

FEDERAL RESERVE SYSTEM

The Joyo Bank, Ltd.
Mito City, Japan

Order Approving Establishment of a Representative Office

The Joyo Bank, Ltd. (“Joyo”), Mito City, Japan, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA¹ 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 comment, has been published in a newspaper of general circulation in New York, New York (*New York Daily News*, August 30, 2013). The time for filing comments has expired, and all comments received have been considered.

Joyo, with total assets of approximately \$82 billion, is the 13th largest bank in Japan by asset size.² Joyo engages in a range of commercial and retail banking activities through its 150 domestic branches. Outside Japan, Joyo operates

¹ 12 U.S.C. § 3107(a).

² Asset and ranking data are as of December 31, 2013.

Northern Trust Company (“NTC”) owns approximately 5.3 percent of the shares of Joyo, as of March 31, 2013. NTC holds these shares in registered nominee accounts for various beneficial owners, including Silchester Partners Limited, London, England, which, when it last notified Joyo as required by Japanese law, owned 5.1 percent of the shares of Joyo. No other shareholder owns 5 percent or more of the outstanding shares of Joyo.

representative offices in the People's Republic of China and Singapore. Joyo has no operations in the United States.³

The proposed representative office would act as a liaison between Joyo and its U.S. customers and correspondent banks. The proposed representative office would also engage in other representational activities, including gathering information and conducting research.⁴

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a representative office, the Board must consider whether (1) the foreign bank has furnished to the Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.⁵ The Board also considers

³ In 1987, Joyo opened a representative office in New York, which was converted to a branch in 1989 and closed in 2002.

⁴ A representative office may engage in representational and administrative functions in connection with the banking activities of the foreign bank, including soliciting new business for the foreign bank, conducting research, acting as a liaison between the foreign bank's head office and customers in the United States, performing preliminary and servicing steps in connection with lending, and performing back-office functions. A representative office may not contract for any deposit or deposit-like liability, lend money, or engage in any other banking activity. 12 CFR 211.24(d)(1).

⁵ 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing the supervision standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which 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 the relationship between the bank and its

additional standards set forth in the IBA and Regulation K.⁶

As noted above, Joyo engages directly in the business of banking outside the United States. Joyo also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

The Board has previously determined, in connection with applications involving other banks in Japan, that those banks were subject to home country supervision on a consolidated basis by their home country supervisor, Japan's Financial Services Agency ("FSA").⁷ Joyo is supervised by the FSA on

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; and (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.

⁶ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2). These standards include: 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 bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; 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; and the bank's record of operation. The Board may also, in the case of a foreign bank that presents a risk to the stability of the United States, take into account, to the extent appropriate, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk. 12 U.S.C. § 3105(d)(3)(E).

⁷ See, e.g., Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); The Bank of Fukuoka, Ltd. (order dated September 27, 2011), 97 Federal Reserve Bulletin 14 (3rd Quar. 2011); Mitsubishi UFJ Financial

substantially the same terms and conditions as those other banks. Based on all the facts of record, including the above information, it has been determined that Joyo is subject to comprehensive supervision on a consolidated basis by its home country supervisor. The FSA has no objection to the establishment of the proposed representative office.

Joyo 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, as well as controls and procedures for its worldwide operations generally. Taking into consideration Joyo'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.

Japan is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with those recommendations, Japan has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. 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 throughout their worldwide operations. Joyo has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money-laundering compliance.

Joyo has committed to make available to the Board such information on the operations of Joyo and any of its affiliates that the Board deems necessary to

Group, Inc. (order dated June 14, 2011), 97 Federal Reserve Bulletin 10 (2nd Quar. 2011).

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 providing such information to the Board may be prohibited by law or otherwise, Joyo has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for the disclosure of such information. In addition, subject to certain conditions, the FSA may share information on Joyo'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 Joyo has provided adequate assurances of access to any necessary information that the Board may request.

The proposal would not appear to affect financial stability in the United States. In particular, the absolute and relative size of Joyo in its home country; the scope of Joyo's activities, including the types of activities it proposes to conduct in the United States and the potential for those activities to increase or transmit financial instability; and the framework in place for supervising Joyo in its home country do not appear to create significant risk to the financial stability of the United States. Based on these and other factors, financial stability considerations in this proposal are consistent with approval.

On the basis of all the facts of record and subject to commitments made by Joyo, Joyo's application to establish the proposed representative office is hereby 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.⁸ Should any restrictions on access to information on the operations or activities of Joyo and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Joyo

⁸ 12 CFR 265.7(d)(12).

or its affiliates with applicable federal statutes, the Board may require termination of any of Joyo's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Joyo with the conditions imposed in this order and the commitments made to the Board in connection with this application.⁹ For purposes of this action, these commitments and conditions are deemed to be

⁹ 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 Department of Financial Services, to license the proposed office of Joyo in accordance with any terms or conditions that they may impose.

conditions imposed by the Board in writing in connection with this decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board,
effective April 18, 2014.

(signed) Margaret McCloskey Shanks

Margaret McCloskey Shanks
Deputy Secretary of the Board