

FEDERAL RESERVE press release



For immediate release

September 27, 1999

The Federal Reserve Board today announced its approval of the application of The Dai-Ichi Kangyo Bank, Limited, Tokyo, Japan, to acquire through its subsidiary, the CIT Group, Inc., Livingston, New Jersey, all the outstanding voting shares of Newcourt Credit Group, Inc., Toronto, Canada.

Attached is the Board's Order relating to this action.

Attachment

FEDERAL RESERVE SYSTEM

The Dai-Ichi Kangyo Bank, Limited
Tokyo, Japan

Order Approving Notice to Engage in Nonbanking Activities

The Dai-Ichi Kangyo Bank, Limited ("DKB"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. § 225.24) to acquire through its subsidiary, the CIT Group, Inc., Livingston, New Jersey ("CIT"), all the outstanding voting shares of Newcourt Credit Group, Inc., Toronto, Canada ("Newcourt"), and thereby engage in the following activities:

- (1) extending credit and servicing loans and activities related to extending credit pursuant to section 225.28(b)(1) and (b)(2) of Regulation Y (12 C.F.R. § 225.28(b)(1) & (b)(2));
- (2) leasing personal or real property or acting as agent, broker, or adviser in leasing such property pursuant to section 225.28(b)(3) of Regulation Y (12 C.F.R. § 225.28(b)(3));
- (3) providing financial and investment advisory services pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. § 225.28(b)(6));
- (4) providing agency transactional services for customer investments pursuant to section 225.28(b)(7) of Regulation Y (12 C.F.R. § 225.28(b)(7)); and
- (5) providing data processing and data transmission services pursuant to section 225.28(b)(14) of Regulation Y (12 C.F.R. § 225.28(b)(14)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 49,015 (1999)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

DKB, with total consolidated assets of approximately \$461 billion, is the second largest banking organization in Japan and the twelfth largest banking organization in the world.¹ In the United States, DKB owns and operates Dai-Ichi Kangyo Bank of California, a state-chartered bank with assets of \$751 million, and Dai-Ichi Kangyo Trust Company of New York.² DKB also has branches in New York, New York and Chicago, Illinois and an agency in Los Angeles, California.

The Board previously has determined by regulation that extending credit, engaging in activities related to extending credit, and leasing; and that providing financial and investment advisory, agency transactional, and data processing services are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act. Notificant has committed that it will conduct these activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations relating to each of these activities.³

¹Asset data are as of March 31, 1999, unless otherwise indicated. Foreign ranking data are as of December 31, 1998, adjusted through August 1999 for significant mergers and acquisitions.

²Asset data for the DKB subsidiary bank is as of June 30, 1999.

³Newcourt also engages in certain leasing activities and holds certain investments in nonbanking companies that are not permissible for a bank holding company under section 4 of the BHC Act. DKB has committed that it will conform
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In order to approve the proposal, the Board also must determine that performance of the proposed activities is a proper incident to banking, that is, that the performance of the proposed activities by DKB "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, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant and the effect of the transaction on those resources.⁴ In this case, the acquisition of Newcourt would be made and funded by CIT and, therefore, would not require additional financial or managerial resources from DKB. The proposed transaction would not represent a significant expansion of DKB's U.S. operations but only a further development of existing business lines through CIT, which has a record of successfully managing similar activities. The most recently reported capital ratios of DKB exceed the relevant risk-based capital standards established under the Basle Accord, and the proposed transaction is not expected to have a material effect on the capital of the consolidated organization. The Board has also considered recent financial statements, including *pro forma* financial statements and other available information, and the condition of the U.S.

³(...continued)

the leasing activities of Newcourt to the requirements of section 4 of the BHC Act and will restructure any impermissible investments to comply with the BHC Act within two years of consummation of the proposal.

⁴See 12 C.F.R. § 225.26; The Fuji Bank, Limited, 75 Federal Reserve Bulletin 94 (1989); Bayerische Vereinbank AG, 73 Federal Reserve Bulletin 155 (1987).

operations of DKB. Based on these and other facts of record, including information regarding CIT's financial condition and managerial resources and relevant supervisory information, the Board has determined that financial and managerial considerations are consistent with approval.

The Board also has carefully considered the competitive effects of the proposed acquisition of Newcourt. DKB currently engages in most of the activities that Newcourt conducts. The Board notes that many of the markets for lending and leasing and other specialty financial services in which CIT and Newcourt compete are regional or national in scope. These markets are unconcentrated with numerous bank and nonbank providers. In addition, barriers to entry into markets for lending and leasing are low. There is also a high level of competition in the markets for the financial advisory and agency transactional services that Newcourt provides through its subsidiaries. Consummation of the proposal would have a limited effect on competition, and the Board has determined that the proposal would not have a significantly adverse effect on competition in any relevant market.

The Board expects that the proposed transaction would give DKB an increased ability to serve the needs of its customers and would allow DKB to provide existing and new customers with a broader range of products and services at lower costs. The Board also expects that combining the expertise of CIT and Newcourt would allow CIT to be a more effective competitor in the asset-based financing industry. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be

most efficient when such investments are consistent, as in this case, with the relevant considerations under the BHC Act.

Based on the foregoing and all the other facts of record, including the commitments made by DKB, the Board has determined that the performance of the proposed activities by DKB can reasonably be expected to produce benefits to the public that would outweigh any possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Conclusion

Based on all the facts of record, including all the commitments and representations made by the notificant, and subject to all the terms and conditions set forth in this order, the Board has determined that the notice should be, and hereby is, approved. This determination is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. §§ 225.7 and 225.25(c)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in the notice, including the commitments and conditions discussed in this order. The commitments and conditions relied on in reaching this decision shall be 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.

This proposal shall 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 San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,⁵ effective September 27, 1999.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

⁵Voting for this action: Chairman Greenspan and Governors Kelley, Meyer, Ferguson, and Gramlich.