



**American Express Company**  
World Financial Center  
200 Vesey Street  
New York, NY 10285-5107

November 7, 2011

*Via Electronic Mail*

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: FR Y-14A and FR Y-14Q  
Federal Reserve Board Docket No. 2011-22912

Dear Ms. Johnson:

American Express Company (“*American Express*”) appreciates the opportunity to comment on the Request for Comments (the “*Comment Request*”)<sup>1</sup> of the Board of Governors of the Federal Reserve System (the “*Federal Reserve*”), under delegated authority, relating to the collection of certain information on forms FR Y-14A and FR Y-14Q to support the Comprehensive Capital Analysis and Review (“*CCAR*”) exercise, authorized under Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Comment Request invites comments on whether the proposed collection of information is necessary for the proper performance of the Federal Reserve’s functions, the accuracy of the Federal Reserve’s estimate of the burden of the proposed information collection, ways to enhance the quality, utility, and clarity of the information to be collected, and ways to minimize the burden of information collection on respondents.

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<sup>1</sup> 76 Fed. Reg. 55288 (Sept. 7, 2011).

American Express has a long history as a financial institution; however, it has become a bank holding company under U.S. law only recently in September 2008. Unlike many other traditional bank holding companies, American Express is primarily engaged in the business of issuing credit and charge cards and prepaid products to a diverse group of retail consumers, small businesses and corporate clients, and operating a network to process transactions made by these customers using American Express products. We are a global company, present in over 130 markets, with 96 million cards in force and with a network of merchants that accept American Express cards worldwide. As one of the 19 largest domestic bank holdings companies (“*BHCs*”), American Express participated in the 2009 Supervisory Capital Assessment Program and the 2011 CCAR, and would be required to file the FR Y-14A and FR Y-14Q with the Federal Reserve.

We support the Federal Reserve’s ongoing efforts to strengthen the banking sector in light of the recent global financial crisis. Generally, our response to the Comment Request focuses on a number of technical aspects relating to the information collected on the schedules to FR Y-14A and FR Y-14Q. We have organized our response to correspond with the Comment Request and will separately address each schedule for which we would like to provide comments.

## **I. General**

The Comment Request states that the Federal Reserve expects to distribute FR Y-14A and FR Y-14Q schedules in late-November 2011 and to receive the completed data by early-January 2012, with respect to the FR Y-14A, and by mid-December 2011, with respect to the FR Y-14Q. We respectfully submit that the proposed timing does not allow sufficient time for reporting BHCs to prepare and submit the required schedules. We request that reporters be permitted to submit both the initial FR Y-14A and the initial FR Y-14Q by late-January 2012.

Additionally, we note that the Federal Reserve's proposed approach for submissions of capital plans generally would require a BHC to file its capital plan each year by January 5 and the Federal Reserve to provide the BHC an objection or notice of non-objection by March 15 of the same year.<sup>2</sup> We have previously requested that the deadline for capital plan submissions be moved forward to October 15 of each prior year, and the Federal Reserve non-objection deadline be moved forward to no later than February 1, as the proposed capital plan timeline would create difficulties for BHCs that wish to distribute capital, especially to effect share repurchases within the first quarter during the earnings "blackout" period.<sup>3</sup> Accordingly, for *future* submissions of the FR Y-14A (and the capital plan), we respectfully request that the submission deadline be October 15.

## II. Summary Schedule

### A. *Operational Risk Scenario Input Worksheet*

The Operational Risk worksheets contained in the Summary schedule are intended to facilitate the assessment of operational risk of reporting BIICs. We believe the data requirements for the Operational Risk Scenario Inputs worksheet should be consistent with the methodology employed by the applicable BHC in its forecasting process. For example, the worksheet requires data input on external fraud forecast based on hypothetical "scenarios" on "frequency of events". This may not be meaningful if the forecast on external fraud related to credit cards is based on historical correlation between business volume, fraud loss rate and macroeconomic factors, without leveraging scenarios and without using frequency of fraud events.

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<sup>2</sup> 76 Fed. Reg. 35351 (June 17, 2011).

<sup>3</sup> See Comment Letter of American Express re: Proposed Rule: Capital Plans, Docket No. R-1425 (Aug. 3, 2011). Typically, the period between March 15–31 falls within an earnings "blackout" during which a publicly traded BIIC will not be in the market to repurchase its shares because it is in possession of material, non-public information regarding its first-quarter financial results.

*B. PPNR Metrics Worksheet*

Please see our comment in Section IV.A below.

*C. AFS & HTM Securities Worksheets*

The AFS and HTM Securities worksheets collect information on available-for-sale and held-to-maturity securities. The fields relating to book yield and purchase yield are not mandatory, but are required to be completed on a best-efforts basis by reporting BHCs. However, the terms “book yield” and “purchase yield” are not defined. Please provide definitions of these terms to assist reporting BHCs in completing these fields and to enhance the quality, utility, and clarity of the information to be collected.

**III. Retail Risk Schedule**

*A. US Bank Cards and Charge Card Schedule; US SME and Corporate Credit Card Schedule; International Credit Card Schedule*

The Retail schedules collect information about the distribution of risk in retail portfolios across segments. We believe the information collected should remain, in all cases, at the segment level. Requiring information at the loan-level would require significant investment in regulatory data capabilities and impose significant process burden for BHCs subject to the proposed reports. American Express’s individual loans that would be required to be reported number in the tens of millions. We believe that loan-level data is not necessary for the proper performance of the Federal Reserve’s functions, and the benefits of collecting data at the loan level do not justify the burdens that would be imposed.

For accounts that have no credit limit, the above-referenced schedules require subject BHCs to report the “purchase or shadow limit.” We believe that this requirement and the data fields related to purchase or shadow limits should be removed as there are no industry-standard definitions of such limits. For example, a BHC’s real-time risk assessment of charge transactions may create dynamic purchase controls

without any fixed or communicated limits. Accordingly, the information collected will have no uniformity across BHCs subject to these reports and may have little utility.

We note that the above-referenced schedules request BHCs to report data segmented along various product types.<sup>4</sup> We believe that product type categories should be expanded and aligned. For example, the International Credit Card schedule should include separate segments for Bank Cards and Charge Cards. Similarly, the US SME and Corporate Credit Card schedule product type categories should be further expanded to include separate segments for Bank Cards and Charge Cards within each existing product type category.

We note that certain data requirements under the US Bank Cards and Charge Card schedule and the US SME and Corporate Credit Card schedule differ. We believe the requirements should be aligned in cases where the particular type of data requested is the same. For example, the proposed draft schedules require a FICO segmentation. However, the US Bank Cards and Charge Card schedule requires the use of "Refreshed FICO" and the US SME and Corporate Credit Card schedule requires the use of "Origination FICO". We believe Refreshed FICO should be used for both schedules as it is more relevant than Origination FICO for understanding risk trends in the portfolio.

Additionally, we note the International Credit Card schedule requests that BHCs segment their credit card portfolio by Original FICO, among other things. We believe that the FICO segmentation requirement should be removed from the International Credit Card schedule as credit bureau score availability varies greatly across international markets. Accordingly, this segmentation is not likely to produce quality or meaningful information.

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<sup>4</sup> The US Bank Cards and Charge Card schedule requires segmentation by (a) Bank Card and (b) Charge Card; the US SME and Corporate Credit Card schedule requires segmentation by (a) SME Card and (b) Corporate Credit Cards; and the International Credit Card schedule requires segmentation by (a) Bank Card and Charge Card and (b) Other.

The International Credit Card schedule requires BHCs to report total Unpaid Principal Balance (UPB) on the book for the segment being reported as of month-end under field "\$ Unpaid Principal Balance." We believe this requirement should be removed from the International Credit Card schedule as its historical time series are not readily available for many international markets. Instead, please consider using "\$ Total Unpaid Balance," which would include historical balances of both accrued interest and principal from prior periods.

#### **IV. PPNR Schedule**

##### *A. PPNR Metrics Worksheet*

The Pre-Provision Net Revenue ("*PPNR*") Metrics worksheet provides information on certain metrics relevant for the assessment of various components of PPNR. We propose the elimination of data requirements related to the regional breakout of Net Revenues in the PPNR Metrics worksheet (lines 48-52). The breakout of the geographic regions<sup>5</sup> in the worksheet is different from the ones used by American Express for internal forecasting and planning, and could vary widely across BHCs filing these forms. Accordingly, we have concerns regarding the utility of this information and, in light of the burdens imposed on reporting BHCs to produce the information, we do not believe its collection is justified.

Thank you for considering the views expressed in this letter. Should you have any questions, please contact me at 212-640-2396 or Juliana O'Reilly at 212-640-3532.

Respectfully submitted,



David L. Yowan  
Executive Vice President & Corporate Treasurer

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<sup>5</sup> The relevant Geographic Regions are: APAC (Asia and Pacific region (including South Asia, Australia, and New Zealand)); EMEA (Europe, Middle East, and Africa); LatAm (Latin America, including Mexico); Canada; and Domestic.

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cc:

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