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Union Bank's Japanese Parent Moves to Comply With Regulations

Banking: Rules Require Foreign-Owned Banks To Set Up U.S. Holding Cos.

By **MIKE ALLEN**

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Japanese-owned Union Bank, with 59 branches in San Diego, is changing its legal name and structure — but not its branded name — to comply with regulatory changes covering foreign-owned banks doing business here.

The name change reflects establishing a new holding company and the consolidation of San Francisco-based Union Bank's holding company into the U.S. banking entity that's owned by the ultimate parent company of both — Mitsubishi UFJ Financial Group.

The new name for the U.S. entity is MUFG Union Bank N.A. which will be overseen by a holding company called MUFG Americas Holdings Corp., whose corporate headquarters are in New York City.

However, the main banking office for MUFG Union Bank will remain in San Francisco, where it has been since 1864, said Daniel Weidman, Union Bank senior vice president.

The changes take effect July 1.

Pierre Habis, senior executive vice president at Union Bank, said the impetus behind the consolidation and changes was twofold: to comply with new bank regulations covering the way foreign-owned subsidiary banks are structured, and to improve the synergies that come from integrating subsidiaries.

"This is more of a step closer to what the regulators desire, and from our perspective, a greater step to our commitment to being in the United States and banking here," Habis said.

In practical terms, the majority of Union Bank customers won't see any changes to the services they receive, or any changes to signage at branches, Habis said. In time, they will see the name change reflected on bank statements and documents.

Union Bank's website alerts customers to the changes, stating that it "better positions us to better leverage the strength and global reach of our parent company."

Based in Tokyo, Mitsubishi UFJ Financial Group has about $2.5 trillion in total assets, more than 1,100 offices in 40 countries and 120,000 employees.

As of March 31, Union Bank held about $107 billion in assets, had 422 branches in seven states primarily in California, and had nearly 12,000 employees.

Rules adopted by the Federal Reserve Bank earlier this year required foreign-owned banks operating in this country with more than $50 billion in assets to set up holding companies based here and comply with the same capital and risk management standards as U.S.-based banks.

David Ely, a finance professor at San Diego State University, said the new rules are a consequence of the global financial crisis that erupted in 2008, and another part of the Dodd-Frank banking reform law passed in 2010.

Banking regulators were concerned about the amount of capital reserves held by the foreign-owned subsidiary banks to withstand another financial crisis, Ely said.

The rule changes "involve meeting stricter capital and liquidity standards and the adoption of other risk management practices that will make these organizations less of a risk to U.S. financial stability," he said.

Although the new rules don't take effect until July 2016, Union Bank decided to "get out ahead of this" and take action on complying earlier, Habis said.

On Union Bank's website, the bank provided a frequently asked question section pertaining to the changes. To a question about the banking corporation's future business strategy, the company said, "to become a more competitive player in the U.S. and leverage MUFG's scale and financial expertise across the globe."

Habis said there are no immediate plans to expand Union Bank into new markets. The bank has 406 of its total 422 branches in California.