



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

SCOTT G. ALVAREZ
GENERAL COUNSEL

OCT 19 2016

Mr. Nobuyuki Kawabata
Managing Director and Chief Executive Officer Americas Division
277 Park Avenue
New York, New York 10172

Dear Mr. Kawabata:

This responds to the request by Sumitomo Mitsui Financial Group, Inc. (“SMFG”) and Sumitomo Mitsui Banking Corporation (“SMBC”, and together with SMFG, “Sumitomo”), Tokyo, Japan,¹ for relief from certain of the U.S. risk committee requirements for foreign banking organizations under section 252.155 of Regulation YY.²

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”).³ 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

¹ SMFG is a Japanese holding company that conducts almost all of its U.S. operations through its wholly-owned subsidiary SMBC.

² 12 CFR 252.155.

³ 12 CFR 252.155(a)(3)(ii)(A).

effective in light of its broader enterprise-wide risk-management structure.⁴ 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-management policies and provide sufficient information to the foreign banking organization's risk committee to carry out its responsibilities.⁵

Sumitomo 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, Sumitomo was required to comply with the U.S. risk committee requirements by July 1, 2016.⁶

SMFG's board has three committees, including an enterprise-wide risk committee (the "SMFG Risk Committee"). Sumitomo represents that it is typical for Japanese boards to delegate authority for particular issues to one or more individuals, which may include board members and/or executives. The SMFG Risk Committee is composed of six SMFG board members and one non-board member. Under its charter, the SMFG Risk Committee is authorized to deliberate on matters concerning risk management, and then report on those deliberations to the full SMFG board. Under its charter, the SMFG Risk Committee is not authorized to make decisions.

As a way to comply with the U.S. risk committee requirements, Sumitomo has established a U.S. risk committee composed of one member that is a management official from Sumitomo's home office, two members that are management officials from Sumitomo's U.S. operations, and two independent members that are not currently affiliated with any Sumitomo entity.

To ensure that Sumitomo is overseeing the risks of its combined U.S. operations and to enable the U.S. risk committee and each of its members to escalate issues directly to the SMFG board, Sumitomo has entered into commitments that it will revise the charter of the U.S. risk committee to provide that the chairperson of the U.S. risk committee will report the minutes of proceedings of the U.S. risk committee and the materials used for the proceedings of the U.S. risk committee directly to each member of the SMFG board, and the U.S. risk committee or any member of the U.S. risk committee may escalate any

⁴ See 79 FR 17284.

⁵ See 12 CFR 252.155(c).

⁶ In order to accommodate Sumitomo's request, consider additional information submitted by Sumitomo, and consult with Sumitomo'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 Sumitomo to establish a U.S. risk committee pursuant to the U.S. risk committee requirements. See letter dated July 19, 2016, to Nobuyuki Kawabata.

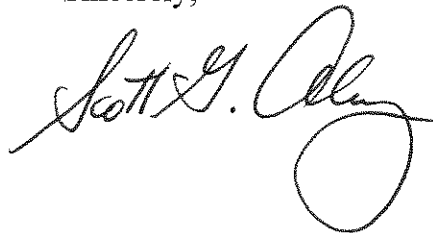
matter within the responsibilities of the U.S. risk committee to the attention of the SMFG board by directly notifying any member or members of the SMFG board. In order to maintain the U.S. risk committee's character and authority, Sumitomo has also entered into a commitment that any amendments or other alterations to the U.S. risk committee charter in the future would not materially change or limit the U.S. risk committee's ability to carry out its risk-management responsibilities for Sumitomo'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 Sumitomo 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 black ink, appearing to read "Scott G. Allen". The signature is written in a cursive style with a large, looping flourish at the end.