

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians*

Jan Lynn Owen
Commissioner of Business Oversight

July 30, 2015

Re: Eligible Securities – Request for Inclusion of Foreign Currency Eligible Securities

Dear _____:

Thank you for your letter dated March 17, 2015. In your letter, you request that the Department of Business Oversight (Department) find that _____ foreign currency deposits in the bank offices located in foreign countries that are listed in the enclosure with your letter, marked as “Exhibit A” _____ are “acceptable” and, thus, foreign currency eligible securities of _____. California Financial Code section 2082(c)(2) defines a “foreign currency eligible security” to include, when it is denominated in a foreign currency, “[a]ny deposit in an office of a bank acceptable to the commissioner that is located in a foreign country.”

The Department has reviewed the information provided by _____ concerning each bank listed in _____ Exhibit A. The information includes the following:

1. Name of the bank and its country of formation
2. The country and city in which the office of the bank is located where the foreign account balance is held
3. Amount of deposit and the currency denomination of the deposit
4. All current ratings of the bank and bank deposits by _____.

All of the foreign banks are rated at or above P-2 by _____ for Short-Term Issuer Level Rating, at or above A-2 by _____ for Short-Term Issuer Credit Rating, and at or above F-2 by _____ for Short-Term Issuer Default Rating.

In addition, none of the countries in which the foreign banks are located are listed on the Office of Foreign Asset Control Sanctions Programs and Country Information as of the date of this letter. Furthermore, none of the countries in which the foreign banks are located appear, as of October 24, 2014, on the Financial Action Task Force list of high-risk and non-cooperative jurisdictions.

All of the foreign banks listed in _____ Exhibit A have registered with the Internal Revenue Service (IRS) pursuant to the Foreign Account Tax Compliance Act, have been issued a Global Intermediary Identification Number, and are included in the Foreign Financial Institutions list published by the IRS.

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 Sacramento, CA 95814-4052
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 San Francisco, CA 94104-4428
 (415) 972-8565

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 Los Angeles, CA 90013-2344
 (213) 576-7500

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 San Diego, CA 92101-3697
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45 Fremont Street, Suite 1700
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 (415) 263-8500

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For these reasons, the Department has determined that the foreign banks listed in the enclosure to this letter, marked as "DBO Exhibit A," are acceptable, and therefore, the foreign currency deposits in those banks, may be included as part of _____'s eligible securities, subject to the following limitations:

1. _____ is only permitted to include the value of the deposits in the approved foreign banks not exceeding ten (10) percent of the aggregate value of all eligible securities owned by _____.
2. _____ is only permitted to include the value of deposits in any individual foreign bank (including all of that bank's foreign office locations) not exceeding five (5) percent of the aggregate value of all eligible securities owned by _____.

With respect to any foreign banks listed in DBO Exhibit A, the approval shall be revoked if the factors considered above with regard to any of the approved foreign banks are no longer true, or if there is a deterioration of _____'s composite rating. _____ shall have the continuing obligation to document that each of these factors remains true with respect to any foreign bank deposit which it seeks to count as an eligible security.

In the future, if _____ wishes to include as part of _____'s eligible securities any foreign currency deposits located in a foreign bank that is not listed in DBO Exhibit A, then _____ must apply to the Commissioner for approval of such foreign bank, pursuant to Financial Code section 2082(c)(2).

This approval does not include the five U.S. Dollar deposits listed in _____ Exhibit A because they are not foreign currency deposits. _____ may ask the Department to treat its letter as a request for a determination under Financial Code section 2082(b)(11) that the five U.S. Dollar deposits in bank offices located in foreign countries listed in _____ Exhibit A be treated as United States currency eligible securities, and submit any supplemental information in support of the request for determination.

If you have any questions, please feel to contact me at 213.897.2172.

Sincerely,

Jan Lynn Owen
Commissioner of Business Oversight

By
Wallace M. Wong
Senior Counsel

WMW:jg
Enclosure

cc: Robert Venchiarutti, Department of Business Oversight, San Francisco
Julio Prada, Department of Business Oversight, San Francisco