

# FEDERAL RESERVE SYSTEM

ICICI Bank Limited  
Mumbai, India

## Order Approving Establishment of a Representative Office

ICICI Bank Limited (“Bank”), Mumbai, India, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York (*The New York Post*, May 21, 2001). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of \$4.7 billion,<sup>1/</sup> is the 24<sup>th</sup> largest bank in India. ICICI Limited, Mumbai, India, owns approximately 46 percent of the voting stock of Bank;<sup>2/</sup> the remaining shares of Bank are widely held. A private sector bank, Bank engages primarily in corporate and retail banking and foreign exchange operations. Bank operates 389 branches in India, but currently has no foreign offices. ICICI Limited engages in a broad range of

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<sup>1/</sup> Data are as of March 31, 2001.

<sup>2/</sup> Life Insurance Corporation of India and General Insurance Corporation of India own approximately 12 percent and 11 percent, respectively, of ICICI Limited’s shares.

banking and financial activities.<sup>3/</sup> ICICI Limited is scheduled to merge with and into Bank on March 26, 2002, pending approval of the merger by the Reserve Bank of India (“RBI”). The merged entity would be the second largest bank in India.

The proposed representative office is intended to facilitate Bank’s business in cross-border loans and increase its share of nonresident Indian deposits by promoting Bank’s products and services to existing and potential customers in the United States. The proposed office will engage in soliciting loans and executing loan documents, soliciting purchasers of loans and parties to contract for the servicing of loans, conducting research, and acting as a liaison with Bank’s customers and correspondents.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a

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<sup>3/</sup> A subsidiary of ICICI Limited, ICICI Infotech Inc., has operations in the United States. ICICI Infotech Inc. engages in information technology consulting and outsourcing and software design activities.

consolidated basis by its home country supervisor.<sup>4/</sup> The Board may take into account additional standards set forth in the IBA and Regulation K.<sup>5/</sup>

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

With respect to home country supervision of Bank, the Board has considered the following information. The RBI is the principal supervisory authority of Bank.<sup>6/</sup> The RBI supervises and regulates Bank through a combination of regular on-site reviews and off-site monitoring. On-site examinations cover the

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<sup>4/</sup> See 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing this standard, the Board considers, among other factors, the extent to which the 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 with and relationship 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; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

<sup>5/</sup> See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

<sup>6/</sup> The RBI also supervises and regulates ICICI Limited as a nonbank financial institution.

major areas of operation, capital adequacy, management (including risk management strategies), asset quality (including detailed loan portfolio analysis), earning, liquidity, and internal controls and procedures. Off-site monitoring is conducted through the review of required quarterly reports on asset quality, earnings, liquidity, capital adequacy, loans, and on- and off-balance-sheet exposures. The RBI monitors the foreign activities of Indian banks using guidelines designed to ensure that banks identify, control, and minimize risk in the bank and any of its joint ventures and subsidiaries. The RBI also periodically audits Indian banks' foreign operations.

Bank is required to be audited on an annual basis by a firm of chartered accountants approved by the RBI, and the audit report is submitted to the RBI. The scope of the required audit includes a review of financial statements, asset quality, internal controls, and anti-money laundering procedures. Bank also prepares financial statements according to U.S. generally accepted accounting principles in connection with its listing of American Depository Shares on the New York Stock Exchange; the statements are subject to annual external audit. In addition, Bank conducts internal audits of its offices and operations based on an annual schedule. The proposed representative office would be subject to annual internal audits to determine compliance with internal controls and RBI guidelines.

Although India does not currently have a law that specifically criminalizes money laundering, the RBI has issued guidelines relating to money laundering, including "know your customer" and record retention requirements.<sup>2/</sup>

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<sup>2/</sup> There are also currently restrictions on foreign exchange transactions in India.  
(continued...)

Bank has established policies and procedures to comply with the RBI's regulations. Bank has also taken additional steps on its own initiative to combat money laundering and other illegal activities. Bank has adopted suspicious activity reporting procedures, including a detailed checklist of activities deemed suspicious and explicit steps to follow in monitoring unusual or suspicious transactions. Bank has indicated that it follows the financial-institution-specific recommendations of the Financial Action Task Force.

Based on all of the facts of record, it has been determined that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office.

The Board has taken into account the additional standards set forth in the IBA and in Regulation K.<sup>8/</sup> The RBI has granted Bank approval to establish the proposed office. With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, the Board has determined that financial and managerial considerations are consistent with approval. In addition, Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures in the office to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

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<sup>7/</sup>(...continued)

<sup>8/</sup> See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

With respect to access to information, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank and ICICI Limited have committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to 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 may be prohibited or impeded by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the RBI may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board has concluded that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, Bank's application to establish a representative office in New York is hereby approved.<sup>2/</sup> If any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine and

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<sup>2/</sup> Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and ICICI Limited with the commitments made in connection with this application and with the conditions in this order.<sup>10/</sup> The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings against Bank, its offices, and its affiliates under applicable law.

By order, approved pursuant to authority delegated by the Board, effective February 25, 2002.

(Signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>10/</sup> The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York or its agent, the New York State Banking Department ("Department"), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.