

FEDERAL RESERVE SYSTEM

Green Dot Bank
Provo, Utah

Order Approving the Acquisition of Assets and Assumption of Liabilities

Green Dot Bank DBA Bonneville Bank, Provo, Utah, a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act¹ (“Bank Merger Act”) to purchase certain assets and assume certain deposit liabilities of GE Capital Retail Bank (“GECRB”), Draper, Utah, a federal savings bank.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board’s Rules of Procedure.² The time for filing comments has expired. As required by the Bank Merger Act, a report on the competitive effects of the merger was also requested from the United States Attorney General and the Federal Deposit Insurance Corporation (“FDIC”). The Board has considered the application and all comments received in light of the factors set forth in the Bank Merger Act.

Green Dot Bank’s primary business activity is the issuance of general-purpose reloadable prepaid debit cards (“GPR cards”) and provision of settlement

¹ 12 U.S.C. § 1828(c).

² 12 CFR 262.3(b).

services for prepaid debit cards.³ Green Dot Bank is a subsidiary of Green Dot Corporation (“Green Dot”), Pasadena, California, a financial holding company that provides services related to the provision of GPR cards. Green Dot Bank proposes to acquire assets and assume liabilities related to GPR cards issued by GEGRB, sold at U.S.-based Wal-Mart stores and online through a website for the prepaid debit cards, and serviced by Green Dot pursuant to an agreement among the parties initially entered into in 2006 (“Wal-Mart Cards”).⁴ As a result of the proposed transaction, Green Dot Bank would replace GEGRB as the issuer of Wal-Mart Cards. Green Dot would provide the same services to Green Dot Bank that it currently provides to GEGRB for the cards.

Green Dot Bank is the 37th largest insured depository institution in Utah, controlling deposits of approximately \$183 million, which represent less than 1 percent of the total amount of deposits in insured depository institutions in Utah (“state deposits”).⁵ Green Dot Bank proposes to acquire approximately \$276 million in total deposits from GEGRB, representing less than 1 percent of state deposits. On consummation of the proposal, Green Dot Bank would become the 30th largest insured depository institution in Utah, controlling deposits of approximately \$459 million, representing less than 1 percent of state deposits.

³ GPR cards issued by Green Dot Bank are network branded and linked to FDIC-insured accounts.

⁴ A large majority of Green Dot’s GPR cards are sold through Wal-Mart. Green Dot’s percentage of revenue derived from sales through Wal-Mart stores was 64.1 percent for 2012.

⁵ Deposit data are as of June 30, 2012, and reflect merger activity through August 1, 2013, including Green Dot Bank’s acquisition of approximately \$150 million of deposit liabilities of Synovus Bank in November 2012.

Competitive Considerations

The Bank Merger Act prohibits the Board from approving an application if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking.⁶ The Bank Merger Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant market, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effects of the transaction in meeting the convenience and needs of communities to be served.⁷

Green Dot Bank and GEGRB do not operate branches in any common geographic banking market.⁸ This transaction would not raise concerns regarding competition among GPR card issuers, whose market for competition is national in scope.⁹ Moreover, Green Dot already services the cards that are the subject of this transaction. Based on all the facts of record, the Board has concluded that consummation of the proposal would have no significant adverse effects on competition or on the

⁶ 12 U.S.C. § 1828(c)(5)(A).

⁷ 12 U.S.C. § 1828(c)(5)(B).

⁸ Green Dot Bank operates one branch in the Provo-Orem, UT banking market, while GEGRB operates one branch in each of the Salt Lake City, UT and Metro New York City, NY-NJ-CT-PA banking markets.

⁹ The Board estimates that a national GPR card market would be considered moderately concentrated and that the transaction would cause only a small change in market concentration.

concentration of banking resources in any relevant banking market and that competitive factors are consistent with approval.

Financial, Managerial, and Other Supervisory Factors

In reviewing this proposal under the Bank Merger Act, the Board has considered the financial and managerial resources and future prospects of the institutions involved and certain other supervisory factors. In its evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the cost of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important.

Green Dot Bank is well capitalized and would remain so on consummation of the proposal. As noted, the proposed transaction is structured as an acquisition of assets and assumption of liabilities. Green Dot Bank has represented that the transaction does not require Green Dot or Green Dot Bank to provide funds to GEGRB. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of Green Dot Bank and reviewed the examination record of Green Dot Bank, including assessments of its management, risk-management systems, and operations. In addition, the Board has

considered its supervisory experiences and Green Dot Bank's record of compliance with applicable banking and anti-money-laundering laws. Green Dot Bank is considered to be well managed, and its board of directors and senior management have significant experience in the prepaid card industry and in community banking. The Board also has considered Green Dot Bank's successful implementation of a similar proposal¹⁰ and its plans for implementing this proposal, including its plans for managing the integration of the acquired assets and assumed liabilities into the bank.

In addition, the Board has considered the future prospects of Green Dot Bank in light of the financial and managerial resources and the bank's business plan. As noted, Green Dot Bank's business activity is focused narrowly on the issuance of GPR cards. A business plan that focuses on a narrow business activity and depends on a limited number of key business partners carries significantly greater risks than a business plan that employs broad diversification of activities and counterparties. As indicated in its order approving Green Dot's acquisition of Green Dot Bank, the Board expects banking organizations with a narrow focus to address these increased risks with financial resources, managerial systems, and expertise commensurate with that additional level of risk.¹¹ The risk mitigants the Board relied on when it approved Green Dot's acquisition of Green Dot Bank would continue to be in place after the proposed transaction, and the

¹⁰ The Federal Reserve Bank of San Francisco, pursuant to authority delegated by the Board, approved Green Dot Bank's proposal to acquire certain assets and assume certain liabilities of Synovus Bank, Columbus, Georgia, on October 4, 2012. The transaction was completed in November 2012.

¹¹ Green Dot Corporation, (order dated Nov. 23, 2011), 98 Federal Reserve Bulletin 29, 32 (4th Quar. 2011).

proposal would not appear to adversely affect the future prospects of Green Dot Bank. Green Dot Bank would continue to maintain a tier 1 leverage ratio of at least 15 percent, which is appropriate in light of the narrow focus of Green Dot Bank's activity. Green Dot Bank has committed that deposits associated with general purpose reloadable cards, including deposits associated with Wal-Mart Cards, would continue to be balanced with equal levels of cash or cash equivalents.¹² Green Dot Bank also has committed to refrain from paying dividends for a certain period of time. Moreover, the Board has considered Green Dot's and Green Dot Bank's risk management systems and the Board's supervisory experiences, including examinations conducted at Green Dot and Green Dot Bank and commitments made by Green Dot and Green Dot Bank designed to maintain enhanced audit, governance, and risk management programs regarding its card business.¹³

In considering these factors, the Board has also consulted with the FDIC regarding the proposal. Based on all the facts of record, including supervisory and examination information from various U.S. banking supervisors, publicly reported and other financial information, and information and commitments provided by Green Dot Bank, the Board has concluded that considerations relating to the financial and

¹² The full amount of requisite cash or cash equivalents will be held in the account of Green Dot Bank.

¹³ Green Dot Bank also has committed to maintain a strong audit program and strong corporate governance and to obtain the prior regulatory approval of the Federal Reserve for any proposed major deviation or material change from the business plan submitted with this proposal before consummation of the change.

managerial resources and future prospects involved in the proposal are consistent with approval, as are the other supervisory factors.

Convenience and Needs Considerations

The Bank Merger Act also requires the Board to consider the convenience and needs of the communities to be served and to take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).¹⁴ The CRA requires the federal financial supervisory agencies to encourage financial institutions to meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution’s record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, in evaluating bank acquisition proposals. Accordingly, the Board has considered the convenience and needs factor and the CRA performance records of Green Dot Bank and GEGRB in light of all the facts of record.

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution’s most recent CRA performance evaluation is a particularly important consideration in the

¹⁴ 12 U.S.C. § 2901 et seq.

applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.¹⁵

Green Dot Bank received an overall rating of "Satisfactory" at its most recent CRA performance examination by the Federal Reserve Bank of San Francisco, as of June 4, 2012, which was conducted using the Interagency Small Institution Examination Procedures. On March 26, 2013, the Board approved the bank's request to operate under a CRA Strategic Plan for the period of 2012 through 2014.¹⁶ GEGRB received an overall rating of "Outstanding" at its most recent CRA performance examination by the Office of the Comptroller of the Currency, as of December 31, 2012. After consummation of the proposal, Green Dot Bank would continue to operate under its current CRA policies.

Cardholders whose Wal-Mart Card accounts are acquired from GEGRB would have continuous access to their account funds throughout the transition to Green Dot Bank.¹⁷ Green Dot Bank would expand the features available to Wal-Mart Card cardholders not currently supported by GEGRB. In particular, Green Dot Bank would

¹⁵ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11,642 at 11,665 (2010).

¹⁶ Under 12 CFR 228.27, depository institutions may choose to be evaluated under a strategic plan for CRA purposes as an alternative to the traditional and more comprehensive CRA evaluation. The strategic plan sets measurable goals for the depository institution's performance, subject to approval by its primary supervisor prior to the depository institution's CRA evaluation.

¹⁷ Green Dot Bank will provide Wal-Mart Card cardholders with notices and disclosures explaining the changes to their card agreements and issuing bank. Green Dot will provide a full refund to cardholders who elect not to agree to Green Dot Bank as the card issuer.

provide a traditional bill payment feature, in which the cardholder could pay bills via automated clearinghouse fund transfers, and a check-writing feature, in which the cardholder could electronically complete checks that Green Dot Bank would print and mail to any payee designated by the cardholder.¹⁸ Green Dot Bank is developing additional features for the Wal-Mart Cards, including a budget management feature that would allow cardholders to set aside funds loaded onto the Wal-Mart Card.

Based on all the facts of record and for the reasons discussed above, the Board concludes that considerations relating to convenience and needs, including the CRA performance records of the relevant depository institutions, are consistent with approval of the proposal.

Financial Stability

The Board has considered information relevant to risk to the stability of the United States banking or financial system. The Board generally presumes that a merger that involves an acquisition of less than \$2 billion in assets, or results in a firm with less than \$25 billion in total consolidated assets, will not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this case. The Board, therefore, concludes that financial stability considerations in this proposal are consistent with approval.

¹⁸ Green Dot Bank states that the check-writing feature is especially helpful for payments to payees that prefer to receive paper checks, such as payments for rent.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the Bank Merger Act. Approval of the application is specifically conditioned on compliance by Green Dot Bank with all the commitments made in connection with this proposal and the conditions set forth in this order. The commitments and conditions are deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,¹⁹ effective November 22, 2013.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

¹⁹ Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Tarullo, Raskin, Stein, and Powell.