

FEDERAL RESERVE SYSTEM

Abbey National Treasury Services plc
London, England

Order Approving Establishment of a Branch

Abbey National Treasury Services plc (ABank@), London, England, a foreign bank within the meaning of the International Banking Act (AIBA@), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a branch in Stamford, Connecticut. 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 Stamford, Connecticut (*Greenwich Time*, February 22, 2001). The time for filing comments has expired, and all comments have been considered.

Bank, with assets of \$182 billion, is a wholly owned subsidiary of Abbey National plc (AAbbey National@), London, England.¹ The Abbey National Group, with total consolidated assets of approximately \$295 billion, is the fifth largest banking group in the United Kingdom. The Abbey National Group operates a nationwide retail branch network in the United Kingdom and mortgage banking subsidiaries in France and Italy. The Abbey National Group also underwrites life and general insurance in the United Kingdom. Bank is a wholesale bank which operates branches in Hong Kong and Paris, France. Bank provides various treasury

¹ All financial data are as of June 30, 2001.

operations for the Abbey National Group, including liquidity management, funding, capital management, and risk management services. Bank and Abbey National currently do not have any banking operations in the United States. Bank would be a qualifying foreign banking organization within the meaning of Regulation K (12 C.F.R. 211.23(b)).

The proposed branch would obtain funding and provide access to U.S. dollar-denominated assets for the Abbey National Group.

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of 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 their home country supervisor (12 U.S.C. ' 3105(d)(2); 12 C.F.R. 211.24).² The Board may also take into

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 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.

account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)-(3)).

As noted above, Bank and Abbey National 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 the United Kingdom, that those banks were subject to home country supervision on a consolidated basis.³ Bank and Abbey National are supervised by the U.K. Financial Services Authority (FSA) on substantially the same terms and conditions as those other banks. Based on all the facts of record, it has been determined that Bank and Abbey National are subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The additional standards set forth in section 7 of the IBA and

³ See *HSBC Holdings plc, et al*, 86 Federal Reserve Bulletin 140 (2000); *HSBC Equator Bank plc*, 84 Federal Reserve Bulletin 564 (1998); *Bank of Scotland*, 84 Federal Reserve Bulletin 230 (1998); *The Royal Bank of Scotland Group plc*, 82 Federal Reserve Bulletin 428 (1996).

Regulation K (*see* 12 U.S.C. ' 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)-(3)) have

also been taken into account. The FSA has no objection to the establishment of the proposed branch.

The United Kingdom's risk-based capital standards are consistent with those established by the Basel Capital Accord. Bank's capital is in excess of the minimum levels that would be required by the Basel Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered 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, as well as controls and procedures for its worldwide operations generally.

With respect to access to information about Bank's operations, the restrictions on disclosure in relevant jurisdictions in which Bank and Abbey National operate have been reviewed and the relevant government authorities have been communicated with regarding access to information. Bank and Abbey National 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 Abbey National 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, the FSA 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 condition described below, it has been determined 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 Abbey National, as well as the terms and conditions set forth in this order, Bank's application to establish a branch is hereby approved.⁴ 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 or recommend 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 Abbey National 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

⁴ 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.

⁵ The authority to approve the establishment of the proposed branch parallels the continuing authority of the State of Connecticut to license offices of a foreign bank. The approval of this application does not supplant the authority of the State of Connecticut, or its agent, the Connecticut Department of Banking (ADepartment@), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

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 September 17, 2001.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board