

## FEDERAL RESERVE SYSTEM

BBVA Bancomer, S.A.  
Mexico City, Mexico

### Order Approving Establishment of an Agency

BBVA Bancomer, S.A. ("Bank"), Mexico City, Mexico, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish an agency in Houston, Texas. 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 an agency 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 Houston, Texas (*Houston Chronicle*, August 5, 2002). The time for filing comments has expired, and all comments have been considered.

Bank, with total assets of approximately \$41 billion, is the largest bank in Mexico.<sup>1</sup> Bank is a subsidiary of Grupo Financiero BBVA Bancomer, S.A. de C.V. ("Grupo"), also in Mexico City, a financial services holding company that owns 99.9 percent of Bank's shares. Grupo's ultimate parent is Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), Bilbao, Spain, which directly or indirectly owns approximately 55 percent and has voting control over an additional approximately 9 percent of the common shares of Grupo. No other shareholder

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<sup>1</sup> Asset data are as of September 30, 2002.

controls more than 5 percent of the shares of Grupo. Bank and its subsidiaries represent more than 95 percent of Grupo's consolidated assets. BBVA, with assets of approximately \$277 billion, is the second largest banking organization in Spain. BBVA provides a broad range of banking, financial, and other services throughout the world, and operates banking offices and subsidiaries in more than 24 countries.<sup>2</sup> BBVA is a qualifying foreign banking organization under Regulation K.

Bank currently operates state-licensed agencies in Los Angeles, California, and New York, New York. Bank and Grupo also operate several U.S. nonbanking subsidiaries, all headquartered in Houston, Texas.<sup>3</sup>

Bank seeks to establish the Houston agency to relocate and consolidate the existing operations of its Los Angeles and New York agencies. On the establishment of the proposed Houston agency, all operations, assets, and liabilities of Bank's existing U.S. agencies would be transferred to the Houston agency. The proposed Houston agency would continue the business of the existing agencies, which includes deposit accounts for non-U.S. persons, corporate loans and letters of credit, and other banking services for international businesses and non-U.S. persons.

In order to approve an application by a foreign bank to establish an agency 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 the United States and has furnished to the Board the information it

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<sup>2</sup> In the United States, BBVA's banking operations include a subsidiary bank, Banco Bilbao Vizcaya Argentaria Puerto Rico, San Juan, Puerto Rico; a branch in New York, New York; and an agency in Miami, Florida. BBVA also has several U.S. nonbanking subsidiaries.

<sup>3</sup> These subsidiaries engage in money transmission, brokerage, foreign exchange activities, and related services and support.

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. § 3105(d)(2); 12 C.F.R. 211.24).<sup>4</sup> The Board may also take into 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 engages 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 Federal Reserve previously has determined, in connection with an application involving another bank in Mexico, that bank was subject to home country supervision on a consolidated basis.<sup>5</sup> Bank is supervised by the banking regulatory authorities in Mexico on substantially the same terms and conditions as that other bank. With respect to Bank's parent, BBVA, the Federal Reserve also previously has

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<sup>4</sup> 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.

<sup>5</sup> See Grupo Financiero Banamex Accival, 82 Federal Reserve Bulletin 1047 (1996).

determined that other Spanish banks are subject to comprehensive supervision on a consolidated basis in connection with their applications to establish U.S. operations.<sup>6</sup> BBVA is subject to supervision by the banking regulatory authorities in Spain 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 BBVA are subject to comprehensive supervision on a consolidated basis by their home country supervisors.

The Board has also 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)-(3)). The home country supervisors of Bank and BBVA have no objection to the establishment of the proposed agency.

Mexico'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 agency. In addition, Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Mexico 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, Mexico has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal

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<sup>6</sup> See Caixa de Aforros de Vigo, 88 Federal Reserve Bulletin 132 (2002); Caja de Ahorros y Monte de Piedad de Madrid, 87 Federal Reserve Bulletin 785 (2001).

offense in Mexico, 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 and BBVA operate and has communicated with relevant government authorities regarding access to information. Bank and its ultimate parent 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 ultimate parent 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 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 BBVA, as well as the terms and conditions set forth in this order, Bank's application to establish an agency in Houston, Texas, is hereby approved.<sup>7</sup> Should any restrictions on access to information on the operations or

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<sup>7</sup> 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.

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 BBVA with the commitments made in connection with this application and with the conditions in this order.<sup>8</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 January 29, 2003.

(signed)

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Jennifer J. Johnson  
Secretary of the Board

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<sup>8</sup> The Board's authority to approve the establishment of the proposed agency parallels the continuing authority of the State of Texas to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Texas Department of Banking to license the proposed agency of Bank in accordance with any terms or conditions that it may impose.