

FEDERAL RESERVE SYSTEM

The Daiwa Bank, Limited
Osaka, Japan

Order Approving Establishment of a Representative Office

The Daiwa Bank, Limited (“Bank”), Osaka, Japan, 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, New York (*The New York Times*, October 23, 2002). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$111 billion,¹ is one of the largest banks in Japan, providing lending, securities, real estate, and private banking services. Bank is a wholly owned subsidiary of Resona Holdings, Inc. (“Resona”), also in Osaka. Resona’s shares are publicly traded and widely held. Bank currently conducts no activities in the United States. In March 2003, Bank plans to merge with another Resona subsidiary, Asahi Bank, Limited (“Asahi”), Tokyo, Japan.

¹ Unless otherwise indicated, data are as of September 30, 2002.

After the merger, Bank (to be renamed Resona Bank, Ltd.) plans to retain the existing New York representative office of Asahi.

The proposed representative office would provide liaison services for Bank's head office and engage in limited marketing activities directed at U.S. subsidiaries and offices of Bank's Japanese corporate clients. The proposed representative office would also be involved in administrative activities related to the closing of Asahi's former branch office.

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 of 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 consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2)).² In addition, the Board may take into account additional standards set forth in the IBA and Regulation K

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.

(12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board has previously determined, in connection with applications involving other Japanese banks, that those banks were subject to home country supervision on a consolidated basis.³ Bank is supervised by the Japanese Financial Services Agency (“FSA”) on substantially the same terms and conditions as those other Japanese banks. Based on all the facts of record, it has been determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)) have also been taken into account. The FSA has no objection to the establishment of the proposed representative 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, financial and managerial factors are consistent with approval of the proposed representative office.⁴ Bank appears to have the experience

³ *See UFJ Holdings, Inc.*, 87 Federal Reserve Bulletin 270 (2001); *Mizuho Holdings, Inc.*, 86 Federal Reserve Bulletin 776 (2000).

⁴ In 1995, the Federal Reserve and other federal and state banking regulators issued a series of orders terminating the U.S. operations of Bank and Daiwa Bank Trust Company in connection with Bank’s failure to

and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Japan is a member of the Financial Action Task Force (“FATF”) and subscribes to the FATF’s recommendations on measures to combat money laundering. In accordance with these recommendations, Japan has enacted laws and developed regulatory standards to deter money laundering. Money laundering is a criminal offense in Japan, and Japanese financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations.

With respect to access to information on Bank’s operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed and relevant government authorities have been communicated with regarding access to information. Bank has committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary

disclose to regulators and law enforcement authorities trading losses of more than \$1 billion. The prohibition against Bank’s re-entry into the United States ended in 1998. Since the termination of its U.S. operations, Bank has provided information about reforms to its internal controls and reporting systems. The proposal to maintain the representative office in New York arises from a reorganization of the Japanese operations of Resona and no change or expansion of U.S. operations is contemplated.

consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the FSA 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, it has been determined that Bank has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved.⁵ Should 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 obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct and indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank with the commitments made in connection with this application and with the conditions in this order.⁶ The commitments and conditions referred to above are conditions

⁵ 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. *See* 12 C.F.R. 265.7(d)(12).

⁶ The Board's authority to approve the establishment of the proposed representative 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.

imposed in writing by the Board in connection with this decision and may be enforced in proceedings against Bank and its affiliates under 12 U.S.C. § 1818.

By order, approved pursuant to authority delegated by the Board, effective February 28, 2003.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board