

FEDERAL RESERVE SYSTEM

The State Export-Import Bank of Ukraine, Inc.  
Kiev, Ukraine

Order Approving Establishment of a Representative Office

The State Export-Import Bank of Ukraine, Inc. (“Bank”), Kiev, Ukraine, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA<sup>1</sup> to establish a representative office in New York, New York. 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 New York, New York (*New York Post*, August 18, 2006). The time for filing comments has expired, and all comments received have been considered.

Bank, with total consolidated assets of approximately \$3.7 billion,<sup>2</sup> is the sixth largest commercial bank in Ukraine and provides wholesale and retail banking services through a network of domestic branches.<sup>3</sup>

The proposed representative office is intended to act as a liaison between Bank’s head office in Ukraine, other financial institutions, and its existing and prospective customers in Ukraine and the United States. The office would engage in representative functions in connection with the activities of Bank, solicit new business, provide information to customers concerning their accounts,

---

<sup>1</sup> 12 U.S.C. § 3107(a).

<sup>2</sup> Unless otherwise indicated, data are as of December 31, 2006.

<sup>3</sup> Bank is wholly owned by the government of Ukraine and operates as a commercial bank in addition to promoting trade by and with Ukrainian companies.

promote business investment in and trading opportunities with Ukraine, conduct research, and receive applications for extensions of credit and other banking services on behalf of Bank.

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.<sup>4</sup> The Board also considers additional standards set forth in the IBA and Regulation K.<sup>5</sup> The Board considers the supervision standard to have been met 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.<sup>6</sup> This is a lesser standard than the comprehensive, consolidated supervision standard

---

<sup>4</sup> 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.

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

<sup>6</sup> See, e.g., Victoria Mutual Building Society, 93 Federal Reserve Bulletin \_\_\_, n. 6 (Order dated June 14, 2007); Banco Financiera Comercial Hondurena, 91 Federal Reserve Bulletin 444 (2005); Jamaica National Building Society, 88 Federal Reserve Bulletin 59 (2002).

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.<sup>7</sup>

In connection with this application, Bank has provided certain commitments 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. Bank is supervised by the National Bank of Ukraine (“NBU”), which is responsible for the regulation and supervision of financial institutions operating in Ukraine and is in the process of enhancing its supervisory framework. The NBU issues rules and implements regulations concerning accounting requirements, asset quality, management, operations, capital adequacy, loan classification, and loan-loss-reserve requirements. In addition, the NBU has authority to order corrective measures, impose sanctions, and assume management of a financial institution or liquidate it.

The NBU supervises and regulates Bank in Ukraine through a combination of on-site examinations and off-site monitoring. On-site examinations are conducted biennially and cover capital adequacy, asset quality,

---

<sup>7</sup> 12 CFR 211.24(d)(2).

profitability, liquidity, and compliance with the law. If necessary, the NBU can also conduct special on-site examinations. The NBU conducts off-site monitoring of Bank through the review of required daily, monthly, and quarterly reports. An external audit is also part of the supervisory process and must be conducted at least annually.

Based on all the facts of record, including the 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.<sup>8</sup> The NBU has no objection to the establishment of the proposed representative office.

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. 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.

---

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

Although Ukraine is not a member of the Financial Action Task Force (“FATF”), Ukraine has enacted laws based on the general recommendations of the FATF. Additionally, Ukraine participates in international fora that address the prevention of money laundering.<sup>9</sup> Money laundering is a criminal offense in Ukraine, and banks are required to establish internal policies and procedures for the detection and prevention of money laundering.<sup>10</sup> Legislation and regulations require banks to adopt know-your-customer policies, report suspicious transactions, and maintain records. Bank has established anti-money laundering policies and procedures, which include the implementation of know-your-customer policies, suspicious activity reporting procedures, and related training programs and manuals. Bank’s internal and external auditors review compliance with requirements to prevent money laundering.

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 relevant government authorities have been communicated with regarding access to information. Bank has committed to make available to the

---

<sup>9</sup> Ukraine is party to the 1988 UN Convention Against the Illicit Traffic of Narcotics and Psychotropic Substances, the UN International Convention Against Transnational Organized Crime, the UN International Convention for the Suppression of the Financing of Terrorism, and the Council of Europe Convention on Laundering, Search, Seizure, and Confiscation of Proceeds from Crime.

<sup>10</sup> In 2001 and 2002, Ukraine was designated by the FATF as a non-cooperative country. In response, Ukraine enacted legislation to strengthen its anti-money laundering regime in 2002 and 2003. Among other measures, the legislation expanded the definition of money laundering, strengthened enforcement, and established a financial intelligence unit, the State Committee for Financial Monitoring. As a consequence of these improvements, Ukraine was removed from the list of non-cooperative countries by the FATF on February 27, 2004. In light of these and other actions taken by Ukraine to strengthen its anti-money laundering policies and procedures, including identifying terrorist financing as a separate crime, the Board believes that factors related to anti-money laundering are consistent with approval of the application to establish a representative office.

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 of 1956, as amended, 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 NBU 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.

Based on the foregoing and all the facts of record, and subject to the commitments made by Bank and 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.<sup>11</sup> Should any restrictions on access to information on the operations or activities of Bank or any of 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 and indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank with the conditions imposed in this order and the commitments made to

---

<sup>11</sup> See 12 CFR 265.7(d)(12).

the Board in connection with this application.<sup>12</sup> For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its finding and 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 August 17, 2007.

*(signed)*

---

Robert deV. Frierson  
Deputy Secretary of the Board

---

<sup>12</sup> The Board's authority to approve the establishment of the proposed 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 Banking Department, to license the proposed office of Bank in accordance with any terms or conditions that it may impose.