



29 June 2005

Ms May Leung  
Legislative Assistant  
Legislative Council  
Legislative Council Building  
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Hong Kong

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Dear Ms Leung,

**Re Panel on Financial Affairs Meeting on 4 July 2005**

Thank you for your invitation to attend the Panel meeting to discuss the recent security breach at CardSystems Solutions ("CSS"). I regret that the proposed meeting schedule conflicts with my agenda, and therefore I will not be able to attend the meeting. However, I would like to provide you with the most current information on this topic.

It is our understanding that unauthorized access was gained into the computer systems of CardSystems Solutions, and certain payment card data stored within CardSystems' internal computer network was obtained.

We at American Express view this breach with great concern and are taking steps to protect any cardmembers who may have been affected by it, although the impact on our cards in Hong Kong is very small.

In the case of this recent breach, we are following our practice of flagging potentially affected accounts and putting additional security and fraud prevention measures in place for these accounts. In addition to our normal fraud detection procedures, we will closely monitor these particular accounts for any suspicious activity on an ongoing basis.

If we detect any unusual activity on these accounts that may be fraud, we will contact the customer. If we verify with the cardmember that this breach has resulted in fraudulent charges, we will replace the card. In many instances, we detect fraud well before a consumer becomes aware of any unusual activity on their account, and we proactively reach out to affected customers. Importantly, our cardmembers are not held liable for any fraudulent charges.

In terms of the specific data elements involved on these cards, our colleagues in the United States have been communicating directly with CSS and have been told that the breach involves only payment card data, which could include account number, security code and expiration date. This does not include date of birth or government-issued identification numbers. In order to be able to confirm that information, we have asked

for some back-up data with which we can perform our own diagnostics, a process that is now underway.

Our current analysis estimates that approximately 384 accounts were potentially included in the CardSystems breach. As of now, we have not seen any out of pattern fraud levels within this population of accounts.

I want to assure you that American Express remains strongly committed to protecting the security of our cardmembers' personal information. We appreciate your efforts in this critically important area.

We hope the above information will be helpful for your meeting. As this letter contains information relating to our fraud control measures, we appreciate that it is shared with the Panel members for reference purposes only, and not for public distribution. Should you require further information, please feel free to contact us.

Yours sincerely,



Anthony Lee