

FEDERAL RESERVE SYSTEM

The Shizuoka Bank, Ltd.
Shizuoka, Japan

Order Approving Establishment of a Branch

The Shizuoka Bank, Ltd. (“Bank”), Shizuoka, Japan, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA¹ to upgrade its existing agency in New York, New York, to a branch. 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 New York Times*, November 29, 2007). The time for filing comments has expired, and the Board has considered all comments received.

Bank, with total assets of approximately \$91.6 billion, is the 13th largest bank in Japan.² No shareholder owns more than 5 percent of Bank’s shares.

Bank is a commercial bank and engages primarily in retail banking and foreign exchange operations. It also engages in other related services through its subsidiaries, including bill collections, issuance of guarantees, acceptances of letters of credit, e-banking services, and securities investments. Outside Japan, Bank operates a subsidiary bank in Belgium, a branch in Hong Kong SAR, People’s Republic of China, and representative offices in China and Singapore.

¹ 12 U.S.C. § 3105(d).

² Asset and ranking data are as of March 31, 2008.

In the United States, Bank operates a branch in Los Angeles and an agency in New York. Bank is a qualifying foreign banking organization under Regulation K.³

Bank's home state is California. Bank proposes to establish a branch outside its home state by upgrading its New York agency to a branch pursuant to section 5(a)(7)(B) of the IBA.⁴ The proposed branch would continue the business of the New York agency, but the upgrade would also enable Bank to accept at its New York office wholesale and other limited deposits from U.S. residents.

To approve a proposal to establish a branch in a state outside a foreign bank's home state by upgrading an agency under section 5(a)(7)(B) of the IBA, the Board is required to determine that the establishment of such branch is permitted by the state where the branch is to be established and that the agency to be upgraded was in operation in that state (i) prior to September 28, 1994; or (ii) for a period of time that meets the state's minimum age requirements permitted under section 44(a)(5) of the Federal Deposit Insurance Act.⁵ These requirements have been met in this case.⁶

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether the foreign bank: (1) engages directly in the business of banking outside of 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

³ 12 CFR 211.23(a).

⁴ 12 U.S.C. § 3103(a)(7)(B).

⁵ 12 U.S.C. § 1831u(a)(5).

⁶ New York permits a foreign bank to upgrade an existing agency to a branch. See N.Y. Banking Law § 202-g. Bank's existing agency in New York was established in June 1989.

by its home country supervisor.⁷ The Board also considers additional standards as set forth in the IBA and Regulation K.⁸

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 Federal Reserve previously has determined, in connection with applications involving other banks in Japan, that those banks were subject to comprehensive supervision on a consolidated basis by their home country supervisor, Japan's Financial Services Agency ("FSA").⁹ Bank is supervised by the FSA on substantially the same terms and conditions as those other banks. Based on all the facts of record, it has been determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

⁷ 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; (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.

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

⁹ See Mizuho Holdings, Inc., 89 Federal Reserve Bulletin 181 (2003); Mitsubishi Tokyo Financial Group, Inc., 87 Federal Reserve Bulletin 349 (2001); The Fuji Bank, Limited, 85 Federal Reserve Bulletin 338 (1999).

The additional standards set forth in section 7 of the IBA and Regulation K have also been taken into account.¹⁰ The FSA has no objection to the establishment of the proposed agency.

Japan's risk-based capital standards are consistent with those established by the Basel Capital Accord ("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 considered 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 and for its operations in general.

Japan is a member of the Financial Action Task Force ("FATF") and subscribes to the FATF's recommendations on measures to combat money laundering and terrorist financing. In accordance with these recommendations, Japan has enacted laws and developed regulatory standards to deter money laundering and terrorist financing. 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 and terrorist financing throughout their worldwide operations. Bank has policies and

¹⁰ 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 branch; 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 home country have adopted and implemented policies and procedures to address and combat money laundering; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank's record of operation.

procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money laundering compliance.

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 contacted 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, 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 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, 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.¹¹ 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

¹¹ 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.

direct or 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.¹² 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 applicable law.

By order, approved pursuant to authority delegated by the Board,
effective September 23, 2008.

(SIGNED)

Robert deV. Frierson
Deputy Secretary of the Board

¹² The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the State of New York to license branches 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 branch of Bank in accordance with any terms or conditions that the Department may impose.