

FEDERAL RESERVE SYSTEM

Standard Chartered Bank
London, England

Order Approving Establishment of a Representative Office

Standard Chartered Bank (“Bank”), London, England, 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 Houston, Texas. 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 comment, has been published in a newspaper of general circulation in Houston (*Houston Chronicle*, January 16, 2009). The time for filing comments has expired, and all comments received have been considered.

Bank, with total consolidated assets of approximately \$435 billion,² is the ninth largest bank in the United Kingdom by asset size.³ Bank engages in a broad range of consumer banking and wholesale banking activities through numerous offices and subsidiaries located throughout the world. In the United States, Bank operates state-licensed branches in Pasadena, California, and New York, New York, and representative offices in San Diego and San Francisco, California; Miami, Florida; Atlanta, Georgia; and Jersey City and Newark, New Jersey. Bank also owns two Edge corporation subsidiaries (Standard Chartered Overseas Investment Inc. and Standard Chartered Bank International (Americas) Limited (“SCBI”)) and an agreement corporation subsidiary, Standard Chartered International (USA) Ltd. Bank is wholly

¹ 12 U.S.C. § 3107(a).

² Unless otherwise indicated, data are as of December 31, 2008.

³ Ranking data are as of December 31, 2007.

owned by Standard Chartered Holdings Limited,⁴ which is wholly owned by Standard Chartered PLC (“Standard Chartered”), both of London, England. Standard Chartered and its subsidiaries offer international banking and financial services in over 50 countries and territories worldwide.⁵

The proposed representative office would serve as a liaison between Bank and its customers.⁶ The office would also solicit new business for Bank’s wholesale banking products and services from potential customers in the United States and serve as a point of contact for clients and prospective clients of such business in Texas and Latin America, with an initial focus on clients in the energy sector.⁷

In acting on an application under the IBA and Regulation K by a foreign bank to establish a representative office, the Board shall take into account whether the foreign bank directly engages in the business of banking outside of the United States and whether the foreign bank has furnished to the Board the information it needs to assess the application adequately.⁸ The Board shall also take into account whether the foreign bank is subject to comprehensive supervision on a consolidated basis by its home country

⁴ Standard Chartered Holdings Limited’s only activity is holding 100 percent of the shares of Bank.

⁵ As of March 2, 2009, Temasek Holdings (Private) Limited (“Temasek”), Singapore, held 18.81 percent of the voting rights of Standard Chartered. Temasek does not have representation on the board of directors of Standard Chartered.

⁶ A representative office may engage in representational and administrative functions in connection with the banking activities of the 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).

⁷ Any transactions resulting from the activities of the representative office will be conducted with Bank’s branch in New York.

⁸ 12 U.S.C. § 3107(a)(2).

supervisor.⁹ The Board also considers additional standards set forth in the IBA and Regulation K.¹⁰

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 previously has determined, in connection with applications involving other banks in the United Kingdom, that those banks were subject to home country supervision on a consolidated basis by the Financial Services Authority (“FSA”), the primary regulator of commercial banks in the United Kingdom.¹¹ Bank is supervised by the FSA on substantially the same terms and conditions as those other banks. Based on all the factors

⁹ Id.; 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 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 the 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; 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.

¹⁰ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2). 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.

¹¹ See, e.g., Barclays plc, 91 Federal Reserve Bulletin 48 (2005); HBOS Treasury Services plc, 90 Federal Reserve Bulletin 103 (2004); The Royal Bank of Scotland Group, 89 Federal Reserve Bulletin 386 (2003).

of record, including the above information, it has been determined that Bank 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 have also been taken into account.¹² The FSA has no objection to the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration its record of operation 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, as well as controls and procedures for its worldwide operations generally.¹³

The United Kingdom is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering. In accordance with these recommendations, the United Kingdom has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in the United Kingdom, and credit institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Bank has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money laundering compliance.

¹² See supra note 9.

¹³ On August 3, 2007, American Express Bank International, now SCBI, came under a Cease and Desist Order from the Board and entered into a Deferred Prosecution Agreement with the U.S. Department of Justice for persistent deficiencies in its anti-money laundering program. Separately, AEBL, now Standard Chartered International (USA) Ltd., and the New York State Banking Department entered into a Written Agreement for the same matters. SCBI and Standard Chartered International (USA) Ltd. are providing periodic reports required in their respective enforcement actions and are making satisfactory progress in addressing the deficiencies.

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 governmental authorities have been communicated with regarding access to information. Bank and Standard Chartered have committed to make available to the Board such information on the operations of Bank and any of its affiliates that 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 and Standard Chartered have 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, FSA 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 conditions described below, it has been determined that Bank and Standard Chartered provided adequate assurances of access to any necessary information that the Board may request.

On the basis of the foregoing and all the facts of record, and subject to commitments made by Bank and Standard Chartered to the Board, as well as the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved.¹⁴ Should any restrictions on access to information regarding 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 termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and Standard Chartered with the conditions imposed in this order and the commitments made to the Board in connection

¹⁴ Approved by the Director of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board. See 12 CFR 265.7(d)(12).

with this application.¹⁵ For purposes of this action, the 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 May 7, 2009.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹⁵ The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of Texas to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Texas or its agent, the Texas Department of Banking, to license the proposed representative office of Bank in accordance with any terms or conditions that it may impose.