



**Conditional Approval #1189  
January 2018**

December 4, 2017

Stephen M. Salley, Esq.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004

Re: Applications to convert American Express Centurion Bank, Salt Lake City, Utah to a national bank, subsequently to merge American Express Bank, FSB, Salt Lake City, Utah with and into the newly converted national bank, and related applications (Applications)

OCC Control Nos.: 2017-NE-Conversion-299542  
2017-NE-Combination-299557  
2017-NE-Capital&Div-299598  
2017-NE-MgtInterlocks-299555  
2017-NE-DirectorWaiver-299591 & 299594  
2017-NE-Subs&Equities-299548 & 299552

Charter No: 25151

Dear Mr. Salley:

The Office of the Comptroller of the Currency (“OCC”) hereby conditionally approves the application by American Express Centurion Bank, Salt Lake City, Utah (AECB or Applicant) to convert from a Utah-chartered industrial bank to a national bank with the title “American Express National Bank” (AENB) (Conversion).

The OCC also conditionally approves the application to merge American Express Bank, FSB, Salt Lake City, Utah (FSB) with and into AENB, under the title and charter of the latter (Merger).

The OCC hereby conditionally approves AENB to issue subordinated debt and include the debt as Tier 2 capital, pursuant to 12 CFR 5.47. Under section 5.47(h), a bank may not include such subordinated debt in Tier 2 capital unless the bank has received notification from the OCC that the subordinated debt qualifies as Tier 2 capital. This letter is the official notification that the subordinated debt qualifies as Tier 2 capital.

The OCC has reviewed your request seeking an exemption from the prohibitions of the Depository Institution Management Interlocks Act (12 USC 3201-3208) and the OCC's implementing regulation, 12 CFR 26. The OCC determined that the Bank demonstrated adequately that the proposed interlock would not result in a monopoly or a substantial lessening of competition, or present an unsafe or unsound situation to the Bank. Accordingly, the OCC conditionally approves the interlock pursuant to 12 CFR 26.6(a). The OCC also conditionally approves the residency and citizenship waivers for certain directors, retention of Community Development Investments, and subsidiaries, as explained in more detail below.

These approvals are granted after a thorough evaluation of the Applications, other materials you have supplied, and other information available to the OCC, including commitments and representations made in the Applications and by the Applicant's representatives during the application process. These approvals are also subject to the condition set out herein.

The OCC has granted preliminary conditional approval only. Final approval and authorization for the bank to convert to a national banking association will not be granted until all pre-conversion requirements are met. Until final approval is granted, the OCC has the right to modify, suspend, or rescind this preliminary conditional approval should the OCC deem any interim development to warrant such action.

### **Section 1818 Condition**

These approvals are subject to the following condition:

The pricing of the subordinated note must be consistent with the eligibility criteria for a tier 2 capital instrument and not create an incentive to redeem. Specifically, if the Note is priced as a fixed-rate instrument converting to a floating rate instrument in 2022, the conversion of the subordinated note from a fixed-rate instrument to a floating-rate instrument on [*month, day, 20xx*] must not result in any increase in the credit spread paid by the Bank.

This condition of approval is a condition "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 USC 1818. As such, this condition is enforceable under 12 USC 1818.

### **Background**

On August 31, 2017, AECB, filed an application to convert from an industrial bank organized under the laws of the state of Utah, to a national bank, with the title American Express National Bank (AENB). Immediately after the conversion, FSB, a federal savings bank will merge with and into AENB. At the same time, AECB also filed several related Applications as mentioned above. AECB and FSB conduct similar activities. Both are engaged in providing charge and credit cards to consumers and small businesses.

AECB and FSB are wholly owned subsidiaries of American Express Travel Related Services Company, Inc. (TRS), a bank holding company. TRS is wholly owned subsidiary of American Express Company (AEC), a bank holding company. TRS and AEC have elected to become financial holding companies.

## **Legal Authority**

### **I. Conversion to a National Bank Charter**

The conversion of AECB to a national bank is legally authorized under 12 USC 35 and the OCC's corresponding regulation at 12 CFR 5.24. In accordance with Section 5.24, in deciding a conversion application the OCC takes into account whether the institution can operate safely and soundly as a national bank in compliance with applicable laws, regulations, and policies.<sup>1</sup> The OCC's regulations also provide that an application may be denied, if a significant supervisory, Community Reinvestment Act,<sup>2</sup> or compliance concern exists with the applicant; approval is inconsistent with applicable law<sup>3</sup> regulation or policy; or the applicant fails to provide necessary information that the OCC has requested.<sup>4</sup> Further, a conversion application may be denied if the conversion would permit the applicant to circumvent supervisory action by its current regulator.<sup>5</sup>

The OCC conducted a thorough review of the conversion application in light of the factors set forth above. We determined that the results of this review are consistent with approval of the conversion application. Therefore, the OCC hereby approves the conversion of AECB to a national bank. Following the conversion, AENB will continue to operate AECB's main office in Salt Lake City, Utah as AENB's main office.

### **II. Merger**

AENB's proposed merger with FSB is also subject to OCC review under the Bank Merger Act. The OCC reviewed the proposed merger under the criteria of the Bank Merger Act, 12 USC 1828(c), and applicable OCC regulations and policies. Under the Bank Merger Act, the OCC generally may not approve a merger that would substantially lessen competition. The proposed merger is between two affiliated institutions therefore the proposal is competitively neutral. The Bank Merger Act also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. 12 USC 1828(c)(5). The OCC must also consider the effectiveness of any

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<sup>1</sup> 12 CFR 5.24(d)(1).

<sup>2</sup> The CRA also requires that the OCC consider a conversion applicant's record of compliance with the CRA in deciding the application. 12 USC 2903(a)(2) and 2902(3)(A); 12 CFR 25.29(a)(4).

<sup>3</sup> AECB submitted an opinion of counsel that the conversion is not in contravention of applicable law. 12 CFR 5.24(d)(2)(ii)(E).

<sup>4</sup> 12 CFR 5.24(d) and 5.13(b).

<sup>5</sup> 12 CFR 5.24(d)(1).

insured depository institution involved in the proposed merger transaction in combating money laundering activities. 12 USC 1828(c)(11). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 U.S.C. § 1828(c)(5). The OCC considered these factors and found them consistent with approval of this application.

### **III. Issuance of Subordinate Debentures**

AENB applied to issue subordinated debt in the principal amount of \$800 million to its parent, TRS. The Bank requests that the subordinated debt be included in its Tier 2 capital. The subordinated debt will have a floating rate based on LIBOR and due in 2028.

The Application was filed pursuant to 12 CFR 5.47. In accordance with 12 CFR 5.47(f), a national bank must obtain prior approval from the OCC before issuing subordinated debt.

### **IV. Depository Institution Management Interlocks Act**

The Application requests that Roger Goldman, a current director of FSB, be permitted to serve as a director of AENB while serving as director of Seacoast Banking Corporation of Florida, and its wholly-owned subsidiary, Seacoast National Bank, both located in Stuart, Florida, pursuant to 12 USC 3201-3208 and the OCC's implementing regulation, 12 CFR 26. AENB demonstrated adequately that the proposed interlock would not result in a monopoly or a substantial lessening of competition, or present an unsafe or unsound situation to AENB. Accordingly, the OCC approves the interlock pursuant to 12 CFR 26.6(a). An interlock permitted under 12 CFR 26.6(a) may continue as long as it will not result in a monopoly or substantial lessening of competition or be unsafe or unsound.

### **V. Director Waivers**

The Applicant requested approval to grant a waiver of the citizenship requirement of 12 USC 72 for Denise Pickett, a current director of AECB, to be elected to the board of directors of AENB. We understand that after her election, eleven (11) out of 12 (twelve) directors will meet the citizenship requirements of 12 USC 72.

The Applicant also requested multiple waivers of residency requirements under 12 USC 72 for ten (10) directors to be elected to the board of directors of AENB. We understand that after the election, ten (10) out of twelve (12) directors or 90 percent of the directors of AENB will not meet the residency requirements.

The OCC reserves the right to withdraw these waivers at any time and, at our discretion, to request additional biographical and/or financial information on any member of the board of directors. All other requirements of 12 USC 72 remain applicable.

## **VI. Community Development Investments**

In connection with the Merger, AENB seeks approval to acquire and assume the public welfare investments from AECB and FSB pursuant to 12 U.S.C. § 24(Eleventh) and 12 CFR 24 concerning national bank community and economic development entities, community development projects, and other public welfare investments.

AECB's public welfare investment portfolio consists of 16 investments in community and economic development entities (CEDEs), with an aggregate value of \$503,334,411. The majority of the CEDEs have invested in lower-tier entities. The CEDEs engaged in activities that are examples of qualifying public welfare investments for national banks under 12 CFR 24.6, as follows: nine of the CEDEs involve investments in projects that qualify for Federal Low Income Housing Tax Credits; four of the CEDEs involve economic development and job creation investments, and three of the four are New Markets Tax Credit investments; and three of the CEDEs provide financing for the acquisition, development, rehabilitation, management, sale, or rental of affordable housing primarily for low- and moderate-income individuals.

FSB's public welfare investment portfolio includes 15 investments in CEDEs, with an aggregate value of \$462,337,257. The majority of the CEDEs have invested in lower-tier entities. The CEDEs engaged in activities that are examples of qualifying public welfare investments for national banks under 12 CFR 24.6, as follows: eight of the CEDEs involve investments in projects that qualify for Federal Low Income Housing Tax Credits; six of the CEDEs involve economic development and job creation investments, and three of the six are New Markets Tax Credit investments; and one of the CEDEs provide financing for the acquisition, development, rehabilitation, management, sale, or rental of affordable housing primarily for low- and moderate-income individuals.

AECB attests that the investments made by it and FSB comply with the public welfare, primary beneficiary requirement of 12 CFR 24.3, specifically that the investments primarily benefit low- and moderate-income individuals, low- and moderate-income areas, or other areas targeted by a governmental entity for redevelopment, or the investments would be considered as a "qualified investment" under 12 CFR 25.23 for purposes of the Community Reinvestment Act. Further, AECB attests that the investments made by it and FSB do not expose AENB to unlimited liability, consistent with 12 CFR 24.4(b).

AECB represents that AENB will acquire and assume \$965,671,668 in an aggregate value of the public welfare investments, which will represent its aggregate public welfare investments, including investments made by it and FSB, under 12 USC 24(Eleventh) and

12 CFR 24 at the time of the consummation of the merger transaction. AECB indicates that the total of its outstanding investments and commitments under 12 USC 24(Eleventh) and 12 CFR 24, including the investments previously made by it and FSB, will be 7.23 percent of the AENB's capital and surplus at the time of the consummation of the merger transaction.

Given AENB's aggregate projected public welfare investments will exceed 5 percent of its capital and surplus, going forward for each future public welfare investment, the bank will be required to seek prior approval from the OCC by submitting an investment proposal to the Community Affairs Division, consistent with 12 CFR 24.5(b). In no event shall the AENB's aggregate public investments and commitments under the Regulation and Statute exceed 15 percent of its capital and surplus. If requested by the OCC, AENB will provide reports concerning its public welfare investments.

The response set forth in this letter is based on information and representations provided to us by the Applicant. Any change in the nature, amount, or purpose of AENB's investment could result in a different response being rendered concerning the conformance of AENB's investment with 12 USC 24(Eleventh) and 12 CFR 24.

## **VII. Retention of Subsidiaries and Investments Following Conversion and Merger**

Following the conversion, AENB plans to retain AECB's operating subsidiary, American Express Receivables Financing Corporation III LLC (RFC III). RFC III purchases certain credit card receivable from AECB and transfers these receivables to an affiliate, American Express Account Master Trust, to facilitate the securitization of credit card receivables. RFC III conducts activities that are permissible for national bank pursuant to 12 CFR 5.34(e)(5)(v)(O).

Following the merger, AENB plans to retain FSB's operating subsidiary, American Express Receivables Financing Corporation IV LLC (RFC IV), which also engages in similar activities as RFC III to facilitate the securitization of certain credit card receivables. RFC IV's activities are permissible for national bank pursuant to 12 CFR 5.34(e)(5)(v)(O). FSB also has a non-controlling investment in TPM Alliance, LLC, which engages in third-party vendor risk management activities permissible under 12 CFR 5.34 (e)(5)(v)(E).

AENB may retain the subsidiaries and non-controlling equity investment. The Application states that after the consummation of the merger, RFC IV will most likely be merged into RFC III.

## **Conclusion**

You are reminded that the following items must be satisfactorily addressed on or before the effective date of the Conversion and related applications:

1. The institution must purchase adequate fidelity bond coverage in accordance with 12 CFR 7.2013, which lists four factors the directors should consider to determine adequacy.
2. If a director, officer, employee, or principal shareholder of the bank (including an entity in which such person owns an interest of 10 percent or more) is involved in the sale of credit life insurance to loan customers, the bank should ensure compliance with 12 CFR 2, which among other things, prohibits a covered person from retaining commissions or other income from the sale of credit life insurance connected with any loan the bank makes.
3. The board of directors must adopt policies, practices, and procedures to ensure the safe and sound operation of the bank. The board also must review those policies, practices, and procedures continually and ensure the bank's compliance with them. We are enclosing the Minimum Policies and Procedures for national banks.
4. The converting institution must apply to the Federal Reserve for membership.
5. The directors must own qualifying shares in conformance with 12 USC 72 and 12 CFR 7.2005.
6. The bank must maintain liquidation accounts established when the bank acquired institutions that converted from mutual to stock form, if applicable.
7. If the converting institution is subject to the Home Mortgage Disclosure Act (HMDA), the bank must ensure that its reporter identification number included on its HMDA transmittal sheet is changed to reflect its new OCC charter number.
8. The converting institution must notify the OCC if the facts described in the filing materially change at any time prior to consummation of the conversion. Any changes to the executive officers or directors must receive a "no objection" from the OCC.
9. Upon completion of all steps required to convert to a national banking association, submit the "Conversion Completion Certification" (enclosed) certifying that you have done so.
10. Submit a secretary's certificate confirming that a majority of the board of directors and the shareholder of AENB's have agreed to the proposed merger.

11. Submit an executed merger agreement.

12. Provide documentation that any other required regulatory approvals have been obtained.

Please provide the OCC with at least 10 days advance notice of the conversion and consummation of the related applications. When the institution has satisfactorily completed all of the above steps, the OCC will issue a Conversion Completion Acknowledgment officially authorizing the institution to commence business as a national bank. We will also issue a letter certifying consummation of the merger.

If the Applications are not consummated within six months from the date of the decision, the approval will automatically terminate unless the OCC grants an extension. The OCC is opposed to granting extensions, except under the most extenuating circumstances, and expects the conversion to occur as soon as possible.

OCC handbooks, manuals, bulletins, and other publications are available for download at <http://www.occ.gov/publications/index-publications.html> and <http://www.occ.gov/news-issuances/bulletins/2015/index-2015-bulletins.html>. National banks, federal savings associations, employees, and other interested parties can subscribe to the OCC News E-mail List at [www.occ.gov/tools-forms/subscribe/occ-email-list-service.html](http://www.occ.gov/tools-forms/subscribe/occ-email-list-service.html). OCC news releases, bulletins, and alerts are also available by subscribing to the agency's four RSS news feeds at [www.occ.gov/rss/index-rss.html](http://www.occ.gov/rss/index-rss.html).

This conditional approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. Our conditional approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

Stephen M. Salley, Esq.  
Sullivan & Cromwell LLP  
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All correspondence regarding this application should reference the application control numbers. If you have any questions, please contact Senior Licensing Analyst Sandya Reddy at (212) 790-4055 or email [sandya.reddy@occ.treas.gov](mailto:sandya.reddy@occ.treas.gov).

Sincerely,

*signed*

Marva V. Cummings  
Director for District Licensing

Enclosures (3): Minimum Policies and Procedures  
Conversion Completion Certification  
Survey Letter