

FEDERAL RESERVE SYSTEM

Banca Comerciala Romana S.A.
Bucharest, Romania

Order Approving Establishment of a Representative Office

Banca Comerciala Romana S.A. ("Bank"), Bucharest, Romania, 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 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 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 New York (*The New York Post*, August 1, 2001). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of \$3.6 billion,^{1/} is the largest commercial bank in Romania. Seventy percent of Bank's shares are owned by the Authority for Privatization and State Ownership Administration, a public legal entity subordinated to the Romanian government that carries out the government's privatization strategy. The remaining 30 percent of Bank's shares are owned by five private, widely held, regionally based ownership funds established

^{1/} Data are as of December 31, 2001.

under Romania's 1991 privatization law. Bank provides wholesale and retail banking services to corporate, individual, and government customers. Bank has branches throughout Romania, as well as in Cyprus and Moldova. Bank has subsidiary banks in Germany, France, and the United Kingdom.

The proposed representative office would enable Bank to provide assistance to existing and potential customers in identifying and facilitating business and trade opportunities between Romania and the United States. Bank intends to engage in general marketing and promotional activities, development and enhancement of correspondent relationships, research and consulting services, and certain loan solicitation 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.^{2/} With respect to establishment

^{2/} See 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(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

(continued...)

of representative offices, the Board will consider that the standard regarding supervision has been met where it determines that the applicant bank is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities and the operating record of the applicant.^{3/} The Board may take into account additional standards set forth in the IBA and Regulation K.^{4/}

In connection with this application, Bank has provided certain commitments that limit the activities of the representative office. It has committed that the representative office would engage only in certain specified activities and would not make credit decisions on behalf of Bank, solicit deposits on behalf of Bank, or engage in activities related to securities trading, foreign exchange, or money transmission.

As noted above, Bank engages directly in the business of banking outside the United States through its banking operations in Romania. Bank also has provided the Board with the information necessary to assess the application

^{2/}(...continued)

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, e.g., RHEINHYP Rheinische Hypothekenbank AG, 87 Federal Reserve Bulletin 558 (2001); see also Promstroybank of Russia, 82 Federal Reserve Bulletin 599 (1996); Komercni Banka, a.s., 82 Federal Reserve Bulletin 597 (1996); Commercial Bank "Ion Tiriac", S.A., 82 Federal Reserve Bulletin 592 (1996).

^{4/} See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

through submissions that address the relevant issues. With respect to supervision by home country authorities, the National Bank of Romania (“NBR”) is the principal supervisory authority of Bank. The NBR is the sole licensing, regulatory, and supervisory authority for all banking organizations in Romania. The Board has previously approved the establishment of a limited representative office in the United States by a Romanian bank.^{5/} Bank is supervised by the NBR on substantially the same terms and conditions as that bank.

Although Romania is not a member of the Financial Action Task Force (“FATF”), Romania has enacted laws based on the general recommendations of the FATF. Anti-money laundering standards have been established and programs to deter money laundering are being implemented. Under Romanian law, money laundering is a criminal offense and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Romania has also established the National Office for Money Laundering Prevention and Fighting (“National Office”). Bank forwards suspicious transaction reports to the National Office for further investigation. Bank has established specific policies and procedures designed to prevent, detect, and report any money laundering activities. These policies include a “know your customer” policy, parameters to identify suspicious transactions, reporting and record retention for all suspicious transactions, and employee training.

Based on all the facts of record, including commitments provided by

^{5/} Commercial Bank “Ion Tiriac”, S.A., 82 Federal Reserve Bulletin 592 (1996).

Bank limiting the activities of the proposed representative office, it has been determined that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office.

The Board has taken into account the additional standards set forth in the IBA and in Regulation K.^{6/} The NBR has no objection to the establishment of the proposed office. With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, the Board has determined that financial and managerial considerations are consistent with approval. In addition, Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures for the proposed office to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on the operations of Bank and any affiliate of Bank 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 may be prohibited or impeded by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or

^{6/} See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the NBR 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, the Board has concluded that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, Bank's application to establish a representative office in New York is hereby approved.^{7/} 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 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 with the commitments made in connection with this application and with the conditions in this order.^{8/} The commitments and

^{7/} 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.

^{8/} The Board's authority to approve the establishment of the proposed 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 State of New York or its agent, the New York State Banking Department ("Department"), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings against Bank, its offices, and its affiliates under applicable law.

By order, approved pursuant to authority delegated by the Board, effective May 21, 2002.

(Signed)

Robert deV. Frierson
Deputy Secretary of the Board