

FEDERAL RESERVE SYSTEM

JN Bank Limited  
Kingston, Jamaica

Order Approving the Establishment of a Representative Office

JN Bank Limited (“JN Bank”), Kingston, Jamaica, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 10(a) of the IBA<sup>1</sup> to establish a representative office in Tamarac, Florida (the “Florida Representative Office”), in connection with a corporate reorganization. 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 Tamarac, Florida (*Sun-Sentinel*, January 14, 2018). The time for submitting comments has expired, and no comments were received.

JN Bank, with assets of approximately \$1.2 billion, is the third largest deposit-taking financial institution in Jamaica.<sup>2</sup> JN Bank is a licensed commercial bank that offers banking services across 35 locations in Jamaica and has additional representative offices in the United Kingdom and Canada. JN Bank is an indirect subsidiary of The Jamaica National Group Limited (“JN Group”), Kingston, Jamaica.<sup>3</sup> JN Group, with consolidated assets of approximately \$1.6 billion, is a mutual holding company that offers a variety of

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<sup>1</sup> 12 U.S.C. § 3107(a).

<sup>2</sup> Asset data are as of October 2017. Ranking data are as of June 2017.

<sup>3</sup> JN Bank is a wholly owned subsidiary of JN Financial Group Limited (“JN Financial”), which is responsible for oversight of the financial activities of JN Group. JN Financial is a wholly owned subsidiary of JN Group.

products and services through its subsidiaries.<sup>4</sup> JN Bank was formed as part of a corporate reorganization that involved its predecessor institution, Jamaica National Building Society (“JNBS”).<sup>5</sup> As part of the reorganization, on February 1, 2017, JNBS converted from a building society to a commercial bank under Jamaican law and was renamed JN Bank Limited. JN Bank has filed this application to establish the Florida Representative Office under the IBA.<sup>6</sup>

The Florida Representative Office would continue to engage in representational and administrative activities, including marketing and promotional activities; loan solicitation activities; providing technical assistance, such as aiding customers in completing loan applications, transmitting completed loan applications to JN Bank’s headquarters in Jamaica for approval, and answering customer inquiries; and research and consulting activities. JN Bank proposes to expand the activities of the Florida Representative Office to include the solicitation of deposits.<sup>7</sup>

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<sup>4</sup> JN Group is owned by its members, which are customers of JN Bank. Each member of JN Group has one vote on matters subject to membership approval. JN Group’s subsidiaries offer a variety of products and services, including banking and financial services, remittance services, life insurance, advertisement services, information technology services, and vehicle management services. JN Group has one nonbank subsidiary in the United States, JN Money Services (USA) Incorporated, which is a money transmitter licensed in seven states and the District of Columbia.

<sup>5</sup> The Board approved JNBS to establish the representative office in Tamarac, Florida, in 2002. Jamaica National Building Society, 88 Federal Reserve Bulletin 59 (2002).

<sup>6</sup> JN Bank is licensed by the Florida Office of Financial Regulation to operate the Florida Representative Office.

<sup>7</sup> A representative office may engage in representational and administrative functions in connection with the banking activities of a 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, but it can solicit deposits for the bank’s head office. 12 CFR 211.24(d)(1)(i).

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 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.<sup>8</sup> The Board also considers additional standards set forth in the IBA and Regulation K.<sup>9</sup>

In the case of an application to establish a representative office, the Board has by rule determined that the supervision standard may be met if the Board determines that

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<sup>8</sup> 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing the supervisory 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 and relationships 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; 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.

<sup>9</sup> 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, including the bank's experience and capacity to engage in international banking; 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. In the case of a foreign bank that presents a risk to the stability of the United States, the Board also may take into account, to the extent appropriate, whether the home country of the foreign bank has adopted, or is making demonstrable progress towards 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).

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 bank.<sup>10</sup> This is a lesser standard than the comprehensive, consolidated supervision standard applicable to applications to establish branch or agency offices of a foreign bank. The Board considers the lesser standard sufficient for approval of representative office applications because representative offices may not engage in banking activities. This application has been considered under the lesser standard.

In connection with this application, JN Bank has provided certain commitments that limit the activities of the Florida Representative Office. It has committed to engage only in activities permissible for a representative office under Regulation K. In particular, JN Bank has committed that the Florida Representative Office would not make credit decisions or any other decisions that bind JN Bank (except for local administrative matters), or engage in activities related to securities trading, foreign exchange, or money transmission. The Florida Representative Office also would not share office space or premises with JN Money Services (USA) Incorporated, JN Group's money transmitter subsidiary in the United States. The Florida Representative Office would engage only in the activities indicated in its application to the Board, and it is planned that the office would not be staffed by more than three employees.

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

With respect to supervision by home country authorities, the Board has considered that JN Bank is supervised by the Bank of Jamaica (the "BOJ"). Under

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<sup>10</sup> See 12 CFR 211.24(d)(2). In adopting the regulations governing applications to establish representative offices, the Board noted that "[a] lesser standard applies because representative offices do not conduct a banking business, such as taking deposits or making loans, and therefore present less risk to U.S. customers and markets than do branches or agencies." 66 Fed. Reg. 54346, 54365 (October 26, 2001).

Jamaican law, a financial group that includes a deposit-taking institution is required to form a financial holding company (“FHC”) parent, which is supervised by the BOJ. JN Bank is wholly owned by its FHC parent, JN Financial.

The BOJ supervises banking organizations through a combination of on-site examinations and off-site monitoring. On-site examinations are risk-based and focus on credit administration and credit risk management; capital management; liquidity risk management; corporate governance; and internal controls, including to ensure compliance with anti-money-laundering and counter-terrorist-financing laws. Off-site monitoring includes a review of periodic reports submitted by supervised entities. JN Group and its subsidiaries are required to submit consolidated financial statements, which are reviewed by the BOJ. In addition, JN Group and JN Bank are subject to an annual review by external auditors. The BOJ has the authority to request information from the relevant external auditors in connection with its supervisory authority. When there is evidence of unsafe and unsound practices by deposit-taking institutions, the BOJ has the authority to impose sanctions.

The Board has previously considered the supervisory regime in Jamaica for financial institutions in connection with applications involving Jamaican building societies.<sup>11</sup> JN Bank, as a licensed commercial bank, is subject to supervision on substantially similar terms as those applicable to Jamaican building societies. Based on all the facts of record, including the commitments provided by JN Bank limiting the activities of the Florida Representative Office, it has been determined that JN Bank is subject to a supervisory framework that is consistent with the current and proposed activities of the Florida Representative Office, taking into account the nature of such activities.

The Board also has considered the following additional standards set forth in the IBA and Regulation K: (1) whether the bank has procedures to combat money

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<sup>11</sup> See Board letter to Charles L. Stutts, Esq., dated February 8, 2018. See also Victoria Mutual Building Society, 93 Federal Reserve Bulletin C106 (2007); Jamaica National Building Society, 88 Federal Reserve Bulletin 59 (2002).

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; (2) the financial and managerial resources of the bank; (3) whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; and (4) whether the bank's home country supervisor has consented to the establishment of the office.<sup>12</sup>

Jamaica is a member of the Caribbean Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with those recommendations, Jamaica has created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offence in Jamaica, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering. The BOJ enforces these requirements with respect to Jamaican banks, including JN Bank. JN Bank has policies and procedures to comply with these laws and regulations, which are monitored by government entities responsible for anti-money-laundering compliance.

JN Bank appears to have the experience and capacity to support the Florida Representative Office. In addition, JN Bank has established controls and procedures for the representative office to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally. Given JN 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 JN Bank's application to establish the Florida Representative Office.

JN Bank has committed to make available to the Board such information on the operations of JN 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,

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<sup>12</sup> See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2).

as amended,<sup>13</sup> and other applicable federal law. To the extent that providing such information to the Board may be prohibited by law or otherwise, JN Bank has committed to cooperate with the Board to obtain any necessary waivers or exemptions that might be required from third parties for the disclosure of such information. In addition, subject to certain conditions, the BOJ may share information on JN 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 JN Bank has provided adequate assurances of access to any necessary information that the Board may request. In addition, the BOJ has no objection to the establishment of the Florida Representative Office.

The Board has also considered whether JN Bank's proposal would present a risk to the stability of the United States. The proposal would not appear to affect the financial stability of the United States. In particular, the absolute and relative size of JN Bank in its home country; the scope of JN Bank'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 JN Bank 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 JN Bank, JN Bank's application to establish the Florida Representative Office is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.<sup>14</sup> Should any restrictions on access to information on the operations or activities of JN Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by JN Bank or its affiliates with applicable federal statutes, the

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<sup>13</sup> 12 U.S.C. § 1841 et seq.

<sup>14</sup> 12 CFR 265.7(d)(12).

Board may require termination of any of JN Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by JN Bank with the conditions imposed in this order and the commitments made to the Board in connection with this application.<sup>15</sup> For purposes of this action, these commitments and conditions are deemed to be 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 13, 2018.

(signed)

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Ann E. Misback  
Secretary of the Board

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<sup>15</sup> The Board's authority to approve the establishment of the Florida Representative Office parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida or its agent, the Florida Office of Financial Regulation, to license the Florida Representative Office in accordance with any terms or conditions that they may impose.