

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

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DATE: June 5, 2008  
TO: Public File  
FROM: Sandra Braunstein  
SUBJECT: Meetings with American Express on Regulations AA and Z (Docket No. R-1314 and R-1286)

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On June 4, 2008, representatives of American Express held separate meetings with Governor Randall Kroszner and Vice Chairman Donald Kohn regarding proposed rules under Regulation AA and Regulation Z. Representing American Express were Alfred Kelly, Arne Christenson, and Thomas Ryan. In addition to the Federal Reserve Board Members, Sandra Braunstein, Director of the Division of Consumer and Community Affairs, attended both meetings.

At each meeting, the American Express representatives generally discussed the large impact the rules will have on their business. They asked why the Board's proposal did not address issues of intracycle over-the-limit fees and pay-to-pay fees. They also expressed concerns about the risk of litigation from the labels of "unfair" and "deceptive". There was discussion of the Board's rules on universal default. The American Express representatives suggested the Board might ban so-called universal default provisions (off-account actions having any consequence for the card account).

They also raised two other issues. Their experience shows that either bouncing checks or paying late more than two times in a twelve month period are highly predictive of defaults on accounts. They encouraged the Board to add both of these elements as exceptions to the ban on repricing existing debt (along with the currently proposed 30 day delinquency). Their other request addressed the effective date of the rules. They requested a minimum of 18 months to allow adequate time for system changes, staff training, testing, and integration.