



NEW YORK CITY COMPTROLLER
BRAD LANDER

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

August 29, 2022

Alfred F. Kelly, Jr.
Chairman and Chief Executive Officer
c/o Kelly Mahon Tullier, Vice Chair, Chief People and Administrative Officer, and Corporate Secretary
Visa Inc.
P.O. Box 193243,
San Francisco, CA 94119

Via email: corporatesecretary@visa.com

Dear Mr. Kelly,

As a financial institution, Visa has a responsibility to prohibit the use of its network for illegal activity. Failing to do so can result in regulatory, reputational, and litigation risks that may harm long-term shareholder value.

We write as long-term Visa investors, with 4.8 million combined shares valued at approximately \$951 million (at 6/30/22), to request that Visa assess *and publicly report to all investors* its oversight of management's decision-making regarding any application to the International Standards Organization (ISO) to establish a merchant category code (MCC) for standalone gun and ammunition stores. This report should cover Visa's role in governing, creating, or approving MCC standards, as well as disclose and explain the justification for its position on any applications to create an MCC for gun and ammunition stores.

A new MCC for gun and ammunition stores would allow banks to comply with their regulatory obligation to report suspicious purchasing activity associated with illegal activity¹, and credit card companies would be able to file this information under existing reporting systems. This could be accomplished *without limiting or regulating gun sales or creating any additional burden to their internal systems*.

Suspicious activity could include gun sales associated with diversion from legal to illegal markets, and purchasing behavior associated with mass shootings. In May 2019, former Mastercard CEO Ajay Banga stated that it was not his company's responsibility to limit firearm sales, stating "I don't know how to do it – I actually don't know how to do it."² While credit card companies are not being asked to limit such sales, investors are concerned that financial institutions currently lack appropriate tools to detect and report suspicious activity related to gun purchases that may be used for criminal purposes.

Suspicious purchasing activity that could constitute reportable suspicious activity might involve the frequency and size of purchases, and well as the type of retailer. For example, the Aurora movie theatre shooter in Colorado used a Mastercard issued by USAA to purchase \$11,000 worth of weapons and military gear in the six-week period between May 22, 2012 and July 6, 2012, including purchases at two standalone gun stores.³ One week before the mass shooting at the Pulse Nightclub, in which 49 people

¹[31 CFR § 1020.320](#).

²Jennifer Surane, "Mastercard CEO Says It's Not the Company's Place to Limit Gun Sales," Bloomberg, May 7, 2019.

³Michelle Castillo, "Colo. shooter purchased guns legally from 3 different stores," CBSNews.com, July 5, 2016

were killed and 50 injured, the shooter used a Mastercard (among others) to purchase more than \$26,000 worth of guns and ammunition, including purchases at a stand-alone gun retailer.⁴

As you may know, MCCs are used by the finance industry to identify the primary purpose of a business and classify retailers by the types of goods and services provided. MCCs are widely used and exist for large industries like casinos as well as smaller niche businesses like shoeshine shops, bowling alleys, and wig and toupee shops.

Currently, the ISO has not assigned a specific code value for gun and ammunition stores and, as a result, banks and payment networks cannot readily identify sales made by standalone gun and ammunition retailers.

In 2022, Amalgamated Bank applied, for a second time, to the ISO for a new MCC for standalone gun and ammunition stores; the application is still pending. It has been reported that Visa pushed back on the application and that “credit card industry employees were part of an internal committee within ISO that recommended the application's rejection.”⁵ Shareholders seek transparency on how Visa’s Board of Directors is overseeing any final position taken on the MCC application, and whether Visa is appropriately considering the risks inherent in failing to take action to report suspicious purchasing activity at these retailers.

We believe that failure to support the application for an MCC for gun and ammunition stores will result in lost lives, as well as regulatory, reputational, and litigation risks that may threaten the company’s long-term shareholder value. Given that credit card companies’ positions on the ISO application may be material to shareholders, several New York City Retirement Systems⁶ recently submitted a shareholder proposal to American Express and Mastercard requesting a Board report concerning its oversight of management’s decision-making regarding any application to the ISO to establish an MCC for standalone gun and ammunition stores.

Thank you for your attention to this important matter. We respectfully request a response in advance of the next vote on the Amalgamated Bank’s MCC application, which we understand may be imminent.

Sincerely,



Brad Lander, New York City Comptroller, on behalf of Teachers’ Retirement System of The City of New York
New York City Employees’ Retirement System
Board of Education Retirement System of the City of New York



Aeisha Mastagni
Portfolio Manager
Sustainable Investment & Stewardship
Strategies
CALSTRS Investments

cc: John Lundgren, Lead Independent Director, Visa, Inc

⁴Andrew Ross Sorkin, “How Banks Unwittingly Finance Mass Shootings,” New York Times, December 24, 2018

⁵<https://www.cbsnews.com/news/bank-credit-cards-suspect-gun-ammo-sales/>

⁶The Teachers’ Retirement System of The City of New York, New York City Employees’ Retirement System, and Board of Education Retirement System of the City of New York