



THE FEDERAL RESERVE BANK OF RICHMOND

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December 19, 2024

Richard Kim, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Sent via EZFile

Dear Mr. Kim:

The following additional information request relates to (1) the application filed by Capital One Financial Corporation (“Capital One”), the parent of Capital One, National Association, both of McLean, Virginia, to acquire 100 percent of Discover Financial Services (“Discover”), Riverwoods, Illinois, and thereby indirectly acquire Discover Bank, Greenwood, Delaware, pursuant to section 3 of the Bank Holding Company Act of 1956¹ (“BHC Act”), and (2) the notice filed by Capital One to indirectly acquire DFS Services LLC, Riverwoods, Illinois; Discover Financial Services (Canada), Inc., Vancouver, British Columbia, Canada; PULSE Network LLC, Houston, Texas; and Diners Club International Ltd., Riverwoods, Illinois, pursuant to sections 4(c)(8) and 4(j) of the BHC Act.² Please also respond to the question in the Confidential Annex. Supporting documentation should be provided, as appropriate.

To the extent the information requested below is not yet available, provide a date by which the requested information is expected to be made available to the Board of Governors of the Federal Reserve System (“Board”).

1. Discuss differences in funding sources and strategies between Capital One and Discover and explain the proposed approach to funding at the pro forma institution. Include a discussion of noncore deposit funding sources, including brokered deposits and FHLB advances, and other sources of wholesale funding, as applicable. For areas where Discover’s funding profile may conflict with Capital One’s funding profile or strategies, discuss the estimated timeframe and approach for alignment.
2. Provide the funding sources of Discover and Capital One currently and on a pro forma basis. Any brokered deposits should be identified in terms of the amounts/proportions that are insured and uninsured currently and on a pro forma basis relative to (i) total brokered deposits and (ii) total deposits.

¹ 12 U.S.C. § 1842.

² 12 U.S.C. § 1843(c)(8) and (j).

Provide your response via EZ-File #111944 within eight business days. Any information for which confidential treatment is desired should be so labeled and separately bound in accordance with section 261.17 of the Board's Rules Regarding Availability of Information. The public portion of any response should be so designated. The Board will make the public portion of this request and the public portion of any response available on the Board's website, so that it is readily accessible to the commenters and to other interested parties.³ Please also send a copy of your response to the Office of the Comptroller of the Currency Senior Licensing Analyst Patricia Roberts at patricia.roberts@occ.treas.gov, the Federal Deposit Insurance Corporation Senior Case Manager Jeffrey Ralston at jralston@fdic.gov, and the Delaware Office of the State Bank Commissioner Senior Deputy Commissioner Lisa Collison at lisa.collison@delaware.gov.

If you have any questions, please contact Kathy Eike of this Reserve Bank via email at Kathy.Eike@rich.frb.org.

Sincerely,

E-SIGNED by Brent Hassell
on 2024-12-19 15:45:39 GMT

Brent Hassell
Assistant Vice President

cc: Board of Governors of the Federal Reserve System
Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
Delaware Office of the State Bank Commissioner

³ See <https://www.federalreserve.gov/foia/capital-one-discover-application-materials.htm>.