

FEDERAL RESERVE SYSTEM

Banco Latinoamericano de Exportaciones S.A.  
Panama City, Republic of Panama

Order Approving Establishment of a Representative Office

Banco Latinoamericano de Exportaciones S.A. (“Bank”), Panama City, Republic of Panama, 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 (*The Miami Herald*, April 15, 2005). The time for filing comments has expired, and all comments received have been considered.

Bank, with total consolidated assets of approximately \$3.2 billion,<sup>1</sup> is the third largest bank in Panama and focuses on the provision of trade finance services.<sup>2</sup> Bank operates representative offices in Argentina, Brazil, and Mexico. In the United States, Bank operates an agency in New York, New York.

The proposed representative office would act as a liaison between Bank’s head office in Panama and its existing and prospective customers in the

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<sup>1</sup> Data are as of December 31, 2005.

<sup>2</sup> Bank was established by central banks in the region to finance trade throughout Latin America. Bank has three classes of shares. The ownership of the first class of shares is restricted to central banks or state-owned financial institutions in Latin America. Other financial institutions may hold the second class of shares. The third class of shares is publicly traded on the New York Stock Exchange.

United States. The office would engage in representative functions in connection with the products and services offered by Bank, solicit new business, provide information to U.S.-based companies about conducting business in Latin America, and perform preliminary and servicing steps in connection with lending.

The IBA and Regulation K require that the Board, in acting on an application by a foreign bank to establish a representative office, take into account whether (1) the foreign bank has furnished the information the Board needs to assess the application adequately; (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States; and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisors (12 U.S.C. §§ 3107 and 3105(d)(2); 12 CFR 211.24(d)(2)).<sup>3</sup> The Board also may take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)). The Board will consider that the supervision standard has been met where it determines that the applicant bank is subject to a supervisory framework that is consistent

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<sup>3</sup> In assessing the supervision 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.

with the activities of the proposed representative office, taking into account the nature of such activities.<sup>4</sup> This is a lesser standard than the comprehensive, consolidated supervision standard applicable to applications to establish branch or agency offices of a foreign bank. The Board considers the lesser standard sufficient for approval of representative office applications because representative offices may not engage in banking activities (12 CFR 211.24(d)(2)).

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.

Bank has provided the following information regarding home country supervision. Bank is supervised by the Superintendency of Banks of the Republic of Panama (“Superintendency”). The Superintendency is responsible for the regulation, supervision, and examination of financial institutions operating in Panama. The Superintendency implements legislation concerning capital adequacy, liquidity, asset classification, and large credit and foreign-currency exposures. The Superintendency has the authority to impose remedial measures, including civil money penalties, against banks that violate Panamanian banking laws and regulations.

The Superintendency supervises and regulates Bank through a combination of on-site examinations and off-site monitoring. On-site

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<sup>4</sup> See, e.g., Banco Financiera Comercial Hondurena, S.A., 91 Federal Reserve Bulletin 444 (2005); Jamaica National Building Society, 88 Federal Reserve Bulletin 59 (2002); and 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); and Commercial Bank “Ion Tiriac”, S.A., 82 Federal Reserve Bulletin 592 (1996).

examinations are conducted annually and cover the Bank's overall financial condition, capital adequacy, asset quality, corporate governance, and compliance with the law. Off-site monitoring of Bank is conducted by the Superintendency through the review of required weekly, monthly, quarterly, and annual reports. Bank is also subject to quarterly external audits.<sup>5</sup> These audits cover internal controls, risk management, asset quality and the preparation of financial statements.

Based on all the facts of record, including the information above, it has been determined that 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.

The additional standards set forth in section 7 of the IBA and Regulation K (see 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)) have also been taken into account. The Superintendency has no objection to the establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration its record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, financial and managerial factors are consistent with approval of the proposed representative office. Bank has capital that exceeds the Basel minimums. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for it to ensure compliance with U.S. law.

Panama has enacted laws based on the general recommendations of the Financial Action Task Force. Panama is a member of the Caribbean Financial

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<sup>5</sup> External auditors are subject to standards established by the Superintendency.

Action Task Force and participates in other international fora that address the prevention of money laundering.<sup>6</sup> Money laundering is a criminal offense in Panama, and banks are required to establish internal policies and procedures for the detection and prevention of money laundering. The Superintendency requires banks to adopt know-your-customer policies, report suspicious transactions to Panama's Financial Intelligence Unit, and maintain records. Bank states that it has established anti-money laundering policies and procedures, which include the implementation of know-your-customer policies, suspicious activity reporting procedures, and related training programs and manuals. These policies and procedures are reviewed by the Superintendency and by bank's internal and external auditors.

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 communicated with 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 as 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

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<sup>6</sup> Panama is a party to the 1988 UN Convention Against the Illicit Traffic of Narcotics and Psychotropic Substances, the UN International Convention Against Transnational Organized Crime, and the UN International Convention for the Suppression of the Financing of Terrorism. Panama is also a member of the Organization of American States Inter-American Drug Abuse Control Commission.

from third parties for disclosure of such information. In addition, subject to certain conditions, the Superintendent 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.

Based on the foregoing and all the facts of record, and subject to the commitments made by Bank and the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved.<sup>7</sup> Should 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 or recommend termination of any of Bank's direct and indirect activities in the United States. Approval of the application also is specifically conditioned on compliance by Bank with the conditions imposed in this order and the commitments made to the Board in connection with this application.<sup>8</sup> For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in

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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. See 12 CFR 265.7(d)(12).

<sup>8</sup> The Board's authority to approve the establishment of the proposed representative 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 or its agent, the Florida Office of Financial Regulation, to license the proposed office of Bank in accordance with any terms or conditions that it may impose.

connection with its finding and decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective March 27, 2006.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board