

International Financial Institutions Association in California

20th Annual Convention

**“Financial Institutions of the Pacific Rim:
Banking on the Silk Road”**

City of Industry, California, October 19, 2002



“International Banking in California Today”
Legislative/Regulatory Focus Panel

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History of Foreign Banking in California

- According to *Financing an Empire - The History of Banking in California* by Dr. Ira B. Cross, the first foreign bank to open in California was the Commercial Bank of India, a British bank that opened an agency office in San Francisco in 1863 and closed in 1866.

- According to DFI records, the first foreign corporation licensed by the State Banking Department was the Russo-Chinese Bank, St. Petersburg, Russia. It incorporated in December 1895 and a San Francisco branch was authorized on April 1904. It voluntarily closed on November 1910, and its business was taken over by Wells Fargo Nevada National Bank, one of the predecessors to Wells Fargo Bank, N.A.

Russo-Chinese Bank was the first Chinese-foreign jointly owned bank in China. Its headquarters was situated in St. Petersburg in Russia, and the Shanghai Branch started business on the Bund in 1896.



- The British & California Banking Company Ltd., opened in 1864 and closed in 1866. Bank of British North America opened in 1864. In 1918, it was succeeded by British American Bank, the predecessor of Bank of Montreal, which still maintains a representative office in California.

Formed in 1835, the British Bank of North America established its first colonial branch in Newfoundland in 1837. Subsequently, other branches were opened in New Brunswick, Nova Scotia, British Columbia, the Yukon and in California.



- Bank of British Columbia operated from 1864 until 1901 when it was absorbed by the Canadian Bank of Commerce, predecessor to our oldest licensee, the Canadian Imperial Bank of Commerce.



Canadian Bank of Commerce, Canada's second largest financial institution, opened in Winnipeg in 1893 and constructed its Western headquarters in the style of a Greek temple.

California Today

- California is home to roughly 35 million people
- California's diverse economy is the fifth largest economy in the world
- California's economy is the largest of all U.S. states
- California's economy represents 13% of nation's economy

Foreign Banking in California Today

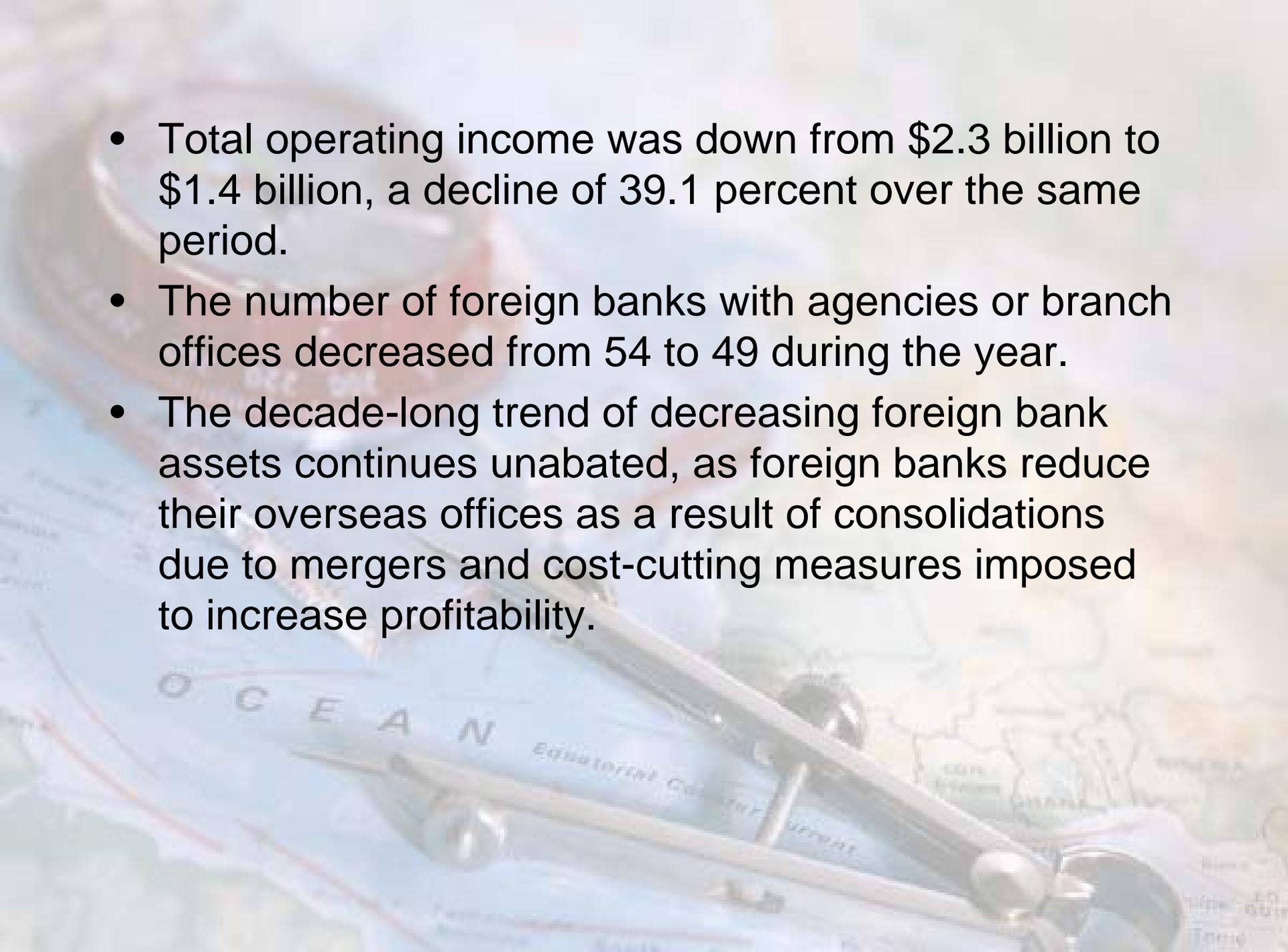
- 19 of the 25 largest banks in the world are present in California.
- International banks make nearly 40% of all loans to American businesses.
- State-licensed international banks hold \$1.109 trillion in assets of the total \$1.302 trillion of foreign bank assets in the United States.
- More than 87% of the international bank branches and agencies in the U.S. are state chartered. 86% of the international bank branches and agencies in California are state-chartered.
- California is the second-largest center of international banking in the country when ranked by number of institutions.

Subsidiary Banks

- Eight California state-chartered banks are operated as subsidiaries of foreign banks.
 - These banks held \$28.7 billion in assets as of June 30, 2002.
 - This compares to \$23.5 billion as of December 31, 1996.
 - The assets of subsidiaries expressed as a percentage of state-chartered banks decreased from 28 percent in 1996 to 21 percent as of June 30, 2002.

Branch and Agency Offices of Foreign Banks

- Total assets of agencies and branch offices of foreign banks in California decreased \$2.7 billion over the year, from \$25.5 billion in 2000 to \$19.7 billion as of yearend 2001, a decline of 38.6 percent.
- Loans were down \$5.7 billion, from \$22.3 billion to \$16.6 billion, a decline of 25.6 percent, while deposits were down from \$3.9 billion to \$3.6 billion, a decline of \$0.3 billion, or 7.7 percent.

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- The background of the slide features a faded image of a globe with a pair of metal compasses overlaid on it. The compasses are positioned diagonally across the frame, with the word 'OCEAN' visible on the upper beam and 'Equatorial Center' on the lower beam. The globe shows various landmasses and latitude/longitude lines.
- Total operating income was down from \$2.3 billion to \$1.4 billion, a decline of 39.1 percent over the same period.
 - The number of foreign banks with agencies or branch offices decreased from 54 to 49 during the year.
 - The decade-long trend of decreasing foreign bank assets continues unabated, as foreign banks reduce their overseas offices as a result of consolidations due to mergers and cost-cutting measures imposed to increase profitability.

Foreign Banks

Date	Number of Banks Represented	Number of Offices					Total	Assets (Millions)	Deposits (Millions)
		Agencies		Branch Offices					
		Depository	Non-Depository	Limited	Retail	Wholesale			
6/30/02	44	12	10	3	2	23	50	16,426	3,635
12/31/01	49	17	10	3	2	24	56	19,669	3,579
12/31/00	54	19	13	4	2	25	63	25,529	3,941
12/31/99	57	20	15	4	3	23	65	27,408	5,936
12/31/98	66	29	21	4	3	24	81	39,954	6,520
12/31/97	75	32	24	4	4	25	89	53,516	6,182
12/31/96	81	41	23	7	6	19	96	65,025	9,147

Offices of Foreign (Other Nation) Banks Opened During the Year

- On January 1, 2001, there were 63 agencies and branch offices of foreign (other nation) banks representing 54 banks. During the year, one agency opened, six agencies and two branch offices closed, leaving 56 agencies and branch offices representing 49 banks.

- Of the total, 17 are depositary agencies, 10 are non-depositary agencies, three are limited branch offices, two are retail branch offices and 24 are wholesale branch offices.

One agency opened during the year:

<i>Name of Bank</i>	<i>Country</i>	<i>Location</i>	<i>Opened</i>
<u>NON-DEPOSITARY AGENCY</u>			
IntesaBci S.p.A.	Italy	Los Angeles	5/1/01

Representative Offices of Foreign (Other Nation) Banks

- On January 1, 2001, there were 25 representative offices of foreign (other nation) banks representing 23 banks. During the year, one representative office opened and four closed, leaving 22 representative offices representing 20 banks.

Representative Offices of Foreign (Other Nation) Banks Opened

One representative office of a foreign (other nation) bank opened during the year:

<i>Name of Bank</i>	<i>Country</i>	<i>Location</i>	<i>Opened</i>
Allied Irish Bank	Ireland	San Francisco	3/19/01

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Sources: California Legislative Analyst; California Technology, Trade and Commerce Agency; Financing an Empire - The History of Banking in California by Dr. Ira B. Cross; Conference of State Bank Supervisors; Federal Reserve Bank of San Francisco