



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SCOTT G. ALVAREZ
GENERAL COUNSEL

OCT 19 2016

Ruurd Weulen Kranenberg
Chief Executive Officer
Regional Head Rabobank NA
245 Park Avenue
New York, New York 10167

Dear Mr. Kranenberg:

This responds to the request by Cooperatieve Rabobank U.A. (“Rabobank”), Utrecht, Netherlands, for relief from certain of the U.S. risk committee requirements for foreign banking organizations under section 252.155 of Regulation YY.¹

Regulation YY requires a foreign banking organization with combined U.S. assets of greater than \$50 billion but U.S. non-branch assets of less than \$50 billion to comply with the requirement to maintain a U.S. risk committee either as a committee of the global board of directors, on a standalone basis, or as a joint committee with its enterprise-wide risk committee (“U.S. risk committee requirements”).² Among other requirements, a foreign banking organization with combined U.S. assets of \$50 billion or more must include on its U.S. risk committee at least one member who is not an officer or employee of the company or its affiliates, and who is not a member of the immediate family of a person who is an executive officer of the company or its affiliates.

Regulation YY does not prescribe the manner in which a foreign banking organization’s risk committee must oversee the risks of its combined U.S. operations, providing a foreign banking organization with some flexibility in structuring its oversight function in a way that is efficient and effective in light of its broader enterprise-wide risk-management structure.³ Regulation YY also requires a foreign banking organization to take appropriate measures to ensure that its combined U.S. operations implement the foreign banking organization’s risk-

¹ 12 CFR 252.155.

² 12 CFR 252.155(a)(3)(ii)(A).

³ See 79 FR 17284.

management policies and provide sufficient information to the foreign banking organization's risk committee to carry out its responsibilities.⁴

Rabobank is a foreign banking organization that, as of July 1, 2015, had combined U.S. assets of greater than \$50 billion, but less than \$50 billion in U.S. non-branch assets. Accordingly, Rabobank was required to comply with the U.S. risk committee requirements by July 1, 2016.⁵

As required by Dutch law, Rabobank has a two-tier board structure comprising a Supervisory Board and an Executive Board. The Supervisory Board consists of entirely independent directors and supervises and monitors the policies enacted by the Executive Board. The Executive Board consists of executive employees of Rabobank and manages the worldwide business and operations of Rabobank and its affiliates.

Rabobank submitted a memorandum prepared by a Dutch law firm that asserts that Rabobank would not be able to maintain the risk committee at the Supervisory Board or include members of its Supervisory Board on a U.S. risk committee because these members would be prohibited under Dutch law from fulfilling the full scope of responsibilities required under Regulation YY. Rabobank also asserts that if it were to maintain the U.S. risk committee as a committee of its Supervisory Board, Rabobank would be violating principles of corporate governance under Dutch law. In addition, because none of Rabobank's Executive Board members would be considered independent under Regulation YY, Rabobank states that its existing enterprise-wide risk committee (the "Risk Management Committee Group") of the Executive Board would not comply with the U.S. risk committee requirements, and it would not otherwise be able to maintain a U.S. risk committee as a committee of its Executive Board.

As a way to comply with the U.S. risk committee requirements, Rabobank has created a virtual North American Board of Directors ("NAB") that provides corporate governance and risk management oversight with respect to all of its U.S. operations. The NAB houses a U.S. risk committee (the "NAB U.S. Risk Committee"), which consists of a subset of the members of the NAB, including two members of the Rabobank Executive Board, one of whom is both the global Chief Risk Officer and a member of the Risk Management Committee Group, and one independent member that is not a member of either the Executive Board or the

⁴ See 12 CFR 252.155(c).

⁵ In order to accommodate Rabobank's request, consider additional information submitted by Rabobank, and consult with Rabobank's home country regulator, as necessary, the Secretary of the Board, acting pursuant to authority delegated by the Board, granted a three-month extension, until October 1, 2016, for Rabobank to establish a U.S. risk committee pursuant to the U.S. risk committee requirements. See letter dated July 19, 2016, to Ruurd Weulen Kranenberg.

Supervisory Board of Rabobank. Rabobank has represented that it would not materially change the composition of the NAB U.S. Risk Committee.

To ensure that Rabobank is overseeing the risks of its combined U.S. operations and to enable the NAB U.S. Risk Committee and each of its members to escalate issues directly to the Risk Management Committee Group, Rabobank has revised the NAB U.S. Risk Committee charter (the "NAB U.S. Risk Committee Terms of Reference") to establish clear, direct reporting lines from the NAB U.S. Risk Committee to the Risk Management Committee Group of the Executive Board. In order to maintain the NAB U.S. Risk Committee's character and authority, Rabobank has entered into a commitment that any amendments or other alterations to the NAB U.S. Risk Committee Terms of Reference in the future would not materially change or limit the NAB U.S. Risk Committee's ability to carry out its risk-management responsibilities for Rabobank's combined U.S. operations.

Based on all the facts of record in this case, and specifically conditioned on compliance with all the representations and commitments made in connection with the request, staff of the Legal Division, in consultation with the Division of Banking Supervision and Regulation, believes this approach is consistent with the U.S. risk committee requirements under section 252.155 of Regulation YY. The representations and commitments made by Rabobank constitute conditions imposed in writing in connection with the findings and decisions herein and, as such, may be enforced in proceedings under applicable law.

This opinion is based on the specific facts and representations in your letter and in communications with Board staff. Any change in the facts or representations should be communicated immediately to Board staff and could result in a different opinion.

If you have any questions about this matter, please contact Julie Anthony, Counsel (202-475-6682), or Rachel Yura, Senior Attorney (202-973-7426), of my staff.

Sincerely,

A handwritten signature in cursive script, reading "Scott G. Allen". The signature is written in black ink and is positioned below the word "Sincerely,".