

FEDERAL RESERVE SYSTEM

Banco Santander Central Hispano, S.A.  
Madrid, Spain

Order Approving the Acquisition of Shares of Savings Associations

Banco Santander Central Hispano, S.A. (“Santander”), a financial holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under sections 4(c)(8) and 4(j) of the BHC Act and section 225.24 of the Board’s Regulation Y<sup>1</sup> to acquire up to 24.99 percent of the voting shares of Sovereign Bancorp, Inc. (“Sovereign”) and to control Sovereign<sup>2</sup> and its subsidiary savings association, Sovereign Bank, both of Wyomissing, Pennsylvania, and Independence Community Bank Corp. (“Independence”) and its subsidiary savings bank, Independence Community Bank

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<sup>1</sup> 12 U.S.C. §§ 1843(c)(8) and (j); 12 CFR 225.24.

<sup>2</sup> Pursuant to its investment agreement with Sovereign, Santander would acquire 19.8 percent of Sovereign’s common stock outstanding on the transaction closing date and would have the right to purchase additional shares not to exceed in the aggregate 24.99 percent of Sovereign common stock. Pursuant to sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and (j)) and section 225.24 of the Board’s Regulation Y (12 CFR 225.24), Santander is required to obtain the Board’s prior approval to acquire additional shares that would result in Santander controlling more than 24.99 percent of any class of Sovereign’s voting shares.

(“Independence Bank”),<sup>3</sup> both of Brooklyn, New York. For purposes of the BHC Act, the Board finds that Santander would control Sovereign and, thus, Sovereign would become a nonbanking subsidiary of Santander.<sup>4</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (70 Federal Register 74,816 (2005)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4 of the BHC Act.

Santander, with total consolidated assets equivalent to approximately \$939 billion, is the 19th largest banking organization in the world and the largest banking organization in Spain.<sup>5</sup> Santander engages in a broad range of banking and financial services worldwide through an extensive network of offices and subsidiaries. Santander, with total consolidated assets of approximately \$61 billion in the United States, operates one U.S. subsidiary insured depository institution in Puerto Rico only, Banco Santander Puerto Rico (“BSPR”), San Juan. BSPR

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<sup>3</sup> Independence Bank is a state chartered savings bank deemed to be a savings association under section 10(l) of the Home Owners’ Loan Act and under the BHC Act. See 12 U.S.C. §§ 1467a(l) and 1841(j).

<sup>4</sup> Immediately following Santander’s acquisition of a controlling interest in Sovereign, Sovereign proposes to acquire all of Independence’s voting shares. Santander’s acquisition of an indirect controlling interest in Independence Bank is also subject to approval by the New York State Banking Department (“NYSBD”), and Sovereign’s acquisition of Independence Bank is subject to approvals by the Office of Thrift Supervision (“OTS”) and the NYSBD. Sovereign has reported its intent to merge Independence Bank into Sovereign Bank several months after acquiring Independence. That merger would be subject to approval by the OTS under the Bank Merger Act.

<sup>5</sup> Asset data and rankings are as of December 31, 2004, and are based on the exchange rate then in effect.

controls \$5.6 billion in deposits, which represent less than 1 percent of total deposits in insured depository institutions in the United States (“total U.S. deposits”).<sup>6</sup> Santander also operates branches in New York, New York, and Stamford, Connecticut, and an Edge corporation in Miami, Florida.<sup>7</sup>

Sovereign, with total consolidated assets of approximately \$64 billion, is the 28th largest depository organization in the United States.<sup>8</sup> Sovereign operates one insured depository institution, Sovereign Bank, with offices in Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, and Rhode Island. Sovereign Bank controls approximately \$36 billion in deposits, which represents less than 1 percent of total U.S. deposits.

Independence, with total consolidated assets of approximately \$19 billion, is the 62<sup>nd</sup> largest depository organization in the United States. Independence operates one insured depository institution with offices in New York and New Jersey that controls deposits of approximately \$16 billion, which represent less than 1 percent of total U.S. deposits.

On consummation of the proposal, Santander would have total U.S. assets of approximately \$144 billion. Santander would control deposits of approximately \$58 billion, representing less than 1 percent of total U.S. deposits.

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<sup>6</sup> Deposit data are as of June 30, 2005. In this context, the term “insured depository institution” includes insured commercial banks, savings associations, and savings banks.

<sup>7</sup> Edge corporations are organized under section 25A of the Federal Reserve Act (12 U.S.C. § 611 et seq.).

<sup>8</sup> Domestic asset and ranking data are as of December 31, 2005.

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.<sup>9</sup> The Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. Santander and Sovereign have committed to conform all the activities of Sovereign Bank and Independence Bank to those permissible under section 4(c)(8) of the BHC Act and Regulation Y.<sup>10</sup>

In reviewing the proposal, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the proposed acquisition of Sovereign, Independence, and their subsidiary savings associations “can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.”<sup>11</sup> As part of its evaluation of a proposal under the public interest factors, the Board reviews the financial and managerial resources of the companies involved, as well as the effect of the proposal on competition in the relevant market and the public benefits of the proposal.<sup>12</sup> In acting on notices to acquire a savings association, the Board also

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<sup>9</sup> 12 CFR 225.28(b)(4)(ii).

<sup>10</sup> Santander has committed that it will use its best efforts to cause Sovereign to, and Sovereign has committed that it will, conform its direct and indirect nonbanking activities and investments, including by divestiture if necessary, to the requirements of the BHC Act within two years of consummation of the proposal.

<sup>11</sup> 12 U.S.C. § 1843(j)(2)(A).

<sup>12</sup> See 12 CFR 225.26; see, e.g., BancOne Corporation, 83 Federal Reserve Bulletin 602 (1997).

reviews the records of performance of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).<sup>13</sup>

The Board has considered these factors in light of all the facts of record, including confidential supervisory and examination information, publicly reported financial and other information, and public comments submitted on the proposal.<sup>14</sup> The Board also has consulted with, and considered information provided by, the primary home country supervisor of Santander and various federal and state supervisory agencies, including the Federal Deposit Insurance Corporation (“FDIC”), the OTS, the NYSBD, and the Securities and Exchange Commission (“SEC”).

#### Competitive Considerations

As part of the Board’s consideration of the public interest factors under section 4 of the BHC Act, the Board has considered carefully the competitive effects of the proposal in light of all the facts of record. Sovereign and Independence control insured depository institutions that engage in retail operations in the Metro New York banking market (the “New York banking market”).<sup>15</sup> In the New York banking market, Santander operates only

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<sup>13</sup> 12 U.S.C. § 2901 et seq.

<sup>14</sup> The Board received comments objecting to the proposal from an investment advisor to a mutual fund family that controls 4.9 percent of Sovereign’s voting shares and from two other commenters. The commenters primarily expressed concern about the managerial resources of Santander or Sovereign, the financial resources of Sovereign, or the manner in which the proposal was developed.

<sup>15</sup> The New York banking market includes Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; Monroe and Pike Counties

two uninsured branches that do not engage in retail banking operations. In weighing the competitive factors, the Board has also taken into account Sovereign's proposal to acquire Independence. The Board has considered the number of competitors that would remain in the banking market; the relative share of total deposits in depository institutions in the market ("market deposits") controlled by Sovereign and Independence;<sup>16</sup> the concentration level of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines");<sup>17</sup> and other characteristics of the markets.

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in Pennsylvania; and Fairfield County and portions of Litchfield and New Haven Counties in Connecticut.

<sup>16</sup> Deposit and market share data are as of June 30, 2005 (adjusted to reflect mergers and acquisitions through April 26, 2006), and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 Federal Reserve Bulletin 52 (1991). Because control of the deposits of Sovereign Bank and Independence Bank would be acquired by a commercial banking organization, these deposits are included at 100 percent in the calculation of the post-consummation share of market deposits. *See, e.g., First Banks, Inc.*, 76 Federal Reserve Bulletin 669 (1990).

<sup>17</sup> Under the DOJ Guidelines, 49 *Federal Register* 26,823 (1984), a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI is more than 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that

Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in the New York banking market. After consummation, the New York banking market would remain moderately concentrated, as measured by the HHI, and numerous competitors would remain.<sup>18</sup>

Based on all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effect on competition or on the concentration of banking resources in the New York banking market or in any other relevant banking market.

#### Financial and Managerial Resources

In reviewing the proposal under section 4 of the BHC Act, the Board has carefully considered the financial and managerial resources of Santander, Sovereign, Independence, and their subsidiaries. The Board also has reviewed the effect the transaction would have on those resources in light of all the facts of record, including confidential reports of examination, other supervisory information from the primary federal and state supervisors of the

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the higher-than-normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

<sup>18</sup> Sovereign operates the 29th largest depository institution in the New York banking market, controlling deposits of \$6.5 billion, which represent less than 1 percent of market deposits. Independence operates the 20<sup>th</sup> largest depository institution in the New York banking market, controlling deposits of approximately \$10 billion, which represent less than 1 percent of market deposits. After consummation of the proposal, Santander would become the eighth largest depository organization in the market, controlling deposits of approximately \$17 billion, which represent approximately 2 percent of market deposits. The HHI would decrease 19 points to 1034. Two hundred and sixty-four bank and thrift competitors would remain in the market.

organizations involved in the proposal, publicly reported and other financial information, information provided by Santander, and public comments received on the proposal.<sup>19</sup> The Board also has consulted with the Bank of Spain, which is responsible for the supervision and regulation of Spanish financial institutions.

In evaluating financial resources in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary insured depository institutions and significant nonbanking operations. In this evaluation, the Board considers a variety of measures, including capital adequacy, asset quality, and earnings performance. In assessing financial resources, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has carefully considered the financial resources of the organizations involved in the proposal. The capital levels of Santander would

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<sup>19</sup> Some commenters objected to the proposal because Sovereign's shareholders were not afforded an opportunity to vote on Santander's proposed investment in Sovereign, and they disagreed with Sovereign's decision to postpone its annual shareholder meeting. The commenters also alleged that Sovereign's board of directors breached its fiduciary duty by agreeing to the proposed transaction with Santander. These are matters of state law and may be raised before a court with the authority to provide commenters with adequate relief, if deemed appropriate. The Board also notes that the New York Stock Exchange ("NYSE") has determined that Sovereign's proposed issuance of shares to effect the transaction would not trigger NYSE's rules requiring shareholder approval of change of control transactions. The Board has consulted with the SEC about this matter. The Board has also consulted with the SEC about a commenter's allegations that Sovereign made false or misleading disclosures in statements filed with the SEC.



continue to exceed the minimum levels that would be required under the Basel Capital Accord and are considered to be equivalent to the capital levels that would be required of a U.S. banking organization. In addition, Sovereign, Independence, and their subsidiary savings associations and the U.S. subsidiary depository institution of Santander<sup>20</sup> are well capitalized and would remain so on consummation of the proposal. Based on its review of the record, the Board finds that Santander has sufficient financial resources to effect the proposal.<sup>21</sup>

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<sup>20</sup> Santander BanCorp (“SBC”), San Juan, an intermediate bank holding company through which Santander holds BSPR, has restated financial statements for the years 2000-2004 after concluding that some transactions booked as mortgage loan purchases or sales during those years did not meet accounting requirements for treatment as sales. SBC also delayed issuing its annual report for 2005 pending its review of similar transactions executed in 2005. SBC has indicated that the restatements lower its cumulative net income by less than 1 percent during the covered period. The Board has considered the corrective actions Santander and SBC have taken with respect to this matter. The Board has broad supervisory authority under the banking laws to address these matters, if warranted, in the examination and supervisory process. The Board also has consulted with the SEC about this matter.

<sup>21</sup> A commenter questioned whether Santander has sufficient financial resources to offer to purchase additional shares of Sovereign if required to do so under Pennsylvania law. Pennsylvania corporate law generally affords dissenting shareholders a right to demand fair value for their shares when a person or a group of persons acting in concert acquires 20 percent or more of the voting shares of a registered corporation. See 15 Pa. Cons. Stat. § 2541 et seq. The commenter requested that the Board delay action on the proposal pending the outcome of a lawsuit brought by a dissenting minority shareholder of Sovereign to enforce this demand right and other litigation related to the proposal. Santander represented that all lawsuits related to the proposed transaction have been dismissed. The Board also notes that certain recent amendments to a relevant Pennsylvania statutory provision appear to clarify that the proposal would not trigger the dissenting shareholders’ right under Pennsylvania corporate law. See 15 Pa. Cons. Stat. § 2543(b)(2)(vii) (added by Senate Bill 595).

The proposed transaction is structured as a cash purchase, and Santander will use available resources to fund the transaction.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization.<sup>22</sup> The Board has reviewed the examination records of Santander's U.S. operations and of Sovereign, Independence, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations.<sup>23</sup> In addition, the Board has considered its supervisory experiences and those of the other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking laws and with anti-money laundering laws.<sup>24</sup> Santander, Sovereign, Independence, and their subsidiary

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A commenter also objected to the pricing of the transactions. The price of a transaction or the consideration received by shareholders is not, by itself, within the limited statutory factors the Board may consider when reviewing an application under the BHC Act. See Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973).

<sup>22</sup> The Board has previously determined that Santander is subject to comprehensive consolidated supervision by the Bank of Spain. See, e.g., Banco Santander, S.A., 85 Federal Reserve Bulletin 441 (1999).

<sup>23</sup> A commenter expressed concern about Santander's ability to share information for purposes of complying with applicable U.S. anti-money laundering laws. The Board has reviewed confidential supervisory information on the policies, procedures, and practices of Santander's U.S. operations for complying with the Bank Secrecy Act and other U.S. anti-money laundering laws. Further, the Board notes that Santander has committed to make available to the Board information on the operations of Santander and any of its affiliates that the Board deems necessary to determine and enforce compliance with applicable laws.

<sup>24</sup> The commenter also expressed concern based on a news article discussing a fine imposed by the U.K. Financial Services Authority ("FSA") on Abbey National PLC ("Abbey"), London, United Kingdom, a foreign bank subsidiary

depository institutions are considered to be well managed. The Board also has considered Santander's plans for implementing the proposal, including the proposed management after consummation.<sup>25</sup>

Based on all the facts of record, the Board has concluded that the financial and managerial resources of the organizations involved in the proposal are consistent with approval under section 4 of the BHC Act.<sup>26</sup>

### CRA Performance Records

As previously noted, the Board considers the records of performance under the CRA of the relevant insured depository institutions when acting on a notice to acquire a savings association. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet

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of Santander. The Board notes that the activities of Santander and its affiliates in the United Kingdom are subject to the supervision of the FSA and the requirements of U.K. law. Santander has represented that the fine imposed by the FSA on Abbey was due to actions that occurred before Santander acquired Abbey.

<sup>25</sup> A commenter expressed concern about Sovereign's relationships with unaffiliated pawn shops and other nontraditional providers of financial services. As a general matter, the activities of the consumer finance businesses identified by the commenter are permissible, and the businesses are licensed by the states where they operate. Santander represented that Sovereign does not focus on marketing credit services to such nontraditional providers and generally does not have extensive commercial loan relationships with such providers. Santander also has represented that Sovereign does not play any role in the lending practices, credit review, or other business practices of those firms.

<sup>26</sup> A commenter expressed concern that Santander did not expressly state in its application that it would serve as a source of strength to Sovereign. The Board expects a bank holding company to serve as a source of financial and managerial strength to the insured depository institutions that it controls.

the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, in evaluating bank expansionary proposals.<sup>27</sup>

As provided in the CRA, the Board has evaluated the proposal in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.<sup>28</sup>

BSPR received an "outstanding" rating at its most recent CRA performance evaluation by the FDIC, as of August 9, 2005. Sovereign Bank received an "outstanding" rating at its most recent CRA performance evaluation by the OTS, as of March 11, 2005, and Independence Bank received a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of November 3, 2003. Santander has represented that Sovereign intends to implement Sovereign Bank's CRA program at Independence Bank.

Based on a review of the entire record, and for the reasons discussed above, the Board concludes that the CRA performance records of the relevant depository institutions are consistent with approval.

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<sup>27</sup> 12 U.S.C. § 2903.

<sup>28</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 at 36,640 (2001).

### Other Considerations

The Board also has carefully considered the lending record and data reported by Sovereign Bank and Independence Bank under the Home Mortgage Disclosure Act (“HMDA”)<sup>29</sup> in light of public comment about their record of lending to minorities. A commenter opposed the proposal and alleged, based on 2004 HMDA data, that those institutions engaged in discriminatory treatment of minority individuals in their home mortgage lending operations.<sup>30</sup> The commenter asserted that Sovereign Bank and Independence Bank made higher-cost loans to African Americans and Hispanics more frequently than to nonminorities.<sup>31</sup> The commenter also alleged that Sovereign Bank and Independence Bank disproportionately denied applications for HMDA-reportable loans by African-American and Hispanic applicants. The Board has analyzed 2004 HMDA data reported by Sovereign Bank and Independence Bank in their primary assessment areas.<sup>32</sup>

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<sup>29</sup> 12 U.S.C. § 2801 et seq.

<sup>30</sup> The commenter also expressed concerns about Santander’s acquisition of Island Finance Puerto Rico Inc. (“Island Finance”), an entity engaged in subprime lending. As a general matter, the activities of the consumer finance business identified by the commenter are permissible and the commenter did not provide evidence that Santander or Island Finance had originated, purchased, or securitized “predatory” loans or otherwise engaged in abusive lending practices.

<sup>31</sup> Beginning January 1, 2004, the HMDA data required to be reported by lenders were expanded to include pricing information for loans on which the annual percentage rate (APR) exceeds the yield for U.S. Treasury securities of comparable maturity by 3 or more percentage points for first-lien mortgages and by 5 or more percentage points for second-lien mortgages. 12 CFR 203.4.

<sup>32</sup> The commenter also alleged that Sovereign Bank and Independence Bank engaged in discriminatory lending based on a review of the prices and numbers of loans extended to African-American and Hispanic borrowers as compared

Although the HMDA data might reflect certain disparities in the rates of loan applications, originations, denials, or pricing among members of different racial or ethnic groups in certain local areas, they provide an insufficient basis by themselves on which to conclude whether or not Sovereign Bank or Independence Bank is excluding or imposing higher credit costs on those groups on a prohibited basis. The Board recognizes that HMDA data alone, even with the recent addition of pricing information, provide only limited information about the covered loans.<sup>33</sup> HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants

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to nonminority borrowers in 2005. The commenter based this allegation on 2005 HMDA data derived from loan application registers that it obtained from the savings associations. These data are preliminary and 2005 data for lenders in the aggregate are not yet available. See Frequently Asked Questions About the New HMDA Data, page 2 (April 3, 2006), available at <http://www.federalreserve.gov/boarddocs/press/bcreg/2006>.

<sup>33</sup> The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

regardless of their race. Because of the limitations of HMDA data, the Board has considered these data carefully and taken into account other information, including examination reports that provide on-site evaluations of compliance by Sovereign Bank and Independence Bank with fair lending laws. In the fair lending reviews that were conducted in conjunction with the most recent CRA performance evaluations of Sovereign Bank and Independence Bank, examiners noted no substantive violations of applicable fair lending laws. The Board has also forwarded the comments to, and consulted with, the OTS and the FDIC about the fair-lending and consumer-protection compliance records of Sovereign Bank and Independence Bank, respectively.

The record also indicates that Sovereign has taken steps to ensure compliance with fair lending and other consumer protection laws. Santander represented that Sovereign's consumer and mortgage lending units have second-review policies for loan applications that would otherwise be denied, and that Sovereign's compliance training program features on-line programs, including proficiency testing, and seminars taught by compliance staff or trade association employees. Santander has represented that Sovereign intends to implement its consumer compliance program at Independence Bank after consummation of the proposal.

The Board also has considered the HMDA data in light of other information, including the CRA performance records of Sovereign Bank and Independence Bank. These established efforts and records demonstrate that Sovereign and Independence are active in helping to meet the credit needs of their entire communities.

### Public Benefits

As part of its evaluation of the public interest factors under section 4 of the BHC Act, the Board also has reviewed carefully the public benefits and possible adverse effects of the proposal. The record indicates that consummation of the proposal would result in benefits to consumers and businesses currently served by Sovereign. They would be able to draw on Santander's global experience in retail banking and experience with Spanish-speaking customers, particularly as Sovereign expands in New York City, which has a large and increasing Hispanic population. In addition, it is expected that Santander's technological expertise will enhance Sovereign's ability to deliver existing and new banking products.

Based on all the facts of record, the Board concludes that consummation of the proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects. Accordingly, the Board has determined that the balance of the public benefits under section 4(j)(2) of the BHC Act is consistent with approval.

### Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved.<sup>34</sup> In reaching its

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<sup>34</sup> Two commenters requested that the Board hold a public hearing or meeting on the proposal. The Board's regulations provide for a hearing under section 4 of the BHC Act if there are disputed issues of material fact that cannot be resolved in some other manner. 12 CFR 225.25(a)(2). Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application if a meeting or hearing is necessary or appropriate to provide an opportunity for testimony. 12 CFR 262.3(i)(2). The Board has considered carefully the commenters' requests in light of all the facts of record. In the Board's view, the commenters had ample



conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act.<sup>35</sup> The Board's approval is specifically conditioned on compliance by Santander and Sovereign with the conditions imposed in this order and the commitments made to the Board in connection with the notice. The Board's approval also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c),<sup>36</sup> and to the Board's authority to require such modification or termination of the activities of the bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these conditions and commitments are deemed to be conditions imposed in writing by the Board in

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opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered carefully in acting on the proposal. The requests fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. Moreover, the commenters' requests fail to demonstrate why their written comments do not present their views adequately or why a meeting or hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the requests for a public hearing or meeting on the proposal are denied.

<sup>35</sup> A commenter expressed concern about the expansion of foreign banks in the United States. The Board notes that the International Banking Act of 1978 (12 U.S.C. § 3101 *et seq.*) and the BHC Act provide the general legal framework under which foreign banks may enter and conduct banking activities in the United States.

<sup>36</sup> 12 CFR 225.7 and 225.25(c).

connection with its findings and decisions herein and, as such, may be enforced in proceedings under applicable law. The acquisition shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>37</sup> effective May 25, 2006.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>37</sup> Voting for this action: Chairman Bernanke and Governors Bies, Olson, Kohn, Warsh, and Kroszner.