

FEDERAL RESERVE SYSTEM

Jamaica National Building Society
Kingston, Jamaica

Order Approving Establishment of a Representative Office

Jamaica National Building Society (“Bank”), Kingston, Jamaica, 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 Fort Lauderdale, Florida. 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 Fort Lauderdale (*Sun-Sentinel*, June 26, 1998). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$527 million,¹ is the fourth largest deposit-taking institution and the largest building society in Jamaica.² Bank primarily engages in residential

¹Unless otherwise indicated, data are as of March 31, 2001.

²Bank is a mutual organization with more than 300,000 members. Each of Bank’s members is considered to be a shareholder and has one vote. No single shareholder is considered to control the organization.

mortgage lending and retail banking activities through 18 domestic offices. Bank also engages in real estate development, investment management, leasing, data processing, mortgage lending, and insurance and stock brokerage activities through a number of domestic subsidiaries. Outside Jamaica, Bank maintains representative offices in London, United Kingdom, and Toronto, Canada, and offers money transmission and mortgage lending services, primarily to Jamaicans living abroad, through subsidiaries operating in London, Toronto, New York, and Fort Lauderdale.

The proposed representative office would provide information on Bank, Bank's services in Jamaica, the Jamaican economy, and opportunities in Jamaica to Bank's members residing in Florida and to the wider population of Jamaicans living in Florida. The proposed office would assist borrowers in completing mortgage application forms, transmit completed loan application documents to the head office in Jamaica for review and approval, and promote Bank's mortgage services generally.

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); 12 C.F.R. 211.24(d)(2)).³ The Board will consider that this standard regarding supervision has been met where it determines that the applicant bank is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities and the operating record of the applicant.⁴ 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)).

In connection with this application, Bank has provided certain commitments that limit the activities of the representative office. It has committed that the representative office would not make credit decisions on

³ 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.

⁴ See, e.g., RHEINHYP Rheinische Hypothekenbank AG, 87 Federal Reserve Bulletin 558 (2001); see also Promstroybank of Russia, 82 Federal Reserve Bulletin 599 (1996); Komercni Banka, a.s., 82 Federal Reserve Bulletin 597 (1996); Commercial Bank "Ion Tiriac", S.A., 82 Federal Reserve Bulletin 592 (1996).

behalf of the parent building society, solicit deposits on behalf of the home office (other than from institutional investors), or engage in activities related to trading or money transmission. The representative office also would not share office space or premises with Bank's U.S. money transmitter subsidiary.

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.

Bank has provided the following information regarding home country supervision. Bank's primary home country supervisor is the Bank of Jamaica ("BOJ"), Jamaica's central bank.⁵ The BOJ supervises and regulates Bank through a combination of regular on-site reviews and off-site monitoring. On-site examinations include a review of Bank's head office and branch operations, but not a review of Bank's foreign offices or foreign or domestic subsidiaries. Off-site monitoring consists of a review of periodic reports, most of which contain bank-only data.⁶ The reports

⁵The BOJ has been supervising building societies, including Bank, since 1995. The laws governing Jamaican building societies are, in some respects, outdated, and the existing supervisory system has certain deficiencies. The BOJ is working to improve its oversight of building societies, however, by, among other things, sponsoring legislation that would strengthen the framework for supervision of such entities and strengthen their operations.

⁶The exception to reporting bank-only data is Bank's filing of consolidated audited financial statements annually.

address, among other prudential matters, Bank's compliance with restrictions on transactions with affiliates.⁷

Bank is required to have its annual financial statements audited by an independent public accountant. External auditors are required to report to the BOJ on significant issues revealed, and the BOJ reviews the results of the external audit. In addition, Bank is required to establish and has established internal controls, policies, and procedures consistent with standards adopted by the BOJ. The BOJ reviews the Bank's internal audit function during on-site examinations.

The Jamaican Minister of Finance, in consultation with the BOJ, has the authority to take a range of remedial actions against building societies in appropriate circumstances.

Jamaica has enacted laws and the BOJ has promulgated implementing regulations aimed at preventing money laundering. The laws and regulations require financial institutions, including building societies, to establish and implement policies, procedures, and controls for the purpose of preventing and detecting money laundering, and to report certain cash transactions, as well as suspicious transactions, to appropriate authorities. An institution's compliance with applicable laws and regulations is

⁷These limits were put into place in 1996 after much of the Jamaican financial sector experienced extreme difficulties.

monitored by the BOJ and the institution's external auditors. Bank has policies and procedures to comply with these laws and regulations.

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

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 BOJ has no objection to 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. 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 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 consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the BOJ 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.⁸ 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

⁸Approved 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.

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.⁹ 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 November 6, 2001.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

⁹The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of Florida to license offices of a foreign bank. Approval of this application does not supplant the authority of the State of Florida, or its agent, the Florida Department of Banking and Finance ("Department"), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.