



American Express National Bank

115 West Towne Ridge Parkway
Sandy, UT 84070

November 29, 2023

Via Electronic Delivery

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Resolution Plans Required for Insured Depository Institutions With \$100 Billion or More in Total Assets

FDIC RIN 3064–AF90

Ladies and Gentlemen:

American Express Company (together with its subsidiaries, “American Express”) appreciates the opportunity to provide comments to the Federal Deposit Insurance Corporation (“FDIC”) on the FDIC’s proposal to revise the resolution planning rules applicable to insured depository institutions with \$100 billion or more in total assets (the “Proposed Rule”).¹

The Proposed Rule is intended to build upon the FDIC’s experience implementing the resolution planning framework that is applicable to covered insured depository institutions (“CIDIs”) under the current resolution planning framework, including American Express’ subsidiary bank, American Express National Bank (“AENB”). American Express is supportive of the FDIC’s goals and appreciates that resolution planning can likely improve based on lessons from the bank failures that occurred earlier this year. However, we believe that there is an important change that the Proposed Rule could incorporate to ensure that the FDIC has access to the best possible information in order to preserve optionality in hypothetical future resolution scenarios.²

We respectfully recommend that any final rule eliminate the Proposed Rule’s required assumption that a CIDI’s U.S. parent holding company would enter bankruptcy in the

¹ See 88 Fed. Reg. 64579, Sept. 19, 2023.

² Although we focus our comments in this letter on one recommendation to improve the Proposed Rule, we also share the concerns raised to the FDIC by multiple trade associations (including the Bank Policy Institute and American Bankers Association) in their comment letters on the Proposed Rule.

hypothetical scenario in which the CIDI fails. Many firms have differentiated business models, and some, like ourselves, involve parent holding companies that engage in material business activities outside of the CIDI. Accordingly, rather than restrict a CIDI’s resolution strategies by requiring a one-size-fits-all assumption, the FDIC should continue to encourage CIDs to develop resolution strategies that fit their organizations’ specific business models, and any concerns about those strategies should continue to be addressed through the supervisory process.³

We believe that removing this required assumption would help ensure that the FDIC has sufficient information in order to both (i) maintain franchise value in resolution, and (ii) consider the full range of options for resolution based on a comprehensive assessment of all available information regarding the CIDI.

I. To Ensure Optionality, Failure Scenarios Should Not Require the Assumption that a CIDI’s Parent Holding Company Enters Bankruptcy

As the Introduction to the Proposed Rule recognized, “[t]here is no one-size-fits-all resolution approach for [varied] institutions; rather, the FDIC must be prepared to execute a range of resolution options, recognizing the trade-offs among those options.”⁴ We agree, and respectfully submit that the Proposed Rule’s requirement that CIDs develop strategies based on a “failure scenario [that] must assume that the U.S. parent holding company is in bankruptcy”⁵ is inconsistent with encouraging optionality.

Even if it “is *often* the case in a bank failure” that the parent holding company will enter bankruptcy,⁶ that may not necessarily be the case in *every* scenario and may be more or less likely depending upon how a banking organization chooses to structure its businesses and assets across its bank and non-bank legal entities. Given the variation in structures and business models across CIDs, we believe that the FDIC should allow CIDs to continue to develop resolution strategies that provide enough information to give the FDIC the maximum amount of optionality in resolution. Firms with varying business models may be able to develop credible resolution plans that include an option to resolve the CIDI in a scenario in which its parent holding company avoids bankruptcy. Preventing firms from developing such plans could impact the valuations of business lines in the resolution plan and deprive the FDIC of access to information that would be relevant in that scenario. Ultimately, this may effectively reduce the options available to the FDIC in resolution.

³ See Statement by Vice Chairman Travis Hill on the Proposed Amendments to the IDI Resolution Planning Rule, available at <https://www.fdic.gov/news/speeches/2023/spaug2923k.html> (“Rather than adding a number of new items to the plan requirements, as contemplated under the proposal, I think we should continue to shift our focus toward firm engagement.”).

⁴ Proposed Rule at 64580.

⁵ Proposed Rule at 64588.

⁶ *Id.* (emphasis added).

a. Firms Have Varying Business Models and Legal Entity Structures

As the Proposed Rule recognized, “likely failure scenarios are different for CIDs with different business models, balance sheets, and risks.”⁷ Accordingly, we believe that resolution strategies must reflect a CID’s specific circumstances in order to be useful to the FDIC.

Take, for example, American Express, which operates a differentiated business model compared with other similarly sized organizations. American Express offers traditional banking services, such as issuing credit and charge cards to consumers and businesses; those card products are primarily issued out of AENB. American Express also operates the network upon which those (and certain third-party issued) cards operate. These network activities are conducted completely outside AENB by its immediate parent holding company, American Express Travel Related Services Company, Inc. (“TRS”), which sits below the publicly traded top-tier holding company, American Express Company (“AXP”). TRS also holds assets and derives revenue from other business activities that operate independently of AENB. Although conducted in different legal entities, none of the activities of American Express are complex or exotic, but its operational structure nevertheless differs from some similarly sized organizations that hold substantially all of their assets and operations within their CID.

For firms like American Express, with material operations outside of their CID, we do not believe it is necessary or warranted to force the assumption that the parent would enter bankruptcy contemporaneous with the failure of the CID, and doing so could artificially restrict CIDs in evaluating potential failure scenarios. As noted in the Proposed Rule, the Proposed Rule “includes *flexibility for the FDIC to devise specific failure scenario assumptions*, with respect to macroeconomic conditions or the precipitating cause of failure” for one or more CIDs⁸ – we respectfully submit that it would be equally appropriate for the Proposed Rule to provide maximum flexibility for CIDs to devise specific failure scenario assumptions based upon, *e.g.*, the unique understanding the CID has about its business model, operational structure, and other relevant institution-specific factors.

b. Forcing the Failed Parent Assumption Could Overlook Potential Sources of Value in a Resolution and Unnecessarily Limit the Information Available to the FDIC

A situation in which a CID failed but its parent holding company were able to continue operating and avoid bankruptcy could potentially impact the value of both the CID as a whole and its individual business lines. Although the Proposed Rule would retain requirements to discuss, *e.g.*, separability from the parent, a parent that is able to continue operating as a going concern could help provide stability to a failed CID in the transition to a bridge bank and/or to help support a component or whole bank transaction. To the extent a viable parent is able to support that transition and help limit disruption, customer and service provider relationships may be better able to be maintained, all of which may help improve (or limit the destruction of) the value of the CID and its component businesses in resolution.

⁷ *Id.*

⁸ *Id.* (emphasis added).

Additionally, requiring CIDs to assume the bankruptcy of the parent holding company may artificially limit information that ultimately may be of value to the FDIC in an actual resolution. Rather than requiring the assumption that a CIDI's parent holding company enters bankruptcy, CIDs should be encouraged to continue to develop plans and strategies that are based on the best firm-specific information about each CIDI – including any unique aspects of their business, operational structure, and risk profile – which are likely to be of the most use to FDIC. Although in some cases that may reasonably include the assumption that the CIDI's parent holding company enters bankruptcy at the same time as the CIDI's failure, we recommend that the FDIC eliminate the *requirement* that all CIDs make that assumption.

II. Concerns About the Assumptions in a CIDI's Failure Scenario Can Be Addressed Through the Supervisory Process

If a CIDI develops a resolution strategy that relies on an insufficiently supported assumption of the continued operation of its parent holding company, the FDIC may address any concerns regarding that assumption and any related implications for a proposed resolution strategy through the supervisory process. Indeed, the Proposed Rule envisions a more active (and we would encourage collaborative and constructive) engagement model that would provide the FDIC the opportunity to work directly with the CIDI to address any FDIC concerns about a particular strategy.

Active engagement and discussion between a CIDI and FDIC staff would likely be far more beneficial to enhancing the value and credibility of the CIDI resolution planning exercise as compared to unilaterally requiring a speculative assumption in the text of the final rule.

III. Conclusion

We appreciate both the work of the FDIC in developing the Proposed Rule, and the opportunity to provide our comments. We respectfully submit that the FDIC should take the discrete step outlined above to improve the Proposed Rule to ensure that any final rule provides appropriate optionality to reflect different business models and organizational structures while still meeting the goals of promoting safety and soundness and enhancing resolution preparedness.

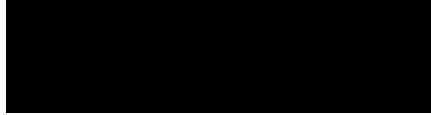
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Thank you for considering our comment letter. We appreciate the opportunity to share our views with the FDIC and would be happy to discuss any of them further at your convenience. If we may be of further assistance, please contact me at 212 640 3061 or kerri.s.bernstein@aexp.com.

Sincerely,



Kerri Bernstein
Treasurer, American Express National Bank

cc: Christophe Le Caillec
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