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## Visa Moves At The Speed Of Money

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Sitting inconspicuously among the Pentagon contractors and trade associations in a western suburb of Washington, D.C. is a low-slung building protected by landscaped berms and a fence topped by razor wire. The exterior walls are a patchwork of whites, grays and greens to confuse passersby trying to judge its size from a distance. A 24-foot-deep moat provides a last line of defense against anybody trying to crash a vehicle through its walls.

But while this fortress could easily pass as an outpost of some shadowy three-letter spy agency, it's actually home to something far more mundane—and far more powerful. This is the nerve center of Visa, the global credit card company. Walk through a biometric security scanner into its data center—as I did recently—through a room dominated by huge video screens and past ranks of EMC data storage units holding petabytes of information ready for instant recall, and you'll find a single IBM Z-class mainframe, like the black monolith in Stanley Kubrick's science-fiction classic *2001*, quietly crunching up to 100 billion computations every second. Almost every time somebody swipes a Visa card anywhere in the world, the transaction flows through here or a sister facility in Colorado. The company instantly checks 500 variables, from the customer's location to his spending habits to the location of the merchant, and spits out a thumbs-up or down on whether to allow the charge to go through. It's the sort of centralized, Big Iron processing that Silicon Valley was supposed to obliterate years ago with peer-to-peer networks and cheap Internet-connected devices.

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Visa CEO Charlie Scharf: "Big tickets or small tickets, we like it all." (Photo credit: Matthew Furman For Forbes)

Yet Visa endures. And grows. The company, which started 57 years ago as a nonprofit association of banks, went public on the eve of the financial crisis in 2008 and sailed through it with a 390% total shareholder return over the past six years, landing as No. 263 on FORBES' 2015 Global 2000 list of the world's largest companies.

It is also one of the planet's most prodigious cash machines. Visa had 60% operating profit margins on revenues of \$12.7 billion last year and cash flow of more than \$7 billion (dwarfing capital expenditures of \$500 million). Visa handled 100 billion purchases worth \$6.8 trillion, according to The Nilson Report (<http://www.nilsonreport.com/>), which tracks the credit card industry. That's double the amount of rival MasterCard and 14 times American Express. For perspective, Visa thinks there are another \$11 trillion in cash and check transactions in the world each year that could go electronic. And Visa's transaction volume has been growing steadily at 10% a year since the IPO.

Nonetheless, there are threats. Retailers have won billions of dollars in antitrust suits accusing the company of helping banks keep fees—which can clip as much as 2.75% off a merchant's revenue—too high. Customers love the easy credit but loathe interest rates that can top 20%. West Coast venture capitalists see Visa as an oligopolistic dinosaur and are pouring hundreds of millions of dollars into rivals that use Bitcoin. Meanwhile, banks, which collect the bulk of the fees from merchants, are warily eyeing Visa's efforts to bypass them and forge direct relationships with retailers by offering one-click Internet transactions and providing data on consumer behavior that only Visa possesses.

None of which seems to faze Visa's chief executive, Charlie Scharf. In time, he says, would-be Visa disruptors all discover—just as Internet upstarts PayPal, Square and Uber did—that it is simply easier and more economical to work with his leviathan than fight it. "They don't do what we do," says Scharf, 50, who was a longtime lieutenant to JPMorgan Chase Chief Jamie Dimon and took charge at Visa in 2012. "They don't have the network we have."

He's already rushing to embrace what comes next: providing the back end for smartphone-based payment systems such as Apple Pay and similar setups for Samsung and other mobile devices. Scharf's

technical team spent more than a year working with Apple before the launch of [Apple Pay](https://www.apple.com/apple-pay/) (https://www.apple.com/apple-pay/) last October. The plan: Grab billions of dollars more in fees each year by making Visa the payment method of choice for everything—right down to \$1 hamburgers at McDonald’s and three-block taxi rides in Singapore—with the ultimate goal of replacing cash itself.

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