



# THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE

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October 16, 2024

Richard Kim, Esq.  
Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, NY 10019  
**Sent via EZFile**

Dear Mr. Kim:

The following additional information request relates to (1) the application filed by Capital One Financial Corporation (“Capital One”), the parent of Capital One, National Association (“CONA”), both of McLean, Virginia, to acquire 100 percent of Discover Financial Services (“Discover”), Riverwoods, Illinois, and thereby indirectly acquire Discover Bank, Greenwood, Delaware, pursuant to section 3 of the Bank Holding Company Act of 1956<sup>1</sup> (“BHC Act”), and (2) the notice filed by Capital One to indirectly acquire DFS Services LLC, Riverwoods, Illinois; Discover Financial Services (Canada), Inc., Vancouver, British Columbia, Canada; PULSE Network LLC, Houston, Texas; and Diners Club International Ltd., Riverwoods, Illinois, pursuant to sections 4(c)(8) and 4(j) of the BHC Act.<sup>2</sup> Please provide responses to each of the following questions. Supporting documentation should be provided, as appropriate.

To the extent the information requested below is not yet available, provide a date by which the requested information is expected to be made available to the Board of Governors of the Federal Reserve System (“Board”).

1. Question 1(b) of the Letter from the Federal Reserve Bank of Richmond dated April 1, 2024, requested information regarding the permissibility of certain Discover Bank subsidiaries during the period beginning with the consummation of the merger of Vega Merger Sub, Inc. with and into Discover and ending with the consummation of the merger of Discover Bank with and into CONA (the “Intermediate Period”). In light of this, provide responses to the following items:
  - a. Discuss whether Capital One could retain the shares of GTC Insurance Agency, Inc. (“GTC Insurance Agency”), New Castle, Delaware, a subsidiary of Discover and of Discover Bank, permissibly during the Intermediate Period in reliance on section 225.22(e)(2)(ii) of the Board’s Regulation Y.<sup>3</sup> In your response, discuss (i)

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> 12 U.S.C. § 1843(c)(8) and (j).

<sup>3</sup> 12 CFR 225.22(e)(2)(ii).

- whether Capital One would own all the securities (except for directors' qualifying shares) of GTC Insurance Agency during the Intermediate Period and (ii) whether the activities of GTC Insurance Agency would be permissible for Discover Bank to conduct directly under Delaware law (including section 761(a)(14), title 5, Delaware Code), subject to the limitations applicable as if Discover Bank were engaging in the activity directly and in the locations where GTC Insurance Agency engages in its activities.
- b. Discuss whether Capital One could retain the shares of The Student Loan Corporation ("SLC"), Riverwoods, Illinois, a subsidiary of Discover and of Discover Bank, permissibly during the Intermediate Period in reliance on section 225.22(e)(2)(ii) of the Board's Regulation Y. In your response, discuss (i) whether Capital One would own all the securities (except for directors' qualifying shares) of SLC during the Intermediate Period and (ii) whether the activities of SLC would be permissible for Discover Bank to conduct directly under Delaware law, subject to the limitations applicable as if Discover Bank were engaging in the activity directly and in the locations where SLC engages in its activities.
2. For debit transactions on Capital One issued debit cards, provide the average fee per transaction and fee as a percent of average transaction value that the merchant (or its acquirer) was required to pay to Capital One in 2022 and 2023 across:
    - a. Any Mastercard debit card network;
    - b. Any Visa debit card network;
    - c. Any network.
  3. For 2022 and 2023, provide the percentage (by dollar volume) of Capital One's debit card transactions that were transmitted over:
    - a. Mastercard's dual message debit network;
    - b. Mastercard's single message debit network;
    - c. Visa's dual message debit network; and
    - d. Visa's single message debit network.
  4. Post-merger, Capital One has represented that it intends to move all of its Mastercard and Visa debit card transactions to the Discover Networks. Indicate the average fee per transaction and fee as a percent of average transaction value that Capital One expects the merchant (or its acquirer) to pay Capital One post-transition.

Provide your response via EZ-File #111944 within eight business days. Any information for which confidential treatment is desired should be so labeled and separately bound in accordance with section 261.17 of the Board's Rules Regarding Availability of Information. The public portion of any response should be so designated. The Board will make the public portion of this request and the public portion of any response available on the Board's website, so that it is readily accessible to the commenters and to other interested parties.<sup>4</sup> Please also send a copy of your response to the Office of the Comptroller of the Currency Senior Licensing Analyst

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<sup>4</sup> See <https://www.federalreserve.gov/foia/capital-one-discover-application-materials.htm>.

Patricia Roberts at [patricia.roberts@occ.treas.gov](mailto:patricia.roberts@occ.treas.gov), the Federal Deposit Insurance Corporation Senior Case Manager Jeffrey Ralston at [jralston@fdic.gov](mailto:jralston@fdic.gov), and the Delaware Office of the State Bank Commissioner Senior Deputy Commissioner Lisa Collison at [lisa.collison@delaware.gov](mailto:lisa.collison@delaware.gov).

If you have any questions, please contact Katherine Eike of this Reserve Bank, via email at [kathy.eike@rich.frb.org](mailto:kathy.eike@rich.frb.org).

Sincerely,

E-SIGNED by Brent Hassell  
on 2024-10-16 18:01:30 GMT

Brent Hassell  
Assistant Vice President

cc: Board of Governors of the Federal Reserve System  
Office of the Comptroller of the Currency  
Federal Deposit Insurance Corporation  
Delaware Office of the State Bank Commissioner