



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

December 23, 1999

**Corporate Decision #99-51
January 2000**

Karen L. Garrett
Senior Vice President and Associate General Counsel
UMB Bank, National Association
P.O. Box 419226
Kansas City, Missouri 64141-6226

Re: UMB Bank, National Association, Kansas City, Missouri
Application to Establish an Operating Subsidiary
Application Control No. 99-MW-08-032

Dear Ms. Garrett:

This is in response to the December 1, 1999 operating subsidiary application ("Application") submitted on behalf of UMB Bank, National Association, Kansas City, Missouri ("Bank"), to the Office of the Comptroller of the Currency ("OCC").

The Bank proposes to establish an operating subsidiary to be known as eScout.com LLC ("LLC"), which would engage in research and development activities in connection with the anticipated transfer of the Bank's current Internet Web site to the LLC. The Bank would own more than fifty percent of the membership interests in the LLC, and the remainder of the membership interests would be owned by one or more additional investors. For the reasons discussed below, the Application is approved. Please note that our response is based solely upon the description of the LLC's activities contained in the Application.

I. Background

As noted above, the LLC would engage in research and development activities in connection with the proposed transfer and expansion of the Bank's current Internet Web site. The Web site operates as a large scale e-trading community specializing in comprehensive business-to-business financial and procurement transactions (in which the LLC would act as a finder) as well as related management

products. The Web site's target market is banks, businesses, and communities within the Bank's regional area, but the Bank indicates that a national customer base may develop in the future.

During the research and development stage, the LLC would employ personnel to: (1) supervise and conduct research and development activities; (2) purchase related systems and technologies; (3) develop marketing and branding materials and strategies; (3) negotiate contracts with participating vendors and potential customers (4) conduct pilot tests; and (5) engage in other activities associated with the development of the LLC's potential business. The Bank represents that any business developed as a result of the LLC's research and development activities would be limited to activities that are part of, or incidental to, the business of banking.

II. Analysis

A national bank may engage in activities that are part of, or incidental to, the business of banking by means of an operating subsidiary. 12 C.F.R. § 5.34(d) (1999). Through an operating subsidiary, a national bank may invest in a corporation, limited liability company, or similar entity if the parent bank owns more than fifty percent of the voting (or similar type of controlling) interest of the subsidiary. 12 C.F.R. § 5.34(d)(2).

The Bank represents that the LLC would engage in research and development necessary for the transfer and expansion of the Bank's Internet Web site and that the Web site activities would be limited to those permissible for a national bank. The OCC has previously addressed the provision of Internet services and related order and payment processing services and found that they are part of, or incidental to, the business of banking, and therefore, authorized for national banks pursuant to 12 U.S.C. § 24(Seventh).¹ Integral to the OCC's approval of permissible activities is the approval of the research and development necessary to engage in those activities.²

¹ National banks may provide a "package" of Internet-based services to retail merchants including: hosting merchants' Web sites on the bank's own server; registering merchants with search engines and obtaining Universal Resource Locators; providing an electronic communication pathway for product ordering and payment; maintaining merchants' data associated with the Web sites on its server (e.g., price information, product descriptions, and images); providing merchants with software to create Web sites; providing reports on transactions, Web site "hits," and sales data; and processing credit card transactions. OCC Interpretive Letter No. 856, [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,313 (Mar. 5, 1999) ("Interpretive Letter No. 856").

² See OCC Conditional Approval No. 301 (Jan. 15, 1999) (banks may own minority interests in a limited liability company to engage in research and development activities in connection with the anticipated establishment of an identity certification service); OCC Interpretive Letter No. 677, [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,625 (June 29, 1995) (banks, through operating subsidiaries, may engage in the development and distribution of home banking and financial management software); OCC Interpretive Letter No. 756, [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,120 (Nov. 5, 1996) (bank may hold a minority interest in a limited liability company to engage in the development, distribution, and maintenance of computer software for case management application).

III. Conclusion

Based upon the information and representations you have provided, and for the reasons discussed above, we conclude that the Bank may invest in the LLC and that the Application is approved.

If you have any questions, please do not hesitate to contact Jill Kennard, Senior Corporate Analyst, at (816) 556-1860 or Madelynn Orr, Senior Attorney, at (816) 556-1870.

Sincerely,

/s/

Julie L. Williams
First Senior Deputy Comptroller and Chief Counsel
