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August 7, 2024

VIA EZFile

Jeffrey Deibel  
 Vice President  
 The Federal Reserve Bank of Richmond  
 P.O. Box 27622  
 Richmond, VA 23261

Re: Additional Information Regarding Application by Capital One Financial Corporation to Acquire Discover Financial Services (the “Additional Information Request”)

We are submitting this letter and the related exhibits in response to your request for additional information, dated July 5, 2024, regarding the application seeking the prior approval of the Board of Governors of the Federal Reserve System (the “Federal Reserve”) for Capital One Financial Corporation (“Capital One”), the parent of Capital One, National Association, to acquire Discover Financial Services (“Discover”) and thereby acquire control of its subsidiary bank, Discover Bank (the “Application”). For ease of reference, your questions are included in bold with the responses immediately following. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Application.

Jeffrey Deibel  
The Federal Reserve Bank of Richmond  
August 7, 2024  
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Confidential treatment is being requested under the federal Freedom of Information Act, 5 U.S.C. § 552 (the “FOIA”), and the implementing regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve”), for the information contained in the Confidential Exhibits Volume to this letter (the “Confidential Materials”). The Confidential Materials include, for example, information regarding the business strategies and plans of (1) Capital One Financial Corporation (“COFC”), Vega Merger Sub, Inc. (“Merger Sub”) and Capital One, National Association (“CONA”) and (2) Discover Financial Services (“Discover”) and Discover Bank, and other information regarding additional matters of a similar nature, which is commercial or financial information that is both customarily and actually treated as private by COFC, Merger Sub, CONA, Discover and Discover Bank and provided to the government under an assurance of privacy. Certain information in the Confidential Materials also includes confidential supervisory information, which is protected from disclosure. None of this information is the type of information that would otherwise be made available to the public under any circumstances. All such information, if made public, could result in substantial and irreparable harm to COFC, Merger Sub, CONA, Discover and Discover Bank. Other exemptions from disclosure under the FOIA may also apply. In addition, investors and potential investors could be influenced or misled by such information, which is not reported in any documents filed or to be filed in accordance with the disclosure requirements of applicable securities laws, as a result of which COFC, Merger Sub, CONA, Discover and Discover Bank could be exposed to potential inadvertent violations of law or exposure to legal claims. Accordingly, confidential treatment is respectfully requested for the Confidential Materials under the FOIA and the Federal Reserve’s implementing regulations.

Please contact the undersigned (212-403-1354), Matthew T. Carpenter (212-403-1031) or Ledina Gocaj (212-403-1022) before any public release of any of this information pursuant to a request under the FOIA or a request or demand for disclosure by any governmental agency, congressional office or committee, court or grand jury. Such prior notice is necessary so that COFC, Merger Sub, CONA, Discover and Discover Bank may take appropriate steps to protect such information from disclosure.

If you have any questions about this submission or confidential treatment request, please do not hesitate to contact me.

Very truly yours,



Richard K. Kim

Jeffrey Deibel  
The Federal Reserve Bank of Richmond  
August 7, 2024  
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Enclosures

cc (by email):

Jenny Small, Office of the Comptroller of the Currency  
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Jeffrey Ralston, Federal Deposit Insurance Corporation  
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Lisa Collison, Delaware Office of the State Bank Commissioner  
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Ledina Gocaj, Wachtell, Lipton, Rosen & Katz

**Capital One Financial Corporation Public Responses to Additional Information Request  
from the Federal Reserve Bank of Richmond, dated July 5, 2024**

**Section 4 of the BHC Act**

- 1. Discuss Capital One’s future plans with regard to GTC Insurance Agency, Inc. (“GTC”), including whether Capital One would intend for GTC to engage in the sale of insurance or change its license status to “active” following consummation of the proposed transaction. Clarify whether all other licenses held by GTC are currently inactive, if applicable.**

Capital One does not intend to engage in the sale of insurance or change any license status of GTC to “active” following consummation of the Proposed Transaction. Following consummation of the Proposed Transaction and until Capital One makes further decisions with respect to GTC, Capital One expects GTC to remain an inactive subsidiary of CONA.

Capital One understands that all licenses of GTC are inactive, with the exception of an active license as an “insurance producer” in Montana, but GTC is not presently engaged in the sale of insurance in Montana and that will continue to be the case through the closing of the Proposed Transaction.

- 2. Exhibit C of Capital One’s June 14, 2024, Additional Information Response notes that Diners Club Taiwan, Ltd., Taipei, Taiwan, (1) provides support to partners on the Discover Network, Diners Club Network, and Pulse Network; (2) provides support to acceptance, acquiring and digital partners to grow acceptance; and (3) provides certification support for terminal vendors and labs. Describe each of these activities in greater detail.**

Diners Club Taiwan Ltd. (“Diners Club Taiwan”), through its contractual relationships with DFS Services LLC, Diners Club International Ltd., and Pulse Network LLC, provides the following services to external third parties:

- *to network, acquiring and digital partners:*** Diners Club Taiwan provides Discover’s network participants in Taiwan and across the APAC region with a first point of contact to respond to their business and operational questions, to engage centralized Discover resources and technical support as needed and to discuss new business opportunities.
- *to terminal vendors and labs:*** Diners Club Taiwan provides technical advice to help support Discover’s network participants including assisting with certification of point-of-service terminals so that they meet Discover acceptance requirements. Certification is the process by which terminal manufacturers implement the Discover kernel to allow acceptance of cards and establish that their product meets security and payments industry standards. Support for certification is conducted through the accreditation of test labs and the provision of a list of available labs to terminal vendors.

- 3. Exhibit C of Capital One’s June 14, 2024, Additional Information Response (“Response”) notes that Discover Global Employment Company Private Limited, provides the following**

**services to DFS Services LLC, Diners Club International Ltd., and Discover Financial Services (UK) Limited: assisting franchisees and partners with payments, franchise businesses, and network arrangements; services related to increasing network transaction volume, issuance, and acceptance; assisting the global ATM and interoperability teams; and assisting in the launch of new products and programs. Describe each of these activities in greater detail.**

Discover Global Employment Company Private Limited (“Discover Global”) provides the following services to external third parties on behalf of, and through its contractual relationships with, DFS Services LLC, Diners Club International Ltd., and Discover Financial Services (UK) Limited:

- marketing capabilities to U.S. and global network participants, including partnership consultation and best practice sharing, channel marketing, signage, content, media campaigns to drive brand presence and awareness, as well as acceptance quality validation to support growth of the network, awareness of payment acceptance, demand creation and volume generation.

Discover Global provides its franchisees and network participants with:

- relationship management for negotiation of agreements for new business opportunities and renegotiation of agreements for existing relationships; management of wind-down activities; new card program launch; business issue management and resolution; licensing of trademarks consistent with branding guidelines; distribution of network signage to merchants; support for due diligence and periodic partner reviews and audits to ensure compliance with regulatory and network requirements; and support for fraud monitoring, detection and alerting services;
- onboarding of new participants including connectivity, testing and certification support; testing and certification regarding network releases; service requests; and research and resolution of network connectivity issues; and
- capabilities and products to increase acceptance, supporting new and different ways that customers want to pay, enabling growth for their businesses and the network—these capabilities include core transaction processing/acceptance governed by network operating rules, digital wallet payments, fraud products and commercial payment products and solutions.

4. **For each property owned or leased by Discover Properties LLC, confirm the share of occupancy by Discover Properties LLC and the share of occupancy by any third parties (e.g., such as third parties that may lease or sublease any real estate or office space). Also describe in greater detail the arrangements by which Discover Properties LLC “house[s] employees.”**

Discover is not currently leasing or subleasing any office space to a third party. All space is used solely by Discover for office, data center, banking, or card/statement processing and not otherwise available to employees or contractors for housing or personal use.

**5. Clarify the circumstances under which Diners Club Services Private Ltd. receives any revenue from unaffiliated third parties, if applicable.**

All revenue earned by Diners Club Services Private Ltd. is from intercompany service fees or interest from intercompany notes receivable.

**6. Clarify the circumstances under which DFS International Inc. receives revenue from unaffiliated third parties, if applicable.**

All revenue earned by DFS International Inc. is from intercompany service fees or interest from intercompany notes receivable.