



National Credit Union Administration

November 1, 2007

Joshua Floum, General Counsel
Visa Inc.
P.O. Box 8999
San Francisco, CA 94119

Re: Receipt by Federal Credit Unions of Stock in Visa, Inc.

Dear Mr. Floum:

Visa Inc. recently announced completion of a restructuring that will result in Visa Inc. issuing common stock to members of Visa U.S.A., including credit unions. In the prospectus associated with this issuance of stock, Visa has stated "we expect that federal or state-chartered credit unions may be required to seek the advice of their relevant federal and state regulators in connection with the receipt and holding of our common stock." Visa Proxy-Statement Prospectus, dated June 22, 2007, at p.28.

This statement has likely prompted, at least in part, the inquiries the Office of General Counsel at the National Credit Union Administration has received regarding the permissibility of federal credit unions (FCUs) receiving the stock. Given our understanding of the stock issuance, which is based on our review of the prospectus and discussion with Visa staff, we conclude FCUs may receive and retain the Visa stock because it is a by-product of lending, a permissible activity for FCUs, and does not require FCUs to invest in an otherwise impermissible investment.

Summary of Transaction

Visa U.S.A. will become a subsidiary of Visa Inc. as part of a restructuring and its members will receive stock in Visa Inc. calculated on the basis of fees a member has generated in the past. Members will not compensate Visa Inc. for the stock, will receive the stock without taking any further action, and no cash or other rewards to members are available in lieu of the stock.

Analysis

Generally, the Federal Credit Union Act does not authorize FCUs to invest in the stock of companies other than credit union service organizations (CUSOs), and Visa Inc. is not a CUSO. 12 U.S.C. §1757; See OGC Op. No. 92-0916 (October 27, 1992)(attached). The Visa restructuring, however, presents a unique situation. FCUs are not actually making an investment in Visa stock, namely, they are paying no tangible consideration and are receiving it as the result of the

Joshua Floum
November 1, 2007
Page 2

business decisions of Visa, a third party. Further, one primary aspect of the business of credit unions is to lend to their members, and an FCU's eligibility for Visa stock is directly connected to the FCU's previous volume of lending as a part of the Visa program. Accordingly, we conclude FCU receipt of this Visa stock is the by-product of a permissible lending activity, and an FCU may receive and retain the stock unless its examiner determines holding the stock is a safety and soundness problem for that FCU.

State-chartered credit unions should consult with the appropriate state supervisory agency about the permissibility of their receipt of the stock and any regulatory restrictions that may apply.

Sincerely,



Sheila A. Albin
Associate General Counsel

OGC/PMP/SAA:bts
07-1022
Attachment



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

October 27, 1992

Robert L. Bevan
K. Blake Thatcher
Hopkins & Sutter
Three First National Plaza
Chicago, IL 60602

Re: Ownership of Cash Station, Inc., Stock by
Federal Credit Unions (Your September 10,
1992, Letter)

Dear Messrs. Bevan and Thatcher:

You have asked for National Credit Union Administration (NCUA) approval for Zenith Federal Credit Union and all federal credit unions (FCUs) to purchase common stock issued by Cash Station, Inc. (Cash Station). Please be advised that FCUs may not purchase such stock.

Background

Cash Station is an Illinois not-for-profit corporation whose members are federally and Illinois-chartered banks, thrifts, and credit unions. Cash Station operates an electronic funds transfer system that permits a depositor or shareholder of a member institution to obtain cash from, make deposits in, and perform other banking transactions through, an automated teller machine (ATM) maintained by another institution. Cash Station presently has approximately 435 members, who have established approximately 1,800 ATMs that are shared in the Cash Station Network (Network). Cash Station is starting a point of sale (POS) program, under which cardholders will also be able to purchase goods and services from participating retailers at retail locations at which POS devices have been established.

Cash Station is considering changing its structure to a Delaware stock corporation, to be called Cash Station Delaware. The stockholders of the new corporation will be the financial institutions that are currently members of Cash Station. Financial institutions will be permitted to

Vol. II, E, 5

Robert L. Bevan
October 27, 1992
Page 2

participate in the Network without owning stock of Cash Station Delaware and will be subject to the same fee schedule as institutions that own stock.

You have raised four separate arguments in support of your request for approval of FCU purchase and ownership of stock in Cash Station Delaware. Your arguments and our responses will be discussed below.

Analysis

1. Your first argument is based on Section 107(4) of the FCU Act, 12 U.S.C. §1757(4), which provides that an FCU has the power "to purchase, hold, and dispose of property necessary or incidental to its operations." You state that Cash Station Delaware stock constitutes property Zenith FCU proposes to purchase and hold and that providing ATM services is related directly to operations provided by FCUs. You argue that if FCUs are not permitted to own Cash Station Delaware stock, they will have lost an effective means to influence the development of Cash Station services for the benefit of FCUs and their members.

While we agree that providing ATM services is part of ordinary FCU operations, we do not agree that Section 107(4) authorizes FCUs to purchase stock in Cash Station Delaware. Since FCUs may participate in the Network without owning stock, stock ownership cannot be said to be "necessary or incidental" to FCU operations. While we recognize that FCUs might have more influence in Cash Station Delaware if they were permitted to own its stock, we do not believe this is sufficient to give FCUs authority to own such stock.

2. You also argue that FCUs are authorized to purchase and hold stock in Cash Station Delaware by Section 107(17) of the FCU Act, 12 U.S.C. §1757(17), which provides that an FCU "may exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated." You contend that for an FCU to carry on its business effectively, which includes providing efficient and modern ATM and related services, it must be able to ensure that Cash Station policies and procedures are tailored to its needs and the needs of its members.

Robert L. Bevan
October 27, 1992
Page 3

Again, while we recognize that not being able to own Cash Station Delaware stock may cause FCUs to have somewhat less influence in the corporation, we do not think this will impair their ability to provide efficient and modern ATM services to their members. In our view, therefore, Section 107(17) does not authorize FCUs to purchase stock in Cash Station Delaware.

3. You next argue that FCUs are authorized to purchase and hold stock in Cash Station Delaware by Section 107(7)(I) of the FCU Act, 12 U.S.C. §1757(7)(I), which provides that an FCU has the power to invest its funds "in the shares, stocks, or obligations of any other organization, providing services which are associated with the routine operations of credit unions, up to 1 per centum of the total paid in and unimpaired capital and surplus of the credit union with the approval of the Board." You contrast Section 107(7)(I) with Section 107(5)(D), 12 U.S.C. §1757(5)(D), which provides that an FCU may make loans of the same percentage of capital and surplus to any organization "which is established primarily to serve the needs of its member credit unions, and whose business relates to the daily operations of the credit unions they serve." You argue that Cash Station Delaware provides services which are associated with the routine operations of credit unions and that Section 107(7)(I) does not include a requirement that the organization primarily serve credit unions. You acknowledge that Cash Station Delaware will not primarily serve credit unions.

Since 1979, when NCUA first issued a regulation implementing Sections 107(7)(I) and 107(5)(D), the two provisions have been read as applying to the same types of organizations. Section 701.27(d)(4) of the NCUA Rules and Regulations limits FCU investment in, as well as loans to, organizations that "primarily serve credit unions and/or the membership of affiliated credit unions." Since Cash Station Delaware will not primarily serve credit unions or the membership of affiliated credit unions, FCUs are not authorized to purchase its stock under Section 107(7)(I).

4. You finally argue that the proposed purchase of Cash Station Delaware stock by FCUs is not the kind of unsafe or unsound practice that the FCU Act and NCUA Regulations were

Robert L. Bevan
October 27, 1992
Page 4

intended to prohibit. While it may be true that the stock would not be purchased as a speculative investment, it remains that there is no authority for FCUs to purchase such stock. Accordingly, the purchase is impermissible.

Sincerely,

Hattie M. Ulan

Hattie M. Ulan
Associate General Counsel

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SSIC 4660
92-0916