

FEDERAL RESERVE SYSTEM

Adyen, N.V.
Amsterdam, The Netherlands

Order Approving Establishment of a Branch

Adyen, N.V. (“Adyen”), Amsterdam, The Netherlands, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA¹ to establish a federally-licensed branch in San Francisco, California (“San Francisco Branch”). The Foreign Bank Supervision Enhancement Act, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in San Francisco, California (*San Francisco Chronicle*, June 26, 2019). The time for submitting comments has expired, and the Board has considered all comments received.

Adyen was founded and licensed in The Netherlands in 2006 as a payment service provider and obtained a full banking license from the European Central Bank (“ECB”) in 2017. Under its ECB license, Adyen offers payment and settlement services to merchants, including offering short-term lines of credit to merchants to speed up their settlement payouts, all on a single technology platform. Through various offices and subsidiaries worldwide, Adyen competes globally with bank and nonbank payments processors, and was ranked in the top 10 worldwide based on processed volume of \$346 billion in 2020.

Temasek Holdings (Private) Limited, Republic of Singapore, owns 8.14 percent of Adyen’s outstanding shares, and Jennison Associates LLC, New York,

¹ 12 U.S.C. § 3105(d).

New York, owns 5.77 percent of Adyen's outstanding shares. No other shareholder owns more than 5 percent of the shares of Adyen.

Currently, Adyen has no branches or other offices in the United States and conducts its U.S. operations through its wholly-owned subsidiary, Adyen, Inc., a California corporation with offices in San Francisco and New York.² Because Adyen currently does not have a U.S. banking presence, Adyen's U.S. payment processing business is conducted in reliance on third-party banks. Upon establishment of the San Francisco Branch, the operations of Adyen, Inc., would be transferred to the branch,³ and Adyen would be able to engage in a broad range of payments processing and related banking activities in the United States, thus reducing its dependence on third-party banks.⁴ Through the establishment of the San Francisco Branch, Adyen proposes to bring its U.S. activities and operations in line with those conducted under its ECB license.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank has furnished to the Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home

² Adyen, Inc., is registered with the U.S. Department of the Treasury's Financial Crimes Enforcement Network as a money services business and holds money transmitter licenses in every state that requires such a license for the activities in which it engages.

³ In addition, the New York office of Adyen, Inc., would be established as a representative office of Adyen under the general consent provisions of Regulation K (12 CFR 211.24(a)(3)). Adyen, Inc., would continue to exist and perform certain limited administrative services on behalf of Adyen.

⁴ Additionally, upon establishment of the proposed branch, Adyen would be a qualifying foreign banking organization as defined in section 211.23 of Regulation K. 12 CFR 211.23(a).

country supervisor.⁵ The Board also considers additional standards set forth in the IBA and Regulation K.⁶

As noted above, Adyen engages directly in the business of banking outside the United States. Adyen also has provided the Board with the information necessary to assess the application, through submissions that address the relevant issues.

⁵ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24(c)(1). Regulation K provides that a foreign bank is subject to comprehensive consolidated home country supervision if the foreign bank is supervised or regulated in such a manner that its home country supervisors receive sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to any affiliate) to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 CFR 211.24(c)(1)(ii). In assessing this supervisory standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which home country supervisors (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings and relationships between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board's determination.

⁶ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). These standards include whether the bank's home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank, including the bank's experience and capacity to engage in international banking; whether the bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank's record of operation. In the case of a foreign bank that presents a risk to the stability of the United States financial system, the Board also may take into account, to the extent appropriate, whether the home country of the foreign bank has adopted, or is making demonstrable progress towards adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk. 12 U.S.C. § 3105(d)(3)(E).

Adyen is subject to supervision by the De Nederlandsche Bank (“DNB”) under the Single Supervisory Mechanism (“SSM”). The SSM is a system of financial supervision composed of the ECB and the national competent authorities of participating European Union Member states by which specific tasks are distributed between the ECB and the national competent authorities. Under the SSM framework, the ECB has direct prudential supervisory responsibility over “significant institutions,” while the national competent authorities have direct prudential supervisory responsibility over “less significant institutions,” subject to the oversight of the ECB.⁷ A common prudential regulatory framework applies to banks supervised under the SSM, including those supervised by the national competent authorities as less significant institutions. Through its oversight function, the ECB aims to ensure that the supervisory activities carried out by national competent authorities are in line with high supervisory standards, with a view toward fostering consistency of supervisory outcomes within the SSM.⁸

Under the SSM, Adyen is a “less significant institution” and is subject to direct prudential supervision by its national competent authority, the DNB, under the oversight of the ECB. The Board has previously assessed the SSM, including in determining that the ECB and DNB exercise comprehensive supervision over a Dutch bank designated as a “significant institution” under this framework.⁹ The SSM framework has not changed materially since it was last considered by the Board.¹⁰

⁷ With respect to both significant institutions and less significant institutions, the national competent authorities retain authority over supervisory matters that were not transferred to the SSM, including consumer protection and the prevention of money laundering and terrorist financing.

⁸ Where necessary, the ECB may decide to directly supervise any less significant institution to ensure that high supervisory standards are applied consistently.

⁹ See *ING Bank N.V.*, FRB Order 2017-27 (October 20, 2017).

¹⁰ See, e.g., *Abanca Corporación Bancaria, S.A.*, Board Order 2018-20 (September 28, 2018); *Nordea Bank Abp*, FRB Order 2018-16 (August 3, 2018); *Deutsche Pfandbriefbank AG*, FRB Order 2018-01 (January 3, 2018); *ING Bank N.V.*, FRB Order 2017-27 (October 20, 2017); Board letter to Rita Milazzo dated August 1, 2017 (finding

Based on all the facts of record, including the above information, it has been determined that Adyen is subject to comprehensive supervision on a consolidated basis by the DNB acting through the SSM.

The Board has also considered the financial and managerial and other applicable factors in this case. The DNB has no objections to the establishment of the proposed branch. The ECB's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Basel Accord"). Adyen's capital is in excess of the minimum levels that would be required by the Basel Accord and is considered equivalent to capital that would be required of a U.S. banking institution. Managerial and other financial resources of Adyen are considered consistent with approval, and Adyen appears to have the experience and capacity to support the proposed branch. In addition, Adyen has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general.

The Netherlands is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with those recommendations, The Netherlands has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in The Netherlands, and credit institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their operations, including foreign branches. Adyen has policies and procedures to comply with these laws and regulations that are monitored by government entities responsible for anti-money-laundering compliance.

Adyen has committed to make available to the Board such information on its operations, and on those of any of its affiliates, that the Board deems necessary to

comprehensive consolidated supervision for Banco Bilbao Vizcaya Argentaria, S.A.); and *Unione di Banche Italiane*, S.p.A., FRB Order 2017-11 (April 13, 2017).

determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Adyen has committed to cooperate with the Board to obtain any necessary exemptions or waivers that might be required from third parties for disclosure of such information. In light of these commitments and subject to the condition described below, it has been determined that Adyen has provided adequate assurances of access to any necessary information that the Board may request.

The IBA provides that the Board may consider, for a foreign bank that presents a risk to the stability of the United States financial system, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk.¹¹ Information relevant to the standard regarding risk to the stability of the United States financial system has also been reviewed. In particular, consideration has been given to (1) the relative size of Adyen in its home country; (2) the scope of Adyen's activities, including the type of activities it proposes to conduct in the United States and the potential for these activities to increase or transmit financial instability; and (3) the framework in place for supervising Adyen in its home jurisdiction. Taking into account these considerations, it has been determined that the proposal would not create significant risk to the financial stability of the United States. Based on these and other factors, financial stability considerations for this proposal are consistent with approval.

On the basis of all the facts of record, and subject to the commitments made by Adyen, as well as the terms and conditions set forth in this order, Adyen's application to establish a branch in San Francisco, California, is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel,

¹¹ 12 U.S.C. § 3105(d)(3)(E).

pursuant to authority delegated by the Board.¹² Should any restrictions on access to information on the operations or activities of Adyen and its affiliates subsequently interfere with the Board’s ability to obtain information to determine and enforce compliance by Adyen and its affiliates with applicable federal statutes, the Board may require termination of any of Adyen’s direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Adyen with the commitments made in connection with this application and with the conditions in this order.¹³ The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board,
effective May 24, 2021.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

¹² 12 CFR 265.7(d)(12).

¹³ The Board’s authority to approve the establishment of branches parallels the continuing authority of the Office of the Comptroller of the Currency (“OCC”) to license offices of a foreign bank. The Board’s approval of this application does not supplant the authority of the OCC to license the proposed branch of Adyen in accordance with any terms and conditions that the OCC may impose.