

FEDERAL RESERVE SYSTEM

Banco Espírito Santo de Investimento, S.A.
Lisbon, Portugal

Order Approving Establishment of a Branch

Banco Espírito Santo de Investimento, S.A. (“Bank”), Lisbon, Portugal, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA¹ to establish a branch in New York, New York. 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 branch 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 New York, New York (*The New York Post*, October 18, 2007). The time for filing comments has expired, and the Board has considered all comments received.

Bank is a wholly owned subsidiary of Banco Espírito Santo, S.A. (“BES”), also in Lisbon, and an indirect subsidiary of Crédit Agricole S.A. (“Credit Agricole”), Paris, France. Bank provides investment banking and advisory services, including project finance, corporate restructuring, securities trading and brokerage, and securities underwriting and distribution. Outside Portugal, Bank operates branches in Spain and the United Kingdom, subsidiaries in Brazil and Ireland, and a joint venture in Poland. Bank would be a qualifying foreign banking organization under Regulation K.²

BES, with consolidated assets of \$115 billion,³ is the third largest banking group in Portugal and provides banking services to retail and corporate customers through more than 700 branches in Portugal. In the United States, BES operates a branch

¹ 12 U.S.C. § 3105(d).

² 12 CFR 211.23(a).

³ Asset and ranking data are as of June 30, 2008.

in New York City and controls Espirito Santo Bank, Miami, Florida. Credit Agricole provides a wide range of banking and financial services to retail and corporate customers around the world and is the largest banking group in France, with assets of approximately \$2.3 trillion.

The proposed branch would facilitate transactions in the United States, Canada, and Latin America for Bank's clients by offering advisory and other services for project finance, leveraged financing, and structured commodity finance and by providing asset and derivatives trading.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether the foreign bank (1) engages directly in the business of banking outside of the United States; (2) has furnished to the Board the information it needs to assess the application adequately; and (3) is subject to comprehensive supervision on a consolidated basis by its home country supervisors.⁴ The Board also considers additional standards as set forth in the IBA and Regulation K.⁵

As noted above, Bank, BES, and Credit Agricole all 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.

⁴ 12 U.S.C. §§ 3105(d)(2); 12 CFR 211.24. 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; and (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.

⁵ 12 U.S.C. §§ 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3).

With respect to supervision by home country authorities in connection with applications involving other banks in Portugal, including BES, the Federal Reserve previously has determined that those banks were subject to comprehensive supervision on a consolidated basis by their home country supervisor, Banco de Portugal.⁶ Bank is, and BES remains, supervised by Banco de Portugal on substantially the same terms and conditions. The Federal Reserve also has previously determined that Credit Agricole is subject to comprehensive supervision on a consolidated basis by its home country supervisor, the Commission Bancaire.⁷ Credit Agricole also remains supervised by the Commission Bancaire on substantially the same terms and conditions. Based on all the facts of record, it has been determined that Bank, BES, and Credit Agricole are each subject to comprehensive supervision on a consolidated basis by their respective home country supervisors.

The additional standards set forth in section 7 of the IBA and Regulation K have also been taken into account.⁸ Banco de Portugal has no objection to the establishment of the proposed branch.

Portugal's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Accord"). Bank's capital is in excess of the minimum levels that would be required by the Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial

⁶ See Banco Santander Totta, S.A., 93 Federal Reserve Bulletin C71 (2007); 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).

⁷ See Fédération Nationale du Crédit Agricole, 92 Federal Reserve Bulletin C159 (2006).

⁸ 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 branch; the financial and managerial resources of the bank; whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; whether the bank and its home country have adopted and implemented policies and procedures to address and combat money laundering; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank's record of operation.

resources of Bank are consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. In addition, Bank has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general.

Portugal is a member of the Financial Action Task Force (“FATF”) and subscribes to its recommendations on measures to combat money laundering. In accordance with these recommendations, Portugal has enacted laws and developed regulatory standards to deter money laundering. Money laundering is a criminal offense in Portugal, and Portuguese financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering and terrorist financing 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 on Bank’s operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed and relevant government authorities have been contacted regarding access to information. Bank and its parent companies 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 its parent companies 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 addition, subject to certain conditions, Banco de Portugal may share information on Bank’s operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the conditions described below, it has been determined that Bank has provided adequate assurances of access to any necessary information that the Board may request.

Based on the foregoing and all the facts of record, Bank's application to establish a branch in New York, New York, is hereby approved.⁹ 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 with the commitments made in connection with this application and with the conditions in this order.¹⁰ For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under 12 U.S.C. § 1818 and other applicable law.

By order, approved pursuant to authority delegated by the Board, effective November 5, 2008.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

⁹ 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.

¹⁰ The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the State of New York to license branches of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York or its agent, the New York State Banking Department ("Department"), to license the proposed branch of Bank in accordance with any terms or conditions that the Department may impose.