



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

February 28, 2025

Thomas Delaney, Esq.  
Norton Rose Fulbright US LLP  
799 9th Street NW, Suite 1000  
Washington, D.C. 20001-4501

Dear Mr. Delaney:

This letter is in response to the requests by Niedersachsen Invest GmbH (“NIG”) and Hannoversche Beteiligungsgesellschaft Niedersachsen mbH (“HanBG,” and together with NIG, the “Government-Owned Entities”), each of Hannover, Germany, for (1) exemptions under section 4(c)(9) of the Bank Holding Company Act (“BHC Act” or “Act”)<sup>1</sup> from the nonbanking restrictions of the Act; and (2) permission to comply with the enhanced prudential standards of the Board’s Regulation YY<sup>2</sup> through a subsidiary.

The Government-Owned Entities are each wholly owned by, and operate under the direct supervision of, the government of the State of Lower Saxony. You have represented that NIG holds and manages interests in various financial and commercial enterprises for various reasons in the interest of the State of Lower Saxony, including to develop the economic interests of the country and the economic policy interests of the region. You have represented that HanBG is an investment fund established to hold the State of Lower Saxony’s interests in various financial and commercial enterprises, to support economic development in the region, to effect the government of Lower Saxony’s public policy objectives, and to ensure that certain services are provided to its citizens.

The Government-Owned Entities own a controlling interest in Norddeutsche Landesbank Girozentrale (“NordLB”), also of Hannover, Germany,

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<sup>1</sup> 12 U.S.C. § 1843(c)(9).

<sup>2</sup> 12 CFR part 252.

a German bank with a branch in New York, New York.<sup>3</sup> Under section 8 of the International Banking Act of 1978, any foreign bank that operates a branch, agency, or commercial lending company in the United States and any company that controls the foreign bank is subject to the BHC Act as if the foreign bank or company were a bank holding company.<sup>4</sup> Accordingly, the Government-Owned Entities, through their control of NordLB, are subject to the nonbanking limitations and other requirements of the BHC Act, as well as certain enhanced prudential standards in Regulation YY.<sup>5</sup>

The Government-Owned Entities have requested an exemption from the requirements of the BHC Act, as well as certain enhanced prudential standards in Regulation YY, based on their status as wholly state-owned vehicles.

Section 4(c)(9) of the BHC Act allows the Board to grant an exemption from the nonbanking restrictions of the BHC Act to any foreign banking organization if the Board determines that the exemption would be in the public interest and not substantially at variance with the purposes of the BHC Act. The Board has previously stated that broad public policy issues are raised by applying the restrictions of the BHC Act to foreign government-owned companies.<sup>6</sup> The Board's decisions in prior cases have indicated a willingness to use the authority of section 4(c)(9) to grant foreign government-owned companies authority to make nonbanking investments in the United States, subject to certain conditions.<sup>7</sup>

Under the exemptions, and subject to the conditions described below, the Government-Owned Entities would be permitted to make investments in any company, including a U.S. company or a foreign company with U.S. operations, without regard to the nonbanking restrictions of the BHC Act. The Government-Owned Entities would be permitted to make investments in such companies directly or through subsidiaries other than

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<sup>3</sup> As of January 1, 2024, NIG owns a 40.27 percent interest in NordLB and HanBG owns a 14.97 percent interest in NordLB.

<sup>4</sup> 12 U.S.C. § 3106(a).

<sup>5</sup> 12 CFR 252 subpart N.

<sup>6</sup> In 1988, the Board noted that the Congress was mindful of these concerns and provided the Board with broad authority to exempt foreign companies from the nonbanking restrictions of the BHC Act where the Act has the effect of extending the impact of the U.S. regulatory framework to economic transactions and relationships that take place entirely outside the United States. See Board letter to Patricia Skigen, Esq. (Aug. 19, 1988).

<sup>7</sup> See Board letter to Arthur S. Long, Esq. (Nov. 26, 2008); Board letter to Robert L. Tortoriello, Esq. (Nov. 26, 2008); Board letter to H. Rodgin Cohen, Esq. (Aug. 5, 2008); and Board letter to Dr. Nico Zachert (July 17, 2015).

banks that operate branches, agencies, or commercial lending companies in the United States. Any foreign bank subsidiary of the Government-Owned Entities that operates a branch, agency, or commercial lending company in the United States would remain fully subject to the Board's Regulations K and Y with respect to its activities and investments and would be treated the same as any other foreign banking organization.

To minimize the potential for conflicts of interest, concentration of resources, and unsound banking practices, as well as to mitigate any potential competitive advantage that may accrue to the Government-Owned Entities from the exemptions, the Government-Owned Entities have made a number of commitments to the Board.

First, the Government-Owned Entities have each committed that a majority of each entity's consolidated business will continue to take place outside the United States, consistent with the requirement of section 4(c)(9).

Second, the Government-Owned Entities have each committed that all transactions by a U.S. branch or agency of any foreign bank subsidiary of the Government-Owned Entities with a company in which the Government-Owned Entities have made a controlling investment (a "controlled company") would be limited.<sup>8</sup> Transactions by the U.S. branch or agency with a single controlled company are limited to 10 percent of the branch's or agency's lending base,<sup>9</sup> as described below, and transactions with all controlled companies in the aggregate are limited to 20 percent of the branch's or agency's lending base, and all such transactions must be fully collateralized. Any transaction between the U.S. branch or agency and a controlled company must be on market terms. The U.S. operations of the foreign bank subsidiary and the U.S. operations of the controlled company will not engage in cross-marketing of goods and services.

Third, the Government-Owned Entities have each committed that they will not, directly or indirectly, acquire control of or exercise a controlling influence over a securities company, an insurance company, or any other company that engages in activities in the United States that are permitted only

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<sup>8</sup> For purposes of implementing the restrictions contained in this letter, including determining whether an investment is a controlling investment, investments by NIG and HanBG in any company are aggregated.

<sup>9</sup> For purposes of this condition, the "lending base" of a U.S. branch or agency is equal to 5 percent of the branch's or agency's third-party assets. "Third party assets" means the amount of total claims on nonrelated entities as reported on the report of condition filed by the branch or agency (FFIEC 002).

to a financial holding company under section 4(k) of the BHC Act,<sup>10</sup> unless they meet the standards of, and elect to be treated as, financial holding companies.

Fourth, consistent with the requirements of the BHC Act and the Federal Reserve Act, the Government-Owned Entities have each committed that they, and any company, including any foreign bank, that they control, will obtain prior Board approval to make a direct or indirect investment in 5 percent or more of the voting shares of a bank holding company or U.S. bank,<sup>11</sup> or to make a controlling investment in a corporation organized under section 25A of the Federal Reserve Act (an Edge corporation).<sup>12</sup> In addition, prior Board approval is required for the acquisition of a controlling interest in a U.S. insured depository institution.

With respect to reporting, the Government-Owned Entities have committed to inform the Federal Reserve Bank of New York of any acquisition of more than 5 percent of the shares of any company that engages in activities that only a financial holding company may conduct in the United States as well as any acquisition of 25 percent or more of the shares of any company that engages in any activities in the United States. The Government-Owned Entities are not required to report separately an investment that is made by a subsidiary foreign bank that is subject to the BHC Act where such investment is reported by that bank to the Federal Reserve System as part of the bank's regular reporting requirements. In addition, the Government-Owned Entities must monitor investments made by their controlled companies to determine whether, in the aggregate, such investments might trigger an application threshold with respect to a U.S. depository institution or cause the Government-Owned Entities to be considered to control a company that owns a U.S. depository institution.

The Government-Owned Entities have also requested relief from the enhanced prudential standards requirements described in Regulation YY. Regulation YY authorizes the Board to permit a foreign banking organization to comply with the requirements of Regulation YY through a subsidiary.<sup>13</sup> In exercising this authority, the Board must consider the following: (1) the ownership structure of the foreign banking organization, including whether the foreign banking organization is owned or controlled by a foreign government; (2) whether

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<sup>10</sup> 12 U.S.C. § 1843(k).

<sup>11</sup> 12 U.S.C. § 1842(a).

<sup>12</sup> 12 U.S.C. §§ 611 and 619.

<sup>13</sup> 12 CFR 252.3(c).

the action would be consistent with the purposes of Regulation YY; and (3) any other factors that the Board determines are relevant.<sup>14</sup>

The Government-Owned Entities assert that the enhanced prudential standards would require a substantial increase in their funding and personnel and would interfere with the government of Lower Saxony's public policy objectives. A foreign subsidiary bank of the Government Owned Entities, NordLB, would remain subject to any applicable enhanced prudential standards.

Based on all the facts of record, including the information provided by the Government-Owned Entities and other supervisory information, the General Counsel, with the concurrence of the Director of the Division of Supervision and Regulation, acting under authority delegated by the Board, has determined that the relief from the nonbanking restrictions of the Act under the authority of section 4(c)(9) of the Act granted to the Government-Owned Entities would be in the public interest and not substantially at variance with the purposes of the BHC Act.<sup>15</sup> In addition, acting pursuant to authority delegated by the Board and considering all relevant facts, including the information provided by the Government-Owned Entities and other supervisory information, the Director of the Division of Supervision and Regulation, in consultation with the General Counsel, has determined that permitting the Government-Owned Entities to comply with the requirements of Regulation YY through NordLB would be consistent with Regulation YY.<sup>16</sup>

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<sup>14</sup> Id.

<sup>15</sup> 12 CFR 265.6(f)(3).

<sup>16</sup> 12 CFR 265.7(o)(2). This letter does not provide prospective relief to any future requirements imposed under Regulation QQ. See 12 CFR 243.2 (definition of "covered company – multi-tiered holding company").

The findings and decisions herein are based on all the facts of record and representations made by the Government-Owned Entities to the Board in connection with their requests.<sup>17</sup> Any material change in these facts or representations may cause a review in these determinations and should be reported immediately to Federal Reserve staff. The commitments relied on in reaching these decisions are conditions imposed in writing by the Board in connection with the findings and decision herein and may be enforced in proceedings under applicable law.

Sincerely yours,

*(Signed) Ann E. Misback*

Ann E. Misback  
Secretary of the Board

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<sup>17</sup> The Government-Owned Entities also made a request concerning certain regular reporting, capital, filing, and other requirements of the BHC Act and of the Board's regulations, which has been considered separately. See Letter from Mark Van Der Weide to Thomas Delaney, Esq. (Feb. 28, 2025).