

**Meeting Between Federal Reserve Staff and
Representatives of American Express
April 20, 2011**

Participants: Scott G. Alvarez, Stephanie Martin and Dena Milligan (Federal Reserve Board)

Louise Parent, Anne Segal and Stephen McCurdy (American Express); and
Rodgin Cohen and Virgil Mattingly (Sullivan & Cromwell)

Summary: Representatives from American Express and their outside counsel met with representatives from the Federal Reserve Board to discuss issues related to the interchange fee and network exclusivity and routing provisions in section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Board's proposed rule. The discussion focused on application of the statute and proposed rule to three-party systems, including:

- Whether three-party systems, which involve direct fee negotiation between network and merchant, raise policy concerns similar to those underlying the Durbin Amendment;
- Whether any component of a merchant discount paid to a three-party system could be considered an interchange fee;
- The extent to which application of the network exclusivity and routing provisions to three-party systems would result in circuitous routing and a significant change in the business model of three-party networks; and
- The possible interpretations of the prohibition on restricting the number of payment card networks over which debit card transactions may be processed as applied to three-party systems.