

FEDERAL RESERVE SYSTEM

OakNorth Bank, plc
London, England

Order Approving the Establishment of a Representative Office

OakNorth Bank, plc (“OakNorth”), London, England, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 10(a) of the IBA¹ to establish a representative office in New York, New York (“New York 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 New York, New York (*New York Post*, October 9, 2023). The time for submitting comments has expired.

OakNorth, with total assets of approximately \$7.4 billion, represents that it is the 62nd largest commercial bank in the United Kingdom (“U.K.”) by asset size.² OakNorth provides debt financing to small- to medium-sized enterprises (“SMEs”) primarily based in the United Kingdom and provides savings accounts to consumers and SMEs through its savings platform. OakNorth’s customers include SMEs operating in various sectors, including hospitality and leisure, education, healthcare, residential and commercial development, scientific and technical activities, lending, manufacturing, information and communication, and wholesale and retail trade.

¹ 12 U.S.C. § 3107(a).

² Asset data are as of December 31, 2023. Ranking data, provided by OakNorth, are as of 2022.

OakNorth is a U.K.-based bank licensed by the Bank of England through the Prudential Regulatory Authority (“PRA”). OakNorth has a U.K.-based nonbank subsidiary that engages in lending. OakNorth does not have offices outside of the United Kingdom. OakNorth is a wholly owned subsidiary of OakNorth Holdings Limited, Saint Helier, Jersey (“ON Holdings”).³ In addition to OakNorth, ON Holdings operates subsidiaries that offer software development, provide services for affiliates, and engage in other activities.

The New York 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, conduct market research, and facilitate lending to U.S. customers.⁴

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

³ Significant shareholders of ON Holdings include, among others, SoftBank Vision Fund, a fund managed by Softbank Investment Advisers, which is a subsidiary of Softbank Group; Clermont Capital, the investment division of the Clermont Group; Toscafund Asset Management LLP; and GIC Private Limited, the sovereign wealth fund of the Republic of Singapore.

⁴ 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).

supervisor.⁵ The Board also considers additional standards set forth in the IBA and Regulation K.⁶

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.⁷ 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

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 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).

⁶ 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 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).

⁷ See 12 CFR 211.24(d)(2).

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

OakNorth is supervised by the PRA, which is part of the Bank of England. The PRA supervises U.K. banking groups on a consolidated basis, which includes a review of banking groups' management, governance, risk-management controls, compliance with capital and liquidity requirements, and resolvability. The Financial Conduct Authority ("FCA") regulates the market conduct of U.K. financial firms, including OakNorth, and has supervisory responsibilities that include monitoring banks' compliance with anti-money-laundering ("AML") and counter-terrorism-financing requirements under U.K. law. The Board has previously found, in connection with applications involving other banks in the United Kingdom, that such banks were subject to home country supervision on a consolidated basis by the PRA.⁸

Based on all the facts of record, including the above information, it has been determined that OakNorth is subject to a supervisory framework that is consistent with the proposed activities of the New York 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

⁸ See, e.g., Lloyds Bank Corporate Markets plc, FRB Order No. 2018-15 (July 9, 2018).

the bank's operations with the Board; and (4) whether the bank's home country supervisor has consented to the establishment of the office.⁹

The United Kingdom 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, the United Kingdom has enacted laws to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in the United Kingdom, 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 FCA enforces those requirements with respect to U.K. banks, including OakNorth. OakNorth has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for AML compliance, including the FCA.

OakNorth appears to have the experience and capacity to support the New York Representative Office. In addition, OakNorth has established controls and procedures for the New York Representative Office to ensure compliance with U.S. law, as well as controls and procedures for its operations generally. Taking into consideration OakNorth'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 OakNorth's application to establish the New York Representative Office.

OakNorth and ON Holdings have committed to make available to the Board such information on the operations of OakNorth and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act,¹⁰ and other applicable federal law. To the extent that providing such information to the Board may be prohibited by law or otherwise, OakNorth and ON Holdings have committed to cooperate with the Board to obtain any necessary consents

⁹ See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2).

¹⁰ 12 U.S.C. § 1841 et seq.

or waivers that might be required from third parties for the disclosure of such information. In addition, subject to certain conditions, the PRA and FCA may share information on OakNorth'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 OakNorth has provided adequate assurances of access to any necessary information that the Board may request. In addition, the FCA and PRA have no objection to the establishment of the New York Representative Office.

Whether OakNorth'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 financial stability in the United States. In particular, the absolute and relative size of OakNorth in its home country; the scope of OakNorth'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 OakNorth 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 OakNorth, OakNorth's application to establish the New York 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.¹¹ Should any restrictions on access to information on the operations or activities of OakNorth and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by OakNorth or its affiliates with applicable federal statutes, the Board may require termination of any of OakNorth's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by OakNorth with the conditions imposed in this

¹¹ 12 CFR 265.7(d)(3).

order and the commitments made to the Board in connection with this application.¹² For purposes of this action, these commitments and conditions are deemed to be 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 August 26, 2024.

(Signed) Michele Taylor Fennell

Michele Taylor Fennell
Associate Secretary of the Board

¹² The Board's authority to approve the establishment of the New York 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 New York Representative Office in accordance with any terms or conditions that they may impose.