

FEDERAL RESERVE SYSTEM

ICICI Bank Limited
Mumbai, India

Order Approving Establishment of a Branch

ICICI Bank Limited (“Bank”), a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA¹ to establish a federal branch 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 branch in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in New York, New York (*The Daily News*, June 21, 2004). The time for filing comments has expired, and all comments received have been considered.

Bank, with total assets of approximately \$91.5 billion, is the second largest bank in India.² The Government of India and the Government of Singapore own approximately 9.6 percent and 8.3 percent of Bank’s shares, respectively.³ No other shareholder owns directly more than 5 percent of Bank’s shares.

¹ 12 U.S.C. § 3105(d).

² Asset data are as of March 31, 2007. Ranking data are as of March 31, 2006.

³ The Life Insurance Corporation of India and other government-owned companies collectively own approximately 9.6 percent of Bank’s shares. The Government of Singapore directly owns approximately 1.8 percent of Bank’s shares. Allamanda Investments Pte. Limited, an investment company wholly owned by the Ministry of Finance of Singapore, indirectly owns 6.5 percent of Bank’s shares.

Bank is a private sector bank and engages primarily in corporate and retail banking and foreign exchange operations. Bank also provides through its subsidiaries insurance, brokerage, investment banking, and asset management services in India. Outside India, Bank operates subsidiary banks in the United Kingdom, Canada, and Russia and branches in Bahrain, the Dubai International Financial Center, Hong Kong S.A.R., Singapore, and Sri Lanka. In the United States, Bank operates a representative office in New York, New York, and engages indirectly in nonbank activities in the United States through a number of subsidiaries.⁴ Bank would be a qualifying foreign banking organization under Regulation K.⁵

The proposed New York branch would engage in a wholesale banking business, including providing lending, trade financing, and factoring services to U.S.-based subsidiaries of Indian companies.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank engages directly in the business of banking outside the United States; (2) has furnished to the Board the information it needs to assess the application adequately; and (3) is subject to comprehensive supervision on a consolidated basis by its home country supervisors.⁶ The Board also considers additional standards as set forth in the IBA and Regulation K.⁷

⁴ See ICICI Bank Limited, 88 Federal Reserve Bulletin 227 (2002).

⁵ 12 CFR 211.23(a).

⁶ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24. In assessing this standard, the Board considers, among other indicia of comprehensive, consolidated supervision, 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;

The IBA includes a limited exception to the general requirement relating to comprehensive, consolidated supervision.⁸ This exception provides that, if the Board is unable to find that a foreign bank seeking to establish a branch, agency, or commercial lending company is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, the Board may nevertheless approve the application, provided that (i) the appropriate authorities in the home country of the foreign bank are actively working to establish arrangements for the consolidated supervision of such bank; and (ii) all other factors are consistent with approval.⁹ In deciding whether to exercise its discretion to approve an application under authority of this exception, the Board shall also consider whether the foreign bank has adopted and implemented procedures to combat money laundering.¹⁰ The Board also may take into account whether the home country of the foreign bank is developing a legal regime to address money laundering or is participating in multilateral efforts to combat money laundering.¹¹

(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. No single factor is essential, and other elements may inform the Board's determination.

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

⁸ 12 U.S.C. § 3105(d)(6).

⁹ 12 U.S.C. § 3105(d)(6)(A).

¹⁰ 12 U.S.C. § 3105(d)(6)(B).

¹¹ Id.

As noted, 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.

Based on all the facts of record, the Board has determined that Bank's home jurisdiction supervisory authority is actively working to establish arrangements for the consolidated supervision of Bank and that considerations relating to the steps taken by Bank and its home jurisdiction to combat money laundering are consistent with approval under this standard. The Reserve Bank of India ("RBI") is the principal supervisory authority of Bank, including its foreign subsidiaries and affiliates. The RBI has the authority to license banks, regulate their activities, and approve expansions, both domestically and abroad. It supervises and regulates Bank through a combination of regular on-site reviews and off-site monitoring. On-site examinations cover the major areas of operations, capital adequacy, management (including risk-management strategies), asset quality (including detailed loan portfolio analysis), earnings, liquidity, and internal controls and procedures (including anti-money laundering controls and procedures). The frequency of on-site examinations depends on a bank's risk profile, but generally all Indian banks, including Bank, are examined at least annually.

Off-site monitoring is conducted through the review of required quarterly or monthly reports on, among other things, 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 in its joint ventures and subsidiaries. The RBI also periodically audits Indian banks' foreign operations.

Bank is required to be audited annually 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. The RBI may order a special audit at any time. In connection with its listing of American Depositary Shares on the New York Stock Exchange, Bank files a financial report with the Securities and Exchange Commission that also is subject to annual external audit. In addition, Bank conducts internal audits of its offices and operations generally on an annual schedule. The proposed branch would be subject to internal audits to determine compliance with internal controls and RBI guidelines.

Indian laws impose various prudential limitations on banks, including limits on transactions with affiliates and large exposures. The RBI is authorized to request and receive information from any bank and its domestic and foreign affiliates and to impose penalties for failure to comply with a disclosure request or for providing false or misleading information. The RBI also has the authority to impose conditions on licensees and to impose penalties for failure to comply with the RBI's rules, orders, and directions. Penalties include monetary fines, removal of management, and the revocation of the authority to conduct business.

In recent years, the Indian government has enhanced its anti-money laundering regime. In January 2003, India took initial steps to adopt an anti-money laundering law, the Prevention of Money Laundering Act. The law, related amendments, and implementing rules (collectively, the "PMLA") became effective in July 2005 and established a regulatory infrastructure to assist the anti-money laundering effort. In accordance with the PMLA, India has established the Financial Intelligence Unit, India ("FIU-IND"), which reports directly to the Economic Intelligence Council headed by the Finance Minister of India. The

FIU-IND is responsible for receiving, processing, analyzing, and disseminating information related to cash and suspicious transaction reports. The Directorate of Enforcement, a department within the Ministry of Finance, is responsible for investigating and prosecuting money laundering cases. In addition, the RBI issued “Know Your Customer (KYC) Guidelines – Anti-Money Laundering Standards” (“Guidelines”) in November 2004 that require financial institutions to establish systems for the prevention of money laundering. Indian banks were required to be fully compliant with the Guidelines by December 31, 2005. The RBI issued further guidelines in February 2006 providing clarification on reporting cash and suspicious transactions to the FIU-IND.

India participates in international fora that address the prevention of money laundering and terrorist financing. India is a member of the Asia/Pacific Group on Money Laundering (Financial Action Task Force for the Asia/Pacific region), an observer organization to the Financial Action Task Force (“FATF”), and is actively seeking to join FATF as a member.¹² India is a party to the 1988 U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the U.N. International Convention for the Suppression of the Financing of Terrorism.

Bank has policies and procedures to comply with Indian laws and regulations and the RBI’s Guidelines regarding anti-money laundering. Bank has also taken additional steps on its own initiative to combat money laundering and other illegal activities. Bank states that it has implemented the relevant recommendations of the FATF and that it has put in place enterprise-wide, risk-based anti-money laundering policies and procedures to ensure ongoing compliance with all statutory and regulatory requirements, including designating

¹² India became an observer to FATF in February 2007.

compliance officers and conducting training for staff at all levels. Bank's compliance with anti-money laundering requirements is monitored by the RBI and by Bank's internal and external auditors.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K.¹³ The RBI has no objection to Bank's establishment of the proposed branch.

The Board has also considered carefully the financial and managerial factors in this case. India's risk-based capital standards are consistent with those established by the Basel Capital Accord. Bank's capital is in excess of the minimum levels that would be required by the Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank are consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. In addition, Bank has established controls and procedures for the proposed branch to ensure compliance with U.S. law.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities 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

¹³ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2). The additional standards set forth in section 7 of the IBA and Regulation K include the following: whether the bank's home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank; whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; the bank's record of operation.

Bank Holding Company Act (“BHC Act”), 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 light of these commitments and other facts of record, and subject to the condition described below, the Board has determined that Bank has provided adequate assurances of access to any necessary information that it 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 branch in New York, New York, is hereby approved. Should any restrictions on access to information on the operations or activities of Bank and 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 termination of any of Bank’s direct or indirect activities in the United States, or in the case of any such operation licensed by the Office of the Comptroller of the Currency (“OCC”), recommend termination of such operation. Approval of this application also is specifically conditioned on compliance by Bank with the commitments¹⁴ made in connection

¹⁴ Bank has committed that it will conform its existing direct and indirect nonbanking activities and investments to the requirements of the BHC Act. Bank owns subsidiaries that engage in activities in the United States that are not permissible for a bank holding company. Indian laws and rules restrict Bank’s ability to conform its holdings of these companies within the time period provided for in section 4(a)(2) of the BHC Act. The Board has granted Bank an exemption under section 4(c)(9) of the BHC Act that will permit Bank hold its shares of these companies for a temporary period.

with this application and with the conditions in this order.¹⁵ The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors,¹⁶ effective October 19, 2007.

(signed)

Jennifer J. Johnson
Secretary of the Board

¹⁵ The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the OCC to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the OCC to license the proposed office of Bank in accordance with any terms or conditions that it may impose.

¹⁶ Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.