



ABA Professional Development

# ABA/ABA Money Laundering Enforcement Conference

November 13-15, 2011  
Washington, DC





# Aaron Karczmer

Vice President & Principal Compliance Leader,  
Enterprise Growth, American Express



# CONSUMERS HAVE THE INTERNET IN THEIR POCKET

14B



Connected devices  
worldwide by 2015

42%



US cell phone owners  
that have a  
smartphone

81



Average minutes  
smartphone users spend  
daily on  
mobile apps

# ENTERPRISE GROWTH GROUP

- New customer segments
- New products and services
- New markets



# MANAGING NEW PRODUCTS

- Compliance must have a seat at the table



- Focus on balancing product risk with back-end controls
- Formalize involvement through a Compliance change management control process for new products and changes to existing products

# GIFT CARDS



- \$1+ Billion Sales
- Primarily domestic

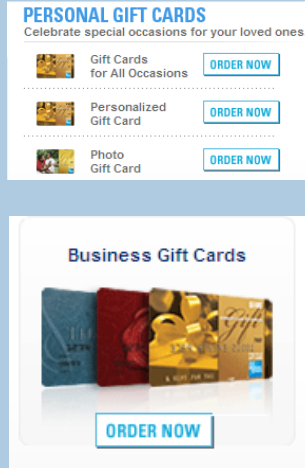
## Retail



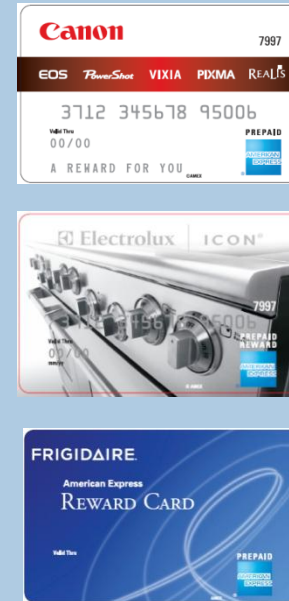
## Mall



## Online



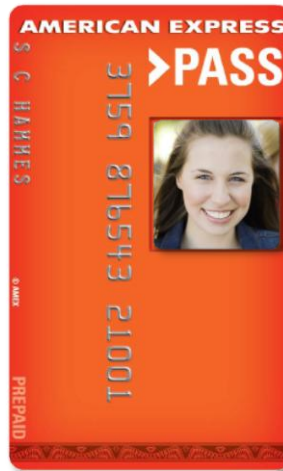
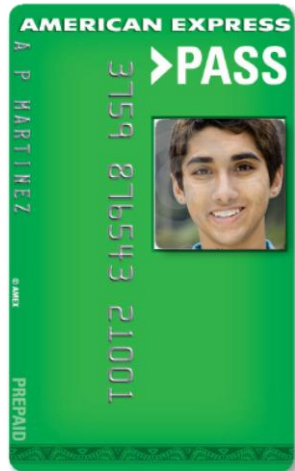
## B2B



## Bank & CTN



# PASS- RELOADABLE CARD



Prepaid, Re-loadable

Parent/Adult Funded

Teen (13+) Use

ATM Access

Global Usage

Online Tracking / Alerts

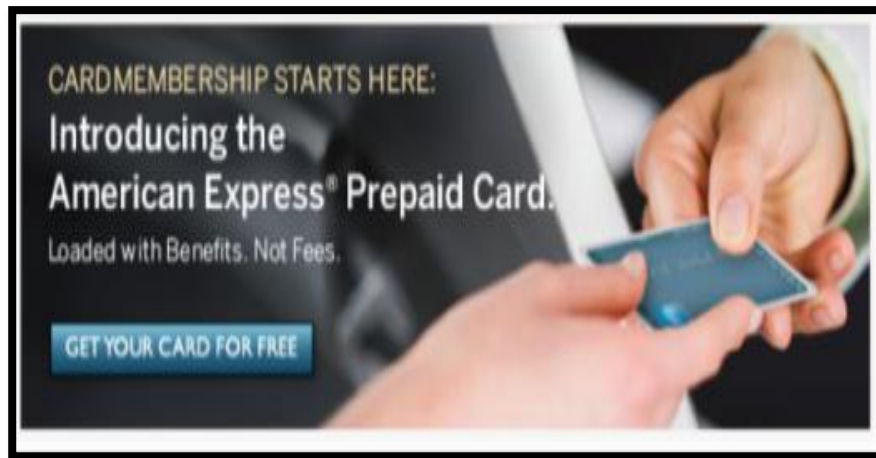
Lost/Stolen Protection

Financial Education

Purchase Protection

Roadside Assistance

# PASS EXPANDED TO GENERAL PURPOSE RELOADABLE



**The New York Times** “Many prepaid cards are known for charging fees ...But American Express came out with a reloadable prepaid card this week that appears to right the industry’s wrongs...”

**Goldman Sachs**

“...believe it will serve as a nice complement to AXP’s products in several emerging markets (such as India and China), which are currently dominated by prepaid products.”

*Removed monthly and card replacement fees.*

# TRADITIONAL AND NEW DISTRIBUTION CHANNELS

## Proprietary

- Online distribution



## Affinity Memberships

- Dual purpose
- Membership card with prepaid functionality

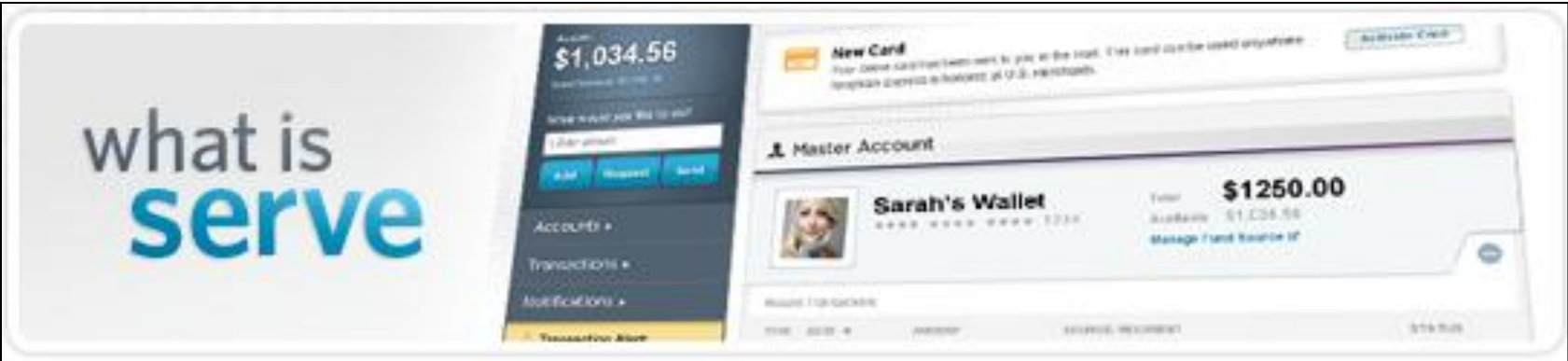


## Retail

- Sold in stores “on the racks”



# SERVE – DIGITAL PLATFORM



# SERVE – LAUNCHED MARCH 28, 2011



AMERICAN BANKER  
On Focus and in Depth

*My take is that they smoked the market ... It's a tremendous play, and they have developed it at a time when no one expected Amex was going to come out with anything interesting.*

”

MobileCrunch

*“Uh oh, PayPal; looks like you’ve got a new challenger in the person-to-person payments space...it’s got a few cool twists; you can pull funds from your account into a refillable pre-paid card, or you can create “subaccounts” that let other users (say, your kids) spend monies from your account while you limit and monitor everything that goes down.*

”

# SERVE

*Fund Serve account from many sources...*

Bank / ACH

Debit

Credit / Charge

Person to Person



*...and use Serve wherever you need to pay*

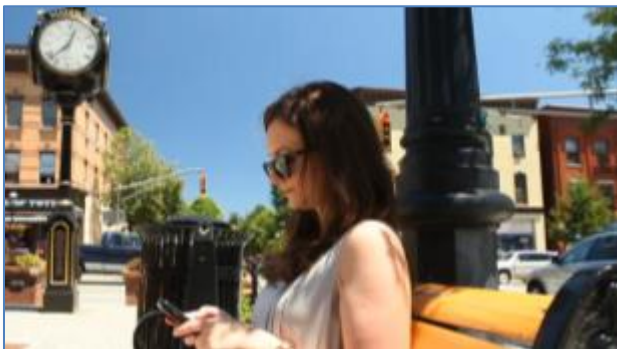
Person to Person

Cash Out via ATM

Online Merchants

Offline Merchants

# SERVE BRIDGES THE ONLINE WORLD AND OFFLINE WORLD



- **Online and offline payments**



- **@ millions of merchants** who accept American Express Cards today

# WIDGETS

## Sales and Event Widgets

**serve**

**Gator Gear**  
Cool Gator gear!

Gator Flag 15

Share: [more options](#)

[Add to Cart](#) [Buy Now\\*](#)

[Report This](#)

see our [legal](#) and [privacy terms](#).

**serve**

**Wilton U12 Soccer Team**  
Raising money for the new uniforms.

New Uniforms

Current: \$0.00  
Goal: \$1,000.00

Actually getting the new uniforms for the kids:

amount:  [contribute\\*](#)

share:

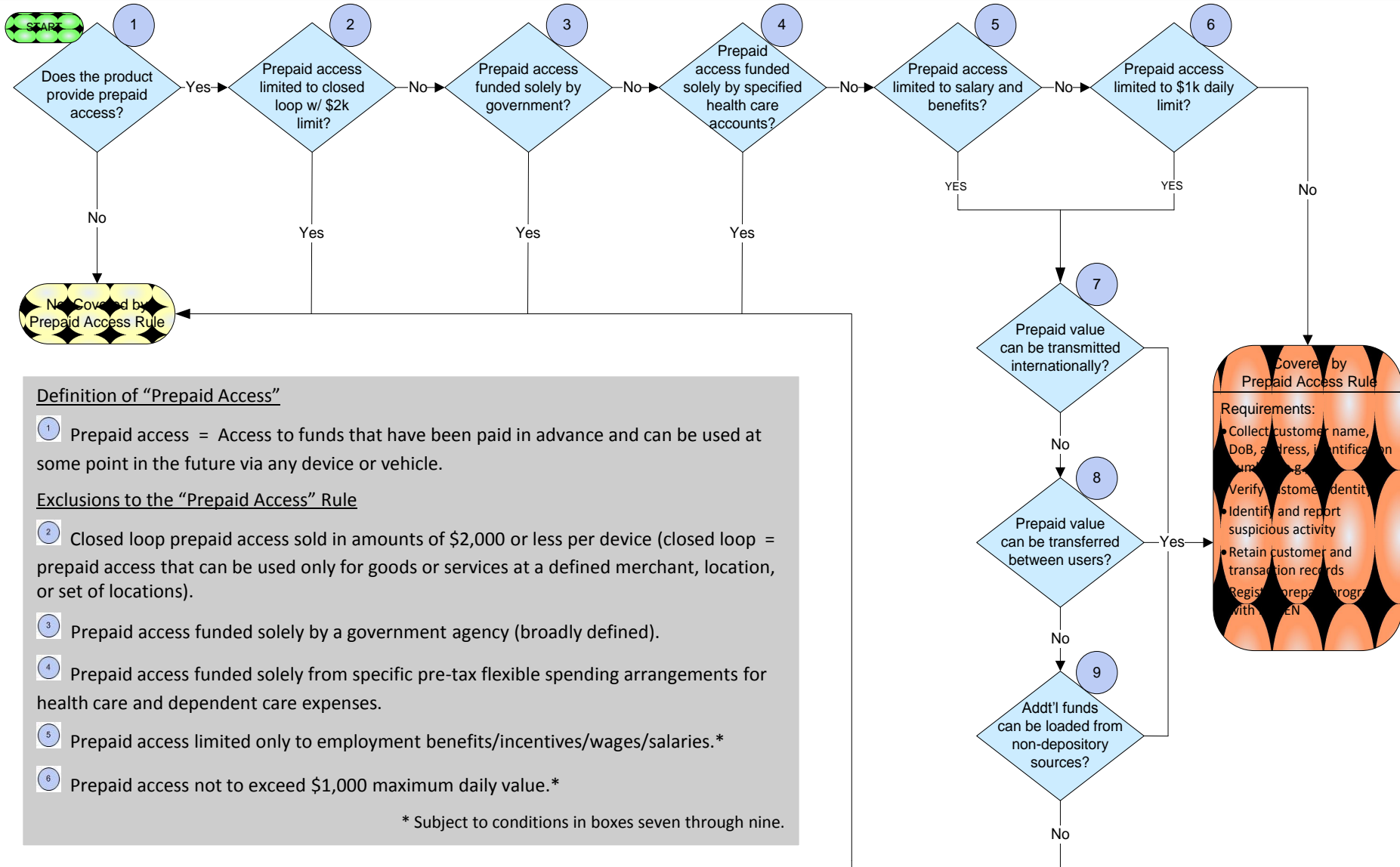
Report as Inappropriate See our [Legal and Privacy Terms](#)

# SERVE IN CONTINUAL RELEASE



- Flexible software **platform** allows for rapid iterations
- New releases expected **every few months**

# PREPAID ACCESS RULE – APPLICABILITY TOOL



## Definition of "Prepaid Access"

1 Prepaid access = Access to funds that have been paid in advance and can be used at some point in the future via any device or vehicle.

## Exclusions to the "Prepaid Access" Rule

2 Closed loop prepaid access sold in amounts of \$2,000 or less per device (closed loop = prepaid access that can be used only for goods or services at a defined merchant, location, or set of locations).

3 Prepaid access funded solely by a government agency (broadly defined).

4 Prepaid access funded solely from specific pre-tax flexible spending arrangements for health care and dependent care expenses.

5 Prepaid access limited only to employment benefits/incentives/wages/salaries.\*

6 Prepaid access not to exceed \$1,000 maximum daily value.\*

\* Subject to conditions in boxes seven through nine.

**Covered by Prepaid Access Rule**

Requirements:

- Collect customer name, DoB, address, identification number (e.g., SSN)
- Verify customer identity
- Identify and report suspicious activity
- Retain customer and transaction records
- Register prepaid program with FINCEN

# PREPAID PLASTIC – MERCHANT CONCENTRATION SPEND PATTERN

