor.

Need to hinder ability of Amex to operate in your business.

RNC: Maybe Amex counting us to be more flexible. Our desperation to grow share.

WIJ: We cave, they fight Visa. They win, Amex has no downside, would create an Amex downside.

RNC: Banks in LAC upset about Visa telling them what they can or can't do. Banks hate to be dictated to.

HEL: Prohibit members from issuing the brands of a competing acceptance mark.
Would allow Discover to can Novus and become MC member.

Purcell could see this.

Leverage to negotiations with Amex, UC, Argencard, Credicard

REDACTED

Hel: Biggest concern is Europe.

- Europay board. What happens if they don't pass same thing? MasterCard BIN numbers and branded cards will force discussions on rules, harmonization, etc.

REDACTED

AJH: Diner's.

DOJTE 000771

RNC: Grandfather of card program is owned by members.

REDACTED

Hel: wrong path.

start simple and broad and qualify

The members cannot issue products of a competing payments brand that has its own acceptance mark"

Qualifiers - at time of adoption of policy

- Except where they own those companies
- Things other than MasterCard type products.

(1) rule passed globally

DOJTE 000772

(2) would go to regional boards for advice

WIJ: Risk not having it passed.

AJH: all U.S. would vote for this.

RWS: Canada will vote for.

RNC: LA would vote for.

J Thoma: Precludes JCB issuance.

A/P board generally hates JCB, but they typically issue and promote.

REDACTED

HEL: Should not put Amex paper in Board.

Could sent out summary document letter to all non-U.S., Canada, A/P, Latin America

REDACTED

HEL:

(1) Send to global board members - done

(2) Send to regional board members

(3) Write Amex paper - cover and meet
will be tabled at meeting

RWS: how/why are we treating Visa.

need to explain difference of position versus Visa and why different

HEL: means we took the time to listen.

RWS: Difference not clearly understood, understand, around table.

HEL: we're different by acceptance mark aspect

RWS: Do not understand difference

HEL: Prohibit members from issuing product that has a competing multiregional acceptance mark. Issuer prohibition, open door under our terms to Amex and Discover.

AJH: Defensible if people listen carefully, may get it.

RWS: Amex issue with MC mark on it.

HEL: Would have to apply for a co-branded program.

REDACTED

HEL: Recommendation item for Regional Boards
voting for items at Global Board.