

# FEDERAL RESERVE SYSTEM

DePfa Bank AG  
Wiesbaden, Germany

## Order Approving Establishment of a Representative Office

DePfa Bank AG (“Bank”), Wiesbaden, Germany, 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*, December 5, 2000). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$26 billion,<sup>1</sup> is primarily engaged in financing commercial and residential real estate development. Bank operates twenty-six offices in Germany and six branches in other countries in Europe. In the United States, Bank owns DePfa USA Inc., New York, New York, which engages in investment advisory activities.

Bank is a wholly owned subsidiary of DePfa Deutsche Pfandbriefbank AG (“DePfa Deutsche”), Wiesbaden, Germany.<sup>2</sup> DePfa Deutsche, with total consolidated assets of \$147 billion, is the eleventh largest bank in Germany. DePfa Deutsche is primarily engaged in public sector and property finance.

The proposed representative office would research and analyze regional market conditions and property trends, and assist Bank in various phases of its property financing business.

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

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<sup>1</sup>Unless otherwise indicated, data are as of December 31, 2000.

<sup>2</sup>DePfa-Holding Verwaltungsgesellschaft, a German financial enterprise, owns 40 percent of DePfa Deutsche. No other person owns more than 10 percent of DePfa Deutsche.

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); 12 C.F.R. 211.24(d)(2)).<sup>3</sup> In addition, the Board may take into account additional standards set forth in the IBA and Regulation K (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 previously has determined, in connection with applications involving other German banks, that those banks were subject to home country supervision on a consolidated basis.<sup>4</sup> Bank and DePfa Deutsche are supervised by the German Federal Banking Supervisory Office on substantially the same terms and conditions as the other banks. Based on all the facts of record, it has been determined that Bank and DePfa Deutsche are subject to comprehensive supervision and regulation on a consolidated basis by their 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 German Federal Banking Supervisory Office has no objection to the establishment of the proposed representative office.

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<sup>3</sup> 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>4</sup>*See Deutsche Hyp Deutsche Hypothekenbank*, 86 Federal Reserve Bulletin 658 (2000); *Deutsche Bank AG*, 85 Federal Reserve Bulletin 509 (1999); *Westdeutsche ImmobilienBank*, 85 Federal Reserve Bulletin 346 (1999); *Commerzbank AG*, 85 Federal Reserve Bulletin 336 (1999).

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. Bank appears to have the experience 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.

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 and its parent have committed to make available to the Board such information on the operations of Bank and any of their 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 and its parent have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the German Federal Banking Supervisory Office 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 its parent companies, and the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved.<sup>5</sup> 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 and its parent companies with the commitments made in connection with this

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<sup>5</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.

application and with the conditions in this order.<sup>6</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 and its affiliates under 12 U.S.C. § 1818.

By order, approved pursuant to authority delegated by the Board, effective August 9, 2001.

(Signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>6</sup> 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.