

VISA INC.  
Form 10-K  
November 16, 2012  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2012  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-33977

VISA INC.

(Exact name of Registrant as specified in its charter)

Delaware 26-0267673  
(State or other jurisdiction (IRS Employer  
of incorporation or organization) Identification No.)

P.O. Box 8999 94128-8999  
San Francisco, California (Zip Code)  
(Address of principal executive offices)

Registrant's telephone number, including area code: (650) 432-3200

Securities registered pursuant to Section 12(b) of the Act:

|   |   |
|---|---|
| Title of each Class                               | Name of each exchange on which registered |
| Class A common stock, par value \$.0001 per share | New York Stock Exchange                   |

Securities registered pursuant to Section 12(g) of the Act:

Title of each Class  
Class B common stock, par value \$.0001 per share  
Class C common stock, par value \$.0001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

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Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the registrant's class A common stock, par value \$.0001 per share, held by non-affiliates (using the New York Stock Exchange closing price as of March 30, 2012, the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$62.1 billion. There is currently no established public trading market for the registrant's class B common stock, par value \$.0001 per share, or the registrant's class C common stock, par value \$.0001 per share.

As of November 8, 2012, there were 535,517,788 shares outstanding of the registrant's class A common stock, par value \$.0001 per share, 245,513,385 shares outstanding of the registrant's class B common stock, par value \$.0001 per share, and 29,576,710 shares outstanding of the registrant's class C common stock, par value \$.0001 per share.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2012 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended September 30, 2012.

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Unless the context requires otherwise, reference to “Company,” “Visa,” “we,” “us” or “our” refers to Visa Inc. and its subsidiaries.

The registered trademarks of Visa Inc. and its subsidiaries include, but are not limited to: "3-D Secure;" "Bands Design - Blue, White & Gold;" "CyberSource;" "Dove Design;" "Fundamo;" "Interlink;" "Plus;" "PlaySpan;" "V Pay Design;" "V Distribution Design;" "Verified by Visa;" "Visa;" "Visa Buxx;" "Visa Classic;" "Visa Electron;" "Visa Infinite;" "Visa Intellilink;" "Visa Online;" "Visa Platinum;" "Visa ReadyLink;" "Visa PassFirst;" "Visa payWave;" "Visa Select;" "Visa Signature;" "Visa SimplyOne;" "Visa TravelMoney;" "Visa Vale;" "VisaNet;" and "Winged V Design." Other trademarks used in this report are the property of their respective owners.

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Forward-Looking Statements:

This annual report on Form 10-K contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements can be identified by the terms “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “potential,” “project,” “should,” “will,” and similar references to the future. Examples of forward-looking statements include, but are not limited to, statements we make about our earnings per share, cash flow, revenue, incentive payments, expenses, operating margin, tax rate and capital expenditures and the growth of those items.

By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are neither statements of historical fact nor guarantees of future performance and (iii) are subject to risks, uncertainties, assumptions and changes in circumstances that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements because of a variety of factors, including the following:

the impact of laws, regulations and marketplace barriers, including:

rules capping debit interchange reimbursement fees promulgated under the U.S. Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act;

rules under the Dodd-Frank Act expanding issuers' and merchants' choice among debit payment networks;

increased regulation outside the United States and in other product categories;

increased government support of national payment networks outside the United States; and

rules about consumer privacy and data use and security;

developments in litigation and government enforcement, including those affecting interchange reimbursement fees, antitrust and tax;

economic factors, such as:

an increase or spread of the current European crisis involving sovereign debt and the euro;

the so-called “fiscal cliff” in the United States: the combination of expiring tax cuts and mandatory reductions in federal spending at the end of 2012;

other global economic, political and health conditions;

cross-border activity and currency exchange rates; and

material changes in our clients' performance compared to our estimates;

industry developments, such as competitive pressure, rapid technological developments and disintermediation from the payments value stream;

system developments, such as:

disruption of our transaction processing systems or the inability to process transactions efficiently;

account data breaches or increased fraudulent or other illegal activities involving our cards; and

issues arising at Visa Europe, including failure to maintain interoperability between our systems;

costs arising if Visa Europe were to exercise its right to require us to acquire all of its outstanding stock;

loss of organizational effectiveness or key employees;

failure to integrate acquisitions successfully or to effectively develop new products and businesses; and

the other factors discussed in Item 1A—Risk Factors. You should not place undue reliance on such statements. Unless required to do so by law, we do not intend to update or revise any forward-looking statement because of new information or future developments or otherwise.

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PART I

ITEM 1. Business

Overview

Visa Inc., which we refer to as Visa or the Company, is a global payments technology company that connects consumers, businesses, banks and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. We operate one of the world's most advanced processing networks, VisaNet, offering fraud protection for consumers and assured payment for merchants.

Our business primarily consists of the following:

- we own, manage and promote a portfolio of well-known, widely-accepted payment brands, including Visa, Visa Electron, PLUS and Interlink, which we license to our clients for use in their payment programs;
- we offer a wide range of branded payments product platforms, which our clients, primarily financial institutions, use to develop and offer credit, debit, prepaid and cash access programs, as well as digital, mobile and eCommerce platforms for their customers (individuals, businesses and government entities);
- we provide transaction processing and value-added services to our clients through VisaNet, Visa Debit Processing Services, Visa Processing Services, CyberSource, PlaySpan and Fundamo; and
- we promote and enforce a common set of operating regulations adhered to by our clients to ensure the efficient and secure functioning of our payments network and the maintenance and promotion of our brands.

To ensure our long-term success and the success of our clients:

- we invest in new services and processing platforms to facilitate more convenient and innovative payment methods, such as mobile payments, money transfer and eCommerce; and
- we continually improve the speed, efficiency, security and performance of our network and our payments services to enhance the reliability of our global processing infrastructure and protect the security of cardholder information.

We operate an open-loop payments network, a multi-party system in which Visa connects issuing financial institutions, or issuers, that issue cards to cardholders, and acquiring financial institutions, or acquirers, that have the banking relationship with merchants—and manage the exchange of information and value between them. As such, we do not issue cards, extend credit, or collect, assess or set cardholder fees or interest charges. In most instances, cardholder and merchant relationships belong to, and are managed by, our network of financial institution clients. We derive revenues primarily from fees paid by our clients based on payments volume, transactions that we process and other related services that we provide.

Business developments in fiscal 2012 included the following:

**Regulation.** New rules were implemented in the United States with respect to debit products under the Dodd-Frank Act. The Dodd-Frank Act regulates, among other things, interchange fees, the debit networks issuers make available, merchants' choices among these networks and transaction routing. These regulations resulted in our renegotiating some portions of client contracts. See Government Regulation below.

**U.S. Debit Strategy.** We have designed or implemented several modifications to our U.S. debit strategy to ensure compliance with the Dodd-Frank Act.

**Interchange.** We established new debit interchange rate structures, effective October 2011 and revised in April 2012, for the Visa Consumer Check card, Interlink and Small Business Debit. Two distinct interchange schedules were established: one for exempt issuers and products and a second for regulated issuers and products. In addition, in order to ensure that transactions within a U.S. territory, transactions between U.S. territories, and transactions between the U.S. and U.S. territories receive the applicable, regulated interchange rate, we established two new inter-regional schedules for regulated debit card and Interlink transactions.

**Certification Program.** In order to correctly identify regulated issuers, their exempt products and their compliance with the Federal Reserve's fraud prevention standards, we implemented a

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certification process for regulated issuers. The program enables issuers to accurately register their exempt and non-exempt portfolios and to certify their compliance with these rules and criteria. In July 2012, the Federal Reserve announced its final fraud prevention standards, including clarifying the requirement that issuers notify their payment networks of their compliance with the final fraud standard (rather than “certify” such compliance).

**Rule Changes.** We implemented changes to our Operating Regulations to the extent necessary to support the ability of issuers to enable unaffiliated payment card networks on Visa debit cards issued in the U.S. or U.S. territories, as well as to enable Visa-owned debit networks on non-Visa debit cards.

**Fees.** We restructured our acquirer pricing and implemented a fixed fee and lowered our variable per transaction fees. These changes are intended to increase our competitiveness and incent merchants to route more transactions over the Visa network.

**PAVD:** We implemented programs to ensure that Visa debit issuers were capable of validating and authorizing PIN Authenticated Visa Debit transactions for any merchants choosing to route Visa Debit transactions to Visa using PIN authentication.

**Merchant Litigation Settlement.** We reached a reasonable outcome that ensures the long-term health and competitiveness of the payments industry in the United States, subject to final court approval and the adjudication of any appeals. Visa will prepare for implementation in the early part of 2013. See Item 1A—Risk Factors—Our retrospective responsibility plan may not adequately insulate us from the impact of settlements or final judgments. and Item 8—Financial Statements and Supplementary Data—Note 21—Legal Matters.

**Client Contracts.** We continued to take steps to solidify our foundation for long-term growth by successfully executing several major client contracts throughout the year.

**Ongoing Growth.** The progress towards economic recovery and secular shift from cash and checks to electronic payments helped to drive double-digit percentage growth across our three primary revenue drivers—payments volume, cross-border volume and Visa-processed transactions—which contributed to our 13% growth in year-over-year net operating revenues for fiscal 2012.

**2012 Olympic Games:** For this year's Summer Olympic Games in London, Visa engaged a record number of clients in its sponsorship program, with more than 1,000 financial institutions and merchants across more than 70 geographies worldwide, activating Olympic-related activities, including a large portion from priority growth markets.

**Industry Overview**

We operate in the global payments industry, which is undergoing a powerful secular shift towards electronic payments, whether delivered in physical, card-based form or virtually via mobile or eCommerce platforms, and away from paper-based payments, such as cash and checks. For more than 50 years, we have played a central role in driving this migration by providing payment products and services that we believe deliver significant benefits to consumers, businesses, governments and merchants. We believe that consumers are increasingly attracted to the convenience, security, enhanced services and rewards associated with electronic payment forms. We also believe that corporations and governments are shifting to electronic payments to improve efficiency, control and security, and that a growing number of merchants are accepting electronic payments to improve sales and customer convenience.

The global payments industry consists of all forms of payment and value transfer, including:

• paper-based payments: cash, personal checks, money orders, government checks, travelers cheques and other paper-based means of transferring value;

• card-based payments: credit cards, charge cards, debit cards, deferred debit cards, ATM cards, prepaid cards, private label cards and other types of general-purpose and limited-use cards;

• eCommerce payments: electronic payments through desktop and laptop computers, tablets and other devices with web browsing capabilities;

• mobile payments: electronic payments through mobile phones and other handheld devices using a variety of applications such as text messages, mobile billing, web browsers or applications, contactless readers, and other means; and

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other electronic payments: wire transfers, electronic benefits transfers, automated clearing house payments and other forms of electronic payment not typically tied to a payment card or similar access device.

The most common card-based forms of payment are general purpose cards, which offer widespread merchant acceptance. General purpose cards are typically categorized as:

- “pay now” cards, such as debit cards, which enable the cardholder to purchase goods and services by an automatic debit to a checking, demand deposit or other account with accessible funds;
- “pay later” cards, such as credit, deferred debit and charge cards, which typically permit a cardholder to carry a balance in a revolving credit or deferred debit account or require payment of the full balance within a specified period; and
- “pay before” cards, such as prepaid cards, which are pre-funded up to a certain monetary value.

Primary card brands include Visa, MasterCard, American Express, JCB, and Discover/Diners Club. While these brands, including Visa, were historically associated with consumer credit or charge cards in the United States and other major international markets, we and others have, over time, broadened our offerings to include debit, ATM, prepaid and commercial payment products.

### Our Core Operations

We derive revenues primarily from fees paid by our clients based on payments volume, transactions that we process and other related services we provide. Our clients deliver Visa products and payment services to consumers and merchants based on product platforms we define and manage. Payments network management is a core part of our operations, as it ensures that our payments system provides a safe, efficient, consistent and interoperable service to cardholders, merchants and financial institutions worldwide.

### Transaction Processing Services

#### Processing Infrastructure

We own and operate VisaNet, which consists of multiple synchronized processing centers, including two data centers in the United States. In addition, Visa Europe, which is under separate ownership, operates processing centers in the United Kingdom. These are part of our synchronized system, in accordance with the terms of our Framework Agreement with Visa Europe. These centers are linked by a global telecommunications network and are engineered for redundancy. Intelligent access points around the world complete our global processing infrastructure and enable merchants and financial institutions worldwide to access our core processing and value-added services.

VisaNet is built on a centralized architecture, enabling us to view and analyze each authorization transaction we process in real time and to provide value-added information, including information products, such as risk scoring and loyalty applications, while the transaction data is being routed through our system.

Visa also owns and manages additional data centers in the United States and internationally, including those we added with our acquisitions of CyberSource and PlaySpan. These secure facilities allow for high availability transaction services and connectivity to the Internet, clients and processing partners.

#### Core Processing Services

Our core processing services involve the routing of payment information and related data to facilitate the authorization, clearing and settlement of transactions between Visa issuers and acquirers. In addition, we offer a range of value-added processing services to support our clients' Visa programs and to promote the growth and security of our payments network.

Authorization is the process of approving or declining a transaction before a purchase is finalized or cash is disbursed. Clearing is the process of delivering final transaction data from an acquirer to an issuer for posting to the cardholder's account, the calculation of certain fees and charges that apply to the issuer and acquirer involved in the transaction, and the conversion of transaction amounts to the appropriate settlement currencies. Settlement is the process of calculating, determining, reporting and transferring the net financial position of our issuers and acquirers for all transactions that are cleared.

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The issuer and acquirer involved in a typical Visa transaction perform additional functions that we do not generally perform or monitor. For example, the acquirer credits the merchant's account for the amount of the transaction less any fees the acquirer charges in accordance with the contractual agreement between the merchant and the acquirer. In addition, the issuer sends a statement to the cardholder and collects payment, in the case of a credit or deferred debit card, or collects payment directly from the cardholder's deposit account, in the case of a debit card.

We process most Visa transactions occurring in the United States. We also process most Visa transactions where the issuer and the merchant are located in different countries, which we refer to as cross-border transactions. In countries outside the United States, processing of domestic Visa transactions varies. In some countries, such as Canada and Brazil, Visa processes the majority of transactions. In many other countries, transactions may be processed outside of our systems, generally by government-controlled payments networks, our clients, independent companies or joint ventures owned in whole or in part by our clients.

We perform clearing and settlement through VisaNet for transactions involving an issuer that is located in Visa Europe's region and an acquirer that is located in the rest of the world, or vice versa. Visa Europe authorizes, clears and settles transactions for its members through its own processing system.

**Other Value-Added Processing Services**

We offer a range of other value-added services in certain countries, including risk management, issuer processing, loyalty, dispute management, value-added information and CyberSource-branded services.

**Risk Management Services.** We provide clients in certain countries with a number of value-added risk-management services. These services, including Visa Advanced Authorization, provide preventive, monitoring, investigative and predictive tools, which are intended to mitigate and help eliminate fraud at the cardholder and merchant level.

**Issuer Processing Services.** Visa Debit Processing Services, or DPS, provides comprehensive issuer processing services for participating U.S. issuers of Visa debit, prepaid and ATM payment products. In addition to core issuer authorization processing, DPS offers card management services, exception processing, PIN and ATM network gateways, call center services, fraud detection services and ATM terminal driving. Visa Processing Service, or VPS, provides credit, debit and prepaid issuer processing services, including multi-currency processing functionality, outside the United States.

**Loyalty Services.** We offer loyalty services, which allow our clients to differentiate their Visa program offerings, enhance the attractiveness of their Visa payment programs and strengthen their relationships with cardholders and merchants.

**Dispute Management Services.** We manage Visa Resolve Online, an automated web-based service that allows our clients' back-office analysts and client service representatives to manage and resolve Visa transaction disputes more efficiently than with paper-based processes.

**Value-Added Information Services.** We provide our clients with a range of additional information-based business analytics and applications, as well as the transaction data and associated infrastructure required to support them.

**CyberSource-branded services.** We provide technology and services that make it easier for eCommerce merchants to accept, process and reconcile payments, manage fraud, and safeguard payment security online. CyberSource brings these payment management solutions to market on two platforms: CyberSource Enterprise services, targeting medium and large-sized enterprise businesses; and Authorize.Net, targeting smaller businesses with less than \$3 million in annual online sales.

**Product Platforms**

We offer a broad range of product platforms that enable our clients to build differentiated, competitive payment programs for their consumer, business, government and merchant clients. Our principal payment platforms enable credit, debit, prepaid and cash access programs, as well as virtual, mobile and eCommerce payments for consumers, businesses and government entities. Our payment platforms are offered under our Visa, Visa Electron, Interlink and PLUS brands.

**Consumer Credit**



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Our consumer credit product platforms allow our issuers to offer deferred payment and financing products that can be customized to meet the needs of all consumer segments. Our baseline consumer credit platform is marketed to our issuers as Visa Classic or Visa Traditional. In addition, we offer a range of premium credit platforms that enable our issuers to tailor programs to consumers requiring higher credit lines or enhanced benefits, such as loyalty programs. Our premium consumer credit platforms are marketed to issuers, and in some cases, to cardholders, as Visa Gold, Visa Platinum, Visa Signature, Visa Signature Preferred and Visa Infinite.

### Consumer Deposit Access

Our deposit access product platforms enable our issuers to offer consumer payment and cash access products that draw on consumers' deposit accounts, such as checking, demand deposit or other pre-funded accounts.

**Consumer Debit.** Our primary consumer debit platform in the United States and many other countries uses the Visa brand mark. Depending on local marketplace point of sale practices, Visa Debit transactions can be authenticated by a cardholder's signature, or no signature if the transaction is for a small purchase amount, or by personal identification number, or PIN, or other means of authentication. In the United States, in addition to the Visa debit product, we also provide the Interlink debit product platform. Interlink is a PIN-always, single message platform generally for U.S. domestic transactions. U.S. issuers can choose to enable Interlink as a PIN network on a Visa debit card, and U.S. merchants can choose Interlink as a PIN-always point of sale acceptance option. Additionally, Interlink can remain as a routing alternative on both Visa and non-Visa branded debit cards. Our clients in Asia Pacific, or AP, Latin America and Caribbean, or LAC, and Central and Eastern Europe, the Middle East and Africa, or CEMEA, can use the Visa Electron debit platform, which requires all transactions initiated from the card to be authorized electronically. It is primarily used by issuers offering payment programs to higher-risk client segments or in countries where electronic authorization is less prevalent.

**Prepaid.** Our prepaid product platform enables issuers to offer products that access a pre-funded amount, allowing cardholders to enjoy the convenience and security of a payment card in lieu of cash or checks. Our prepaid platform includes general purpose reloadable, gift, travel, youth, payroll, money transfer, corporate incentive, insurance reimbursement and government benefits cards.

**Cash Access.** Our clients can provide global cash access to their cardholders by issuing products accepted at Visa and PLUS branded ATMs. Most Visa and Visa Electron branded cards offer cash access at ATMs, as well as at branches of our participating financial institution clients. The PLUS brand may also be included on issuers' non-Visa branded cards to offer international cash access as a complement to domestic cash access services.

### Commercial

Our commercial product platforms enable small businesses, medium and large companies, and government organizations to streamline payment processes, manage total spend, access information reporting, automate their supply chain and reduce administrative costs.

**Small Businesses.** We provide tools and resources to small business owners to help them securely manage payments and receivables through our debit, credit and acceptance solutions. Visa Business Electron is an electronic authorization platform used in many countries outside North America.

**Large and Medium Companies.** The Visa Corporate platform offers payment options for business-to-business and employee travel and entertainment charges, including cash advances, providing detailed transaction data as well as information and expense management tools. The Visa Purchasing platform provides card and non-card electronic payment products that allow companies to easily procure goods and services, while streamlining resource- and paper-intensive purchase order and invoice processing. Through Syncada, our joint venture with US Bank, we market an integrated invoice processing, payment and financing platform for financial institutions to offer to their corporate and government commercial clients around the world.

**Government Organizations.** In addition to the products mentioned above, we offer government organizations unique information- and expense-management tools, employee-fraud and misuse-management tools and strategic sourcing tools for their card programs. In certain countries, we offer specialized commercial products for specific government-sponsored programs, typically targeting agriculture, small-business, freight or construction loan programs.

### Product Platform Innovation



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Our fundamental approach to innovation focuses on enhancing our current product platforms, enabling more Visa transactions in every channel, and extending the utility of our products and services to access points, such as eCommerce and mobile, and new merchant segments and geographies. We invest in innovation, because we believe we can drive more secure, accessible and versatile payment program options for clients, merchants and consumers. We focus on new payment channels, payment technologies, payment account access devices and authentication methods. We have recently made significant investments in the development of eCommerce and mobile payment platforms, contact and contactless chip cards and devices, card product enhancements, authentication and security technologies and platforms; and money transfer. We have the following initiatives:

**Acquisitions.** Our acquisitions of CyberSource, PlaySpan and Fundamo are allowing us to execute our innovation strategy. For example, CyberSource is helping drive eCommerce internationally, PlaySpan has accelerated our participation in the fast-growing digital goods space, and Fundamo is supporting our unique partnership with the Rwandan Government to drive access to financial services for consumers in that country.

**Partnerships.** In mature markets, we have licensed our mobile NFC payment technology to third-party wallet providers to help ensure their solutions are enabled with Visa payment functionality. In addition, we have signed agreements with several mobile operators to extend payment functionality to mobile subscribers.

### **Product Innovations:**

**V.me by Visa:** We have developed our new digital wallet service, V.me, to enhance the ease of use for consumers and merchants in online payments. V.me is available in beta for consumer enrollment and online merchant checkout in the United States, and the V.me acceptance mark is now visible on more than twenty merchant sites.

**Visa payWave:** We have certified NFC-enabled smartphones from device manufacturers for use with our mobile payment application, Visa payWave.

**Visa Mobile Provisioning Services:** We have developed a new service that enables banks and operators to securely provision mobile payment accounts on NFC-enabled smartphones.

**Visa Mobile Prepaid:** We have introduced a new product based on Fundamo technology, bringing Visa-quality payments to unbanked consumers in developing markets.

### **Payments Network Management**

We devote significant resources to ensuring that Visa is the payments network of choice for clients, merchants and cardholders. We seek to accomplish this by promoting our brand through marketing and sponsorship activities, educating domestic and regulatory banking authorities on our capabilities, increasing acceptance of Visa products around the world and ensuring that the system operates reliably and securely for all of our network participants.

### **Brand Management, Marketing and Corporate Reputation**

We engage in a variety of activities designed to maintain and enhance the value of our brand, taking a targeted, analytical approach tailored by geography to achieve our growth and business objectives. We combine advertising, sponsorships, promotions, public relations and, increasingly, social media to create programs that build active preference for products carrying our brand, promote product usage, increase product acceptance and support cardholder acquisition and retention. For merchants, we work to ensure that the Visa brand represents timely and guaranteed payment, as well as a way to increase sales. For our issuer clients, our marketing program is designed to support their card issuance, activation and usage efforts while complementing and enhancing the value of their own brands.

Sponsorship is a specific area where we have invested in developing global marketing relationships to promote the Visa brand. For instance, we have been the exclusive payment services sponsor for the Olympic Games since 1986 and have extended that sponsorship through 2020. We are also one of six FIFA partners providing us with worldwide exclusive access to the FIFA World Cup™ and more than 40 other FIFA competitions. These sponsorships create a powerful opportunity to drive business, achieve maximum exposure and improve brand lift, global reach and local relevance. In addition, we engage in marketing and sponsorship activities with other regional, national and local companies, sports leagues and events, such as the National Football League in the United States, and with associations and companies, to provide customized marketing platforms to clients in certain countries and regions.



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Our client and merchant marketing activities bring added value through the development of marketing programs designed to drive their specific business objectives. For merchant clients, these programs generate awareness for new acceptance channels and locations and increase cardholder spending and merchant sales revenue through special offers and promotions. For issuer clients, our marketing programs support their card issuance, activation and usage efforts while complementing and enhancing the value of their own brands.

In addition, we work on various fronts to maintain, enhance and protect our corporate reputation and brand. Our Corporate Responsibility program helps ensure we positively impact the lives of those in our global and local communities. We do so by expanding financial inclusion and literacy, providing humanitarian aid and community support, and engaging in responsible business practices. We continue to promote an understanding of Visa's role as a payments network and articulate the ways that electronic payments can advance economic empowerment, remove friction from commerce and increase government efficiencies. To that end, Currency of Progress, our corporate reputation campaign launched in October 2009, communicates the tangible benefits that Visa and electronic payments deliver to individuals, businesses, governments and economies.

### Merchant Acceptance Initiatives

We aim to maintain and expand our merchant base by focusing on the needs of merchants and consumers and enhancing our programs to increase acceptance in attractive and fast-growing segments, such as bill payment. Our efforts to address these needs include supporting the development of technological innovations, delivering value-added information services, and evaluating potential modifications to our operating rules and interchange rates to enhance the value of our payments network compared to other forms of payment. For example, we raised the limit for our “no signature required” program from \$25 to \$50 for U.S. discount stores and grocery stores/supermarkets, enabling more face-to-face merchants to accept Visa cards for transactions without requiring a cardholder signature, PIN or providing a receipt unless requested by the cardholder. This program can increase speed at the point of sale, enhance consumer satisfaction and deliver operating efficiencies for merchants.

We also enter into arrangements with certain merchants under which they receive monetary incentives and rebates for acceptance of products carrying our brands and increasing their payments volume of products carrying our brands or indicating a preference for our products.

### Client Standards

**Rulemaking and Enforcement.** In general, our clients are granted licenses to use our brands and to access our transaction processing systems. Our clients are obligated to honor our rules and standards through agreements with, and in certain cases non-equity membership interests in, our subsidiaries. These rules and standards relate to such matters as the use of our brands and trademarks; the standards, design and features of payment cards, devices and programs; processing; merchant acquiring activities, including use of agents; disputes between members; risk management; settlement indemnification; client financial failures and allocation of losses among clients.

We establish and administer dispute management procedures between clients relating to specific transactions. For example, after a transaction is presented to an issuer, the issuer may determine that the transaction is invalid for a variety of reasons, including fraud. If the issuer believes there is a defect in a transaction, the issuer may return the transaction to the acquirer, an action termed a “chargeback.” We enforce rules relating to chargebacks and maintain a dispute resolution process with respect to chargeback disputes.

**Credit Risk Management.** We indemnify issuers and acquirers for any settlement loss suffered due to the failure of another issuer or acquirer to fund its daily settlement obligations. In certain instances, we may indemnify clients even in situations in which a transaction is not processed by our system. We have incurred no material loss related to settlement risk in recent years. See Item 1A—Risk Factors—We risk loss or insolvency if our clients fail to fund settlement obligations for which we have provided indemnifications.

To manage our exposure in the event our clients fail to fund their settlement obligations, we established a credit risk policy with a formalized set of credit standards and risk control measures. We regularly evaluate clients with significant settlement exposure to assess risk. In certain instances, we may require a client to post collateral or provide other guarantees. If a client becomes unable or unwilling to meet its obligations, we are able to draw upon such collateral or guarantee in order to minimize any potential loss. We may also apply other risk control measures, such as blocking the authorization and settlement of transactions, limiting the use of certain types of agents, prohibiting

initiation of acquiring relationships with certain high-risk merchants or suspending or terminating a client's rights to participate in our payments network. The exposure to settlement losses through our indemnification

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is accounted for as a settlement risk guarantee. The fair value of the settlement risk guarantee is estimated using our proprietary model, which considers statistically derived loss factors based on historical experience, estimated settlement exposures at period end and a standardized grading process for clients (using, where available, third-party estimates of the probability of customer failure). See Item 8—Financial Statements and Supplementary Data—Note 12—Settlement Guarantee Management elsewhere in this report.

### Payment System Integrity

The integrity of our payments system is affected by fraudulent activity and other illegal uses of our products. Fraud is most often committed in connection with counterfeit cards or card-not-present transactions using stolen account information resulting from security breaches of systems not associated with VisaNet that store, process or transmit cardholder or account data, including systems operated by merchants, financial institutions and other third-party data processors.

Our fraud detection and prevention offerings include:

- Verified by Visa, a global Internet authentication product, which permits cardholders to authenticate themselves to their issuing financial institution using a unique personal code;

- Visa Advanced Authorization, which provides enhanced fraud detection capability by adding real-time risk scores to authorization messages;

- Chip technologies, embedded microprocessors that provide enhanced security and reduce the incidence of counterfeit card fraud. As a result, Visa has created incentives for merchants and issuers to adopt them, including in the United States. Chip technologies can also carry other applications that enhance the consumer payment experience; and
- CyberSource's Decision Manager solution, which provides access to over 200 validation tests to assess the legitimacy of card-not-present orders.

We work with all participants in the payment system to ensure that any entity that transmits, processes or stores sensitive card information takes necessary steps to secure that data and protect cardholders. For example, we mandate protection of PIN data through use of the Triple Data Encryption Standard and work with the payments industry to manage the Payment Card Industry Data Security Standards (PCI DSS). There has been significant progress in growing industry adoption of PCI DSS, with more than 97% percent of the largest U.S. merchants validating compliance annually.

### Government Regulation

General. Government regulation affects key aspects of our business. Our clients are also subject to numerous regulations applicable to banks and other financial institutions in the United States and elsewhere, and consequently such regulations have the potential to affect our business indirectly. In recent years, our business has come under increasing regulatory scrutiny. See Item 1A—Risk Factors—Increased global regulatory focus on the payments industry may result in costly new compliance burdens on our clients and on us, leading to increased costs and decreased payments volume and revenues.

The Dodd-Frank Act. As noted, during the 2011 fiscal year, the U.S. Federal Reserve established new rules under the Dodd-Frank Act affecting interchange reimbursement fees, network exclusivity and transaction routing. We expect these rules, which include provisions effective in our fiscal 2012 and 2013, to continue to have an adverse impact on our pricing, reduce the number and volume of U.S. debit payments we process and decrease associated revenues. See Item 1A—Risk Factors—The Dodd-Frank Act may continue to have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview. We have significantly modified our debit strategy as a result. See —Overview.

Interchange Reimbursement Fees. We have historically set default interchange reimbursement fees in the United States and many other geographies. The new rules under the Dodd-Frank Act set the maximum U.S. debit interchange reimbursement fee assessed for cards issued by large financial institutions at twenty-one cents plus five basis points, before applying a fraud adjustment of up to an additional one cent. This amounts to a significant reduction from the average system-wide fees charged previously. See Item 1A—Risk Factors—The Dodd-Frank Act may continue to have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business; and Item 1A—Risk Factors—Additional regulation of interchange





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reimbursement fees may have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business.

The United States is not the only jurisdiction to regulate debit interchange reimbursement fees. For example, the Reserve Bank of Australia has enacted a regulation limiting the costs that can be considered in setting interchange reimbursement fees for both our credit and our debit cards.

Interchange reimbursement fees represent a transfer of value among the financial institutions participating in an open-loop payments network such as ours. On purchase transactions, interchange reimbursement fees are paid to issuers by acquirers in connection with transactions initiated from products in our payments system. We generally do not receive any portion of interchange reimbursement fees in a transaction. They are, however, a factor on which we compete with other payments providers and are therefore an important determinant of the volume of transactions we process.

Default interchange reimbursement fees are an important driver of system volume and value. They promote the efficient operation of our payments network by enabling both the issuer and the acquirer to understand the economics of a given transaction before entering into it and by giving our clients an alternative to negotiating transfer pricing with each other. By establishing and modifying default interchange rates in response to marketplace conditions and strategic demands, we seek to ensure a competitive value proposition for transactions using our cards in order to encourage electronic transactions and to maximize participation in the Visa payments system by issuers and acquirers and, ultimately, consumers and merchants. We believe that proper management of interchange rates benefits consumers, merchants, our financial institution clients and us by promoting the overall growth of our payments network in competition with other payment card systems and other forms of payment, and by creating incentives for innovation, enhanced data quality and security.

Merchants do not directly pay interchange reimbursement fees. A merchant's cost of acceptance is determined by its acquirer and is called a merchant discount or merchant discount rate. The merchant discount typically covers the costs that acquirers incur for participation in open-loop payments networks, including those relating to interchange, and compensates them for various other services they provide to merchants. Merchant discount rates and other merchant fees are set by our acquirers without our involvement and by agreement with their merchant clients and are established in competition with other acquirers, other payment card systems and other forms of payment. We do not establish or regulate the level of merchant discount rates or any other fees charged by our acquirers. In some cases, such as India, the governing authorities have regulated the merchant discount rate itself, rather than the interchange reimbursement fee.

**Network Exclusivity and Routing.** We have historically had agreements with some issuers under which they agree to issue certain payment cards that use only the Visa network or receive incentives if they do so. In addition, issuers of some debit products outside the United States have historically chosen to include only the Visa network. We refer to these various practices as network exclusivity. The Dodd-Frank Act limits our and issuers' ability to impose rules for, or choose various forms of, network exclusivity and preferred routing in the debit area. See Item 1A—The Dodd-Frank Act may continue to have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business.

As another example, the Canadian Ministry of Finance has implemented a voluntary Code of Conduct for payment card industry participants, with which Visa has agreed to comply. Among other things, the Code of Conduct prohibits certain restrictions on merchants' choice of payment options they will accept. See Item 1A—Risk Factors—Additional regulations that prohibit us from contracting with clients or requiring them to use only our network, or that deny them the option of selecting only our network, may decrease the number of transactions we process, materially and adversely affecting our financial condition, revenues, results of operations, prospects for future growth and overall business.

**Consumer Financial Protection Bureau.** The Dodd-Frank Act created a new independent Consumer Financial Protection Bureau, with responsibility for most federal consumer protection laws in the area of financial services and new authority with respect to consumer protection issues, including those pertaining to us to some extent. The bureau's future actions may make payment card transactions less attractive to card issuers, consumers and merchants by further regulating the industry.

No-Surcharge Rules. We have historically implemented policies that prohibit merchants from charging higher prices to consumers who pay using Visa instead of other means. Some local jurisdictions have taken steps to limit these no-surcharge rules. For example, the Reserve Bank of Australia enacted a regulation that prohibited us from enforcing our no-surcharge policy and effectively allowed merchants to impose discretionary surcharges on Visa

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transactions without limitation. Recently, the Reserve Bank of Australia, while reinforcing its position that surcharging is appropriate in that market, has taken steps that would allow us to limit the level of surcharges that merchants can impose. Additionally, in the United States there are ten states that prohibit the use of the surcharge as an anti-consumer practice through their state legislatures.

**Data Protection and Information Security.** We devote substantial resources to maintain and to continually refine our information security program in order to comply with U.S. federal and state and foreign regulations safeguarding cardholder information and requiring consumer notification in the event of a security breach. In addition, the U.S. Federal Financial Institution Examination Council periodically reviews certain of our operations in the United States to examine our compliance with data integrity, security and operational requirements and standards, as well as other requirements applicable to us because of our role as a service provider to financial institutions.

**Anti-Money Laundering, Anti-Terrorism and Sanctioned Countries.** In response to U.S. and other regulations, we devote substantial resources to maintain and to continually refine a program to prevent the use of our payments system to facilitate money laundering and the financing of terrorist activities. We also prohibit from being Visa members all financial institutions that are domiciled in countries sanctioned by the U.S. Treasury's Office of Foreign Assets Control—currently Cuba, Iran, Syria and Sudan. In addition, we refrain from any financial dealings with restricted third parties, such as identified money-laundering fronts for terrorists and narcotics traffickers.

**Government-Imposed Market Participation Influences and Restrictions.** Our business's reach remains limited by certain governments' influence on domestic payments competition and/or protection of domestic payment card providers or payment processing providers. Most notably, none of our financial institution clients in China have received authorization to issue cards carrying only our brands for domestic use in China, limiting our opportunities in that market. Regulators in an increasing number of countries around the world, including recently Thailand, Ukraine, the UAE, Mexico, Colombia and Russia, have received statutory authority to regulate certain aspects of the payments systems in these countries.

**Regulation of Internet Transactions.** Many jurisdictions have adopted or are in the process of adopting new regulations and taxes on Internet transactions. Most notably, we have had to implement compliance programs in response to new U.S. regulations requiring the coding and blocking of payments for certain types of Internet gambling transactions. In addition, the U.S. Congress continues to consider regulatory initiatives in the areas of Internet prescription drug purchases, copyright and trademark infringement, and privacy, among others, that could impose additional compliance burdens on us and/or our clients. Some U.S. states are considering a variety of similar legislation. If implemented, these initiatives could require us or our clients to monitor, filter, restrict, or otherwise oversee various categories of payment card transactions, thereby increasing our costs or decreasing our transaction volumes.

Various regulatory agencies also continue to examine a wide variety of issues, including identity theft, account management guidelines, privacy, disclosure rules, security and marketing that would affect our clients directly. These new requirements and developments may affect our clients' ability to extend credit by using payment cards, which could decrease our transaction volumes. In some circumstances, new regulations could have the effect of limiting our clients' ability to offer new types of payment programs or restricting their ability to offer our existing programs such as stored value cards.

### **Intellectual Property**

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology. We own a number of patents and patent applications relating to payments solutions, transaction processing, security systems and other matters. We own numerous valuable trademarks and designs, covering various brands, products, programs and services, which are essential to our business in multiple countries, including, but not limited to Visa, Interlink, PLUS, Visa Electron, the “Winged V” design, and the “Dove” design. Through agreements with our clients, we authorize and monitor the use of our trademarks in connection with their participation in our payments network.

### **Competition**

We compete in the global payment marketplace against all forms of payment, including paper-based forms, principally cash and checks; card-based payments, including credit, charge, debit, ATM, prepaid, private-label and



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other types of general purpose and limited-use cards; eCommerce and mobile-based platforms and other electronic payments, including wire transfers, electronic benefits transfers, automatic clearing house, or ACH, payments and electronic data interchange.

Within the general purpose payment card industry, we face substantial and intense competition worldwide in the provision of payments services to financial institution clients and their cardholder merchants. The leading global card brands in the general purpose payment card industry are Visa, MasterCard, American Express, and Diners Club. Other general purpose card brands are more concentrated in specific geographic regions, such as JCB in Japan and Discover in the United States. In certain countries, our competitors have leading positions, such as UnionPay in China, which remains the sole domestic inter-bank bankcard processor and operates the sole domestic bankcard acceptance mark in China. We also compete against private-label cards, which can generally be used to make purchases solely at the sponsoring retail store, gasoline retailer or other merchant.

In the debit card market segment, Visa and MasterCard are the primary global brands. In addition, our Interlink and Visa Electron brands compete with Maestro, owned by MasterCard, and various regional and country-specific debit network brands including STAR, NYCE, and PULSE in the United States, EFTPOS in Australia, NETS in Singapore, and Interac in Canada. In addition to our PLUS brand, the primary cash access card brands are Cirrus, owned by MasterCard, and many of the online debit network brands referenced above. In many countries, local debit brands are the primary brands, and our brands are used primarily to enable cross-border transactions, which typically constitute a small portion of overall transaction volume.

As the payments landscape evolves, we may increasingly face competition from emerging players in the payment space, many of which are non-financial institution networks that have departed from the more traditional “bank-centric” business model. The emergence of these potentially competitive networks has primarily been via the online channel with a focus on eCommerce and/or mobile technologies. PayPal, Google and Isis are examples. These providers compete with Visa directly in some cases, yet may also be significant partners and customers of Visa.

Based on payments volume, total volume and number of transactions, Visa is the largest retail electronic payments network in the world. The following chart compares our network with those of our major general purpose payment network competitors for calendar year 2011:

| Company                  | Payments<br>Volume<br>(billions) | Total<br>Volume<br>(billions) | Total<br>Transactions<br>(billions) | Cards<br>(millions) |
|--------------------------|----------------------------------|-------------------------------|-------------------------------------|---------------------|
| Visa Inc. <sup>(1)</sup> | \$3,768                          | \$6,029                       | 77.6                                | 2,011               |
| MasterCard               | 2,430                            | 3,249                         | 39.8                                | 1,059               |
| American Express         | 808                              | 822                           | 5.3                                 | 97                  |
| Discover                 | 114                              | 122                           | 1.9                                 | 59                  |
| JCB                      | 160                              | 166                           | 1.4                                 | 77                  |
| Diners Club              | 28                               | 29                            | 0.2                                 | 6                   |

Visa Inc. figures as reported on Form 8-K filed with the SEC on February 8 and May 2, 2012, respectively. Visa figures represent total volume, payments volume and cash volume, and the number of payments transactions, cash transactions, accounts and cards for products carrying the Visa, Visa Electron and Interlink brands. Card counts include PLUS proprietary cards. Payments volume represents the aggregate dollar amount of purchases made with cards carrying the Visa, Visa Electron and Interlink brands for the relevant period. Total volume represents payments volume plus cash volume. The data presented is reported quarterly by Visa's clients on their operating certificates and is subject to verification by Visa. On occasion, clients may update previously submitted information.

Sources: MasterCard, American Express, JCB and Diners Club data sourced from The Nilson Report issue 992 (April 2012). Includes all consumer and commercial credit, debit and prepaid cards. Some prior year figures have been restated. Currency figures are in U.S. dollars. MasterCard excludes Maestro and Cirrus figures. American Express includes figures for third-party issuers. JCB figures include third-party issuers and other payment-related products. Some figures are estimates. Diners Club figures are for the 12 months ended November 30, 2011. Discover data sourced from The Nilson Report issue 986 (January 2012)—U.S. data only and includes business from third-party

issuers.

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For more information on the concentration of our operating revenues and other financial information, see Item 8—Financial Statements and Supplementary Data—Note 14—Enterprise-wide Disclosures and Concentration of Business included elsewhere in this report.

### Working Capital Requirements

Payments settlement due from and due to issuing and acquiring clients represents a substantial daily working capital requirement. U.S. dollar settlements are typically settled within the same day and do not result in a receivable or payable balance, while settlement currencies other than the U.S. dollar generally remain outstanding for one to two business days, consistent with industry practice for such transactions.

### Seasonality

We generally do not experience any pronounced seasonality in our business. No individual quarter of fiscal 2012 or fiscal 2011 accounted for more than 30% of our fiscal 2012 or fiscal 2011 operating revenues.

### Employees

At September 30, 2012, we employed approximately 8,500 persons worldwide. We consider our relationships with our employees to be good.

### Additional Information and SEC Reports

Visa Inc. was incorporated as a Delaware corporation in May 2007. In October 2007, we undertook a reorganization of the global Visa enterprise. Prior to our reorganization, Visa operated as five corporate entities related by ownership and membership, each of which operated as a separate geographic region. As a result of the reorganization, all except Visa Europe became subsidiaries of Visa Inc. Visa Europe entered into a set of contractual arrangements with Visa Inc. in connection with the reorganization. We completed our initial public offering, or IPO, in March 2008.

Our corporate Internet address is <http://www.corporate.visa.com>. On our investor relations page, accessible through our corporate website and at <http://investor.visa.com>, we make available, free of charge our annual reports on Forms 10-K, our quarterly reports on Forms 10-Q, our current reports on Forms 8-K and amendments to those reports as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained on our website, including the information contained on our investor relations website, is not incorporated by reference into this report or any other report filed with, or furnished to, the SEC.

## ITEM 1A. Risk Factors

### Regulatory Risks

Additional regulation of interchange reimbursement fees may have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business.

Interchange reimbursement fees represent a transfer of value among the financial institutions participating in a payments network such as ours. In connection with transactions initiated with products in our payments system, interchange reimbursement fees are typically paid to issuers—the financial institutions that issue Visa cards to cardholders. The fees are typically paid by acquirers—the financial institutions that offer Visa network connectivity and payments acceptance services to merchants. We refer to a system like ours, in which a payment network intermediates between the issuer and the acquirer, as an open-loop system.

We generally do not receive any portion of interchange reimbursement fees in a transaction. They are, however, a factor on which we compete with other payments providers and are therefore an important determinant of the volume of transactions we process. Consequently, changes to these fees can substantially affect our revenues and the pace or breadth of overall payment electronification.

We have historically set default interchange reimbursement fees in the United States and many other geographies. However, in certain jurisdictions, interchange rates and related practices are subject to continuing or increased government regulation. The Dodd-Frank Act has already resulted in limitations on our ability to establish default interchange rates in the debit area in the United States. See —The Dodd-Frank Act may continue to have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business. In addition, interchange rates have become subject to continued or increased scrutiny elsewhere,

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and regulatory authorities and central banks in a number of jurisdictions have reviewed or are reviewing these rates. These jurisdictions include Australia, Canada, Brazil and South Africa.

When we cannot set default interchange rates at optimal levels, issuers and acquirers find our payments system less attractive. This lowers overall transaction volume and slows growth of transactions. It also may increase the attractiveness of closed-loop payments systems—those with direct connections to both merchants and consumers—and other forms of payment. In addition, we believe some issuers are charging new or higher fees to consumers. In some instances, this makes our card programs less desirable and reduces our transaction volumes and profitability. Some acquirers elect to charge higher discount rates to merchants, regardless of the level of Visa interchange, leading merchants not to accept cards for payment or to steer Visa cardholders to alternate payment systems. In addition, some issuers and acquirers have obtained, and may continue to obtain, incentives from us and reductions in the fees that we charge in an effort to reduce the expense of their card programs. For these reasons, additional regulation of interchange reimbursement fees may have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business.

Additional regulations that prohibit us from contracting with clients or requiring them to use only our network, or that deny them the option of selecting only our network, may decrease the number of transactions we process, materially and adversely affecting our financial condition, revenues, results of operations, prospects for future growth and overall business.

In order to give Visa-branded cardholders a consistent experience, we promote certain practices to ensure that Visa-branded cards are processed over our network. We have historically had agreements with some issuers under which they agree to issue certain payment cards that use only the Visa network or receive incentives if they do so. In addition, certain issuers of some products have historically chosen to include only the Visa network. We refer to these various practices as network exclusivity.

In addition, certain network or issuer rules or practices may be interpreted as limiting the routing options of merchants when multiple debit networks co-reside on Visa debit cards. For example, Visa's rules require that an acquirer must process authorizations for all international transactions through VisaNet and that a member must clear international transactions through VisaNet. These are commonly referred to as routing rules.

The Dodd-Frank Act already limits our and issuers' ability to impose rules for, or choose various forms of, network exclusivity and preferred routing in the debit area. See —The Dodd-Frank Act may continue to have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business. Future regulations like the Dodd-Frank Act in the United States and elsewhere could materially decrease the number of transactions we process. In order to retain that transaction volume, we would have to reduce the fees we charge to issuers or acquirers or increase the payments and other incentives we provide to issuers or acquirers or directly to merchants. Any of these eventualities could have a material, adverse effect on our financial condition, revenues, results of operations, prospects for future growth and overall business.

The Dodd-Frank Act may continue to have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business.

As of October 1, 2011, in accordance with the Dodd-Frank Act, the Federal Reserve capped the maximum U.S. debit interchange fee charged by large financial institutions at twenty-one cents plus five basis points, before applying an interim fraud adjustment up to an additional one cent. This amounted to a significant reduction from the average system-wide fees charged previously. The Federal Reserve also issued regulations requiring issuers to make at least two unaffiliated networks available for processing debit transactions on each debit card. The rules also prohibit us and issuers from restricting a merchant's ability to direct the routing of electronic debit transactions over any of the networks that an issuer has enabled to process those transactions.

These regulations have adversely affected our U.S. debit business and associated revenues. They created negative pressure on our pricing, reduced the volume and number of U.S. debit payments we process, and diminished associated revenues, and, although we believe we have now absorbed their principal impact, they could continue to do so.

These pressures have arisen through various channels. A number of our clients obtained fee reductions or increased incentives from us to offset their own lost revenue. Some reduced the number of debit cards they issue and



investments they make in marketing and rewards programs. Some imposed new or higher fees on debit cards or demand deposit account relationships. Some elected to issue fewer cards enabled with Visa-affiliated networks. Many merchants have used the routing regulations to redirect transactions or steer cardholders to other networks

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based on lowest cost or other factors. Other clients and merchants are likely to take similar actions in the future. The Dodd-Frank Act created a new independent Consumer Financial Protection Bureau, with responsibility for most federal consumer protection laws in the area of financial services and new authority with respect to consumer protection issues, including those pertaining to us to some extent. Although the bureau's future actions may benefit consumers, these actions may also make payment card transactions less attractive to card issuers, consumers and merchants by further regulating disclosures, payment card practices, fees, routing and other matters with respect to credit, debit, and prepaid.

Some elements of the Dodd-Frank Act lack definition and create the potential for networks to pursue different strategies subject to their interpretation of the regulation. Our interpretation may result in our pursuit of strategies less effective than those of our competitors.

Overall, the regulations and developments arising from the Dodd-Frank Act could continue to have a material, adverse effect on our financial condition, revenues, results of operations, prospects for future growth and overall business. New regulations or legal action in one jurisdiction or of one product segment may lead to new regulations in other jurisdictions or of other products.

Regulators around the world increasingly note each other's approaches to the regulation of the payments industry. Consequently, a development in any one country, state or region may influence regulatory approaches in another. The Dodd-Frank Act is one development with such potential. Similarly, new laws and regulations in a country, state or region involving one product segment may cause lawmakers there to extend the regulations to another product. For example, regulations like those affecting debit payments could eventually spread to regulate credit.

As a result, the risks created by any one new law or regulation are magnified by the potential they have to be replicated, affecting our business in another place or involving another product segment. These include matters like interchange reimbursement fees, network exclusivity, preferred routing, dynamic currency conversion, point of sale transaction rules and practices, and operating regulations. Conversely, if widely varying regulations come into existence worldwide, we may have difficulty adjusting our products, services and fees, and other important aspects of our business. Either of these eventualities could materially and adversely affect our business, financial condition and results of operations.

Government actions may prevent us from competing effectively against providers of domestic payments services in certain countries, materially and adversely affecting our ability to maintain or increase our revenues.

Governments in some countries provide resources or protection to select domestic payment card networks, brands and processing providers. These governments may take this action in order to support these providers. They may also take this action to keep us from entering these countries, to force us to leave, or to restrict substantially our activities there. For example, the government of China continues to maintain regulations that substantially favor China Union Pay, the only retail payments network currently operating in the Chinese domestic market. Additionally, governments in some countries may consider regulatory requirements that mandate processing of domestic payments entirely in that country. This would prevent us from utilizing our global processing capabilities for our clients. Our efforts to effect change in these countries may not succeed. This could adversely affect our ability to maintain or increase our revenues and extend our global brands.

Regulation in the areas of consumer privacy and data use and security could decrease the number of payment cards issued, our payments volume and our revenues.

Recently, privacy, data use and security have received heightened legislative and regulatory focus in the United States and elsewhere. For example, in many jurisdictions consumers must be notified in the event of a data breach. These measures may increase our and our clients' costs. They may also decrease the number of Visa-branded cards our clients issue. This would materially and adversely affect our profitability. In addition, our failure or the failure of our clients to comply with these laws and regulations could result in fines, sanctions, litigation and damage to our global reputation and our brands.

Increased global regulatory focus on the payments industry may result in costly new compliance burdens on our clients and on us, leading to increased costs and decreased payments volume and revenues.



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Regulation of the payments industry has increased significantly in recent years. Complying with these and other regulations increases our costs and can reduce our revenue opportunities. Similarly, the impact of such regulations on our clients may reduce the volume of payments we process. Moreover, such regulations can limit the types of products and services that we offer, the countries in which our cards are used and the types of cardholders and merchants who can obtain or accept our cards. Any of these occurrences can materially and adversely affect our business, prospects for future growth, financial condition and results of operations.

Examples include:

**Data Protection and Information Security.** Aspects of our operations and business are subject to privacy and data protection regulation in the United States and elsewhere. Our financial institution clients in the United States are subject to similar requirements under the guidelines issued by the federal banking agencies. In addition, many U.S. states have enacted legislation requiring consumer notification in the event of a security breach.

**Anti-Money Laundering and Anti-Terrorism Financing.** The U.S.A. PATRIOT Act and similar laws in other jurisdictions require us to maintain an anti-money laundering program. Sanctions imposed by the U.S. Treasury Office of Foreign Assets Control, or OFAC, restrict us from dealing with certain countries and parties considered to be connected with money laundering, terrorism or narcotics. Non-U.S. Visa International members may not be similarly restricted, so in some cases third parties could try to use our payments system for transactions in or involving countries or parties subject to OFAC-administered sanctions. We have controls in place designed to ensure OFAC compliance, but if those controls should fail, we could be subject to penalties, reputational damage and loss of business.

**Regulation of the Price of Credit.** Many jurisdictions in which our cards are used have regulations that could increase the costs of card issuance or decrease the flexibility of card issuers to charge market-based interest rates and fees on credit card accounts. These include the Credit CARD Act in the United States and proposed regulations under it. They also include proposed changes to the Federal Truth in Lending Act, which, if implemented along with regulations required to be promulgated under the Credit CARD Act, could result in a decrease in our payments volume and revenues.

**Increased Central Bank Oversight.** Several central banks around the world have increased, or are seeking to increase, their formal oversight of the retail electronic payments industry, in some cases designating them as “systemically important payment systems.” Such oversight may lead to additional regulations. These could include new settlement procedures or other operational rules to address credit and operational risks. They could also include new criteria for member participation and merchant access to our payments system.

**Safety and Soundness Regulation.** Recent banking regulations enacted in the United States and elsewhere may make some financial institutions less attracted to becoming an issuer of our cards, because they may be subject to increased risk management or higher capital requirements.

**Regulation of Internet Transactions.** Proposed legislation in various jurisdictions may make it less desirable or more costly to complete Internet transactions using our cards by affecting the legality of those transactions, the law that governs them, their taxation or the allocation of intellectual property rights.

**Money Transfer Regulations.** As we expand our product offerings, we may become subject to U.S. state money transfer regulations, increasing regulatory oversight and costs of compliance.

### **Litigation Risks**

Our retrospective responsibility plan may not adequately insulate us from the impact of settlements or final judgments.

Our retrospective responsibility plan addresses monetary liabilities from settlements of, or final judgments in, the covered litigation, which is described in Note 3—Retrospective Responsibility Plan to our consolidated financial statements included in Item 8 of this report. The retrospective responsibility plan consists of several related mechanisms to fund settlements or judgments in the covered litigation. These include an escrow account funded with a portion of the net proceeds of our initial public offering and potential subsequent offerings of our shares of class A common stock (or deposits of cash into the escrow account in lieu of such offerings). They also include a loss sharing agreement and a judgment sharing agreement. In addition, our U.S. members are obligated to indemnify us pursuant to Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements. These

mechanisms are unique, complicated, and tiered, and if we cannot use one or

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more of them, this could have a material adverse effect on our financial condition and cash flows, or, in certain circumstances, even cause us to become insolvent.

The principal remaining covered litigation involves interchange reimbursement fees. Since 2005, approximately 55 class actions and individual complaints have been filed on behalf of merchants against us, MasterCard and/or other defendants, including certain financial institutions that issue Visa-branded payment cards and acquire Visa-branded payment transactions in the U.S. We refer to this as the interchange litigation. Among other antitrust allegations, the plaintiffs have alleged that Visa's setting of default interchange rates violated federal and state antitrust laws. The lawsuits were transferred to a multi-district litigation in the U.S. District Court for the Eastern District of New York. The plaintiffs in the interchange litigation seek damages for alleged overcharges in merchant discount fees as well as injunctive and other relief. The consolidated class action complaint alleges that the plaintiffs estimate that damages will range in the tens of billions of dollars. Because these lawsuits were brought under the U.S. federal antitrust laws, any actual damages will be trebled.

The allocation of any monetary judgment or a settlement among the defendants is governed by an omnibus agreement dated February 7, 2011. See Note 3—Retrospective Responsibility Plan and Note 21—Legal Matters to our consolidated financial statements included in Item 8 of this report. The Visa portion of a settlement or judgment covered by the omnibus agreement would be allocated in accordance with specified provisions of our retrospective responsibility plan.

The Company's litigation escrow account currently contains an amount that covers our exposure in the interchange litigation as negotiated with the class plaintiffs. On October 19, 2012, we signed settlement agreements in these cases, including an agreement to pay approximately \$4 billion to the class plaintiffs. The court granted preliminary approval of the settlement agreement with the class plaintiffs on November 9, 2012. However, the agreement with the class plaintiffs remains subject to final court approval and the adjudication of any appeals. We cannot assure that the court will provide final approval of the settlement or that we will win any appeals.

Failure of our retrospective responsibility plan to insulate us adequately from the impact of such settlements or judgments could result in a material adverse effect on our financial condition and cash flows. Such a failure could even cause us to become insolvent. The retrospective responsibility plan addresses only the covered litigation. The plan generally does not cover other pending litigation or any litigation that we may face in the future, except for cases that include claims for damages relating to the period prior to our initial public offering that are transferred for pre-trial proceedings or otherwise included in the interchange litigation. See —If we are found liable in other pending or future lawsuits, we may have to pay substantial damages. In addition, non-monetary settlement terms and judgments in the covered litigation may require us to modify the way we do business. See —Limitations on our business resulting from litigation may materially and adversely affect our revenues and profitability. Therefore, even if our retrospective responsibility plan provides us with adequate funding to satisfy our obligations with respect to monetary liabilities from settlements of, and judgments in, the covered litigation, it will not insulate us from the monetary impact of all litigation.

If we are found liable in other pending or future lawsuits, we may have to pay substantial damages.

Like many other large companies, we are a defendant in a number of civil actions and investigations alleging violations of competition/antitrust law, consumer protection law, or intellectual property law, among others. Examples of such claims are described more fully in Note 21—Legal Matters to our consolidated financial statements included in Item 8 of this report. Some lawsuits involve complex claims that are subject to substantial uncertainties and unspecified damages; therefore, we cannot ascertain the probability of loss or estimate the damages. Accordingly, we have not established allowances for such legal proceedings.

Private plaintiffs often seek class action certification in cases against us. This is particularly so in cases involving merchants and consumers, due to the size and scope of our business. If we are found liable in a large class action lawsuit, such as the United States or Canadian merchant class action lawsuits, monetary damages could be significant. See Note 21—Legal Matters to our consolidated financial statements included in Item 8 of this report.

If we are unsuccessful in our defense against any material current or future legal proceedings, we may have to pay substantial damages. This could result in a material and adverse effect on our results of operations, cash flow and financial conditions and could even cause us to become insolvent.



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Limitations on our business resulting from litigation may materially and adversely affect our revenues and profitability.

Certain limitations have been placed on our business in recent years because of litigation. We may also have to change our business practices in response to pending or future litigation. For example, in the pending settlement agreement in the interchange litigation, we have agreed, among other things, to permit merchants to add surcharges to credit transactions under certain circumstances.

These and other settlements of, or judgments in, past, pending and future litigation could force us to limit further the fees we charge, to revise further our rules about fees charged to consumers who choose to pay with Visa, or to make other modifications to our business. These modifications could materially and adversely affect our payments volume, revenues, operating results, prospects for future growth and overall business.

Tax examinations or disputes, or changes in the tax laws applicable to us, could materially increase our tax payments. We exercise significant judgment in calculating our worldwide provision for income taxes and other tax liabilities. Although we believe our tax estimates are reasonable, many factors may decrease their accuracy. We are currently under examination by the U.S. Internal Revenue Service and other tax authorities, and we may be subject to additional examinations in the future. The tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. Failure to sustain our position in these matters could result in a material and adverse effect on our cash flow and financial position. In addition, changes in existing laws, such as recent proposals for fundamental U.S. and international tax reform, may also increase our effective tax rate. A substantial increase in our tax burden could have a material, adverse effect on our financial results. See also Note 20—Income Taxes to our consolidated financial statements included in Item 8 of this report.

Our agreement with Visa Europe includes indemnity obligations that could expose us to significant liabilities. Under our framework agreement with Visa Europe, we indemnify it for losses resulting from all claims outside its region arising from our or their activities and relating to our or their payments business. This obligation applies even if neither we nor any of our related parties or agents participated in the actions giving rise to such claims. Such an obligation could expose us to significant liabilities for activities over which we have little or no control. Our retrospective responsibility plan would not cover these liabilities.

### Business Risks

The intense pressure we face on client pricing may materially and adversely affect our revenues and profits.

We offer incentives to clients in order to increase payments volume, enter new market segments and expand our card base. These include up-front cash payments, fee discounts, credits, performance-based incentives, marketing support payments and other support. Over the past several years, we have increased the use of incentives such as up-front cash payments and fee discounts in many countries, including the United States.

In order to stay competitive, we may have to continue to increase our use of incentives. The economic pressures on our clients arising from the Dodd-Frank Act have increased this pressure. See —The Dodd-Frank Act may continue to have a material, adverse impact on our financial condition, revenues, results of operations, prospects for future growth and overall business. This pressure may make the provision of certain products and services less profitable or unprofitable and may materially and adversely affect our revenues and profits.

Pressure on client pricing also poses indirect risks, presenting the potential for the same adverse effects. If we continue to increase incentives to our clients, we will need to find ways to offset the financial impact by increasing payments volume, the amount of fee-based services we provide or both. We may not succeed in doing so, particularly in the current regulatory environment. In addition, we benefit from long-term contracts with certain clients, including those that are large contributors to our revenue. Continued pressure on our fees could prevent us from entering into such agreements in the future on favorable terms. We may also have to modify existing agreements in order to maintain relationships or comply with regulations. Finally, increased pricing pressure enhances the importance of cost containment and productivity initiatives in areas other than those surrounding client incentives, and we may not succeed in these efforts.

Intense competition in our industry may cause our business, financial condition, results of operations and





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prospects for future growth to suffer.

The global payments industry is intensely competitive. Our payment programs compete against all forms of payment. These include cash, checks, and electronic and mobile transactions. In addition, our payment programs compete against the card-based payments systems of our competitors and private-label cards issued by merchants. The Dodd-Frank Act has increased this competitive pressure.

Some of our competitors may develop substantially greater financial and other resources than we have. They may offer a wider range of programs, products and services than we do, including more innovative ones. They may use advertising and marketing strategies that are more effective than ours, achieving broader brand recognition and merchant acceptance than we do. They may develop better security solutions or more favorable pricing arrangements than we have.

Certain of our competitors operate with different business models, have different cost structures or participate selectively in different market segments. These include domestic networks in the United States, China, Canada, Australia, and other countries and regions. They may ultimately prove more successful or more adaptable to new regulatory, technological and other developments. In many cases, these competitors have the support of government mandates that prohibit, limit or otherwise hinder our ability to compete for or otherwise secure transactions within those countries and regions.

Traditional or untraditional competitors may put us at a competitive disadvantage by leveraging services or products in areas in which we do not directly compete to win business in areas where we do compete. Our clients can reassess their commitments to us at any time or develop their own competitive services. The risk to maintaining or securing our clients' long-term commitments to our products has increased with the Dodd-Frank Act's restrictions on network exclusivity in the debit sector. Most of our larger client relationships are not exclusive. These include those with our largest clients: JPMorgan Chase and Bank of America. In certain circumstances, our clients may terminate these relationships, sometimes on relatively short notice, and in many cases subject to significant early termination fees. Because a significant portion of our operating revenues is concentrated among our largest clients, our operating revenues would decline significantly if we lost one or more of them. This could have a material adverse impact on our business, financial condition and results of operations. See Note 14—Enterprise-wide Disclosures and Concentration of Business to our consolidated financial statements included in Item 8 of this report.

We expect there to be changes in the competitive landscape in the future. For example:

• competitors, clients and others may develop products that compete with or replace the value-added services we provide to support our transaction processing;

• parties that process our transactions in certain countries may try to eliminate our position in the payments value chain;

• participants in the payments industry may merge, form joint ventures or enter into other business combinations that strengthen their existing business propositions or create new, competing payment services; or

• competition may increase from alternative types of payment services, such as mobile payments services, online payment services and services that permit direct debit of consumer checking accounts or ACH payments.

Our failure to compete effectively in light of any such developments could materially and adversely affect our business, financial condition, revenues, results of operations and prospects for future growth.

Disintermediation from the payments value chain would harm our business.

Our position in the payments value chain underpins our business. Certain of our competitors, including American Express, Discover, private-label card networks and certain alternative payments systems, operate closed-loop payments systems, with direct connections to both merchants and consumers and no intermediaries. These competitors seek to derive competitive advantages from this business model. The Dodd-Frank Act and other regulatory actions have provided and may in the future provide them with increased opportunity to do so. In addition, although they pursue the same or similar lines of business using the same or similar business and commercial models, they have not attracted the same level of legal or regulatory scrutiny of their pricing and business practices as operators of multi-party payments systems such as ours.

We also run the risk of disintermediation by virtue of increasing bilateral agreements between entities that would rather not use a payment network for processing payments. For example, merchants could process



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transactions directly with issuers, or processors could process transactions directly between issuers and acquirers. Additional consolidation in the banking industry could result in our losing business and create pressure on the fees we charge our clients, materially and adversely affecting our business, revenues, results of operations and prospects for future growth

In the recent past, the banking industry experienced substantial, accelerated consolidation. This could happen again. Significant consolidation in the banking industry may result in the acquisition of one or more of our largest clients by an institution with a strong relationship with one of our competitors. This could result in the acquired bank's Visa business shifting to that competitor, resulting in a substantial loss of business to us. In addition, one or more of our clients could merge with or acquire one of our competitors, shifting its payments volume to that competitor.

Additional consolidation in the banking industry could also reduce the overall number of our clients and potential clients and could increase the negotiating power of our remaining clients and potential clients. This consolidation could lead financial institutions to seek greater pricing discounts or other incentives with us. In addition, more consolidation could prompt our existing clients to seek to renegotiate their pricing agreements with us to obtain more favorable terms. We may also be adversely affected by price compression should one of our clients absorb another financial institution and qualify for higher volume-based discounts on the combined volumes of the merged businesses. Pressure on the fees we charge our clients caused by such consolidation could materially and adversely affect our business, revenues, results of operations and prospects for future growth.

Merchants' continued focus on the costs associated with payment card acceptance may result in more litigation, regulation, regulatory enforcement and incentive arrangements.

We rely in part on merchants and their relationships with our clients to maintain and expand the acceptance of our payment cards. Consolidation in the retail industry is producing a group of larger merchants that is having a significant impact on all participants in the global payments industry. Some merchants have sought to reduce their costs associated with payment card acceptance by lobbying for new legislation and regulatory enforcement and by bringing litigation. If they continue, these efforts could materially and adversely affect our revenues, results of operations, prospects for future growth and overall business.

We and our clients negotiate pricing discounts and other incentive arrangements with certain large merchants to increase acceptance and usage of our payment cards. If merchants continue to consolidate, we and our clients may have to increase the incentives provided to certain larger merchants. This could materially and adversely affect our revenues, results of operations, prospects for future growth and overall business. Competitive and regulatory pressures on pricing could make it difficult to offset the cost of these incentives.

Certain financial institutions have exclusive, or nearly exclusive, relationships with our competitors to issue payment cards, and these relationships may adversely affect our ability to maintain or increase our revenues.

Certain financial institutions have longstanding exclusive, or nearly exclusive, relationships with our competitors to issue payment cards. These relationships may make it difficult or cost-prohibitive for us to conduct material amounts of business with them in order to increase our revenues. In addition, these financial institutions may be more successful and may grow more quickly than our clients, which could put us at a competitive disadvantage.

Failure to maintain relationships with our clients, merchant acquirers, merchants and vendors, and the failure of clients to provide services on our behalf could materially and adversely affect our business.

We depend and will continue to depend significantly on relationships with our clients and on their relationships with cardholders and merchants to support our programs and services. We do not issue cards, extend credit to cardholders or determine the interest rates, if any, or other fees charged to cardholders using cards that carry our brands. Each issuer determines these and most other competitive card features. With the exception of several large merchants, historically, we have generally not solicited merchants directly to accept our cards. As a result, the success of our business has depended significantly on, and will continue to depend on, the continued success and competitiveness of our clients and the strength of our relationships with them.

In the wake of the Dodd-Frank Act's changes to rules on network exclusivity, we have engaged and expect to continue to engage in significantly more discussions with merchants and merchant acquirers and processors. We



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already engage in many co-branding efforts, in which we contract with the merchant, who directly receives incentive funding. We also engage with merchants and merchant acquirers and processors to provide funding to promote routing and acceptance growth. As these and other relationships take on a greater importance for both merchants and us, our success will increasingly depend on our ability to sustain and grow these relationships.

In many countries outside the United States, our clients or other processors authorize, clear and settle most domestic transactions using our payment cards without involving our processing systems. This pattern is increasing with a rise in new systems endorsed by governments. In addition, we historically have not generally had direct relationships with merchants there, and shifting technology and development may further increase such activity. We do not have direct relationships with cardholders. Consequently, we depend on our close working relationships with our clients to effectively manage the processing of transactions involving our cards. Our inability to control the end-to-end processing for cards carrying our brands in these countries may put us at a competitive disadvantage by limiting our ability to ensure the quality of the services supporting our brands.

In addition, we depend on third parties to provide various services on our behalf, and to the extent that third-party vendors fail to deliver services, our business and reputation could be impaired.

The perception of our company in the marketplace may affect our brands and reputation, which are key assets of our business.

Our brands and their attributes are key assets of our business. The ability to attract and retain consumer cardholders and corporate clients to Visa-branded products depends highly upon the external perceptions of our company and our industry. Our business may be affected by actions taken by our clients that change the perception of our brands. From time to time, our clients may take actions that we do not believe to be in the best interests of our brands, such as creditor practices that may be subject to challenge, which may materially and adversely affect our business. Further, Visa Europe has very broad latitude to operate the Visa business in and use our brands and technology within Visa Europe's region, in which we have only limited control over the operation of the Visa business. Visa Europe is not required to spend any minimum amount of money promoting or building the Visa brands in its region, and the strength of the Visa global brands depends in part on the efforts of Visa Europe to maintain product and service recognition and quality in Europe. Adverse developments with respect to our industry may also, by association, impair our reputation or result in greater regulatory or legislative scrutiny. Finally, because we are domiciled in the United States, a negative perception of the United States arising from its political or other positions could harm the perception of our company and our brand. Any of these factors could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

Unprecedented economic events in financial markets around the world have and are likely to continue to affect our clients, merchants and cardholders, resulting in a material and adverse impact on our prospects, growth, profitability, revenue and overall business.

Unprecedented economic events that began in 2008 continue to affect the financial markets around the world. These include decreased consumer spending; increased unemployment; deflation; increased savings; decreased consumer debt; excess housing inventory; lowered government spending; decreased export activity; continued challenges in the credit environment; continued equity market volatility; additional government intervention; bank instability; downgrades of sovereign, bank and commercial debt; political issues affecting the handling of national debt; and the uncertainty arising from new government policies. This economic turmoil has affected the economies of Europe, the United States and other mature economies in particular.

The fragility of the current situation would be exacerbated if additional negative economic developments were to arise. These include defaults on government debt, exhaustion of U.S. and other national economic stimulus packages, significant increases in oil prices, tax increases, a significant decline in the commercial real estate market, and policy missteps. Most recently, the economic situation in Europe has been particularly unstable, arising from the real prospect of a default by Greece, Portugal, Spain and other nations on their debt obligations. If such a default occurs, or if the measures taken to avert such a default create their own instability, economic turmoil is likely to result, and the impact is likely to be global and highly significant. In addition, the so-called "fiscal cliff" in the United States—the combination of expiring tax cuts and mandatory reductions in federal spending at the end of 2012—has the potential to have an impact on the economy and the stock market.

The severity of the economic environment and the response by financial institutions and governments may create new risks or increase the impact of existing ones. These include the following: