

## OFFICE OF THRIFT SUPERVISION

### Approval of Holding Company Application

**Order No.:** 98-87

**Date:** August 21, 1998

Royal Bank of Canada ("Bank"), Montreal, Quebec, Canada, and two United States domiciled, wholly owned subsidiaries (collectively, the "Applicants") have applied to the Office of Thrift Supervision ("OTS"), to acquire control of Security First Network Bank, Atlanta, Georgia (the "Savings Bank"), a federal stock savings bank, pursuant to 12 U.S.C. § 1467a(e)(1)(B) and 12 C.F.R. § 574.3. The Savings Bank is a member of the Savings Association Insurance Fund.

The OTS has considered the holding company application under the standards set forth in 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.7, and under the Community Reinvestment Act, 12 U.S.C. §§ 2901, *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, the OTS has also considered the digest by the OTS Southeast Regional Office ("Regional Office"), a legal opinion by the Business Transactions Division, and an analysis by Corporate Activities (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS has determined that the holding company application satisfies all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. Accordingly, the holding company application is hereby approved, subject to the following conditions:

1. The Applicants must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Applicants and the Savings Bank shall certify in writing to the Southeast Regional Director that no material or adverse changes have occurred with respect to the financial condition or operation of the Applicants or the Savings Bank, respectively, as disclosed in the application, including but not limited to directors or shareholders, and provided further, that no additional information having an adverse bearing on any feature of the application has been brought to the attention of the Applicants, the Savings Bank or the OTS since the date of the financial statements submitted with the application;

3. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order or within such additional period as the Southeast Regional Director, or his designee, may grant;
4. The Applicants and the Savings Bank must advise the Regional Office in writing within ten (10) calendar days after the effective date of the proposed transaction that the transaction was consummated in accordance with all applicable laws and regulations, the application and this Order;
5. Within ten (10) calendar days after the effective date of the proposed transaction, the Bank must submit signed Foreign Holding Company Agreement in the manner of the draft agreement submitted with the holding company application;
6. Within one year of the date of acquisition, the board of directors of the Savings Bank must consist of at least two directors who are not officers or directors of the Savings Bank or any affiliated party. The individuals are subject to the approval of the Southeast Regional Director;
7. The Savings Bank shall submit independent audit reports to the Southeast Regional Director for the first three fiscal years. These reports shall comply with the audit rules set forth in 12 C.F.R. § 562.4;
8. Any tax sharing agreement between the Applicants and the Savings Bank must receive the prior written approval of the Southeast Regional Director;
9. Within 30 days of the date of the acquisition, the Savings Bank shall submit to the Southeast Regional Director an enhanced Community Reinvestment Act ("CRA") Plan for review and non-objection. Prior to opening for business, the Savings Bank shall submit to the Southeast Regional Director, for written approval, the name and qualifications of the individual to oversee compliance with the CRA;
10. The Savings Bank's CRA Plan shall be subject to any future changes in requirements contained in regulatory policies or regulations that the OTS, on its own or acting in concert with other financial institution regulatory agencies, determines are appropriate for depository institutions;
11. The Savings Bank shall operate within the parameters of the submitted business plan. Any proposed major deviations or material changes from the submitted plan, including those pertaining to the level of capital, shall receive the prior written approval of the Southeast Regional Director. The request for approval shall be submitted a minimum of thirty days before the proposed change is anticipated;
12. Any subsidiary of the Applicants that engages in securities brokerage activities ("Broker-

- Dealer Affiliate”) must be operated as a separate legal entity from the Savings Bank so that: (i) their respective accounts and records are not intermingled; (ii) each observes the procedural formalities of separate legal titles; (iii) each is held out to the public as a separate enterprise; and (iv) none dominates another to the extent that one is treated as a mere department of the other;
13. A majority of the Savings Bank’s board of directors must not be comprised of individuals who are directors or employees of any Broker-Dealer Affiliate;
  14. The Savings Bank and the Broker-Dealer Affiliate are prohibited from sharing common officers unless prior written approval is obtained from the Southeast Regional Director, which shall be based on criteria such as regulatory compliance, experience, character, integrity and the ability to perform both duties;
  15. With respect to transactions between the Savings Bank and any Broker-Dealer Affiliate, the Savings Bank and the Broker-Dealer Affiliate must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. § 563.200; corporate opportunity, 12 C.F.R. § 563.201; self-dealing, 12 C.F.R. § 550.330; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and the Broker-Dealer Affiliate are prohibited from using their influence to: (i) take advantage of a business opportunity for the Broker-Dealer Affiliate's benefit when the opportunity is of present or potential advantage to the Savings Bank; or (ii) place the Broker-Dealer Affiliate in a position that leads to, or could create the appearance of a potential conflict of interest;
  16. The Savings Bank, the Applicants and the Broker-Dealer Affiliate are subject to the provisions of 12 C.F.R. § 563.76, *Offers and Sales of Securities at an Office of Savings Association*, and related policy established in OTS Thrift Bulletins 23-2, *InterAgency Statement on Retail Sales of Nondeposit Investment Products* (the “InterAgency Statement”), and 23a, *Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities*, and any additional or successor statements of policy or regulations addressing these subjects. The Savings Bank and the Applicants shall ensure compliance by the Broker-Dealer Affiliate with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Broker-Dealer Affiliate or their representatives market, or offer for sale, deposit products of the Savings Bank; and
  17. The Savings Bank’s Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council (“FFIEC”), including the May 5, 1997 *FFIEC Year 2000 Project Management Awareness* statement, the December 17, 1997 *FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk*, the March 17, 1998 *FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness*, the March

17, 1998 *FFIEC Guidance Concerning the Year 2000 Impact on Customers*, the April 10, 1998 *Guidance Concerning Testing for Year 2000 Readiness*, the May 13, 1998 *Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness*, the May 13, 1998 *Guidance on Year 2000 Customer Awareness Programs*, and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

August 21, 1998

A handwritten signature in black ink, reading "Richard M. Riccobono". The signature is written in a cursive style with a large, sweeping flourish at the beginning.

Richard M. Riccobono  
Deputy Director