

FEDERAL RESERVE SYSTEM

Banco Venezolano de Credito S.A.C.A.
Caracas, Venezuela

Order Approving Establishment of a Representative Office

Banco Venezolano de Credito S.A.C.A. (“Bank”), Caracas, Venezuela, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Miami, Florida. 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 submit comments, has been published in a newspaper of general circulation in Miami, Florida (*The Miami Herald*, January 26, 2000). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately \$494 million, is a full service commercial bank.¹ Its shares are publicly traded and widely held.

¹ Data are as of December 31, 1999.

Bank operates 89 branches in Venezuela and a branch in the Cayman Islands. Bank currently does not have any operations in the United States.

The proposed representative office would act as a liaison between Bank and existing and prospective customers, solicit new business for Bank, provide information to customers, collect credit information, receive applications for extensions of credit and other banking services on behalf of Bank, and perform other permissible activities.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside the United States, and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2)).² In addition, the Board may take into account additional

² In assessing this standard, the Board considers, among other factors, 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

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standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The Board has previously stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.³

With respect to home country supervision of Bank, the Board has considered the following information. The Superintendency of Banks and Other Financial Institutions (the “Superintendency”) is the regulatory and supervisory authority for banks and other financial institutions in Venezuela and, as such, is the home country supervisor of Bank. A number of changes recently have been made in the Superintendency’s system of supervision, which are now in the process of being implemented. The Superintendency obtains information on Bank’s financial condition and compliance with law through annual on-site examinations. Examiners assess the existence of adequate policies, procedures, and systems for supervising and controlling the activities of Bank domestically and abroad. In addition, special

²(...continued)

financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board’s determination.

³ See 58 *Federal Register* 6348, 6351 (1993). See also *Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993); *Agricultural Bank of China*, 83 *Federal Reserve Bulletin* 617 (1997).

examinations of particular areas of Bank may be conducted at the discretion of the Superintendency.

The Superintendency also receives periodic reports from Bank, including monthly reports on the financial operations of Bank's domestic and foreign offices, and consolidated financial statements of Bank's financial group on a semiannual basis.⁴ The financial statements of bank and its foreign branch are audited semiannually by external auditors.

Bank has established a system of internal monitoring and controls, which are applied on a daily basis to every type of operation conducted by Bank. Bank's internal controls are evaluated by external auditors who report their findings to Bank's management, shareholders, and the Superintendency. The proposed representative office would be required to establish internal policies and procedures consistent with those established by Bank. The proposed representative office would submit monthly reports to Bank, which would be reviewed by Bank's internal auditors; Bank's internal auditors would also audit the books and records of the proposed office annually.

⁴Venezuelan law defines a "financial group" as a group of banks, financial institutions or other companies that comprise a single decisionmaking or managerial unit. Such a group includes foreign and domestic offices, affiliates, and subsidiaries.

Based on all the facts of record, the Board has determined that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office, taking into account the nature of its activities.

The Board also has determined that for purposes of the IBA and Regulation K, Bank engages directly in the business of banking outside the United States. Bank has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The Superintendency has no objection to the establishment of the proposed representative office. The Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information on Bank's operations, the Board has reviewed the restrictions on disclosure in Venezuela and has communicated with relevant government authorities regarding access to information. Bank has 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 of 1956, as amended, 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 has 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 conditions described below, the Board concludes that Bank has 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 the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank or any of 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 is also specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the

conditions in this order.⁵ The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors,⁶ effective September 27, 2000.

(Signed)

Robert deV. Frierson
Associate Secretary of the Board

⁵ The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida and its agent, the Florida Department of Banking and Finance ("Department"), to license the proposed representative office of Bank in accordance with any terms or conditions that the Department may impose.

⁶ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Meyer and Gramlich. Absent and not voting: Governor Kelley.