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October 25, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06851-5116
Via e-mail to: director@fasb.org

Re: File Reference No. 1820-100

Thank you for the opportunity to comment on your Proposed Accounting Standards Update, *Revenue Recognition (Topic 605): Revenue from Contracts with Customers*. We support the Board's objective to simplify the model used for recognition of revenue in order to improve consistency in application of revenue recognition principles. We believe the Board has made significant progress toward this objective through issuance of this Exposure Draft (ED).

We agree that provision of loyalty points to cardmembers establishes a future performance obligation for which recognition of related revenues should be assessed under the guidance of the ED. We further agree with the concepts presented in paragraph 13 regarding the circumstances in which separate contracts would be combined in determining the timing of revenue recognition. Our interpretation of the guidance is that for contracts to be combined, they would have to be with the same counterparty. We propose that this be clarified in the final standard. If that is not the intent of the Board, then we would not support the ED as written for the reasons outlined below.

We note that paragraph IG 87 of the ED contains an example (Example 26) of a retailer that grants loyalty points, which is significantly different and less complex than loyalty programs in the credit card industry. In contrast to traditional retail or airline loyalty programs, credit card loyalty program transactions involve a number of contractual counterparties and revenue streams. While we are always sensitive to the issue of price interdependency as it relates to revenue recognition of our contracts, we believe that assessment of the paragraph 13 guidance for the vast majority of our loyalty program transactions results in the contracts being accounted for separately. Please see relevant examples below.

Example of Assessing Pricing Interdependency in the Context of General Revenue Recognition:

Contracts with a merchant to provide access to an entity's payment network, and a co-brand agreement with the same merchant to issue a co-branded card product – these contracts may need to be combined pending assessment under the criteria of paragraph 13. Such assessment will be dependent on facts and circumstances and would not impact revenue recognition as it relates to customer loyalty programs.

Example of Assessing Pricing Interdependency in the Context of Loyalty Programs:

Contracts with merchants to provide access to an entity's payment network, and contracts with cardmembers to provide lines of credit and loyalty benefits – these contracts would not be combined as they are entered into with different counterparties, at different times, and without pricing interdependency. In this case, only contracts with cardmembers would be considered for combination and related revenue assessed for deferral in accounting for obligations under a loyalty program.

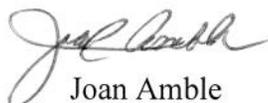
We further believe that the above interpretation of the combining criteria should be applied to all situations, regardless of the anticipated profitability or loss of the contract. As an example, card providers enter into relationships with cardmembers to provide standard card services and benefits that often include providing access to loyalty points. It is not uncommon for the cost of those benefits to exceed the revenue earned directly from the cardmember relationship (contract). In situations where the cost truly exceeds the revenue earned from the relationship, we believe that the appropriate way to account for this relationship is to use a cost accrual (onerous contract) approach.

We note that the principles contained in the ED as applied to credit card loyalty programs appear to differ from the guidance in International Financial Reporting Interpretations Committee Interpretation 13, *Customer Loyalty Programmes* (IFRIC 13). This results in different accounting between the ED and existing IFRS for the cost of loyalty programs by credit card companies, and we support this difference as we believe it results in improved accounting. Further, in our application of IFRIC 13, we have incurred significant difficulties in operationalizing the use of a fair value approach to accounting for loyalty programs as there is no transparency into the underlying fair values and profit margins of products. The determination of fair value for those products and services is a very complex and costly task that increases subjectivity, decreases transparency and increases inconsistent application across the industry.

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American Express Company appreciates the opportunity to provide our comments on this issue. We look forward to continuing dialogue regarding this topic in the near future through participation in the Board-sponsored roundtable on November 4, 2010. If you have any questions regarding our letter or would like to discuss our views in further detail, please feel free to contact me directly at (214) 640-2744.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joan Amble".

Joan Amble
Executive Vice President, Corporate Comptroller
American Express Company