

FEDERAL RESERVE SYSTEM

Resona Bank, Limited  
Osaka, Japan

Order Approving the Establishment of a Representative Office

Resona Bank, Limited (“Resona Bank”), Osaka, Japan, 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 Los Angeles, California (“Los Angeles Representative Office”). 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 Los Angeles, California (Los Angeles Daily Journal, September 18, 2023). The time for submitting comments has expired.

Resona Bank, with total assets of approximately \$287 billion, operates as a commercial bank in Japan and is the ninth largest commercial bank in Japan by asset size.<sup>2</sup> Resona Bank offers banking and financial products and services in Japan, including commercial lending and financing services to corporate customers to support their international operations. Resona Bank’s foreign operations include representative offices in Hong Kong SAR, the People’s Republic of China, Thailand, and Vietnam, as well as subsidiaries in Indonesia and Singapore.<sup>3</sup>

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<sup>1</sup> 12 U.S.C. § 3107(a).

<sup>2</sup> Asset data are as of March 31, 2024. Ranking data are as of September 30, 2023.

<sup>3</sup> Resona Bank’s jointly owned subsidiary in Indonesia, Bank Resona Perdania, offers a variety of banking services to Japanese and Indonesian corporate customers, and Resona

Resona Bank is a wholly owned subsidiary of Resona Holdings, Inc. (“Resona Holdings”), Tokyo, Japan, which has total consolidated assets of \$503 billion and is the sixth largest banking organization in Japan by asset size.<sup>4</sup> In addition to Resona Bank, Resona Holdings also operates three other bank subsidiaries in Japan: Saitama Resona Bank, Kansai Mirai Bank, and Minato Bank. None of Resona Bank, Saitama Resona Bank, Kansai Mirai Bank, or Minato Bank operates in the United States.<sup>5</sup>

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Bank’s wholly owned subsidiary in Singapore, Resona Merchant Bank Asia Limited, offers lending and financing services to Japanese corporate customers’ subsidiaries operating in the countries known as the Association of Southeast Asian Nations (“ASEAN”), Hong Kong SAR, and India.

<sup>4</sup> The Master Trust Bank of Japan and the Custody Bank of Japan each hold more than five percent of Resona Holdings’ voting shares in a fiduciary capacity in various trust accounts which they administer. In addition, State Street Bank and Trust exercises standing proxies on behalf of Mizuho Bank which aggregate to more than five percent of the outstanding voting shares of Resona Holdings. Further, various entities affiliated with BlackRock, Inc. own, in aggregate, through various banks and investment vehicles, greater than five percent of the outstanding voting shares of Resona Holdings. No other shareholder, directly or indirectly, owns five percent or more of the voting shares of Resona Holdings.

<sup>5</sup> Resona Holdings was established in connection with the merger of The Daiwa Bank, Ltd. (“Daiwa Bank”) and The Asahi Bank, Inc. (“Asahi Bank”), both of which previously operated branches in the United States. Daiwa Bank also operated a New York state-chartered trust company, The Daiwa Bank Trust Company. In 1995, the U.S. operations of Daiwa Bank, including its branches and New York trust company subsidiary, were terminated by a joint order of the Board and the banking departments of the States of New York, California, Illinois, Massachusetts, Florida, and Georgia, on the basis of information indicating that Daiwa Bank and The Daiwa Bank Trust Company and their officials engaged in a pattern of unsafe and unsound banking practices and violations of law. In 2003, those federal and state enforcement orders against Daiwa Bank were terminated. Asahi Bank closed its New York branch in March 2002, and established a representative office in New York the same year. Following the establishment of Resona Holdings, Asahi Bank’s New York representative office was closed in 2004, as part of a change in business strategy.

The Los Angeles Representative Office would act as a liaison with current and prospective U.S. customers of the bank. It would promote and market the bank's products and services, perform back-office functions, and conduct market research.<sup>6</sup>

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a representative office, the Board considers 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>7</sup> The Board also considers additional standards set forth in the IBA and Regulation K.<sup>8</sup>

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<sup>6</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. 12 CFR 211.24(d)(1).

<sup>7</sup> 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 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. 12 CFR 211.24(c)(1).

<sup>8</sup> See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2). These standards 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 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

In the case of an application to establish a representative office, the Board has by rule determined that the supervision standard will be met if the Board determines that 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>9</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.

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

Resona Bank is supervised by the Japanese Financial Services Agency (“JFSA”). The JFSA supervises Japanese banking organizations on a consolidated basis, which includes a review of banking groups’ governance, risk-management controls, and compliance with capital and liquidity requirements. The JFSA also conducts regular inspections of Resona Bank and its affiliates and requires Resona Holdings to submit reports about its operations on a consolidated basis. The Board has previously found, in connection with applications involving other banks in Japan, that such banks were subject

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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 U.S. financial system, 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).

<sup>9</sup> See 12 CFR 211.24(d)(2).

to home country supervision on a consolidated basis by the JFSA.<sup>10</sup> Resona Bank is supervised by the JFSA on 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 Resona Bank is subject to a supervisory framework that is consistent with the proposed activities of the Los Angeles Representative Office, taking into account the nature of such activities.

The following additional standards set forth in the IBA and Regulation K have also been considered: (1) 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; (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>11</sup>

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 to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Japan, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. The JFSA enforces those requirements with respect to Japanese banks, including Resona Bank. Resona Bank has policies and procedures to

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<sup>10</sup> See, e.g., Sumitomo Mitsui Financial Group, Inc., FRB Order No. 2015-07 (February 20, 2015); The Joyo Bank, FRB Order No. 2014-7 (April 18, 2014); Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Sumitomo Mitsui Financial Group, Inc., FRB Order No. 2012-11 (October 31, 2012); The Bank of Fukuoka, Ltd., 97 Federal Reserve Bulletin 14 (2011).

<sup>11</sup> See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2).

comply with these laws and regulations that are monitored by government entities responsible for anti-money-laundering compliance, including the JFSA.

Resona Bank appears to have the experience and capacity to support the Los Angeles Representative Office. In addition to its banking operations in Japan, Resona Bank operates representative offices in Hong Kong SAR, the People's Republic of China, Thailand, and Vietnam, as well as subsidiaries in Indonesia and Singapore. Further, Resona Bank has established controls and procedures for the Los Angeles Representative Office to ensure compliance with U.S. law, as well as controls and procedures for its operations generally. Taking into consideration Resona Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, financial and managerial factors are consistent with approval of Resona Bank's application to establish the Los Angeles Representative Office.

Resona Bank and Resona Holdings have committed to make available to the Board such information on the operations of Resona Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act,<sup>12</sup> and other applicable federal law. To the extent that providing such information to the Board may be prohibited by law or otherwise, Resona Bank 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 JFSA may share information on Resona 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 Resona Bank has provided adequate assurances of access to any necessary information that the Board may request. In addition, the JFSA has no objection to the establishment of the Los Angeles Representative Office.

Whether Resona Bank's proposal would present a risk to the stability of the U.S. financial system has also been considered. The proposal would not appear to affect

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

financial stability in the United States. In particular, the scope of Resona 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 Resona 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 the commitments made by Resona Bank, Resona Bank's application to establish the Los Angeles 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>13</sup> Should any restrictions on access to information on the operations or activities of Resona Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Resona Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Resona Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Resona Bank with the conditions imposed in this order and the commitments made to the Board in connection with this application.<sup>14</sup> For purposes of this action, these commitments and conditions are deemed to be

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<sup>13</sup> 12 CFR 265.7(d)(3).

<sup>14</sup> The Board's authority to approve the establishment of the Los Angeles Representative Office parallels the continuing authority of the State of California to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of California or its agent, the California State Department of Financial Protection and Innovation, to license the Los Angeles Representative Office in accordance with any terms or conditions that they may impose.

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

By order, approved pursuant to authority delegated by the Board, effective July 19, 2024.

*(Signed) Michele Taylor Fennell*

Michele Taylor Fennell  
Deputy Associate Secretary of the Board