

FEDERAL RESERVE SYSTEM

eBANK Corporation
Tokyo, Japan

Order Approving Establishment of a Representative Office

eBANK Corporation (“eBANK”), Tokyo, Japan, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA to establish a representative office in San Francisco, California.¹ 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 San Francisco (*San Francisco Chronicle*, March 16, 2006). The time for filing comments has expired, and all comments received have been considered.

eBANK, with total consolidated assets of approximately \$6.1 billion,² is an internet-only bank providing deposit accounts and services and settlement services exclusively to Japanese residents. eBANK’s largest shareholder is the Development Bank of Japan, a government entity that owns 14.91 percent of the outstanding shares of the bank. eBANK’s founder and president, Mr. Taiichi Matsuo, owns 6.47 percent of the outstanding shares of

¹ 12 U.S.C. § 3107(a).

² Asset data are as of September 30, 2007.

the bank, and NTT Finance Corporation, a Japanese company, owns 6.16 percent of the outstanding shares.³

The bank, which commenced operations in July 2001, accepts deposits but does not have branches or ATMs and does not engage in lending. The bank engages in financial advisory activities, including asset securitization advice, research services, and investment administration services. eBANK, through a wholly owned subsidiary, also manages mutual funds that are publicly offered over the internet to Japanese investors. eBANK currently conducts no activities in the United States. The bank's only office outside Japan is a representative office in Hong Kong.

eBANK has stated that the establishment of the representative office is part of its strategy to explore business and technology opportunities in the United States. The proposed representative office would research technology related to internet banking, identify business opportunities with banks and companies in the United States that have advanced information technology capabilities potentially relevant to eBANK's internet banking activities, and identify investment opportunities in the United States for the bank's dollar-denominated deposits in Japan. eBANK has committed, inter alia, that the representative office will not solicit deposits in the United States.

In acting on a foreign bank's application under the IBA and Regulation K 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

³ Citigroup Inc. indirectly owns 5.33 percent of eBANK. The remaining shares are widely held by individuals and corporations.

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

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

With respect to home country supervision of eBANK, the Board has previously determined, in connection with applications involving other Japanese banks, that those banks were subject to home country supervision on a consolidated basis.⁶ eBANK is supervised by the Japanese Financial Services Agency (“FSA”) on substantially the same terms and conditions as those other Japanese banks. Based on all the facts of record, including the above information,

⁴ 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing this standard, the Board considers, among other factors, 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. These are indicia of comprehensive, consolidated supervision. 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).

⁶ See e.g., The Wakashio Bank, Limited, 89 Federal Reserve Bulletin 237 (2003); The Daiwa Bank, Limited, 89 Federal Reserve Bulletin 185 (2003).

it has been determined that eBANK is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The additional standards set forth in section 7 of the IBA and Regulation K also have been taken into account.⁷ With respect to the financial and managerial resources of eBANK, taking into consideration eBANK's 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. eBANK 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 and for its operations in general. The FSA has no objection to the establishment of the proposed representative office.

Japan is a member of the Financial Action Task Force ("FATF") and subscribes to the FATF's recommendations on measures to combat money laundering. In accordance with those recommendations, Japan has enacted laws and developed regulatory standards to deter money laundering. Money laundering is a criminal offense in Japan, and Japanese financial institutions are required to establish internal policies, procedures, and systems for the detection and

⁷ 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.

prevention of money laundering throughout their worldwide operations. The bank has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money laundering compliance.

With respect to access to information about eBANK's operations, the Board has reviewed restrictions on disclosure in the relevant jurisdictions in which eBANK operates and has communicated with relevant government authorities regarding access to information. eBANK has committed to make available to the Board such information on its operations and any of its affiliates that 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, eBANK 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 light of these commitments and other facts of record, and subject to the condition described below, it has been determined that eBANK 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 eBANK and the terms and conditions set forth in this order, eBANK'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, acting pursuant to authority delegated by the Board.⁸ Should any restrictions on access to information on the operations or activities of eBANK

⁸ See 12 CFR 265.7(d)(12).

or any of its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by eBANK or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of eBANK's direct and indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by eBANK with the commitments made in connection with this application and with the conditions in this order.⁹ 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 applicable law.

By order, approved pursuant to authority delegated by the Board,
effective January 16, 2008.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

⁹ The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of California to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the California Department of Financial Institutions to license the proposed representative office of eBANK in accordance with any terms or conditions that it may impose.