



September 29, 2016

Circular no. C-06-2516

Attn:

Banking corporations and credit card companies

Re: Banking Corporation Business with Related Parties
(Proper Conduct of Banking Business Directive no. 312)

Introduction

1. Due to the publication of the letter by the Supervisor of Banks, dated June 16, 2016, on the issue of “Bank-holding permits for institutions managing customers’ money—policy update”, it was decided to update Proper Conduct of Banking Business Directive no. 312.
2. After consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I decided to amend the abovementioned Proper Conduct of Banking Business Directive as specified below.

Changes to the Directive

3. In Section 3(c) of the definitions, an exemption from the definition of “Related party” is given to the holder of more than 5 percent of any type of means of control in the banking corporation or in a banking corporation that controls said banking corporation if the permit was granted subject to the terms set in the Banking Supervision Department letter dated June 16, 2016, on the issue of “Bank-holding permits for institutions managing customers’ money—policy update”.

Explanation

One of the terms for receiving the permit as noted in the letter is that the permit-holder’s total holdings (including entities he or she controls) that are not holdings on behalf of “customers” shall not exceed 5 percent of any type of means of control in the banking corporation.

Accordingly, the holdings exceeding 5 percent are only holdings of institutions that manage funds on behalf of customers, as investments on their customers’ behalf.

In view of this, the Banking Supervision Department is of the opinion that in such a case, it is possible to exempt the owner of the holding permit from the definition of “Related party” as per the provisions of Section 3(c).

Effective date

4. The changes to this directive shall go into effect immediately.

Update of file

5. Update pages for the Proper Conduct of Banking Business Directive file are attached. Following are the provisions of the update:

Remove page

312-1-6 [10] (07/14)

Insert page

312-1-6 [11] (9/16)

Respectfully,

Dr. Hedva Ber
Supervisor of Banks