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NEW YORK | WASHINGTON

August 28, 2006

BY HAND

Senator Arlen Specter
Chairman
U.S. Senate Committee on the Judiciary
224 Dirksen Senate Office Building
Washington, DC 20510

Re: Questions from July 19, 2006 Hearing

Dear Chairman Specter:

Thank you for the opportunity to testify before the Committee on the Judiciary on the issue of credit card interchange fees. I have enclosed my answers to the follow-up written questions from you and Senators Grassley and DeWine.

Please do not hesitate to contact me if you or your colleagues have any further questions.

Sincerely,

W. Stephen Cannon

Enclosure

80272.1

Responses to Written Questions Posed to W. Stephen Cannon

"Credit Card Interchange Fees: Antitrust Concerns?"
A Hearing before the U.S. Senate Committee on the Judiciary
July 19, 2006

Question 1 from Chairman Specter

The credit card companies will not allow merchants to charge customers that use a credit card an additional fee, or surcharge. Do you think this rule constitutes an anticompetitive practice? Do you think that allowing surcharges would encourage competition among credit card companies?

Response to Question 1 from Chairman Specter

The MPC believes that the card associations' "no surcharge" rule is a part of their anticompetitive scheme to fix interchange fees. This compelled lack of transparency reinforces the card associations' price fixing efforts. Specifically, the card associations ensure that consumers (*i.e.*, card holders) deciding which form of payment to use remain ignorant of the supra-competitive costs of using their Visa or MasterCard card by preventing merchants from imposing a surcharge on card purchases that reflect the interchange fees charged to the merchant.

The combination of interchange fees and no-surcharge rules distorts price signals regarding use and thus the nature of competition between payment systems. As summarized by the head of Australia's Reserve Bank: "For cardholders, the price signal they received was that credit card transactions were free, or could even result in receiving a payment in the form of 'points.' … Merchants, on the other hand, received a signal that the credit card was the most expensive way of making a payment…. But merchants had no power to influence the method of payment for the transaction—for that was in the hands of the cardholder. Thus, the incentives in the system were designed to encourage … the form of payment that was the most expensive from the perspective of society as a whole. … But of course the story does not stop here. Ultimately, higher merchant costs flow through into higher prices for the customers of those merchants. This is a cost borne by all consumers whether they use credit cards or not."

Importantly, fees may vary by brand association, type of card (debit or credit), and benefit level (*e.g.*, Visa's Signature brand and MasterCard's World Points, as well as "business" cards) may incur a higher interchange fee for many types of purchases. Hence a rule allowing for a single "cash" discount that does not allow the merchant to reflect the higher fees for a particular type of card may have limited practical value.

With regard to your second question, allowing surcharges may help encourage competition among credit card companies, but eliminating just this one part of the card associations' price-fixing scheme likely would not be sufficient to produce a competitive marketplace. Elimination of the rest of the anticompetitive scheme – including the actual price fixing of the interchange fee by competing member banks – is also necessary to create competition. Because the freedom of participants to set any price they wish (including imposing surcharges or offering discounts) is a hallmark of competitive markets, the denial of this freedom with respect to credit cards is further evidence of the absence of competition in that market.

Question 2 from Chairman Specter

For years, Visa and MasterCard prevented banks from issuing Discover and American Express Cards, but an antitrust suit by the Justice Department put an end to that conduct. Why do you think that American Express and Discover have not begun to compete to have banks issue their cards?

Response to Question 2 from Chairman Specter

It is correct that the Justice Department successfully challenged Visa's and MasterCard's exclusionary rules "which prohibit[ed] members of their networks from issuing Amex and Discover cards." *United States v. Visa U.S.A., Inc.*, 344 F.3d 229, 237 (2d Cir. 2003). The Second Circuit affirmed the lower court's holding that Visa and MasterCard violated antitrust law by using these exclusionary rules to "effectively foreclose[Amex and Discover] from the business of issuing cards through banks." *Id.* at 237. "Since [Visa's and MasterCard's] exclusionary rules undeniably reduce output and harm consumer welfare, and defendants have offered no persuasive procompetitive justification for them, these rules constitute agreements that unreasonably restrain interstate commerce in violation of Section 1 of the Sherman Act." *Visa U.S.A., Inc.*, 163 F.Supp.2d at 406.

It is the MPC's understanding that subsequent to the Supreme Court's denial of the card associations' petition for a writ of certiorari in October 2004, American Express and Discover have, in fact, begun to compete to have banks issue their cards. American Express has entered into deals with issuers such as Citibank, Bank of America, GE Consumer Finance to issue its cards. Similarly, Discover has entered into deals with issuers including Alliance Data, First Bank & Trust, HSBC Metris, CompuCredit, and GE Consumer Finance. For your consideration, we have attached press releases on these developments.

Please note that Constantine Cannon represents Discover in litigation against Visa and MasterCard.

Question 3 from Chairman Specter

MasterCard has argued that its IPO eliminates any doubt as to the propriety of its decision making with regard to interchange fees under antitrust law. You've argued that the IPO preserved the ability of MasterCard's member banks to collude in setting those fees. It is my understanding that if the member banks engaged in such collusion under MasterCard's current ownership structure, they would not be protected by the Supreme Court's decision in *Texaco v. Dagher.* Assuming they do not engage in such overt collusion, can you explain how MasterCard's structure still raises antitrust concerns?

Response to Question 3 from Chairman Specter

The MPC believes that even subsequent to the IPO, MasterCard's structure raises antitrust concerns. MasterCard's recent reorganization is a change in form, not substance: collective price-fixing continues. The antitrust laws recognize a hub-and-spoke form of conspiracy in which a central agent manages a cartel even if the conspirators do not expressly agree with each other to go along with the "hub's" plan. The case is strongest where there is an agreement among members along the "rim" to utilize the hub. This is precisely the case with the MasterCard reorganization.

Additionally, by agreeing to the reorganization based on the representation that existing agreements such as the interchange fee mechanism would continue, the member banks have agreed to use the services of MasterCard, Inc. as manager of their existing interchange fee cartel arrangement. Moreover, when the MasterCard members agreed to designate MasterCard, Inc., as the ongoing manager of the MasterCard system, they had every reason to believe that its board would operate in their collective best interest as cartel agent: the member banks would remain significant MasterCard shareholders with a collective 44 percent equity interest (plus a 10 percent equity and 18 percent voting interest in a "MasterCard Foundation," with restrictions on the aggregate accumulation of stock by outside parties), they would appoint members to the board with certain voting rights, and they would remain MasterCard's only customers—and MasterCard is dependent on their customer-members' goodwill toward MasterCard. *See* MasterCard Incorporated, SEC Form S-1, Amendment No. 8 at 6-7, 30 (May 23, 2006).

As MasterCard put it, "We are, and will continue to be, significantly dependent on our relationships with our [member banks]…." *Id.* at 21. Indeed, the five largest MasterCard member banks provided 34 percent of MasterCard Inc.'s revenue as of early 2006. *Id.* at 20. And, of course, a consideration for those large issuers remaining in the MasterCard system could be the level of interchange fees paid to them in comparison with, for example, Visa. Thus, even an "independent" MasterCard board could be expected to assume the best interests of all MasterCard shareholders would result from setting interchange fees at levels that are in the collective best interest of issuing banks, particularly MasterCard's dominant issuers. And, as the saying goes the proof of the pudding is in the eating: Since the IPO, MasterCard's interchange rates and rules have not changed. The price fixing continues unabated.

Finally, seemingly benign rules such as "honor all issuers" continue to be imposed post-IPO as part of an ongoing scheme that (i) precludes banks from freely competing on the basis of interchange fees and (ii) blocks the transparency needed for merchants and consumers to recognize the differences in the costs of using different payment options and to base their decisions on these cost differences. While MasterCard (and Visa) can offer outdated historical justifications for these rules, such arguments are no longer valid today, and unless changed these rules will perpetuate the non-competitive outcomes in this market even subsequent to the MasterCard IPO.

I would also like to address your assumption that "if the member banks engaged in [overt] collusion under MasterCard's current ownership structure, they would not be protected by the Supreme Court's decision in *Texaco v. Dagher.*" MPC agrees that *Dagher* should not be read to immunize such overt collusion. Unfortunately, however, MPC believes that Supreme Court's decision in *Texaco v. Dagher* may be interpreted as supporting Visa's novel legal position that price fixing by competitors participating in an otherwise legitimate joint venture is per se legal. *See Texaco Inc. v. Dagher*, 126 S.Ct. 1276 (2006).

Visa's position appears to be that price fixing by competitors participating in an otherwise legitimate joint venture is per se legal. Specifically, Visa believes that "[a] joint venture's pricing of things it sells . . . is not an appropriate subject of antitrust inquiry at all" and that "there is no legal or economic basis for applying Section 1 to the pricing decisions of a production or marketing joint venture." Brief of Visa U.S.A. Inc. et al. as Amicus Curiae Supporting Petitioners, *Texaco Inc. v. Dagher*, 126 S.Ct. 1276 (2006), at 17. According to Visa, subjecting the decisions of a joint venture to "antitrust scrutiny – even under the rule of reason – undermines the utility of joint ventures as a form of industrial organization." *Id.* at 3. Not surprisingly, Visa argues that price fixing by competitors participating in a production and marketing joint venture "presents no Section 1 issue under the ancillary restraints doctrine" and has "no effect on competition in any manner relevant to Section 1." *Id.* at 6, 29.

Accordingly, the Visa and MasterCard joint ventures and their members can be expected to use the Supreme Court's *Dagher* opinion in pending class action (as well as any future) litigation challenging its member banks' price fixing of interchange fees. If these arguments are accepted, such price fixing by competing banks will be immune from antitrust challenge. For these reasons, the MPC believes Congress should clarify the illegality of price fixing by competitors participating in a joint venture, generally, as well as examine the price fixing of interchange fees by competing member banks participating in the Visa and MasterCard joint ventures as a specific case study.

Question 1 from Senator Grassley

Europe has looked at the interchange fee from an antitrust perspective. Can you tell me what they have done with regard to interchange fees? What is the impact that it has had?

Response to Question 1 from Senator Grassley

The European Commission has taken several steps regarding interchange fees. In 2002, the Competition Directorate of the European Commission ruled that Visa's collectively-set interchange fees for international transactions within the European Union violated the EU's competition statutes. In particular, the EC found that Visa's interchange fees were set at an inappropriately high level under a mechanism that permitted members to set the interchange fees "at any level they choose, without any objective criteria and in particular regardless of the actual cost of providing the specific services in question." The EC settled the matter by allowing Visa to establish interchange fees set on the basis of specified cost categories. Visa's international interchange fees in Europe have operated in accordance with this settlement since that time. The settlement agreement is currently under review for extension beyond 2007. The European Commission also is currently investigating interchange fees charged by MasterCard for cross-border card transactions and some intra-country transactions.

As a result of the EC's 2002 settlement with Visa, credit card interchange rates in Europe fell significantly, from about 1.0 percent, to less than .8 percent (according to the Federal Reserve Bank of Kansas City). In its April 2006 study of European interchange fees, the EC stated that its 2002 Visa decision "fixed the underlying cost components for consumer card interchange fees and obliged Visa to conduct an in depth study to justify the level of each of the costs.... This appears to have had the effect of reducing Visa cross-border interchange rates. MasterCard cross-border rates remained unregulated, which allowed the network to keep interchange fees significantly above the rates for Visa."

In September 2005, the UK's Office of Fair Trading found that a prior MasterCard interchange fee mechanism violated both UK and European competition laws. However, in June of this year the OFT stated it would concentrate its resources on the currently existing MasterCard and Visa interchange fee mechanisms after a UK court set aside an OFT decision dealing with an interchange fee mechanism that was no longer being used by MasterCard.

In April 2005, the Spanish Competition Tribunal held the interchange fee mechanisms of the three Spanish card processing systems violate Spanish competition laws. In December 2005, the processors agreed to change the manner in which they set interchange fees and the Competition Tribunal is currently reviewing the revised interchange fee mechanism. MasterCard has stated that the proposed revisions "could have a material impact on MasterCard's business in Spain."

Question 2 from Senator Grassley

Have other countries looked at the interchange fee issue? If so, what impact has that had?

Response to Question 2 from Senator Grassley

As I discussed in my prepared testimony, in 2000, the Australian Competition and Consumer Commission ruled that the interchange fee mechanisms used by Visa and MasterCard violated that country's antitrust laws. However, the card networks failed to reach an agreement on remedies with the Competition Commission and, in March 2001, that agency's head requested that the Australian central bank directly regulate interchange fees, as it was authorized to do under Australian law. In response, the central bank limited interchange rates for credit cards to recovery of defined costs, effective November 2003; rules for debit card interchange fees will come into effect later this year.

According to the Australian central bank, the average interchange fees in the credit card system declined from .95 percent of a transaction's value prior to the rules, to .54 percent after. The resulting discount charged merchants fell from 1.40 percent to .92 percent. In contrast, according to the Nilson Report, Visa's average US merchant discount fee was 2.19 percent in 2005.

A key benefit of this interchange fee reduction in Australia was to reduce the subsidies from merchants and their customers that supported the marketing costs of credit cards, including "rewards." As a result, card issuers were forced to compete through lower prices to cardholders, e.g., interest rates, rather than on higher reward levels. Australian consumers thus had a choice of card-types: lower rewards with lower interest rates, or higher rewards with higher interest rates. As a key official of the Australian central bank testified to a Parliamentary committee earlier this year, the reduction of interchange fees resulted in banks focusing on the interest rate-sensitive segment of the consumer marketplace:

> The credit card business was very profitable and the banks were focusing their competitive efforts on giving reward points to card holders. The idea that you would go and compete for credit card customers by lowering an interest rate seemed foreign to many financial institutions. What they wanted to do was attract people by offering a very generous reward scheme. That was where the competition in the credit card industry reflected itself, not on interest rates. But, since we have seen the lower interchange fees come into existence, we have seen the competitive dynamics realign themselves and people are now focusing on that segment of the market, whereas previously that was not the case.[1]

[1] Testimony of Dr. Philip Lowe, Assistant Governor, Reserve Bank of Australia, Official Committee Hansard, House of Representatives Standing Committee on Economics, Finance, and Public Administration, at 51 (May 16, 2006).

This new focus has resulted in an increased number of consumer applications for credit cards, as well as greater charge volumes, as consumers realized they were able to carry balances at lower interest rates. *See, e.g.,* "Rates Fall on Credit Cards," *The Australian* (February 14, 2006) ("Australians have never had easier access to a credit card with banks undercutting each other in the battle for the consumer dollar"); "Big rush for new credit cards," *The Australian* (January 25, 2006).

Question 3 from Senator Grassley

Why can't merchants advertise to their customers at the point of sale both the price a customer would pay with a credit card and the price a customer would pay with cash? Do the interchange fee rules prohibit advertising both cash and credit card prices to consumers? Do any other rules or statutes prohibit merchants from advertising both prices?

Response to Question 3 from Senator Grassley

A full answer to this question requires an understanding of the card associations' operating rules, which I have not yet been able to see. However, it is important to understand that the card associations seem to define a "cash" discount in a very restrictive manner, preventing merchants from fully reflecting differences of the cost of various payment mechanisms in their retail prices. For example, Visa's 2005 summary procedures for merchants states:

> Always treat Visa transactions like any other transaction; that is, you may not impose any surcharge on a Visa transaction. You may, however, offer a discount for cash transactions, provided that the offer is clearly disclosed to customers and the cash price is presented as a discount from *the standard price charged for all other forms of payment.* (Emphasis added.)

Interchange fees vary by brand association, type of card (debit or credit), and benefit level. In particular, Visa's "Signature" brand and MasterCard's "World" brand, as well as "business" cards, may incur a higher interchange fee for many types of purchases. Hence, a rule permitting only a single "cash" discount does not allow the merchant to reflect the higher fees for a particular type of card in prices charged to holders of those cards. In effect, this collectively-set Visa rule requires a merchant to use the same price in accepting a Visa credit card as in accepting MasterCard, American Express, or Discover credit cards, or any type of debit card—a form of compelled retail pricing uniformity among competing payment mechanisms that is hard to justify in a competitive marketplace.

Finally, I have no particular knowledge regarding statutes affecting the posting of cash discounts and will defer to Bill Douglass's response to your question to him on this subject.

Question 1 from Senator DeWine

We have heard from merchants, including some of the witnesses for this hearing, that Visa's and MasterCard's interchange fees are above competitive levels. But, at the same time, we have heard that the number of stores that are choosing to accept Visa or MasterCard is increasing. How do you reconcile these facts?

Response to Question 1 from Senator DeWine

Unfortunately, merchants are caught between a rock and a hard place. As discussed previously, anticompetitive conduct by Visa's and MasterCard's competing member banks has resulted in interchange fees above competitive levels. At the same time, however, a merchant faces economic pressure to accept Visa and MasterCard because they have market power both jointly and separately. Given this market power, a merchant would lose significant sales and profits by refusing to accept Visa or MasterCard, especially given the competitive nature of the merchants' business environment. Thus, to the extent merchants are "choosing" to accept Visa or MasterCard, it is a 'Hobson's choice.'

I should note that the existence of Visa's and Mastercard's market power is not mere conjecture, but rather is a consistent finding by federal courts that have examined this industry recently. For example, the Second Circuit held in *United States v. Visa U.S.A., Inc.* that Visa and MasterCard have market power in the market for network services. Following a thirty-four day trial, the *Visa U.S.A.* District Court defined this market as the one in which networks such as Visa and MasterCard "provide the infrastructure and mechanisms through which general purpose card transactions are conducted, including the authorization, settlement, and clearance of transactions." *United States v. Visa U.S.A., Inc.*, 163 F.Supp.2d 322, 338 (S.D.N.Y. 2001). The court also noted that "[m]erchant acceptance of a card brand is also defined and controlled at the system level and the merchant discount rate is established, directly or indirectly, by the networks." *Id.*

"[W]hether considered jointly or separately, [Visa and MasterCard] have market power in this market." *Id.* at 341. Specific evidence supporting this holding was that "Visa members accounted for approximately 47% of the dollar volume of credit and charge card transactions and MasterCard members for approximately 26%." *Id.* Combined, Visa and MasterCard together control over 73% of the volume of transactions on general purpose cards in the United States and approximately 85% of the cards issued. *Id.* In addition to these high market shares, Visa and MasterCard "have demonstrated their power in the network services market by effectively precluding their largest competitor from successfully soliciting any bank as a customer for its network services and brand." *Visa U.S.A.*, 344 F.3d at 240. Based upon these and other facts in the record – *e.g.*, that the market is highly concentrated and there are high barriers to entry – the Second Circuit affirmed the trial court, ruling that Visa and MasterCard "jointly and separately, have power within the market for network services." *Id.* at 239.

In addition to this government case against the Visa and MasterCard joint ventures, there was a private case brought by merchants who also claimed that Visa and MasterCard engaged in anticompetitive conduct in violation of the antitrust laws. In this private action, another court held that "Visa possesses appreciable economic power" in the credit card services market. *In re Visa Check/Mastermoney Antitrust Litigation*, 2003 WL 1712568 at *3 (E.D.N.Y. April 1, 2003). The court noted that the "evidence establishes conclusively that merchants have not switched to other payment devices despite significant increases in the interchange fees on the defendants' credit cards." *Id.* ("there is no cross-elasticity of demand at the merchant level between the defendants' products and all other forms of payment"). In fact, the court pointed out, Visa itself had "adopted this market definition, excluding all forms of payment except credit and charge cards" in a previous case. *Id.* (*citing SCFC ILC, Inc. v. Visa U.S.A., Inc.*, 36 F.3d 958, 966 (10th Cir. 1994) ("Visa stipulated 'the relevant market is the general purpose card market in the United States'")). Finding that Visa's share of the general purpose credit and charge market had ranged from 41% to 47% during 1991-98 and that Visa's share of the credit card market alone was nearly 60%, the court held that Visa "easily qualifie[d] as [having] 'appreciable economic power' for purposes of the per se rule." *Id.* at *4 (citation omitted).

Notably, these recent holdings that Visa and MasterCard wield market power in a relevant antitrust market confirm that a decades-old case finding that Visa did not possess market power in the alleged market for "all payment devices" is no longer relevant. In that 1986 case, *National Bankcard Corporation v. Visa U.S.A., Inc.*, 779 F.2d 592 (11th Cir. 1986), "the court determined that the relevant product market was all payment devices (including cash, checks, and all forms of credit cards) and that VISA did not possess power in that market." *Id.* at 603 (citation omitted). As demonstrated by the analysis relied upon in the more recent Visa cases cited immediately above, twenty years of evolution in payment systems has substantially changed the boundaries of the relevant market. In this current century, "neither consumers nor [Visa and MasterCard] view debit, cash, and checks as reasonably interchangeable with credit cards." *Visa U.S.A., Inc.*, 163 F.Supp.2d at 338 (holding that "general purpose cards constitute a product market"). Accordingly, the findings in *NaBANCO* are irrelevant to any antitrust analysis of today's credit card market.

To reiterate the answer to your question, even though Visa and MasterCard charge interchange fees that are above competitive levels, their market power means a merchant would lose significant sales and profits by refusing to accept their cards. Given this 'Hobson's choice' of paying supra-competitive interchange fees or foregoing a substantial portion of their business altogether, merchants are forced to accept Visa and MasterCard.

Attachments regarding
Question 2 from Chairman Specter

Discover Financial Services Welcomes New Credit and Prepaid Card Issuers on the Discover® Network

June 13, 2006

Riverwoods, Illinois – June 13, 2006 –Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE:MS), announced today that it has reached agreements with five financial institutions to issue credit or prepaid cards on the Discover® Network.

New network issuers include: Alliance Data, Dallas, Texas; First Bank & Trust, Brookings, S.D.; Morgan Beaumont Inc., Bradenton, Fla.; West Suburban Bancorp Inc., Lombard, Ill.; and Palm Desert National Bank, Palm Desert, Calif.
These five issuers are part of a growing list of previously announced issuers, including HSBC Bank Nevada, N.A., affiliates of GE Consumer Finance, and CompuCredit Corp., among others.

"Discover Network is pleased to announce these new relationships, which demonstrate our strategy of supporting multiple issuers and products while bringing choice and value to merchants, issuers and consumers," said Joe Hurley, vice president of network strategic development for Discover Financial Services LLC. "The Network welcomes issuers of all sizes, ranging across the credit, debit and prepaid card product spectrum."

About Discover Financial Services
Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE:MS), operates the Discover Card with more than 50 million Cardmembers, and the Discover Network, which is the largest proprietary credit card network in the U.S. with more than 4 million merchant and cash access locations. Discover Financial Services also operates the PULSE ATM/Debit network, which serves more than 4,200 financial institutions and includes nearly 250,000 ATMs and approximately 3.4 million POS terminals. For more information, visit www.discovercard.com, www.discovernetwork.com or www.pulse-eft.com.

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Purpose Solutions, LLC to Launch New Credit Card on Discover® Network

November 02, 2005

Atlanta, Georgia and Riverwoods, Illinois – November 1, 2005 – Purpose Solutions, LLC will launch a new credit card program on the Discover® Network under a definitive agreement announced today. The card, which is expected to be available in December, will be issued by Purpose Solutions through the First Bank of Delaware (OTCBB: FBOD).

Purpose Solutions is a subsidiary of CompuCredit Corporation (NASDAQ: CCRT) and Discover Network is part of Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE: MWD). CompuCredit is the 17th-largest general-purpose credit card issuer in the U.S.

The Purpose Solutions card program is another significant credit card program to be issued on the Discover Network this year.

"We are happy to be issuing on the Discover Network, which will provide additional functionality with its unique authorization system and infrastructure," said Jay Giesen, executive vice president of retail services for Purpose Solutions.

"We are pleased to have the Purpose Solutions' new card program issued on the Discover Network," said Harit Talwar, executive vice president of Discover Financial Services LLC. "This new credit card will further our transformation to a broad-based payments network supporting multiple issuers and products while bringing choice and value to merchants, issuers and consumers."

About Purpose Solutions, LLC
Purpose Solutions, LLC is a subsidiary of CompuCredit Corporation. CompuCredit is a specialty finance company and marketer of branded credit cards and related financial services. CompuCredit provides these services to consumers who are underserved by traditional financial institutions. Through corporate and affinity contributions focused on the underserved and un-banked communities, CompuCredit also uses its financial resources and volunteer efforts to address the numerous challenges affecting its customers. For more information about CompuCredit, visit www.CompuCredit.com.

About Discover Financial Services
Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE: MWD), operates the Discover Card with more than 50 million Cardmembers, the Discover Network with more than 4 million merchant and cash access locations and the PULSE ATM/Debit network currently serving over 4,100 banks, credit unions and savings institutions. For more information, visit, www.discovercard.com, www.discovernetwork.com, or www.pulse-eft.com.

About First Bank of Delaware
First Bank of Delaware is a full-service, state-chartered commercial bank, whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The Bank provides diversified financial products through two locations in New Castle County, Delaware and additionally offers a variety of loan and card products nationally, to the underbanked. For more information about First Bank of Delaware, visit www.fbdel.com.

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Discover Financial Services
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Metris Companies To Issue New Credit Card on Discover® Network
September 19, 2005

Minnetonka, Minnesota and Riverwoods, Illinois – September 19, 2005 – Metris Companies Inc. (NYSE:MXT) and Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE:MWD), announced today that they have signed a definitive agreement under which Metris will launch a new credit card on the Discover® Network.

Metris is the 11th-largest bankcard issuer in the U.S. and another major card issuer to begin issuing credit cards on the Discover Network in the past year. The card will be issued by Metris subsidiary Direct Merchants Credit Card Bank, N.A. It is anticipated that the card will be available to customers by the end of 2005.

"We are excited about this partnership and believe this new credit card offering on the Discover Network will resonate with our middle-market prospect universe," said Matt Melius, executive vice president of Metris and president of Direct Merchants Bank. "We believe this kind of brand diversification is another positive step toward fulfilling our company's growth plans."

"Metris is a prominent provider of consumer credit to consumers in the U.S. and we are pleased to partner with them," said Harit Talwar, executive vice president of Discover Financial Services LLC. "This agreement is an important step forward in Discover Network's strategy of supporting multiple issuers and products while bringing choice and value to merchants, issuers and consumers."

About Metris Companies Inc.
Metris Companies Inc., based in Minnetonka, Minn., is one of the largest bankcard issuers in the United States. The company offers credit cards, credit protection and insurance products to consumers nationwide. Metris issues credit cards through Direct Merchants Credit Card Bank, N.A., a wholly owned subsidiary in Phoenix, Ariz. For more information, visit www.metriscompanies.com or www.directmerchantsbank.com.

About Discover Financial Services
Discover Financial Services LLC, a business unit of Morgan Stanley (NYSE:MWD), operates the Discover Card with more than 50 million Cardmembers, the Discover Network with more than 4 million merchant and cash access locations and the PULSE ATM/Debit network currently serving over 4,100 banks, credit unions and savings institutions. For more information, visit www.discovercard.com, www.discovernetwork.com or www.pulse-eft.com.

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Metris Companies Forward-Looking Statement
Certain information discussed in this press release may constitute forward-looking statements within the meaning of the federal securities law. Forward-looking statements are based on certain assumptions by management and are subject to risks, trends and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These risks and uncertainties include, but are not limited to, risks associated with Direct Merchants Bank's ability to comply with its agreements with regulators regarding the safety and soundness of its operations; the effect of government policy and regulation, whether of general applicability or specific to us, including restrictions and/or limitations relating to our minimum capital requirements, reserving methodologies, dividend policies and payments, growth, and/or underwriting criteria; the effects of litigation involving us and of the previously announced SEC investigation; the higher delinquency rate, credit loss rate, charge-off rate and bankruptcy rate of our target market of middle-market consumers; our high liquidity requirement; interest rate risks; competition; dependence on the securitization markets and other funding sources to fund our business; the effect of the restatement of our financial statements; the effect of changes in the credit card market as the result of recent judicial decisions with respect to MasterCard and Visa;

and general economic conditions that can have a negative impact on our financial performance.

For further information on risks that could impact us and statements in this press release, please refer to our filings with the Securities and Exchange Commission, including our current reports on Form 8-K, quarterly reports on Form 10-Q and annual reports on Form 10-K.

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Wal-Mart And Ge Consumer Finance Plan To Issue A New Credit Card On The Discover® Network
January 21, 2005

January 21, 2005 – Wal-Mart (NYSE:WMT), GE Consumer Finance (NYSE:GE) and Discover Financial Services, a business unit of Morgan Stanley (NYSE:MWD), today announced plans to launch a new credit card on the Discover® Network in a milestone agreement that will offer Wal-Mart customers more ways and places to save. The new card, Wal-Mart Discover, will be issued by GE Consumer Finance and will be available to customers by March 2005.

"It's a great card for Wal-Mart customers shopping in our store and on walmart.com," said Jane Thompson, president, Wal-Mart Financial Services. "It has no annual fee, can be used both inside and outside of Wal-Mart stores and offers our customers up to 1 percent back from GE on all purchases. The customer benefits are a direct result of our commitment to be the low cost leader."

"We're excited about this new opportunity and the ability to reach more Wal-Mart customers through an expanded credit card program," said Mark W. Begor, president and chief executive officer, GE Consumer Finance-Americas. "This expands our important partnership with Wal-Mart and allows us to offer multiple credit products to Wal-Mart customers, including the Wal-Mart card and now, the new Wal-Mart Discover, that will offer more choices to Wal-Mart shoppers and help grow Wal-Mart sales."

"GE Consumer Finance, with more than 100 million credit cards issued through hundreds of retail partners, is one of the top issuers of credit cards in the United States," said David W. Nelms, chairman and chief executive officer, Discover Financial Services, Inc. "This partnership is an example of the possibilities that can be offered to customers in an open and competitive market. Our agreement with GE Consumer Finance is a significant development in our efforts to form partnerships that expand and diversify the Discover Network."

About Wal-Mart Stores, Inc.
Wal-Mart Stores, Inc. operates Wal-Mart Stores, Supercenters, Neighborhood Markets and SAM'S CLUB locations in the United States. Internationally, the company operates in Argentina, Brazil, Canada, China, Germany, Japan, Mexico, Puerto Rico, South Korea and the United Kingdom. The company's securities are listed on the New York and Pacific stock exchanges under the symbol WMT. More information about Wal-Mart can be found by visiting www.walmartfacts.com. Online merchandise sales are available at www.walmart.com.

About GE Consumer Finance
With $122 billion in assets, GE Consumer Finance, a unit of General Electric Company, is a leading provider of credit services to customers, retailers and auto dealers in 41 countries around the world. GE Consumer Finance, based in Stamford, Conn. (USA), offers a range of financial products, including private label credit cards, personal loans, bank cards, auto loans and leases, mortgages, corporate travel and purchasing cards, debt consolidation and home equity loans and credit insurance. More information can be found online at www.geconsumerfinance.com. GE (NYSE: GE) is a diversified technology, media and financial services company dedicated to creating products that make life better. For more information, visit the company's Web site at www.ge.com.

About Discover Financial Services
Discover Financial Services, a business unit of Morgan Stanley (NYSE:MWD), operates the Discover Card with more than 50 million Cardmembers, the Discover Network with more than 4 million merchant and cash access locations and the PULSE ATM/Debit network currently serving over 4,000 banks, credit unions and savings institutions. For more information, visit www.discovercard.com, www.discovernetwork.com or www.pulse-eft.com.

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Statement By Discover Financial Services On U.S. Supreme Court Decision To Deny Visa And Mastercard Appeal In Antitrust Case
October 04, 2004

RIVERWOODS, Illinois – October 4, 2004 – David W. Nelms, Chairman and Chief Executive Officer of Discover Financial Services, a business unit of Morgan Stanley (NYSE:MWD), issued the following statement regarding today's decision by the U.S. Supreme Court to deny an appeal by Visa and MasterCard in an important antitrust case regarding the Visa and MasterCard rules and policies that prevented virtually all U.S. financial institutions from doing business with competing networks:

"This is a victory for consumers, merchants and financial institutions. Today's decision frees financial institutions to partner with Discover Financial Services, which will provide more choice and value to consumers and merchants.

"Discover Financial Services has been in advanced discussions with potential partners regarding issuance of cards on the Discover Network. Now that Visa's and MasterCard's anticompetitive bylaws have finally been struck down, we are eager to move forward with these new partnerships."

A more competitive marketplace that includes the Discover Network is good for financial institutions, which for the first time will enjoy the benefits of network competition, Nelms said. The ruling is also good for merchants because more competition will mean more volume on Discover's low cost network, with the ultimate winners being consumers who will enjoy the benefits of greater choice in a more competitive market, he added. Nelms said the Discover Network, comprised of more than 4 million merchant and cash access locations, is uniquely qualified to deliver these benefits because it is the most efficient and flexible network.

About Discover Financial Services
Discover Financial Services, a business unit of Morgan Stanley (NYSE:MWD), operates the Discover Card and the Discover Network for its more than 50 million Cardmembers. The Discover Network is the largest proprietary credit card network in the United States with more than 4 million merchant and cash access locations. For more information visit www.discovercard.com or www.discovernetwork.com.

BANK OF AMERICA LAUNCHES FIRST CREDIT CARD WITH AMERICAN EXPRESS

New card integrates rich rewards and prestige of the Bank of America and American Express Card Programs

WILMINGTON, DE, June 29, 2006 -- Bank of America today announced the launch of the Bank of America American Express Rewards Card – the first Bank of America credit card to be accepted for payment on the American Express global network. The card will be available to consumers at www.bankofamerica.com beginning June 30.

For the first time, Bank of America retail customers will benefit from the benefits and privileges of acceptance on the American Express global card network, as well as Bank of America's robust rewards program and outstanding service record.

The new card features a clear plastic card design, patented by American Express. The product also offers one of the richest rewards programs currently available from Bank of America, including double points for all dining and travel purchases. Card members also have access to exclusive merchant offers available only through American Express, as well as enhanced peace of mind through travel and purchase security features.

"The Bank of America American Express Rewards Card represents an important first step in what we believe will be a very successful partnership between two of the premier brands in card payment products," noted Bank of America Card Services President Bruce L. Hammonds. "Later this year we will introduce a broader line of innovative premium cards, marketed exclusively to Bank of America customers for use through the American Express network."

"We are delighted to partner with Bank of America, as well as to continue to build upon the successful relationship we launched with MBNA," said Peter Godfrey, President of American Express Global Network Services. "Bank of America is now offering its high-spending customers greater choice through an exceptional new family of products, with customized rewards and services that will help grow their franchise in the coming years."

New Card Applicants Have Opportunity to Win World-Class Getaway Vacations
In addition, when applying for the card online, consumers can enter to win one of four amazing getaway vacations, including a Greek Island cruise experience or an America's Cup racing experience in St. Maarten. Applicants also can qualify to win one of 1,000 instant prizes, including a Canon PowerShot Digital Camera and more.

The new Bank of America American Express Rewards card will include features such as:

Exceptional Rewards and Payment Options

- Complimentary enrollment in Bank of America WorldPoints(SM)
- One point per dollar spent on retail purchases; double points for travel and dining until 2007
- Redemption options include cash, travel with no blackout dates, brand-name merchandise and gift cards
- Flexible payment option for cardmembers to revolve balance each month
- No annual fee

Broad Range of Travel and Retail Benefits

- Access to 2,200 American Express® Travel Service locations in more than 140 countries
- Emergency assistance service, including medical referrals to physicians and hospitals, and replacements of medical prescriptions
- Automatic travel accident insurance, car rental loss and damage insurance
- Retail protection against theft or damage for goods purchased with this card

Special Privileges

- Cardmember offers with top-name retail and travel American Express merchants
- VIP access to dining, hotel and sought-after tickets from personal Concierge services
- Identity theft recovery and absolute fraud protection

World-Class Service

- Bank of America's world-class customer service, plus access to the Bank of America Rewards American Express Card online site at www.bankofamerica.com

About Bank of America

Bank of America is one of the world's largest financial institutions, serving individual consumers, small and middle market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk-management products and services. The company provides unmatched convenience in the United States, serving more than 54 million consumer and small business relationships with more than 5,700 retail banking offices, more than 16,700 ATMs and award-winning online banking with more than 19 million active users. Bank of America is the No. 1 overall Small Business Administration (SBA) lender in the United States and the No. 1 SBA lender to minority-owned small businesses. The company serves clients in 175 countries and has relationships with 98 percent of the U.S. Fortune 500 companies and 79 percent of the Global Fortune 500. Bank of America Corporation stock (NYSE: BAC) is listed on the New York Stock Exchange. www.bankofamerica.com

About American Express

American Express Company is a diversified worldwide travel, financial and network services company, founded in 1850. It is a world leader in charge and credit cards, Travelers Cheques, travel, and business services. Since 1996 American Express has been aggressively pursuing a strategy of opening its merchant network and card product portfolio to third party issuers around the world. By leveraging its global infrastructure and the powerful appeal of the brand, American Express has gained even broader reach for its network worldwide. American Express has now established almost 100 card-issuing partnership arrangements in nearly 110 countries.

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AMERICAN EXPRESS AND GE CONSUMER FINANCE ANNOUNCE CARD ISSUING ALLIANCE

Dillard's American Express card to be first product issued under new agreement

New York and Stamford, Conn., January 17, 2006 -- American Express and GE Consumer Finance today announced that GE Consumer Finance will issue American Express-branded credit cards in the United States. The deal enables GE Consumer Finance to continue its growth strategy by offering more choices and flexibility to its retail partners and cardholders with credit cards from each of the four payment networks -- American Express, Visa, MasterCard and Discover. The first product to be offered under the new agreement will be a Dillard's American Express card, with more American Express co-brand cards expected to follow.

The new cards will carry the American Express logo and be accepted on the American Express global merchant network. Under the terms of the agreement, GE Consumer Finance will be responsible for issuing the cards, managing the customer relationships and providing customer service, billing and credit management.

GE Consumer Finance is an innovative provider of integrated retail credit and loyalty programs, working with retailers to grow their market share and increase customer loyalty through branded private label cards, bankcards, and personal and home equity solutions.

"The combination of two recognizable and respected brands creates terrific opportunities for our retail partners and consumers," said Mark W. Begor, president and CEO, GE Consumer Finance-Americas. "We can now offer a new line of cards that offer rich rewards for loyal shoppers at their favorite stores and the flexibility to accelerate their reward earnings through purchases everywhere American Express is accepted for payment."

This alliance represents another significant step in American Express' strategy to open its network to financial institutions in the United States. GE Consumer Finance is the seventh U.S. partner for American Express.

"GE Consumer Finance is an ideal partner for American Express with their strong store-affiliated partners, commitment to rapid growth through innovative new products and programs, and devotion to excellent customer service," said Barry Rodrigues, executive vice president of American Express' Global Network Services. "We look forward to working closely with GE to deliver exceptional value to their retail partners and consumers."

Dillard's is among the nation's largest fashion apparel and home furnishings retailers with 330 stores in 29 states. In addition to receiving more value and rewards when shopping at Dillard's, cardholders will be able to use their Dillard's cards at the millions of American Express merchants around the world.

"Our customers expect the best, which makes the Dillard's American Express card issued by GE Consumer Finance the perfect choice for our company and our customers," said Dillard's CEO William Dillard, II. "Cardmembers will benefit from the creativity, expertise and commitment to premium value from these two outstanding companies."

About GE Consumer Finance
With $150 billion in assets, GE Consumer Finance, a unit of General Electric Company (NYSE:GE), is a leading provider of credit services to consumers, retailers and auto dealers in 47 countries around the world. GE Consumer Finance, based in Stamford, Connecticut, offers a range of financial products, including private label credit cards, personal loans, bank cards, auto loans and leases, mortgages, corporate travel and purchasing cards, debt consolidation and home equity loans and credit insurance. More information can be found online at www.geconsumerfinance.com.

About American Express
American Express Company is a diversified worldwide travel, financial and network services company, founded in 1850. It is a world leader in charge and credit cards, Travelers Cheques, travel, insurance and international banking.

American Express has been aggressively pursuing a strategy of opening its merchant network to third party issuers around the world. By leveraging its global infrastructure and the powerful appeal of the American Express brand, American Express aims to gain even broader reach for its network worldwide. American Express has now established nearly 100 card-issuing partnership arrangements in close to 110 countries.

About Dillard's
Dillard's, Inc. (NYSE: DDS) ranks among the nation's largest fashion apparel and home furnishings retailers with annual revenues exceeding $7.8 billion. The Company focuses on delivering maximum fashion and value to its shoppers by offering compelling apparel and home selections complemented by exceptional customer care. Dillard's stores offer a broad selection of merchandise and feature products from both national and exclusive brand sources. The Company operates 330 Dillard's locations spanning 29 states, all with one nameplate – Dillard's. More information about Dillard's can be found at www.dillards.com.

Note to Editors:

*GE Consumer Finance is the seventh partner to issue American Express cards in the United States. Since 2004, American Express has entered into card-issuing alliances in the U.S. with Bank of America, MBNA, Citibank, HSBC, Juniper Bank/UBS, and USAA Federal Savings.

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CITI® LAUNCHES NEW LINE OF CREDIT CARDS ON THE AMERICAN EXPRESS® NETWORK

Introduces Suite of Products, Providing Credit Card Essentials, Worldwide Acceptance and No-Fee Extras

NEW YORK, December 20, 2005 -- Citibank® and American Express® announce today that they will offer consumers Citibank premium benefits and customer service through cards that are accepted wherever American Express is welcome. Plus, many of the new Citi American Express Cards reward cardmembers for doing what they already do, like making purchases at grocery and drug stores, or putting gas in the car.

"We're excited by this new relationship, and the prospect of providing our customers and prospective customers with the superior benefits and services these new cards will have," says Vik Atal, Chairman and CEO, Citi Cards North America. "As always, we're committed to exceptional customer service, and by issuing some of our most popular card products on the American Express Network, we're offering customers many of the features and benefits they want in a credit card."

Peter Godfrey, President of American Express Global Network Services adds, "This partnership brings together two highly successful and internationally recognized brands for the benefit of all cardmembers looking for high quality products and service. We are delighted that Citibank is providing consumers with a credit card on the American Express Network that allows them to experience the best of both worlds."

The Citi American Express Cards offer value, rewards and cash-back benefits. The initial offerings will begin later this month, and the full suite of card products will be available to consumers as of January 15, 2006:

- The **Citi® Platinum American Express® Card**, a no-annual fee card, offers points on purchases through ThankYou Network, Citi's no-fee rewards program featuring a variety of merchandise, travel and gift cards at leading retailers and restaurants. Cardmembers will enjoy services to source hard-to-find tickets to shows, concerts and sporting events along with direct access to a live customer service representative 24 hours a day. A special 12 month introductory offer provides a 0% APR on eligible balance transfers.
- The **Citi® Dividend American Express® Card** enables cardmembers to earn 5% cash back on purchases at supermarkets, drug stores and gas stations; 1% cash back on other purchases and eligible cash advances; and cash back on eligible balance transfers. Cardmembers also pay no annual fee.
- The **Citi® / AAdvantage® American Express® Card** allows cardmembers to earn one American Airlines AAdvantage® mile for every dollar they spend on purchases – up to 60,000 miles per calendar year.
- The **Citi PremierPass® American Express® Card**, with no-annual fee, offers cardmembers one ThankYou Point for every three miles flown on any airline and one ThankYou Point for every dollar spent on purchases – up to 100,000 ThankYou Points per year, up to 50,000 of which can be earned for miles flown.
- The **Citi® Diamond Preferred Rewards American Express® Card** offers cardmembers five ThankYou Points on purchases made at supermarkets, drug stores and gas stations and one ThankYou Point for every dollar spent on other purchases during their first year of cardmembership. Thereafter, cardmembers will earn one ThankYou Point on all eligible purchases.

Other benefits of the Citi American Express suite of cards include:

- $0 Liability on unauthorized purchases
- 24/7 customer service
- Citi Identity Theft Solutions and Fraud Early Warning
- Pay over time or pay in full
- Worldwide Car Rental Loss & Damage Insurance
- 24-hour Emergency Assistance Services
- Worldwide Travel Accident Insurance

- Access to more than 2,200 American Express Travel Services locations
- Price Protection, Retail Protection and Extended Warranty
- Deals and discounts
- Worldwide acceptance of American Express

For more information or to apply for a Citi American Express Card after January 15th, call 1-866-451-2484. Additional terms, conditions, and limitations apply to all these products.

About Citi
Citi is a member of Citigroup (NYSE: C). Citigroup, the leading global financial services company, has some 200 million customer accounts and does business in more than 100 countries, providing consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, and wealth management. Major brand names under Citigroup's trademark red umbrella include Citibank, CitiFinancial, Primerica, Smith Barney and Banamex. Additional information may be found at www.citigroup.com.

American Express
American Express Company (NYSE: AXP) is a diversified worldwide travel, financial and network services company, founded in 1850. It is a world leader in charge and credit cards, Travellers Cheques, travel, and business services. Since 1996 American Express has been aggressively pursuing a strategy of opening its merchant network and card product portfolio to third party issuers around the world. By leveraging its global infrastructure and the powerful appeal of the brand, American Express aims to gain even broader reach for its network worldwide. American Express has now established 93 card-issuing partnership arrangements in more than 100 countries.

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AMERICAN EXPRESS HAILS SUPREME COURT DECISION AS A VICTORY FOR OPEN COMPETITION AND CONSUMER CHOICE

NEW YORK, October 4, 2004 -- American Express Company today released the following statement from Kenneth I. Chenault, chairman and chief executive officer, in response to the Supreme Court's decision not to hear Visa and MasterCard's appeal in the government's antitrust lawsuit against them.

"Today is an historic day for the card payments industry in the United States. The Supreme Court's decision means the end, once and for all, of Visa and MasterCard rules that have prevented banks from issuing cards on rival networks. In effect, the Court has decided that these rules are illegal and must be abolished. The appeals are over. A new era of greater choice for U.S. consumers and financial institutions has begun."

The Supreme Court's decision not to consider an appeal caps six years of legal proceedings that began in 1998, when the U.S. Department of Justice sued Visa and MasterCard for limiting competition in the U.S. credit card market. In October 2001, U.S. District Judge Barbara Jones ruled that Visa and MasterCard could no longer bar member banks from issuing cards on rival networks. Over the next few years, Visa and MasterCard tried and failed to have the decision overturned. As a last resort, they unsuccessfully petitioned the Supreme Court to argue their case again.

While this legal process unfolded, American Express built a network business outside of the United States, where similar attempts by Visa and MasterCard to block competition failed. American Express currently has "Global Network Services" (GNS) partnerships with 85 banks in 94 countries. As part of these partnerships, banks issue cards to their customers which are accepted and processed on the American Express global network. With more than 350 different card products launched so far, GNS partners have added more than 7.2 million bank-issued cards and more than three million new establishments to the American Express merchant network.

In the U.S., American Express and MBNA, one of the world's largest card issuers, announced plans in January 2004 for MBNA to issue American Express-branded cards to high-spending customers and prospects, pending resolution of the appeal. MBNA plans to introduce its first cards on the American Express network within weeks.

American Express will also seek partnerships with other U.S. banks. "We plan to add more partnerships with other issuers on a selective basis, ensuring they are a strategic fit for our brand and can drive more high-spending customers to the merchants on our network," Mr. Chenault said. "Our objectives are to continue to have the strongest proprietary card business in the industry, to be the network of choice for high-spending consumers, and to drive more business and profits to merchants who accept our cards."

Mr. Chenault noted, as he has done in the past, that American Express is considering bringing private legal action against Visa and MasterCard. "The Supreme Court's ruling only reaffirms the viability of this course of action," he stated.

Click here for the full text of Mr. Chenault's memorandum to employees on today's Supreme Court decision.

Information Related to Forward Looking Statements
The above memorandum includes forward-looking statements, which are subject to risks and uncertainties. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "should," "could," "likely," and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: the success of the Company in continuing to grow primarily through organic expansion of its businesses; any continuing effects of the conduct that was the subject of the Department of Justice suit against Visa and MasterCard challenging their restrictions on member banks issuing cards on the American Express Network in the U.S.; the success of the Company's GNS business in the U.S., which will depend in part on the extent to which such business: further enhances the Company's brand, increases the number of American Express-branded cards in the marketplace, allows the Company to leverage its significant processing scale, expands merchant coverage

of the network, provides U.S. GNS bank partners the benefits of greater cardmember loyalty and higher spend per customer, and provides merchants benefits such as greater transaction volume and additional higher spending customers; and the Company's ability to grow and manage its proprietary business in the U.S. at the same time there is expansion in the U.S. GNS business.

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