

OFFICE OF THRIFT SUPERVISION

Approval of Application to Establish an
Operating Subsidiary and to Modify a Business Plan

Order No.: **2004-39**
Date: **July 30, 2004**
OTS No. 15044

GE Capital Consumer Card Co., Mason, Ohio (Applicant), has applied for approval of the Office of Thrift Supervision (**OTS**) pursuant to 12 C.F.R. §§ 559.3(a) and 559.11 and Condition 9 of OTS Order No. 2001-37 (May 31, 2001), for permission to modify its business plan to permit it to acquire Cashworks, Inc. (Cashworks), and to operate Cashworks as an operating subsidiary (Application).

In the proposed transaction, General Electric Capital Corporation will contribute all of the shares of Cashworks to the Applicant.

Once Cashworks becomes a subsidiary of the Applicant, the Applicant will provide check cashing services for governmental, payroll, insurance and loan checks; certain deposit services (including opening deposit accounts); and bill payment services. The Applicant plans to offer these services through a variety of technical arrangements at various retailers across the United States. Under these arrangements, the Applicant would open FDIC-insured deposit accounts through the use of any of three types of fully automated facilities, as more fully described in the Application.¹ Cashworks will provide the program and staff that will enable the Applicant to determine when it should accept a customer's check.

In evaluating the operating subsidiary application, OTS must consider whether the savings association and operating subsidiary will comply with the requirements of 12 C.F.R. § 559.3. With respect to the application to amend the business plan, approval is not required by a particular statute or regulation. Therefore, in determining whether to grant that approval, OTS considers the application under its general supervisory authority. See, 12 U.S.C. § 1463(a)(1).

The transaction meets the requirements of 12 C.F.R. § 559.3. That regulation requires that a federal savings association own more than 50 percent of the voting shares of an operating subsidiary and that the operating subsidiary engage **only** in businesses that the federal savings association may engage in directly? The Applicant will own all of the shares of CashWorks and CashWorks will provide services that are ancillary to the check cashing and deposit taking

¹ The Applicant has proposed additional means of opening deposit accounts, which are only partially automated. These additional means of opening deposits will be addressed in a separate order.

² See 12 C.F.R. §§ 559.3(c)(1), 559.3(e)(1) (2004).

activities of the Applicant. In addition, at least initially because of existing contractual relationships, Cashworks will continue to engage in check cashing. In either case, a federal savings association may engage in deposit taking and check cashing and, therefore, its operating subsidiary may also engage in those activities. Moreover, pursuant to the incidental powers doctrine, activities that are ancillary to deposit taking and check cashing are also permitted. Here the proposed activities facilitate the savings association's deposit taking and check cashing. Accordingly, we conclude that the transaction meets the requirements of 12 C.F.R. § 559.3.

OTS has reviewed the business plan and has concluded that the above-described operations do not raise supervisory concerns. The principal risks associated with check cashing are: fraud in the form of altered, forged, counterfeit or stolen checks; retailer errors, fraud or financial instability; and insufficient funds. We have reviewed the Applicant's plans to limit those risks and conclude that they are sufficient to warrant approval of the transaction. OTS is familiar with the management and capital of the Applicant and concludes that the Applicant has the wherewithal to effectuate the modified business plan safely and soundly.

Based on the foregoing analysis, OTS concludes that the Application satisfies the regulatory criteria for approval and, therefore, the Application is hereby approved, provided that the following conditions are complied within a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director):

1. The proposed transaction must be consummated within 6 months from the date of this Order;
2. On the business day prior to the consummation of the proposed transaction, the chief financial officers of Cashworks and the Applicant must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of Cashworks and the Applicant as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of Cashworks, the Applicant or OTS since the date of the financial information submitted with the Application, the transaction must not be consummated unless that information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
3. Within 5 calendar days after the effective date of the proposed transaction the Applicant must submit to the Regional Director a written statement: (a) providing the effective date of the transaction; (b) affirming that the transaction was consummated in accordance with all applicable laws and regulations, the Application, and this Order; and (c) providing a reconciliation of the Applicant's capital; and

4. CashWorks must not materially deviate **from** any of the activities, facts, representations or commitments described in the Application, except with the prior written non-objection of the Regional Director.

The Regional Director may, for good cause, extend any time period set forth herein for **up** to 120 calendar days.

By order of the Director of the Office of ~~Trift~~ Supervision, or his designee, effective July **30,2004**.



Scott M. Albinson
Managing Director
Office of Examinations, Supervision and
Consumer Protection