

FEDERAL RESERVE SYSTEM

Sumitomo Mitsui Trust Holdings, Inc.
Tokyo, Japan

Sumitomo Mitsui Trust Bank, Limited
Tokyo, Japan

Order Approving Notice to Engage in Nonbanking Activities

Sumitomo Mitsui Trust Holdings, Inc., and its wholly owned subsidiary, Sumitomo Mitsui Trust Bank, Limited (“SMTB”), both of Tokyo, Japan (collectively “SuMi Trust”), have requested the Board’s approval under section 4(c)(8) of the Bank Holding Company Act of 1956 (“BHC Act”)¹ and section 225.24 of the Board’s Regulation Y² to acquire 50 percent of the voting shares of Marubeni Rail Transport, Inc. (“MRTI”), a Delaware corporation, and thereby acquire its wholly owned subsidiary, Midwest Railcar Corporation (“MRC”), an Illinois corporation, engaged in railcar leasing and related activities in North America.³ As a result of the proposed acquisition, SuMi Trust would engage in certain nonbanking activities.⁴

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (81 Federal Register 7341 (February 11, 2016)).

¹ 12 U.S.C. §§ 1843(c)(8) and 1843(j).

² 12 CFR 225.24.

³ SuMi Trust is subject to the BHC Act by virtue of its ownership of a U.S. banking subsidiary, Sumitomo Mitsui Trust Bank (U.S.A.) Limited (“SuMi Trust USA”), Hoboken, New Jersey.

⁴ These nonbanking activities include railcar leasing and the provision of certain railcar fleet management services pursuant to section 225.28(b)(3) (leasing personal property and acting as agent, broker, or adviser in leasing personal property) and section 225.21(a)(2) (engaging in incidental activities that are necessary to carrying on permissible nonbanking activities), both of the Board’s Regulation Y (12 CFR part 225).

The time for submitting comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.

SuMi Trust, with consolidated assets of approximately \$518 billion, is the sixth largest banking organization in Japan. Through its subsidiaries, SuMi Trust primarily engages in trust, banking, and other financial service businesses in Japan and conducts commercial banking, asset management, and custodial operations in the United States, the United Kingdom, and Singapore. In the United States, SMTB maintains an uninsured state-licensed branch in New York, New York, and SMTB is the sole owner of SuMi Trust USA, a state nonmember bank in New Jersey that is insured by the Federal Deposit Insurance Corporation. SuMi Trust and SMTB also own Nikko Asset Management Americas, Inc., New York, New York, a nonbank asset management company.

The Board has determined by regulation that each of the proposed activities is closely related to banking for purposes of section 4(c)(8) of the BHC Act.⁵ SuMi Trust has committed to conduct the proposed activities in accordance with the limitations set forth in Regulation Y and the Board's orders.

In reviewing the proposal, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the proposal "can reasonably be expected to produce benefits to the public ... that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the United States banking or financial system."⁶

As part of its evaluation of these factors, the Board considers the financial and managerial resources of the companies involved and the effect of the proposal on those resources.⁷ In assessing the financial and managerial resources of the companies involved, the Board has considered, among other items, information provided by SuMi

⁵ 12 CFR 225.28(b)(3).

⁶ 12 U.S.C. § 1843(j)(2)(A).

⁷ 12 CFR 225.26.

Trust, a public comment on the proposal, confidential reports of examination, other confidential supervisory information, and publicly reported financial and other information.

In evaluating the financial considerations of this proposal, the Board has considered a number of factors, including capital adequacy and the nature of the transaction. SuMi Trust has capital ratios in excess of the minimum levels that would be required by the Basel Capital Accord and that are considered equivalent to the capital that would be required of a U.S. banking organization. The transaction will be structured as a purchase of common stock funded by cash on hand and will not have a significant impact on SuMi Trust's financial condition.

In addition, the Board has considered the managerial resources of SuMi Trust, the supervisory experiences of the relevant supervisory agencies with SuMi Trust, and SuMi Trust's record of compliance with applicable U.S. banking laws. The Board has also considered public comment on the proposal and reviewed reports of examination from the appropriate federal and state supervisors of the U.S. operations of SuMi Trust assessing its managerial resources.⁸ Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources of the organizations involved are consistent with approval.

⁸ A commenter expressed concerns about the compliance record of the company that proposes to sell shares of MRTI to SuMi Trust and to be SuMi Trust's co-venturer in MRTI. This company, Marubeni Corporation, Tokyo, Japan, had been charged with violations of the Foreign Corrupt Practices Act ("FCPA") for misconduct that occurred in the late 1990s and 2000s. The Board has considered these comments in light of all the facts of record, including that SuMi Trust is investing in MRTI, not Marubeni Corporation; neither MRTI nor MRC were involved in Marubeni Corporation's FCPA violations; and MRC's activities take place exclusively in the United States and Canada, where the rail industry is highly regulated. SuMi Trust is also expected to implement any policies and procedures necessary as part of its overall risk management framework to effectively oversee MRC and designate specific employees to ensure ongoing compliance by MRC with all applicable laws and regulations.

Section 4(j)(2)(A) of the BHC Act also requires the Board to consider whether the proposal is likely to pose a significant risk to the stability of the United States banking or financial system. The proposed acquisition is limited in size and substitute providers of the proposed activities are readily available. The investment proposed by SuMi Trust in MRC is relatively small compared to SuMi Trust's total consolidated assets, and MRC is small relative to other market participants. The Board believes that the proposal would not pose a significant risk to the United States banking or financial system.

The Board also has considered the competitive effects of the proposal in light of all the facts of record. The market for the proposed leasing activities is unconcentrated and highly competitive. The investment will not eliminate any market participants or otherwise diminish the presence of competitors in the market. Based on all the facts of record, the Board concludes that consummation of the proposal would have a de minimis effect on competition for the relevant nonbanking activities.

The Board expects that SuMi Trust's performance of the activities would result in benefits to the public by enabling SuMi Trust to provide expanded personal property leasing and other related services to its customers and the public. The investment by SuMi Trust in MRTI may also strengthen and diversify the railcar leasing industry in North America through MRTI's partnership with a global financial institution. The Board concludes that the proposed activities, conducted in accordance with the Board's Regulation Y and Board precedent,⁹ is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or a significant risk to the stability of the United

⁹ The commenter expressed concerns about ensuring that SuMi Trust's leasing activities, conducted through MRC, would conform to the requirements of the Board's Regulation Y. Among other commitments, SuMi Trust has committed that it will ensure that MRC conducts its railcar leasing and related activities in accordance with section 4 of the BHC Act and part 225 of the Board's Regulation Y, including that such leases be on a nonoperating basis.

States banking or financial system, that would outweigh the public benefits of the proposal discussed above. Accordingly, based on all the facts of record, the Board has determined that the balance of the public benefits factor that it must consider under section 4(j) of the BHC Act is consistent with approval of this proposal.

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act. The Board's approval is specifically conditioned on compliance by SuMi Trust with the conditions imposed in this order and the commitments made to the Board in connection with the notice. The Board's approval is also subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c),¹⁰ and to the Board's authority to require such modification or termination of the activities of SuMi Trust and any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated later than three months after the effective date of this order unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting under delegated authority.

By order of the Board of Governors,¹¹ effective June 10, 2016.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

¹⁰ 12 CFR 225.7 and 225.25(c).

¹¹ Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.