

FEDERAL RESERVE SYSTEM

MetLife, Inc.
New York, New York

Order Approving Formation of a Bank Holding Company
and Determination on a Financial Holding Company Election

MetLife, Inc. (“MetLife”) has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”) (12 U.S.C. § 1842) to become a bank holding company by acquiring all the shares of Grand Bank, National Association, Kingston, New Jersey (“Bank”).¹ As part of its proposal to become a bank holding company, MetLife has also filed with the Board an election to become a financial holding company pursuant to section 4(k) and (l) of the BHC Act (12 U.S.C. § 1843(k) & (l)) and section 225.82 of the Board’s Regulation Y (12 C.F.R. 225.82).

Notice of the proposal under section 3 of the BHC Act, affording interested persons an opportunity to submit comments, has been published (65 Federal Register 60,671 (2000)). The time for filing comments has expired,

¹ MetLife’s principal subsidiary, Metropolitan Life Insurance Company, New York, New York (“Metropolitan Life”), converted from mutual to stock organization in April 2000 (the “Demutualization”). As part of the Demutualization, MetLife established a policyholder trust (the “Trust”) to permit the administration of stockholder accounts created through the conversion of Metropolitan Life to stock form.

Based on the special circumstances regarding the formation, duration, voting rights and transferability of shares held by the Trust, the Board has determined that the Trust, which currently holds the majority of the shares of MetLife, is not a “company” for purposes of the BHC Act at the present time. The Board may revisit this determination if the facts at a later date indicate that the terms or operation of the Trust have changed to cause the Trust to become in form more like a company, or become a vehicle for exercising control over MetLife or for conducting other activities.

and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

MetLife, with total consolidated assets of \$258 billion, is an insurance and financial services firm engaged principally in the business of underwriting life and property and casualty insurance.² MetLife also engages in a variety of other financial activities in the United States and internationally, including investment advisory and securities brokerage activities, and offers annuity, mutual fund, pension, retirement, and other investment products and related services.

Bank, with total consolidated assets of \$83.8 million, is the 126th largest depository institution in New Jersey, controlling deposits of approximately \$51.9 million in the state, representing less than 1 percent of the state's deposits.³

Factors Governing Board Review of Transaction

The BHC Act sets forth the factors that the Board must consider when reviewing the formation of a bank holding company or the acquisition of a bank. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the proposal; the convenience and needs of the communities to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the insured depository institutions involved in the transaction; and the availability of

² Asset data for MetLife are as of September 30, 2000.

³ Asset data for Bank are as of September 30, 2000, and deposit and ranking data are as of June 30, 2000.

information needed to determine and enforce compliance with the BHC Act and other applicable federal banking laws.⁴

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.⁵

The proposal involves the acquisition of a bank by MetLife, which owns a limited-purpose trust company and a variety of nonbanking companies but does not own a commercial bank or savings association.⁶ Based on all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in any relevant market. Accordingly, the Board has determined that the competitive factors under section 3 of the BHC Act are consistent with approval of the proposal.

Financial and Managerial Considerations

The Board has carefully considered the financial and managerial resources and future prospects of the companies and bank involved in the proposal,

⁴ In cases involving interstate bank acquisitions by bank holding companies, the Board also must consider the concentration of deposits nationwide and within relevant individual states, as well as compliance with the other provisions of section 3(d) of the BHC Act.

⁵ 12 U.S.C. § 1842(c)(1).

⁶ MetLife owns MetLife Trust Company, N.A., Bedminster, New Jersey (“MTC”), a limited-purpose trust company that is not a bank for purposes of the BHC Act. See 12 U.S.C. § 1841(c).

the effect the proposed transaction would have on such resources, and other supervisory factors in light of all the facts of record. In evaluating the financial and managerial factors, the Board has reviewed confidential examination and other supervisory information evaluating the financial and managerial strength of MetLife and its affiliates, including its regulated subsidiaries, and of Bank.

The Board consistently has considered capital adequacy to be an especially important aspect of the analysis of financial factors.⁷ Bank and all the subsidiaries of MetLife that are subject to regulatory capital requirements currently exceed those relevant minimum regulatory capital requirements. In addition, Bank is currently well capitalized under relevant federal guidelines. Other financial factors also are consistent with approval.

The Board has carefully considered the managerial resources of MetLife and Bank in light of all the facts of record, including confidential examination and other supervisory information, information submitted by state insurance regulators and enforcement authorities in response to requests by the Board, and information provided by MetLife regarding its existing and proposed risk management policies and procedures.⁸ Based on all the facts of record, the

⁷ See Chemical Banking Corporation, 82 Federal Reserve Bulletin 230 (1996).

⁸ Two commenters urged the Board to consider recent settlements that Metropolitan Life entered in connection with a class-action suit and several administrative actions that state insurance regulators initiated following charges that Metropolitan Life agents employed deceptive practices in selling whole life insurance policies. These commenters, and another commenter, also noted a recent joint administrative sanction from Florida and Georgia insurance regulators directed against 29 insurance companies, including Metropolitan Life, concerning alleged racial discrimination in pricing small-value life insurance policies that were sold in the 1950s and 1960s. The Board has considered these matters in light of all the facts of record, including in particular the comments of state insurance regulators and information that MetLife provided about its compliance operations,

Board concludes that considerations relating to the financial and managerial resources and future prospects of the organizations involved are consistent with approval.

The Board notes further that a substantial proportion of MetLife's activities are conducted in subsidiaries that are subject to functional regulation by state insurance commissions or by the Securities and Exchange Commission ("SEC"). The Board will, consistent with the provisions of section 5 of the BHC Act as amended by the Gramm-Leach-Bliley Act, rely heavily on the appropriate state insurance regulators and the SEC for examination and other supervisory information in fulfilling the Board's responsibilities as holding company supervisor.

Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including comments received on the effect the proposal would have on the communities to be served.

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the CRA. As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site

such as enhancements that MetLife has made to its compliance program in response to the problems identified in these investigations and lawsuits.

evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.⁹

MetLife currently does not control an institution subject to evaluation under the CRA. The Board has reviewed in detail, however, the record of performance of Bank under the CRA as well as information presented by MetLife related to the convenience and needs factor.¹⁰ Bank received an overall rating of "satisfactory" from its primary federal supervisor, the Office the Comptroller of the Currency ("OCC"), at its most recent evaluation for CRA performance, as of February 2000. OCC examiners reviewed Bank under the CRA small bank performance test,¹¹ and MetLife has requested that the OCC continue to evaluate Bank under that test after consummation of the proposal.¹² Based on all the facts

⁹ The Interagency Questions and Answers Regarding Community Reinvestment ("CRA Q&A") provide that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record. See 65 Federal Register 25,088 and 25,107 (2000).

¹⁰ One commenter asked the Board to consider, as part of its review of the convenience and needs factor, the actions of a MetLife subsidiary in raising rents in an apartment complex in Waltham, Massachusetts. Such actions by MetLife are, however, outside the scope of the convenience and needs factor, which has been interpreted consistently by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. See Wells Fargo & Company, 82 Federal Reserve Bulletin 445, 457 (1996).

¹¹ See 12 C.F.R. 25.26(a).

¹² MetLife initially proposed that Bank be designated as a wholesale bank for CRA purposes.

One commenter requested that the Board identify a larger CRA assessment area for Bank to use after consummation of the proposal than the one currently used. The appropriateness of Bank's designated assessment area is, however, determined by the OCC as Bank's primary federal supervisor.

of record, the Board concludes that considerations related to the convenience and needs of the communities to be served are consistent with approval.¹³

Conclusion Regarding Bank Acquisition

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.¹⁴ In reaching its conclusion, the Board has considered all the facts of record in light of the factors the Board is required to consider under the BHC Act and other

¹³ One commenter requested that the Board require MetLife to devote at least 2 percent of its assets to lending and investments in low-income communities nationwide as a condition of approval of the proposal. Although Bank's lending and investment in low-income communities has been and will continue to be reviewed by the OCC in assessing Bank's performance under the CRA, neither the CRA nor the applicable regulations of the federal supervisory authorities require a bank or its affiliates to meet specific lending or investment targets based on the size of the institution.

¹⁴ Two commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authority.

Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). The Board has considered carefully the commenters' request in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and they did submit written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their views adequately and fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the requests for a public meeting or hearing on the proposal are denied.

applicable statutes. The Board's approval is specifically conditioned on compliance by MetLife with all the commitments made in connection with the application. For the purpose of this action, the commitments relied on by the Board in reaching its decision are 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.

The transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such periods are extended for good cause by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority.

Financial Holding Company Declaration

MetLife also has filed with the Board an election to become a financial holding company pursuant to section 4(k) and (l) of the BHC Act and section 225.82 of Regulation Y. MetLife has certified that Bank and MTC are well capitalized and well managed, and has provided all the information required under Regulation Y.¹⁵

The Board has reviewed the examination ratings received by Bank under the CRA and other relevant examinations and information. Based on all the facts of record, the Board has determined that this election to become a financial holding company will become effective on consummation of the acquisition of

¹⁵ Although MTC is not a bank for purposes of the BHC Act, it is a depository institution as defined in the Federal Deposit Insurance Act and, therefore, MetLife must certify that MTC is well capitalized and well managed as part of MetLife's election to become a financial holding company. See 12 U.S.C. §§ 1813(c)(1), 1843(l)(1). As noted above, MTC is not subject to CRA.

Bank by MetLife, as long as Bank and MTC continue to be well capitalized, well managed, and Bank has at least a satisfactory CRA rating on that date.

By order of the Board of Governors,¹⁶ effective February 12, 2001.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

¹⁶ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.