

The JFTC issued cease and desist order to Shinsei Bank, Limited

(Tentative Translation)

March 28, 2007

Japan Fair Trade Commission

The Japan Fair Trade Commission, having investigated representations about trade practices for the fixed deposit called “Powered Teiki Plus” sold by Shinsei Bank, Limited (“Shinsei Bank”), found a violation of the Article 4 (1) (ii) (Misleading statement about benefit) of the Act against Unjustifiable Premiums and Misleading Representations (“Premiums and Representation Act”). Therefore, the JFTC issued a cease and desist order today to Shinsei Bank in accordance with the Article 6 (1) of the Premiums and Representation Act.

1 Outline of the party concerned

Entrepreneur	Address	Representative
Shinsei Bank, Limited	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo	Thierry Porté, CEO

2 Outline of “Powered Teiki Plus” in question

Deposit Term	3 years
Minimum Deposit	¥500,000 (via Internet), ¥2,500,000 (via phone or teller)
Currency	(1) Deposit in yen, (2) Interest in yen, (3) Principal repayment in yen or USD
Principal Repayment Method	Repayment may be made in yen if the yen rate at maturity (Note 1) is equivalent to or lower than the special contract rate (Note 2) or may be made in USD after exchanging the principal to USD at the special contract rate if the yen rate is higher than the special contract rate.
Interest	There are in principle four types of interest depending on the special contract rate. The interest is highest when the special contract rate is the base rate (See Note 2 (1)) and becomes gradually lower for other special contract rates: Base Rate -5 yen, Base Rate -7.5 yen and Base Rate -10 yen (Refer to Note 2 (2) to (4)).
Cancellation before maturity	Not acceptable in principle

(Note 1) The YEN/USD exchange rate at Tokyo time 3 p.m. on the date two business days prior to maturity.

(Note 2) The deposit subscriber shall select one of the four exchange rates below for special contract

with the Shinsei Bank:

- (1) YEN/USD exchange rate at Tokyo time 3 p.m. on the day when the applicable amount is deposited (hereinafter referred to as the “Base Rate”).
- (2) Exchange rate obtained by subtracting 5 yen from the Base Rate (Base Rate-5 yen)
- (3) Exchange rate obtained by subtracting 7.5 yen from the Base Rate (Base Rate-7.5 yen)
- (4) Exchange rate obtained by subtracting 10 yen from the Base Rate (Base Rate-10 yen)

3 Outline of the cease and desist order

(1) Outline of the violation

For the deposit called “Powered Teiki Plus” with a term of three years, Shinsei Bank distributed leaflets to general consumers at its branches from about August 16, 2006 to October 26, 2006. In the leaflets, Shinsei Bank made the representations below as if only the indicated interest had been applicable to the deposit.

Representations	The bank made the representations “Powered Teiki Plus(Type with Special Contract Rate Set Later)”, “YEN/USD Type [3-year term] Interest: 3.19%/year(2.552%/year after tax deduction)” and in the above example, the special contract rate is assumed to be the “Base rate = ¥116.40”. This interest is based on the conditions as of August 14, 2006 and will “vary depending on the market tendency.” Shinsei Bank made it appear that the yearly rate of 3.19% (before tax deduction) only applied to the applicable deposit.
Fact	In fact, the above yearly rate of 3.19% (before tax deduction) is applied only when the special contract rate is the Base Rate. The interest applicable to other special contract rates in this case are as follows: 2.14%/year (before tax deduction) for the Base Rate-5 yen, 1.72%/year (before tax deduction) for the Base Rate-7.5 yen, and 1.31%/year (before tax deduction) for the Base Rate-10 yen. All of them are lower than the represented interest.

(2) Outline of the cease and desist order

- a. Shinsei Bank shall publicly announce that the above representations mislead general consumers, leading them to believe that the applicable deposit is much more advantageous than actual one.
- b. Shinsei Bank shall take measures to prevent recurrence and have these measures thoroughly informed to its officers and employees.
- c. Shinsei Bank shall not make similar representations in the future.