

FEDERAL RESERVE SYSTEM

Victoria Mutual Building Society
Kingston, Jamaica

Order Approving Establishment of a Representative Office

Victoria Mutual Building Society (“Bank”), Kingston, Jamaica, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA¹ to establish a representative office in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991, which amended 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 submit comments, has been published in a newspaper of general circulation in Miami-Dade County, Florida (*The Miami Herald*, February 18, 2005). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$682 million,² is the fourth largest deposit-taking institution and second largest building society in Jamaica.³ Bank primarily engages in residential mortgage lending and retail banking activities through 15 offices in Jamaica. Bank’s domestic subsidiaries offer insurance, investment management, real estate brokerage, and property management services. Bank also operates representative offices and money-transmitter subsidiaries in the United Kingdom and Canada.

¹ 12 U.S.C. § 3107(a).

² Asset data are as of December 31, 2006.

³ Bank is a mutual organization with more than 680,000 members. Each member is considered to be a shareholder and has one vote. No single shareholder controls the organization.

The proposed representative office would act as a liaison between Bank's head office and existing and prospective customers in the United States. The office would solicit business, market products and services of the head office and of Bank's real estate brokerage subsidiary in Jamaica and provide information to customers concerning their accounts. In connection with Bank's mortgage lending operations, it also would solicit prospective borrowers, assemble credit information, arrange for property inspections and appraisals, assist in the preparation of loan applications, and transmit applications and supporting documentation to the head office.

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 the foreign bank: (1) engages directly in the business of banking outside of the United States; (2) has furnished to the Board the information it needs to assess the application adequately; and (3) is subject to comprehensive supervision on a consolidated basis by its home country supervisor.⁴ The Board also considers additional standards set forth in the IBA and Regulation K.⁵ The Board considers

⁴ 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing this standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which the 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 with and relationship 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; (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.

⁵ 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3).

the supervision standard to have been when it 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.⁶ 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.⁷

In connection with this application, Bank has provided certain commitments to the Board that limit the activities of the representative office. It has committed that the representative office would engage only in certain specified activities and would not make credit decisions; solicit or accept deposits; process or initiate transactions on behalf of Bank; or engage in activities related to securities trading, foreign exchange, or money transmission.

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with 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 the following information. The Bank of Jamaica (“BOJ”)

⁶ See, e.g., Banco Latinoamericano de Exportaciones S.A., Federal Reserve Bulletin C128 (1st Quarter, 2006); Banco Financiera Comercial Hondureza, S.A., 91 Federal Reserve Bulletin 444 (2005); Jamaica National Building Society, 88 Federal Reserve Bulletin 59 (2002); RHEINHYP Rheinische Hypothekenbank AG, 87 Federal Reserve Bulletin 558 (2001); see also Promstroybank of Russia, 82 Federal Reserve Bulletin 599 (1996); Komerčni Banka, a.s., 82 Federal Reserve Bulletin 597 (1996); Commercial Bank “Ion Tiriac,” S.A., 82 Federal Reserve Bulletin 592 (1996).

⁷ 12 CFR 211.24(d)(2)).

is the licensing, regulatory, and supervisory authority for banks and all other financial institutions in Jamaica and, as such, is the home country supervisor for Bank. The BOJ has pursued a program of reforms intended to update its regulatory and supervisory framework. The BOJ authorizes the establishment of foreign offices of Jamaican banks, regulates those offices, and reviews their operations in connection with annual on-site examinations of the head office.

The Board previously determined, in connection with an application involving another bank from Jamaica, that the bank was subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities.⁸ Bank is supervised by the BOJ on substantially the same terms and conditions as that other Jamaican bank. Based on all the facts of record, including commitments provided by Bank limiting the activities of the proposed office, it has been determined that 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.

The additional standards set forth in section 7 of the IBA and Regulation K have also been taken into account.⁹ The BOJ has no objection to the establishment of the proposed representative office.

⁸ Jamaica National Building Society, 88 Federal Reserve Bulletin 59 (2002).

⁹ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). The additional standards set forth in section 7 of the IBA and Regulation K 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.

With respect to the financial and managerial resources of Bank, taking into consideration its 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 the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Although Jamaica is not a member of the Financial Action Task Force, Jamaica is a member of the Caribbean Financial Action Task Force and subscribes to its measures on combating money laundering and terrorist financing. Jamaica also participates in other international fora that address the prevention of money laundering and terrorist financing.¹⁰ It has enacted laws and the BOJ has promulgated implementing regulations and guidelines aimed at preventing money laundering and terrorist financing. Money laundering and financing terrorism are criminal offenses in Jamaica. The laws, regulations, and guidelines require financial institutions, including building societies, to establish and implement policies, procedures, and controls for the purpose of preventing and detecting money laundering and terrorist financing and to report certain cash transactions and suspicious transactions to appropriate authorities. An institution's compliance with applicable laws, regulations, and guidelines is monitored by the BOJ and the institution's external auditors. Bank has policies and procedures to comply with these laws and regulations.

¹⁰ Jamaica is a member of the Organization of American States Inter-American Drug Abuse Control Commission Group of Experts for the Control of Money Laundering and the Inter-American Convention against Corruption. Jamaica is also party to the 1988 UN Convention Against the Illicit Traffic of Narcotics and Psychotropic Substances and the UN International Convention Against Transnational Organized Crime.

With respect to access to information on Bank's operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed, and the Board has communicated with relevant government authorities regarding access to information. Bank has committed to make available to the Board such information on the operations of Bank and any of its affiliates as the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the BOJ may share information on 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 Bank has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved by the Director of the Division of Banking 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 Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct

¹¹ See 12 CFR 265.7(d)(12).

or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank with the commitments made in connection with this application and with the conditions in this order.¹² The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board,
effective June 14, 2007.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹² The Board's authority to approve the establishment of the proposed 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 representative office in accordance with any terms or conditions that it may impose.