

Press Releases

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OTS 00-05 - OTS Approves E*Trade's Acquisition of Telebank

Office of Thrift Supervision

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For further information

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WASHINGTON, D.C., Jan. 11, 2000 - E*TRADE Group, Inc., the Menlo Park, Calif., on-line brokerage firm, has received the approval of the Office of Thrift Supervision (OTS) to acquire Telebank Financial Corporation and its \$3.9 billion asset branchless thrift, Telebank. OTS attached a number of conditions to the approval.

Telebank, which began operations in 1989, will continue its business strategy as a national, low-cost marketer of consumer banking services. It provides banking products and services through the Internet and a toll free call center. Telebank does not originate loans, but purchases residential mortgage loans and mortgage backed securities.

E*Trade, through its wholly owned subsidiary, E*Trade Securities, Inc., is a leading provider of online investing services and has established a popular branded destination web site for self-directed investors. E*TRADE was organized in 1982 and began offering electronic investing services in 1992 and Internet services in February 1996. It reports it currently has approximately 1.5 million investing services customers.

One of the conditions imposed by OTS deals with an issue over the ownership position in E*TRADE of SOFTBANK America, Inc., its parent company, the Japanese SOFTBANK Corporation, and other entities. Prior to consummation of the acquisition, SOFTBANK and the other entities must file acceptable rebuttal of control agreements with the agency.

Telebank will eventually change its name to E*TRADE Bank and will continue to operate out of its headquarters in Arlington, Va. Since the thrift will ultimately adopt E*TRADE'S familiar logo for use on its own web site, letterhead and other advertising materials, OTS is requiring the thrift and brokerage to make clear distinctions between insured and uninsured products. They must abide by interagency guidelines covering these products and submit copies of all proposed web site disclosures to OTS for review.

OTS is requiring the thrift to update and present for review its business plan in each of the first three years of operation. Any material change to the business plan has to have OTS approval. Directors of E*TRADE Bank must adopt formal resolutions specifying that the institution will conduct ongoing reviews of cross-marketing activities for appropriateness and compliance with regulations and give the directors quarterly reports on these activities.

At least 40 percent of the thrift's directors must be individuals who are not officers or employees of the holding company or affiliates, and at least one member has to be independent of the thrift, holding company and affiliates. E*TRADE and the thrift also must adhere to regulations governing conflicts of interest, corporate opportunity and the exercise of fiduciary powers.

approval order - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2000-05a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.