

## Magellan – In The Know: Episode 23

### Payments “Revolution” — Visa drives a surge in digital transactions

**Announcement** ([00:00](#)):

The information contained in this podcast is for general information purposes and does not constitute investment advice. You should seek investment advice tailored to your circumstances before making an investment decision.

**Host** ([00:14](#)):

This is "In the Know," a monthly investment podcast brought to you by Magellan Asset Management, experts in global investing. We bring you timely, unique and thought provoking insights to help you make sense of today's investment landscape.

**Vasant Prabhu** ([00:29](#)):

There's an ocean of cash out there, but even if you go outside the emerging markets and go to developed markets like the U.S., many parts of Europe, many parts of Asia, even developed parts of Asia, like Japan, there's an extraordinary amount of cash. And so there's still a huge opportunity to digitize cash. The cash digitization engine is healthier today than it's ever been.

**Host** ([00:52](#)):

That's Vasant Prabhu, the vice chair and chief financial officer at the world's largest payment network, Visa, explaining why the company is well positioned for the digital payments revolution. Welcome to Magellan "In the Know."

**Host** ([01:12](#)):

In this episode, Vasant Prabhu speaks about Visa's attractive and innovative business, the way the pandemic has multiplied volumes and the implications of new payment options like realtime payments, digital wallets, and cryptocurrencies. Vasant speaks with Magellan deputy CIO and head of ESG, Domenico Giuliano, and portfolio manager, Elisa Di Marco, and outlines how Visa has been so successful and why it has become one of Magellan's most important investments. But first a warm welcome from Elisa Di Marco.

**Elisa Di Marco** ([01:49](#)):

Welcome to our podcast, Magellan "In the Know." I'm Elisa Di Marco, portfolio manager at Magellan, and I'm joined today by my colleague, Dom Giuliano, deputy CIO, portfolio manager, and head of ESG. And our guest today is Vasant Prabhu, the CFO at Visa, the largest payment networks globally.

**Elisa Di Marco** ([02:08](#)):

Visa is somewhat of a staple at Magellan. We've been following the journey at Visa since its IPO back in 2008. We've owned the business for most of that time since. It's been a fascinating journey to watch.



Visa's grown from \$2.7 trillion in payments volumes in 2008 to 10.4 trillion in 2021. For some context, that's an 11% CAGR, growing at around two times that of global GDP.

**Elisa Di Marco** ([02:35](#)):

Visa now has 3.9 billion cards globally, and those cards make around 2.8 billion transactions per annum. That's an amazing 600 million daily and 6,000 per second. We view Visa to be a very attractive business for our investors, given its industry structure, network effects and the structural tailwinds. So I could keep going about why we like Visa for quite some time, but let's get into today's episode and with no doubt unpack some of these elements as we get going.

**Elisa Di Marco** ([03:06](#)):

I'd like to extend a very warm welcome to our guest, Vasant Prabhu. Vasant has been the chief financial officer at Visa since 2015. He's previously held CFO roles at major media and hotel companies and he's attained a bachelor of science in engineering from the Indian Institute of technology and has an MBA from the University of Chicago. Welcome.

**Vasant Prabhu** ([03:29](#)):

Nice to be here.

**Elisa Di Marco** ([03:31](#)):

So to start off, it would be great to hear a little bit about you, Vasant, and your journey and why you chose to join the Visa team.

**Vasant Prabhu** ([03:37](#)):

Sure. You did say a couple of things about my background. I have worked across a variety of industries and the common theme, if I had to describe one, is I've like businesses that are global in scope, that are often large, strong, powerful brands with an element of technology, and most important of all, I tend to prefer to be in businesses that are in the midst of change and transformation. And those are all the things that were appealing about Visa. And then it comes down to the people, of course. I like Charlie Scharf, who was the CEO here when I joined, and the team here, which is a great team, and the business. It's a fascinating business, as you know, in the midst of lots of change with extraordinary opportunities.

**Elisa Di Marco** ([04:25](#)):

Thanks for that introduction, Vasant. It's going to be very exciting to talk to you about some of those elements today, and as long term followers, it's that innovation is what we really, we love about Visa.

**Elisa Di Marco** ([04:35](#)):

So for our listeners, they would be very familiar with the Visa brand. It's well known around the world. We use it online and in shops every day. But perhaps people aren't as aware that they don't actually have a direct relationship with you. You actually have the direct relationship with banks and merchants. It would be great if you could set the scene for us on how Visa can facilitate a transaction and then how you actually make money.

**Vasant Prabhu (05:00):**

Sure. Yes. I think it might come as a surprise to a lot of people that we are a B2B enterprise. You could say we're a B2B to C enterprise. Our customers are businesses and we reach you through them. At one end, we have what we call our issuing banks. These are the banks that have a license from us to use our brand name and to access our network and can issue you, who are their customers, a credential. We prefer to call them credentials now, not cards, because they're no longer just cards. They could be embedded in a wallet or a, some of the means, digital means of using them. You, as an account holder at a bank or someone who has a relationship with a bank, will get our credential through the bank.

**Vasant Prabhu (05:53):**

At the other end, we have what I call acquiring banks. These are banks that have the relationship with the merchant so they will sign up merchants to be acceptors of Visa cards. And so when you go to the merchant, the merchant is willing to accept your Visa credential as a payment mechanism because they are an acceptor of Visa.

**Vasant Prabhu (06:12):**

The way we get paid is in two or three different ways, both an issuing bank and an acquiring bank pay us a license fee to be part of our network. We call it a service fee, if you look at our PnL. And it's a, it's like any royalty, it's a fee on the total amount of volume that they generate on the network.

**Vasant Prabhu (06:35):**

The second fee we have is anytime you do a transaction on our network, then an issuing bank and the acquiring bank pay us a fee to process the transaction. That shows up on our PnL as a data processing fee.

**Vasant Prabhu (06:52):**

The third way we make money is we are global in scope. One of the wonderful things about having our credential is you can go anywhere in the world and more likely than not, a merchant, somewhere in the middle of nowhere, perhaps, will accept a Visa card, a Visa credential. And so we have these international transactions, or as we call them cross-border transactions. And because of how unique they are, we have a specific fee for international transactions, and that's our third revenue line.

**Vasant Prabhu (07:25):**

And then our fourth revenue line, we have a lot of other things we call other revenues. So we do have a set of services we provide, fraud services, processing services, et cetera. And those all we call value added services. Some of them show up in the other revenue line and some show up in some of the other lines. Those are the various ways in which we earn our revenues.

**Elisa Di Marco (07:48):**

Thanks, Vasant. I think when you're listening to that, it's quite clear that Visa is quite a complex business, although it appears a simple business to those that are using the product. And it's that kind of complexity of the network, mixed with the simplicity of the user experience, which just makes the Visa brand and the Visa company such a strong business.

**Elisa Di Marco** ([08:08](#)):

The strength of the network effect, in our opinion, it's really led to that sustainability and the enduring growth and the strong margins that Visa has been growing since its IPO and since well, long before that, actually. But over time, the business, it has become more diverse and it's providing greater stability in revenues to its shareholders. Can you talk about that importance of innovation and diversifying the revenue streams, yet not diluting that high quality revenue that we know and love at Visa?

**Vasant Prabhu** ([08:36](#)):

Absolutely. And you hit upon something that the business is simple in some respects in what it does, but to do what we do is quite complex. It's a very subtle business. And as we talked earlier, I've been in a lot of different businesses. This is my eighth year at Visa. And I would say I still learn something new day because it's a very subtle business. It is more complex than any other business I've been in. Doing payments is not easy. And that's one of the reasons why we are, I think, to some degree, who we are.

**Vasant Prabhu** ([09:08](#)):

Going back to your question about the network effect and the kinds of innovation and the kinds of things that we have done over the years to diversify our business, as you know, it started out as a simple mechanism to help merchants offer credit. It took away credit from being something your merchant offered you when you went to the merchant regularly, the thought became a vehicle for providing credit. So it was a credit card when it started.

**Vasant Prabhu** ([09:35](#)):

That then diversified into debit. Debit was then a digital way to make a payment straight out of your bank account, as opposed to using your credit. So that was, let's call it the first big diversification.

**Vasant Prabhu** ([09:50](#)):

It then went beyond that to facilitating international transactions. Once Visa expanded out of the U.S. and became a global business, we were able to do international transactions. And these transactions became a very big business, to the point now where just about everywhere in the world, and we transact in 200 plus currencies, which we accept on our network.

**Vasant Prabhu** ([10:15](#)):

In the last decade or so, we've gone well beyond doing what we started out with, which is enabling you to buy things from merchants, meaning consumers paying businesses, to be able to do a whole bunch of what we call different use cases beyond that. Now we can facilitate person-to-person transactions. Our network can move money both ways. It can move money into your account and out of your account so we can do P2P. And we are now facilitating the vast majority of P2P transactions now around the world, all on debit credentials.

**Vasant Prabhu** ([10:51](#)):

We can now allow businesses to pay you. So instead of you paying businesses, we now have the ability to let businesses pay you, whether it's an insurance company sending you a payment or your own employer paying you your wage, earned wage access, as we call it, on demand payroll. That's going to be a huge business. So we can do B2C businesses paying consumers. We can do G2C. We did a lot of that during the

pandemic. This is where governments give you money. A lot of the transfer payments made by governments happened on our credentials. And then of course, we do a wide variety of B2B, business to business transactions. So there's been an extraordinary amount of an explosion in the use cases that we've been able to support in our history. And that is where the innovation comes into our business.

**Domenico Giuliano** ([11:40](#)):

Well, thank you so much for all of that, Vasant. One of the areas that I'd really love to explore with you a little bit is the competitive landscape and the opportunities out there. Because since we've been looking at Visa, we've always been faced with questions about some new technology or some new competitor coming out and displacing what it is that Visa does. And we simply have not really seen any true competition emerging in any great way. So perhaps if we go through the competitive landscape and the opportunities and just split it into two bits, because for many decades now, the competition has really been cash and check. Could you talk a little bit about the opportunity there and what it looks like around the world?

**Vasant Prabhu** ([12:20](#)):

Absolutely. Yes, the primary mission for a very long time, and even today, has been to essentially eliminate cash and check and allow people to pay digitally. Even before the world digital came about, we used to call it electronic, so Visa's been in the business of digitizing payments for a very long time, but despite that there's still plenty of cash around the world. We know that's true in emerging markets where cash is still very widespread. In many parts of the world, the penetration of digital forms of payments is still in the single digits. So there's an ocean of cash out there. But even if you go outside the emerging markets and go to developed markets like the U.S., many parts of Europe, many parts of Asia, even developed parts of Asia, like Japan, there's an extraordinary amount of cash. And so there's still a huge opportunity to digitize cash.

**Vasant Prabhu** ([13:16](#)):

And the pandemic has been great because the cash digitization engine is healthier today than it's ever been. As you know, during the pandemic, most merchants realized that they had to have a digital form of payment acceptance, that people were shunning cash because it was dirty, et cetera. And so there was an extraordinary increase in merchants saying, "I need a digital form of acceptance." A lot of people for the first time in their lives decided that they were going to walk away from cash and use digital forms of payment. And all the governments got behind it and substantially upgraded their payments infrastructure.

**Vasant Prabhu** ([13:54](#)):

If you look around the world, in Latin America in the last three years, volumes on our network have doubled, and that's way in excess of personal consumption expenditure, or GDP growth. That's because of all the cash conversion. In middle Eastern Africa, same thing. Our volumes have doubled in three years. In India, our volumes are up 80%. The digitization of cash remains still a huge opportunity and there's still a long way to go.

**Domenico Giuliano** ([14:22](#)):

Yeah, that example on COVID and changing consumer behaviors is a really interesting one, Vasant. I was fortunate enough to be Italy a couple of months ago, and they've gone from being virtually a cash only society in cafes to now being perfectly happy to accept a Visa card to pay for a one euro coffee. And that just would never, ever have happened two and a half years ago. So really quite, quite amazing to see.

**Vasant Prabhu (14:46):**

It's -- we've made the payment so easy. You just tap now, right? It's one of the most frictionless ways to pay we've come up with where all you have to do is tap your card and you're done. And that's why people use it even for a tiny purchase.

**Domenico Giuliano (15:00):**

Yeah. And if we can talk about perhaps the more interesting and sexy side of the competitive landscape, because yeah, payments is so intimate to all of us, we all do it every day, multiple times a day. And there is so much news flow around new technologies and new competitors, but people rarely look under the hood or rarely understand what Visa's function or capabilities are within those new spaces. Perhaps if we just think about the acceleration in technological disruption. We've seen the emergence of buy now, pay later, crypto, digital currencies, real time payments and digital wallets. Broadly, when you think about all of those things, what has been Visa's broad, strategic approach in dealing with disruption?

**Vasant Prabhu (15:45):**

Well, I think it's important to distinguish between disruption at the nodes of our network and disruption of the network itself. And people often confuse the two. We are huge supporters of disruption at the nodes of our network because that's where the innovation happens, right? And innovation is good for our network. We are the people who allow disruptors to scale. If you have an idea to come up with a better way to help someone pay for something, we are the ones who can help you scale. We are like the railroad. We don't pick what the next form of energy is going to be. We'll carry oil and we'll carry coal and the market will decide. If BNPL was the way, buy now, pay later, was the way people wanted to consume credit or offer credit, we're perfectly fine with that. We'll enable buy now, pay later, as we enable other ways of providing credit and you, the consumer or the merchant will decide what's going to win.

**Vasant Prabhu (16:50):**

We view ourselves as the enablers of disruption, as the people who are innovating, allowing them to scale. And we view all of them as our partners. When BNPL came around or when wallets came around or RTP came around, we always viewed them as partners, as people who would benefit from partnering with us. And that's the way it's played out over time. That's how we grow. We grow when there's innovation and by enabling innovation.

**Domenico Giuliano (17:19):**

Yeah. Let's drill into some of those disruptive technologies and get into some of the details there. Certainly when, after paying some of the other buy now, pay later were rocketing away, it was a frequent question we were getting was, "Are they going to set up their own network? So are they going to disrupt Visa's capabilities?" And yet you've just talked about you being able to enable buy now, pay later. Can you talk a little bit about that?

**Vasant Prabhu (17:45):**

Yeah. We've been involved in buy now, pay later for a very, very long time. As you know, buy now, pay later is not a new idea, right? There have been installment payment schemes for as long as we've been around. It's just that there's a new technology by which they're being delivered nowadays. The concept itself has been around a long time. In fact, it's been prevalent in some markets in the world, in Brazil and

Turkey and places like that, for a very long time. On our own network, we provide buy now, pay later on our network.

**Vasant Prabhu (18:15):**

From the very early days of buy now, pay later, we were deeply involved with it. We were early investors in Klarna. We were early investors in PAYDEER, long before anybody had heard of them. And our approach to them was, instead of doing it outside our network, why don't you do it on our network? We can help you scale faster.

**Vasant Prabhu (18:33):**

Because the problem with not doing it on our network is you create what's called a closed loop network. You then have to go sign up merchants. Your closed loop is going to slow down your scalability. It's going to cost you more. It's going to take you more time. And so we've always been of the view that anyone who embraces an open loop approach to it, in other words, decides that they're going to be on a network like ours that's open to everyone, is going to scale faster, do it cheaper and probably win. Klarna and Affirm and a variety of them have all decided that that's what they're going to do. We worked hard to convince them that having us as partners is going to be something that allows them to achieve their own objectives faster and better than doing it on their own. And that seems to be how it's playing out.

**Vasant Prabhu (19:26):**

In addition to that, we are making, buy now, pay later capabilities available to our traditional partners. You have a Visa card. We think every Visa card in theory should offer an installment payment option. It depends on the bank, whether they want to offer it, but we are making available to them capabilities where they could pick you, when you're at a merchant, they could make you an offer and say, "You can pay that, pay for that in installments." That can be done on our network. Our view is you and the merchant should decide whether that's the way you want to consume credit. And we are perfectly fine if that's what you want to do.

**Domenico Giuliano (20:07):**

It's probably surprising to many people that buy now, pay later has actually been additive to volumes rather than subtractive from volumes at Visa. So thank you for that. Perhaps now, if we can just talk a little bit about so-called crypto and digital currencies. They're certainly newer technologies. And because they are new, I think it is important to recognize that regulators and central banks are still almost muddling their way through in terms of what they mean for the financial system and how to regulate them. And then when you think about crypto, it really does come in various forms. There's a whole range of type of crypto. And it's often used as a speculative asset and sometimes used as a payment method. And then as an extension of crypto, many central banks have recently started thinking about and designing their own digital currencies. But really they're really only in the testing phase so far. When you think about crypto digital currencies in the longer term, what's Visa's position on crypto and digital currencies, both from a threat perspective, but an opportunities perspective as well?

**Vasant Prabhu (21:10):**

There's been a great fascination with cryptocurrencies and now seemingly everybody's worried about them. Our views haven't changed at all, same with buy now, pay later. Our views are the same as they

were six months ago. Markets in the meantime have had a love affair and a hate affair going on, I suppose.

**Vasant Prabhu (21:27):**

As it relates to cryptocurrencies, our interest in them is primarily related to cryptocurrencies as a medium of exchange, right? Maybe some cryptocurrencies are stores of value. That's not really where we come in much. We are more interested in cryptocurrencies being used for payments and as a medium of exchange.

**Vasant Prabhu (21:47):**

In that context, we have played in a variety of different ways, and there are new ways in which we are trying to figure out how this all plays out over time. None of this is new for us because, in a way, we've been in this business a long time and I'll get to that, but what are the various ways we play?

**Vasant Prabhu (22:04):**

Well from the early days of Bitcoin, which you can say everybody now thinks is more likely to be maybe a store of value, it's not a medium of exchange for lots of reasons. We were the, what I call the on ramps and the off ramps to the crypto world. If you wanted to buy a cryptocurrency at a exchange like Coinbase, more often than not, you used a Visa credential to do that. We have a nice business where people have been buying cryptocurrencies and they use our credentials.

**Vasant Prabhu (22:37):**

We're also the off ramp. What do I mean by that? We went to these exchanges, and they all issue you Visa credentials that you can use at any merchant around the world. Now your cryptocurrency balances are actually useful. Those merchants don't accept cryptocurrencies, but what happens is you go to a merchant, you use your crypto.com Visa card, you buy something, crypto.com sells your Bitcoin and pays us in dollars or euros. And the merchant gets, pays, paid in dollars or euros. We've been an on ramp and off ramp for quite a while.

**Vasant Prabhu (23:10):**

But the area we are most interested in is the possibility of stable coins, which are really tokenized versions of fiat currencies, riding on blockchains, and what that might mean for the future, because we understand that business. You could argue we were the first people to tokenize fiat currencies, right? We converted them to a digital token that rolled on our networks, which is really what these stable coins are doing on blockchain networks. And so we are working with USDC, which is one of the most popular stable coins, because we always thought it was well collateralized and so on. There's a big debate underway right now about stable coins, of course, and we'll see what happens. We think at some point there'll be regulations. As long as we have clear rules, clear regulations, perhaps stable coins become a medium of exchange. And we want to be in a position where we will accept stable coins, just as we accept 200 different currencies around the world.

**Vasant Prabhu (24:14):**

There's -- it's very, very early days. It's going to take a lot longer than people expect. And that's a much longer conversation. I think central bank digital currencies will take a while to develop. We're more likely to see private stable coins in the meantime, and we're working with most of them. And our role is the



same. We would like to help them because anytime there is a payment transaction, we would like to make sure that we can be helpful and our network can be helpful and we can facilitate it.

**Domenico Giuliano** ([24:45](#)):

And another area of technological innovation that we're seeing across many countries is something called real time payments, which allows people to move money from bank account to bank account virtually in real time. And quite often these systems are actually sponsored by governments and central banks, but they've actually been fairly slow to take off in many markets, but they seem to be gathering speed. What's your perspective on real time payments, again, as a threat and as an opportunity to your business?

**Vasant Prabhu** ([25:12](#)):

I know real time payments, people often assume that if there is a pipe that people will use the pipe. So real time payments are really a faster ACH network, right? ACH networks are bank to bank networks that have existed for a long time. They normally take two or three days for the money to move. Real time payments was an attempt at shortening that time. But fundamentally, all they've done is to shorten the time. It doesn't change much else. For them to be useful they have to have a variety of other features that are tailored to the kind of use case that they're trying to serve.

**Vasant Prabhu** ([25:54](#)):

Real time payments have had a very hard time becoming meaningful in a lot of use cases because they don't provide what the use case wants. For example, real time payments as a mechanism to pay merchants, they made many attempts, for example, in the UK, where real time payments networks have been around for over a decade, and it hasn't really worked. Just because it's real time doesn't mean it's going to be used. It has to offer other features that make it worthwhile for a consumer to use them, security, dispute resolution, can I get my money back if I make a mistake, the fact that it's usable almost everywhere, it's global in scope. Most of these real time networks are highly local and not everybody's connected to them. What you have to have is you can have a pipe, but if the pipe doesn't have all the elements required to make it useful for a particular use case, it doesn't get used.

**Vasant Prabhu** ([26:50](#)):

Our view of real time payments is that many of them lack what is required for a lot of use cases. On the other hand, we use them because we also see ourselves as a network of networks and we will use real time payment networks where we can get money to a bank account and we do it today. That's how we look at it. Our view is we will co-op them as part of our network of network strategy. And we view them as another network that can allow us to do all the use cases we want to serve.

**Domenico Giuliano** ([27:22](#)):

And just finally, on this disruptive space, if you could just talk very briefly about digital wallets. Anyone who has a PayPal account or uses Apple Pay would be familiar with what a digital wallet is. Simply you load up a credit or a debit card from different financial institutions into the digital wallet. You have one password and then you can spend easily on eCommerce sites. And there's many other digital wallets, Google and Samsung and various banks have launched them. How do you see wallets within your ecosystem, again, threat or opportunity there?

**Vasant Prabhu (27:53):**

Well, wallets are something we've known for a very long time, as you know. For as long as Visa has existed, there has been a term inside Visa saying that we want to be top of wallet. So in the old days, when a wallet was something you carried around with you, we wanted to be in a position where when you were about to make a payment, we would be the card you picked, meaning we would be top of your wallet. And that is essentially what we do with digital wallets, right? We partner with the digital wallets. We want to have a relationship with you, the consumer who has the wallet, to be your preferred mode of payment. And yes, it now sits in the digital wallet rather than the physical wallet, but the game is the same game. We want you to pick us as your preferred mode of payment. Even if we sit in another wallet.

**Vasant Prabhu (28:45):**

As it relates to the wallet creators themselves, whether that's KTM in India or LINE Pay in Japan or Apple in the U.S., our goal with them is to persuade them that using our credentials, and our credentials being available to the people who use their wallets is good for them is something we've been working very hard on. It has worked because it's a win-win proposition. We've been able to persuade people who started out as closed wallets to open them up because they realized by opening it up, it allows them to scale faster. Their consumers have access to more merchants. The wallet holders have access to more merchants. The merchants have access to more affluent Visa holding credentials. There's a revenue stream in there for the wallet owners, et cetera. It's been a win-win proposition. Again, we view the wallets as partners. We view the wallets as essentially embracing what we call the open loop model, as opposed to the closed loop model. It's been great for the wallets that did.

**Elisa Di Marco (29:53):**

It's been quite a fascinating journey that you've just been talking through in payments and how we've been evolving for decades now. And Visa's been a real part of that journey in allowing consumers and merchants and banks to really transform how payments and our everyday lives operate. But in saying that, it's no surprise that you've then had regulators looking at you for decades and making changes to make sure that payments are smooth and safe, importantly, for all the users on the ecosystem. I'm just really interested in your perspective here on what kind of keeps you up at night on the regulatory front? What are you most concerned about with respect to the Visa business as regulators around the world are looking at what you're doing to ensure that safety in payments is available?

**Vasant Prabhu (30:38):**

Now, as you said, regulation is part of our business. Whenever you're doing what we do, which is becoming a very critical part of an economy because we facilitate money movement in the economy, it is entirely understandable that governments are interested and regulators are interested, and that has been true all along. It's not new. When we first went to Europe in the sixties and seventies, it was very much part of the equation. As we moved into emerging markets later on, it is very much part of the equation. We understand that it is part of an important element of our business.

**Vasant Prabhu (31:19):**

We spend a lot of time with regulators. Our goal when we talk to regulators and governments is to recognize that they have national interest at stake, and that we have to understand what they are. And we hope that we can show them how we can be helpful to them, how we can solve the problems

they're trying to solve. And all we ask for is access to help them do what they want to do. As long as we are allowed in the market, even if the playing field is sometimes tilted in favor of a local player, that's fine. We can live with that.

**Vasant Prabhu (31:55):**

The only thing we prefer not to have, and certainly don't want to have, is when people shut us out of markets. There's only one country that has shut us out of a market and one that we chose to leave. But other than that, we are in every market in the world. We try very hard to ensure that we play by the rules that are beneficial to the people who live in the country and in sync with what the national interest is of that country. And our job is to work as closely as we can to make sure governments and regulators understand our business and that we understand their objectives.

**Elisa Di Marco (32:34):**

It's quite fascinating, the regulatory side, and I'm sure many listeners are kind of like, "Oh, regulation can't be fascinating." But we really saw that earlier in the year when there were global sanctions that were put on to curb the use of the Visa network in Russia. How should we be thinking about that on a longer term perspective? Is it raising concerns about how governments are thinking about the willingness to support a non-domestic payment network, which Visa is as the largest global network? How do you deal with this risk? And should we be thinking about those long term issues?

**Vasant Prabhu (33:07):**

Well, regulation and nationalism will always be part of this business. I would say that the Russian situation was quite unique. I think we've been working very hard with regulators around the world to make sure they understand what our reasons were and why we had to do what we had to do. As I said, it is our job to make sure regulators feel that we will always act in a way that is responsible and not at odds with what their interests are. That's an ongoing dialogue. I don't expect things to change dramatically. I think when we take certain actions, they have to be understood and explained, and we are definitely doing that.

**Domenico Giuliano (33:51):**

Vasant, if you could just talk a little bit about sustainability and Visa's impact given the huge size of Visa's global footprint. Elisa said in her opening comments that you touch billions of lives daily. What do you see as the most significant opportunities for Visa to positively impact people?

**Vasant Prabhu (34:10):**

Well, clearly empowering people, communities and economies through the ability to digitize payments and give them access to mainstream financial services is something that we do and are very proud of doing. We have a commitment to enable, for example, 50 million small businesses by the end of 2023. And that is still very much the goal. We enable people in remote parts of the world to pay digitally in many, many different ways. And that is something that'll always be both part of our mission and a critical part of how we think we can contribute more broadly.

**Vasant Prabhu (34:59):**

Beyond that, we do a lot in terms of being very sensitive to environmental consideration. We've completed our transition to a hundred percent renewable electricity as of January, 2020. Fortunately, we're not in a

business that creates a lot of pollution, whether that's plastics or other forms of pollution, we're not a large consumer of energy. But we've done everything we can to make whatever we consume renewable.

**Vasant Prabhu** ([35:28](#)):

Beyond that, we are very focused on diversity, both in our workforce and our supplier base. We also have a foundation, the Visa Foundation, that operates independently of the company, but was funded by the company, that is very focused on financial literacy, financial inclusion, and women's empowerment around the world. We do the best we can on a variety of fronts. And we have been named one of the world's most ethical companies for 10 years in a row, and hopefully will stay that way.

**Domenico Giuliano** ([36:00](#)):

That's wonderful to hear. Vasant, finally, perhaps, we really are living in uncertain times. We're seeing high inflation after decades of low inflation interest rates are rising again, there's been huge changes in spending patterns across consumers and businesses post COVID, massive supply chain disruptions, tough geopolitics that Elisa's already talked about, how do you feel about Visa's ability to navigate these uncertain times and grow through, continue to succeed over the next few years?

**Vasant Prabhu** ([36:33](#)):

Well, as you know, the COVID era was, threw a bunch of things at us and lots of other businesses, and we were able to navigate it fairly well, I'd like to think. We think of ourselves as being quite nimble. Yes, there's a lot of talk of recession, but as of the end of May, and we've released some numbers a few weeks back, there's no signs of it yet in consumer spending. Consumer spending has stayed quite healthy and robust, at least through the end of May. We remain vigilant. Our approach to things is that this is a long cycle business. It takes a while for things to happen in our business. Investments we make today don't pay off for a few years. Our goal is to make sure that we are making the right investments for the long run.

**Vasant Prabhu** ([37:19](#)):

We stay very focused on innovating and investing. If we have some sort of a downturn, we think our business is quite resilient. A lot of what we do is, essential spending that people have to do is facilitated by us. We're also global in scope and we're highly diversified across all forms of spending. So hopefully we are not impacted as much as some other places might be. Our goal would be to stay focused on the future. And then we'll scale our investment depending on what the revenue picture is. But at this point, things look pretty stable and strong.

**Domenico Giuliano** ([37:56](#)):

Well, Vasant, thank you so much for giving our listeners such interesting insights into Visa's business. It really is such a fascinating space. And actually a big thank you to the whole Visa team from the Magellan team and our investors for all the great work and results over the years. Thank you.

**Vasant Prabhu** ([38:13](#)):

Well, thank you for having me. It was enjoyable. Thank you.

**Host** ([38:17](#)):

That was Visa vice chair and CFO, Vasant Prabhu, speaking there with Magellan deputy CIO and head of ESG, Domenico Giuliano, and portfolio manager, Elisa Di Marco. We trust you've enjoyed this episode of Magellan "In the Know." Join us in a month's time for the next episode. For more information on upcoming episodes, visit [magellangroup.com.au/podcast](http://magellangroup.com.au/podcast), where you can also sign up to receive our regular Investment Insights program. Thanks for listening.

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