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Goldman Vies for JetBlue Cards --- Investment bank looks to win contract away from Barclays, part of consumer-finance goal

By AnnaMaria Andriotis and Peter Rudegeair

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Goldman Sachs Group Inc. is talking to JetBlue Airways Corp. about taking over its credit-card program, according to people familiar with the matter, the latest effort from the Wall Street firm to push deeper into consumer finance.

Goldman is competing against Barclays PLC, which is the current issuer of the JetBlue credit cards and is in discussions to hold on to the deal, the people said. Discussions are ongoing, and JetBlue may decide to stick with Barclays. JetBlue's contract with Barclays doesn't end for another roughly three years, some of the people said.

Known for most of its history as an adviser to blue-chip companies and elite money managers, Goldman entered the credit-card business in 2019 as part of a broader expansion into **digital-banking** services for the masses. Its first credit card was launched in partnership with Apple Inc. Last year, General Motors Co. decided to move its credit-card offering from Capital One Financial Corp. to Goldman.

As of December, outstanding balances on Goldman's credit cards totaled \$4.3 billion, more than double their level the year before. The bank expects to add about \$2 billion in GM credit-card balances when that deal closes in September. That is still small compared with the big card issuers. JPMorgan Chase & Co. had \$144 billion in credit-card balances as of the fourth quarter 2020.

Airline co-branded cards are among the most competitive in the credit-card industry. While there are hundreds of retailers that banks could partner with to offer credit cards, there are a limited number of U.S. airlines. The cards have historically appealed to banks because they attracted big-spending frequent travelers.

But credit-card spending, particularly on airfare and other travel, has been hit hard by the pandemic. Many people, worried about taking on new debt in an uncertain job market, switched to debit cards. Card issuers are betting that pent-up demand will create a travel boom when the pandemic ends, boosting demand for and usage of airline cards.

American Express Co. and JPMorgan have long run the credit-card programs for Delta Air Lines Inc. and United Airlines Holdings Inc., respectively. Citigroup Inc. and Barclays both issue credit cards for American Airlines Group Inc.

In the past several years, Goldman has reached out to many U.S. airlines to see if they were interested in partnerships, according to people familiar with the matter. One challenge: Many of the major credit-card deals have five years or more left to them.

A JetBlue deal could be risky for Goldman because of the unusually long gap between when the deal would be signed and when it would take effect, especially given the uncertainty around what will happen to travel demand in the intervening years.

Barclays began issuing JetBlue credit cards in 2016, after JetBlue parted ways with AmEx.

Goldman has courted JetBlue for a few years, according to one of the people familiar with the matter. The bank recently started offering a loan option to consumers who book vacation packages through JetBlue Vacations, allowing them to pay in installments.

Late last year, JetBlue asked Barclays to extend its contract years before it was set to expire, in hopes that it would smooth the way to JetBlue getting a loan from the Treasury Department, people familiar with the matter said.

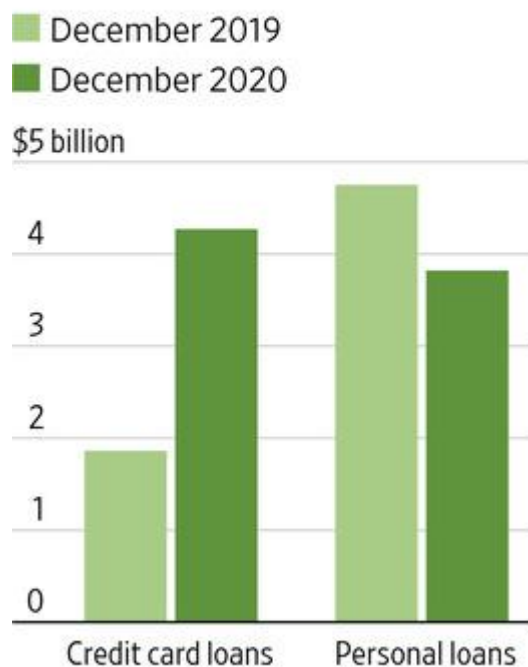
Soon after, JetBlue put out a formal request for bids from other card issuers and entered into serious conversations with Goldman, the people said. JetBlue is also in discussions with Barclays about extending its contract, according to the people.

A JetBlue spokeswoman said Barclays has "been an instrumental partner to our business and the success of our loyalty program." She said JetBlue's request for bids "will help us evaluate the right partner for us in this new travel landscape as we emerge from this crisis."

Goldman started in consumer lending by mailing out unsolicited offers for unsecured personal loans, but it scaled back those offers during the pandemic. In addition to the new co-branded credit-card deals, Goldman spent last year inking deals with Amazon.com Inc. and Walmart Inc. to make loans to merchants that sell goods through those companies.

Alison Sider contributed to this article.

Goldman has expanded in credit cards and shrunk in personal loans.



Source: the company

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The Treasury Department said it fined Capital One Financial Corp. for "willfully failing to implement and maintain" effective **anti-money-laundering** controls.

As part of the settlement, Capital One admitted that it "willfully failed to file thousands of suspicious-activity reports," according to the Treasury's Financial Crimes Enforcement Network. The allegations pertain to a check-cashing group that Capital One acquired when it bought North Fork Bank in 2006.

FinCEN said it had assessed a \$390 million penalty but that it agreed to give Capital One credit for a \$100 million penalty it paid to the Office of the Comptroller of the Currency in 2018. Capital One acknowledged its actions violated the Bank Secrecy Act. The allegations cover practices between at least 2008 and 2014, the same year Capital One exited the check-cashing business.

FinCEN said Capital One's actions caused "millions of dollars in suspicious transactions to go unreported in a timely and accurate manner, including proceeds connected to organized crime, tax evasion, fraud, and other financial crimes laundered through the bank into the U.S. financial system." FinCEN said the bank acknowledged failing to file suspicious-activity reports even when it had knowledge of criminal charges against customers, including a convicted associate of the Genovese organized-crime family.

A Capital One spokeswoman said the bank takes its **anti-money-laundering** obligations seriously. The bank "has invested heavily in the enhancement of its **AML** program over the past several years under new **AML** leadership, and has worked closely with regulators and law enforcement to ensure our compliance processes and protocols are robust and thorough."

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