

FEDERAL RESERVE SYSTEM

Banco Santander Totta, S.A.  
Lisbon, Portugal

Order Approving Establishment of a Representative Office

Banco Santander Totta, S.A. (“Bank”) (formerly known as Banco Totta & Açores, S.A. (“Açores”)), Lisbon, Portugal, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA<sup>1</sup> to retain a representative office in Mineola, New York.<sup>2</sup> The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Mineola (*Newsday, Inc.*, May 19, 2006). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$44.6 billion,<sup>3</sup> is the third largest privately owned banking organization in Portugal. Bank provides a broad range of banking, financial, and other services to corporate and retail

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<sup>1</sup> 12 U.S.C. § 3107(a).

<sup>2</sup> Açores operated the representative office in Mineola. The Açores banking organization was reorganized effective December 16, 2004. In connection with the reorganization, a new holding company, Santander Totta SGPS, S.A., was created, and Açores merged with Açores’ two subsidiary banks, Companhia Geral de Crédito Predial Português, S.A. (“Crédito”) and Banco Santander Portugal, S.A., with Crédito as the survivor. Crédito then changed its name to Banco Santander Totta, S.A.

<sup>3</sup> Asset data are as of September 30, 2006.

clients primarily in Portugal. Outside Portugal, Bank operates a subsidiary bank in Angola; branches in the United Kingdom, Luxembourg, and Puerto Rico, and Madeira; and representative offices in Germany, Canada, Switzerland, Venezuela, France, and South Africa. In the United States, Bank has one nonbank subsidiary, Totta & Açores, Newark, New Jersey, that engages in money-remittance services in Connecticut, New Jersey, New York, and Massachusetts.

Bank is a subsidiary of Banco Santander Central Hispano, S.A. (“Santander”), Madrid, Spain.<sup>4</sup> Through its offices and subsidiaries, Santander offers banking, financial, and other services worldwide. In the United States, Santander indirectly controls two U.S. insured depository institutions<sup>5</sup> and owns several U.S. subsidiaries that engage in nonbanking activities. Santander and its foreign bank subsidiaries operate a number of direct offices in the United States.

Bank assumed the existing operations of Açores in connection with a corporate reorganization. No changes in the activities of Bank’s representative office have occurred as a result of the reorganization. That office acts as a liaison between Bank and its existing and potential customers. The office’s activities include soliciting new business, conducting research, marketing various services, and receiving applications for extensions of credit and executing loan documents on behalf of Bank.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a representative office, the Board must

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<sup>4</sup> Santander indirectly controls approximately 99.6 percent of Bank’s voting shares.

<sup>5</sup> Santander controls Banco Santander Puerto Rico, San Juan, Puerto Rico, a state-chartered bank with offices only in Puerto Rico; and Sovereign Bank, Wyomissing, Pennsylvania, a savings association with offices in Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, and Rhode Island.

consider whether (1) the foreign bank has furnished the information the Board needs to assess the application adequately; (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States; and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisors.<sup>6</sup> The Board also considers additional standards as set forth in the IBA and Regulation K.<sup>7</sup>

As noted above, Bank and Santander engage directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in Portugal, that those banks were subject to home country supervision on a

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<sup>6</sup> 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing this standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which the home country supervisors (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board's determination.

<sup>7</sup> 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3).

consolidated basis.<sup>8</sup> Bank is supervised by the Bank of Portugal on substantially the same terms and conditions as those other banks. With respect to Bank's parent, the Board previously has determined that Santander is subject to comprehensive supervision on a consolidated basis by the Bank of Spain.<sup>9</sup> Based on all the facts of record, including the above information, it has been determined that Bank and Santander are subject to comprehensive supervision on a consolidated basis by their home country supervisors.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K.<sup>10</sup> The Bank of Portugal and the Bank of Spain have no objection to Bank's retention of the representative office.

With respect to the financial and managerial resources of Bank, taking into consideration its record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, financial and managerial factors are consistent with approval of Bank's retention of the representative office. Bank appears to have the experience and capacity to support

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<sup>8</sup> See, e.g., Caixa Económica Montepio Geral, 86 Federal Reserve Bulletin 700 (2000); Banco Comercial Português, S.A., 86 Federal Reserve Bulletin 613 (2000); Banco Espírito Santo, S.A., et al., 86 Federal Reserve Bulletin 418 (2000); Caixa Geral de Depósitos S.A., 85 Federal Reserve Bulletin 774 (1999).

<sup>9</sup> See e.g., Banco Santander, S.A., 85 Federal Reserve Bulletin 441 (1999).

<sup>10</sup> See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). The additional standards set forth in section 7 of the IBA and Regulation K include the following: whether the bank's home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank; whether the bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; the bank's record of operation.

the representative office and has established controls and procedures for the representative office to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Portugal is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering. In accordance with these recommendations, Portugal has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in Portugal, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Bank has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money laundering compliance.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank and Santander have committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank and Santander have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that Bank and Santander have provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and Santander, as well as the terms and conditions set forth in this order, Bank's application to retain the representative office in Mineola, New York, is hereby approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.<sup>11</sup> Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and Santander with the commitments made in connection with this application and with the conditions in this order.<sup>12</sup> The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board,  
effective March 16, 2007.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>11</sup> See 12 CFR 265.7(d)(12).

<sup>12</sup> The Board's authority to approve the retention of the representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the New York State Banking Department to license the representative office in accordance with any terms or conditions that it may impose.