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AMEX CA$HES IN ON FED'S DEEP POT OF FUNDS

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In a surprise move that underscores the breadth of Wall Street's financial woes, credit-card giant American Express late yesterday received the Federal Reserve's OK to become a bank holding company.

The move - which echoes steps taken by troubled investment banks Goldman Sachs and Morgan Stanley two months ago - opens the door for the beleaguered company to apply for a piece of the $250 billion the government has set aside to inject capital into troubled banks.

As a bank-holding company, AmEx will have greater access to the Fed's discount window, and can use its credit-card receivables as collateral for those loans.

The move also comes amid chatter that AmEx might need to merge with a bank so that it can tap a bank's deposits to shore up its balance sheet.

It's unclear how its transformation into a bank-holding company might affect such a move, but some people say it could accelerate a merger with a large bank.

AmEx's decision to become a bank-holding company is likely to raise fresh questions about the extent of the firm's financial turmoil.

"Is there a stigma going to be attached to this?" questioned Campbell Harvey, a finance professor at Duke University.

The Fed waived the normal 30-day waiting period on the company's application after determining "that emergency conditions exist that justify expeditious action on this proposal."

The company, which has suffered four straight quarters of profit declines, lost nearly half its market value this year amid growing credit-card defaults. AmEx lends directly to its credit-card consumers, while rivals like Visa Inc. simply process payments on behalf of banks that do the actual lending.

Last month, the company said it was cutting 7,000 jobs, or nearly 10 percent of its workforce, as part of broader cost-cutting efforts.

Meanwhile, the value of securities that use credit-card receivables as collateral has dropped, squeezing AmEx's ability to raise money to fund new credit-card loans.

AmEx shares closed down $1.33 to $23.98 a share.

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