The Canadian Club of Toronto
November 14, 1995

Good afternoon ladies and gentlemen.

Thank you for your kind invitation. I am privileged to be here..

I would also like to thank you for your business. 79 percent of all Canadian cardholders carry at least one Visa card.

When those who are not in banking learn what I do, they frequently say, "you know, I really don't know how Visa works. Do you issue cards?

Do you make loans? What is the role of banks? Are your shares publicly traded?"

And then after I answer those questions, another series follows which indicates a surprising interest in what we do and how we do it. So, I'll answer some of those questions today, then speculate about the future.

I've provided each of you with the card of the future and material explaining it. We call it a relationship card. It is a single chip card that will access both credit and deposit accounts and a lot more.

Unfortunately nobody yet accepts them, but this will give you an idea of where we are going.

Today, I'm going to give you a brief Visa backgrounder, and then we'll go on a one hundred year journey ending in the year 2014. It's great when you can do 100 years in 15 minutes!

First Visa - what is it and what is it about?
Visa does not issue cards,
Visa does not make loans,
and Visa is not publicly traded.

Visa is owned by 18,000 banks who compete with each other. It is they who issue Visa cards, make credit card loans, and establish a network of merchants.

Visa provides a global system, a network and an infrastructure for acceptance at merchants and cash machines, and for authorization, clearing and settlement of payment transactions.

Through its network, Visa provides global connectivity for banks, merchants and card holders. Next to the Visa brand, this connectivity is Visa's greatest asset.

Visa provides standards and rules to assure worldwide consistency, quality and interoperability between different banks and merchants.

The Visa brand means trust by a cardholder that it works, anywhere in the world, and it means trust by the merchant that he or she will be paid. It means Visa is a trusted third party, the stamp of approval and reliability.

The Visa card provides access to lines of credit or to deposits or, in the future, to other banking relationships.

A key to the success has been and will be the ability of Visa to authenticate that the card is not counterfeit, that the holder is the card owner and is who she says she is, and that the merchant is who he says he is. As we go into the future, the ability to authenticate will be an even more critical role.

Banks price their Visa services competitively and independently of Visa and of other Visa banks. Visa connects these banks to the Visa network which creates a global system of connectivity between Visa banks, their merchants and their customers.

This connectivity allows all three groups to inter-operate with each other so that payments freely flow from the cardholder, to his bank, to the merchants' bank and finally to the merchant.

This interchange of payments between banks is made possible through a worldwide system called VisaNet. This system provides the network for authorization, clearing and settlement, and for information and fraud control.

The basic functions Visa performs have existed in various forms from the very beginning of the payment card business and will exist in the electronic digital payments of the future.

Now, I'd like to take you on a trip that starts as far back as 1914 and continues through 2014. This hundred year journey will take you through increasing payment convenience to a destination where payments and banking can be done securely and privately anywhere you are.

We will arrive at that destination when the world becomes digital and cardholders become connected. It will have been a 100 year journey.

We begin this journey in 1914, when Western Union issued a metal payment card to preferred customers.

Ten years later, General Petroleum Corporation of California issued "Metal Money" - metal cards - first to its employees, and later to the public.

Then came the forerunner of the modern credit card. In the 50's, Diners Club issued a card limited to restaurants.

American Express also issued a charge card that had to be paid off at the end of the month. Acceptance was limited primarily to travel and entertainment merchants.

American Express had limited acceptance and was not an association of banks. So, they have not been able to achieve Visa's high levels of acceptance and have attained only 11 percent of the global market share compared to Visa's 52 percent.

During this same period, several banks started issuing credit cards. Most notably was Bank of America with their BankAmericard. These were proprietary bank cards which accessed lines of credit but did not interchange payment with other banks.

You'll notice some limiting characteristics with respect to the early history of these cards.

They lacked broad merchant acceptance and lacked interoperability between banks and merchants.

In 1965, the Bank of America began licensing agreements with banks outside of California. Acceptance broadened and interchange of payments with other banks began.

At that time, Bank of America formed a membership organization to administer the use of the blue, white and gold brand. Within four years, this expanded to banks operating in 15 countries under a B of A company called IBANCO which unified rules, procedures and standards so that the payment card could operate consistently between banks and their merchants in these 15 countries. Canada issued the very successful blue, white and gold Chargex card at that time.

This system grew rapidly, but by 1977 member banks felt the need to be independent of Bank of America. So the Bank of America decided to relinquish its control, allowing an independent association

The name of the card was then changed to Visa. It was mounted on the same blue, white and gold. . At that time the Chargex name was also changed to Visa.

In 1979 a magnetic stripe was added to the back of the card which made the authentication an electronic process and reduced fraud and credit losses. We now believe the magnetic stripe will be replaced by a computer chip on the card within ten years.

By 1982, Visa became the overwhelmingly preferred payment brand in the world. In 1995, Visa had over 18,000 banks in 247 countries, with more than 425 million Visa cards in circulation.

By 1995 Visa also had earned a global market share exceeding all other brands combined. The closest competitor is 20 share points behind.

In 1996, payment volume is expected to exceed $750 billion U.S. dollars

In three years, that will grow to One Trillion U.S. Dollars.

From 1992 through 1995, growth has exceeded 20 percent per year. And it is expected to grow that amount again in 1996.

During most of the period from 1914 until 1995, the card was used to access a line of credit or a deferred payment account. In 1988, a Visa card was developed to access deposit accounts as a direct substitute for cash and checks. This Visa Check Card is accepted by all 12.5 million Visa merchants and 250,000 cash machines around the world, regardless of currency differences.

Customers can use both Visa Check Cards and Visa credit cards in almost any country to obtain local currency from the ubiquitous ATM with the Visa decal.

Whereas in 1975, the system was based on paper exchange similar to check clearing, today it is mostly based on electronic data capture and electronic authorization. In Canada, between 65 and 70 percent of transactions are authorized electronically.

Visa operates through decentralized authority. Banks in Canada for example, are members of Visa Canada, an association they own and control.

It is autonomous, subject only to worldwide rules that assure global quality levels, brand integrity, and interoperability.

Today, Visa provides many products for its members and their customers. These products range from Visa Gold to Visa Cash.

Specialized Visa payment products for businesses have become popular. Visa provides products for fraud control and, of course, it provides the global system for authorization, clearing and settlement. Visa also operates a large system that mathematically detects fraudulent patterns.

In 1995 , Visa International introduced a remote banking service so that access could be from many remote access devices anywhere they happen to be. This service is called Visa Interactive. It allows customers to access their banking accounts electronically through screen phones, TV's and personal computers. It allows customers also to pay bills quickly from remote locations.

I thought you might enjoy seeing what we have planned. So we've prepared a video of our view of the future.

(VIDEO)

What you see in that video will be a reality for most Visa cardholders by 2014. Now imagine yourselves in 2014, looking back in history.

So we recall that back in 1996, Visa introduced a chip card which could store monetary value. Canada led the way with pilot programs of this card which could be loaded from ATM cash machines. A few months later, it was rolled out at the Atlanta Olympic Games to one million cardholders and accepted by 5,000 merchants.

It was called Visa Cash and was the forerunner of the Visa relationship card which became a reality at about the turn of the century.

By 1998, most personal billing was presented electronically to customers through Visa Interactive. These bills were sent to electronic addresses where they could be opened electronically and paid electronically. Bookkeeping and balancing was automatic.

By 2000, the Visa Cash card was re-loadable at home by PC's and screen phones. Customers could get digital cash anywhere they were, and ATM's moved to the home.

For the first five years after the turn of the century, attention turned to new technologies to identify individuals. Personal Identification Numbers in conjunction with chip cards had worked well, but by 2005 Visa felt that new technologies were required to stay ahead of the criminals. Governments had growing concerns about counterfeit passports and licenses and had been working with Visa for several years to use the chip on the card for passport and licensing information.

Chip technology had advanced so that it was very difficult to counterfeit cards. Attention had turned to finding foolproof ways to identify the cardholder as the owner. In addition, by 2005, many cards were virtual, embedded in devices such as PCs and phones.

So in 2007, Visa introduced a "quick glimpse technology" at the point of transaction which captured physical characteristics and then digitally compared them with those stored on the chip or in the virtual card embedded in the PC. The technology was so successful that by 2010, several large countries were using the Visa chip card for passports and using the "quick glimpse technology" to authenticate its owner.

By 2014, both telecommunications and computing costs had become so inexpensive that on-line, on-demand transactions using central files were common. The card had become an interactive relationship card.

It was continuously interacting with central data bases through exchanging and storing information. It had both on-line and off-line capability depending on the situation.

By 2014, the relationship card could operate as both a physical relationship card and as a virtual interactive relationship card.

Now in 2014, when the card is in its virtual form, instructions for its use can be made by voice or by text. The virtual card performs the same relationship functions as the plastic interactive relationship card. Both store digital physical identification characteristics; both store information and value.

But the virtual card exists only in electronic form, digits not molecules.

In 2014, the plastic relationship card has become an electronic wallet that, in digital form, carries almost everything people carried in their wallets or purses back in 1995. Most have really become hand-held PCs with the Visa card embedded.

These devices are used for tickets, reservations, airline travel, money transfer, bill paying, medical information, and the like. They have made the world dramatically more convenient.

Here in 2014, over half of Visa cards are virtual cards.

The era of the interactive virtual Visa relationship card has arrived. Plastic cards are being phased out.

Today in 2014, customers still feel trust and confidence when they use their Virtual Visa Card. Merchants still feel trust and confidence when they accept a virtual Visa Card transaction.

From a small metal card used by Western Union at the beginning of a telecommunications age, to the Virtual Visa Relationship Card, Visa payment cards have grown with technology to fulfill the expectations of a growing world market that craves convenience, reliability and speed.

But we've been here in 2014 too long. Enough. Let's get back to 1995 where we're just about to begin the final part of our journey--this time for real.

Thank you.