



February 28, 2018

**Supervisory Condition Letter #2018-02
April 2018**

Mr. Jonathan Polk
President and Chief Executive Officer
American Express Bank, FSB
200 Vesey Street
Mail Code: 01-36-11
New York, NY 10285

Subject: American Express Bank, FSB Request for Exemption from \$50 Billion or Over Stress Testing Requirements for 2018

Dear Mr. Polk:

This letter addresses your correspondence dated February 9, 2018, in which American Express Bank, FSB (FSB) requests an exemption from the \$50 billion or over stress testing requirements for the 2018 stress test cycle. FSB expects to be merged on April 1, 2018, into a new national bank to be named American Express National Bank (AENB). Upon completion of this merger, FSB will cease to exist and will no longer be subject to the OCC's stress testing regulation under 12 CFR part 46. As discussed below, the OCC has determined that it is appropriate under its reservation of authority to 1) grant FSB an exemption from the \$50 billion or over stress test requirements if the merger is not completed by April 1, 2018, and 2) require AENB to conduct its first annual stress test subject to the requirements applicable to a \$10 to \$50 billion covered institution and submit stress test results to the OCC by July 31, 2018.

Discussion

FSB's average total consolidated assets first exceeded the applicable \$50 billion asset threshold in the fourth quarter of 2015. Since that time, while total assets dropped below the \$50 billion threshold in certain quarters over the last two years, FSB has not reported total assets below the threshold for four consecutive quarters. Therefore, under 12 CFR 46.3(d)(2), FSB remains subject to the requirements applicable to a \$50 billion or over covered institution for the 2018 stress test cycle.

On April 1, 2018, American Express Centurion Bank (AECB) plans to convert from a Utah-chartered industrial bank to a federally-chartered national bank regulated by the OCC and to merge FSB into AENB, the new national bank resulting from the conversion. The OCC conditionally approved the applications for this transaction on December 4, 2017. The OCC previously granted FSB exemptions from the \$50 billion or over requirements for the 2016 and 2017 stress test cycles. The OCC has determined that it is appropriate to allow FSB to remain

subject to the requirements applicable to a \$10 to \$50 billion covered institution rather than those applicable to a \$50 billion or over covered institution. Upon completion of the planned merger, FSB would cease to exist and would no longer be subject to the OCC's stress testing regulation. If the planned merger occurs prior to the July 31, 2018, submission date for \$10 to \$50 billion institutions, a separate stress testing submission by FSB would not be a useful supervisory exercise. The OCC has determined that, if the planned merger is not consummated until after July 31, 2018, then it is appropriate for FSB to make a submission under the requirements applicable to a \$10 to \$50 billion covered institution.

The OCC has determined that it is appropriate for AENB to conduct its first annual stress test in 2018 subject to the requirements applicable to a \$10 to \$50 billion covered institution and submit stress test results to the OCC by July 31, 2018. The less detailed stress test reporting requirements in the \$10 to \$50 billion category are expected to allow AENB to conduct stress tests for the 2018 cycle based on a pro forma consolidation of the balance sheets of the merged entities.

Conditions on Approval for Exemption

The OCC has determined that it will exempt FSB from the \$50 billion or over stress testing requirements for the 2018 cycle, subject to the conditions set forth below. FSB and AENB must meet these conditions unless notified otherwise by the OCC.

1. For stress test results to be submitted by July 31, 2018, AENB will use pro forma financials as of December 31, 2017.
2. AENB will prepare its stress test submission under the requirements applicable to a \$10 to \$50 billion covered institution.
3. If FSB continues to exist as a separate entity on July 31, 2018, FSB will submit stress test results as a \$10 to \$50 billion covered institution for the 2018 stress test cycle.
4. Ensure proper oversight of the stress testing process by the AENB Board of Directors.

The above-listed conditions of this approval are "condition[s] imposed in writing [by the OCC] in connection with any application, notice, or other request" within the meaning of 12 USC 1818 and, as such, are enforceable under 12 USC 1818.

If you have any questions concerning this letter, please contact Examiner-in-Charge Jonathan Doherty at (212) 640-4420.

Sincerely,

/s

Morris R. Morgan
Senior Deputy Comptroller
Large Bank Supervision