

FEDERAL RESERVE SYSTEM

Fédération Nationale du Crédit Agricole
Paris, France

SAS Rue La Boétie
Paris, France

Order Approving the Formation of
Bank Holding Companies and Acquisition of a Bank

Fédération Nationale du Crédit Agricole (“FNCA”) and SAS Rue La Boétie (“Boetie”) (together “Applicants”) have requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to become bank holding companies and thereby retain control indirectly of Espirito Santo Bank (“ES Bank”), Miami, Florida, through their subsidiary, Crédit Agricole S.A. (“Credit Agricole”), Paris, France, a foreign bank that is a bank holding company within the meaning of the BHC Act.²

Applicants filed to become bank holding companies in compliance with commitments made by Boetie in connection with a temporary exemption from certain filing requirements of the BHC Act granted under section 4(c)(9) of the BHC Act in 2003.³ The Board granted that exemption in conjunction with Credit Agricole’s proposed acquisition of Crédit Lyonnais (“Credit Lyonnais”),

¹ 12 U.S.C. § 1842.

² Credit Agricole controls indirectly more than 25 percent of the voting shares of Banco Espirito Santo, S.A., Lisbon, Portugal.

³ 12 U.S.C. § 1843(c)(9). Section 4(c)(9) of the BHC Act provides that the Board may grant to foreign companies exemptions from the provisions of section 4 of the act, provided such exemptions are not substantially at variance with the purposes of the BHC Act and are in the public interest.

another French bank also in Paris, to allow Boetie and Credit Agricole to acquire Credit Lyonnais's U.S. nonbanking subsidiaries subject to the condition that Boetie seek approval from the Board under section 3 of the BHC Act to become a bank holding company. FNCA, an unincorporated association that became Boetie's parent, later joined Boetie's application.

Approximately 40 regional cooperative banks ("Regional Banks") directly owned more than 90 percent of the shares of Credit Agricole before the formation of Boetie and the subsequent acquisition of Credit Lyonnais. Boetie was formed in connection with Credit Agricole's public offering of shares undertaken, in part, to facilitate its acquisitions.⁴ In connection with the share issuance by Credit Agricole, the Regional Banks sought to consolidate their ownership interest in Credit Agricole and transferred their shares to Boetie.⁵ Boetie, which currently holds approximately 55 percent of Credit Agricole's voting shares, votes the shares of Credit Agricole in order to maintain the Regional Banks' control of Credit Agricole. FNCA acts as a consultative and representative body for the Regional Banks.

FNCA, Boetie, Credit Agricole, and Calyon, S.A. ("Calyon"),⁶ Paris, a wholly owned French bank subsidiary of Credit Agricole (jointly, "FHC electors"), have also filed elections to become and be treated as financial holding

⁴ Credit Agricole was formerly known as Caisse Nationale de Credit Agricole.

⁵ Credit Agricole supports, coordinates, and supervises the operations of the Regional Banks and approximately 2600 local cooperative banks, which operate a retail branch network in France. FNCA, Boetie, Credit Agricole, and the regional and local cooperative banks together comprise the Credit Agricole Group. Boetie and FNCA engage in no activities in the United States except through Credit Agricole.

⁶ Calyon is the successor to Crédit Agricole Indosuez, S.A., Paris, France.

companies pursuant to section 4(k) and (l) of the BHC Act and section 225.82 and 225.91 of the Board's Regulation Y.⁷

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (68 Federal Register 34,608). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Credit Agricole, with total consolidated assets of approximately \$913 billion, is the largest bank in France.⁸ Credit Agricole conducts banking and nonbanking operations in the United States indirectly through Calyon and Credit Lyonnais, a wholly owned subsidiary of Credit Agricole. Calyon operates branches in New York, Chicago, and Los Angeles and representative offices in Houston and Dallas. Credit Lyonnais operates a representative office in New York and an agency in Miami. ES Bank, the U.S. subsidiary bank of Banco Espirito Santo, S.A., is an indirect subsidiary of Credit Agricole.⁹ Banco Espirito Santo, S.A. also operates a branch in New York. Calyon engages through subsidiaries in the United States in a broad range of permissible nonbanking activities,

⁷ See 12 U.S.C. §§ 1843(k) and (l); 12 CFR 225.82 and 225.91. FHC electors have provided all the information required under Regulation Y. Based on all the facts of record, the Board has determined that these elections to become and be treated as financial holding companies are effective as of the date of this order. ES Bank and applicable foreign banks are well capitalized and well managed in accordance with the applicable provisions of Regulation Y. See 12 CFR 225.90 and 225.2.

⁸ French asset and ranking data are as of December 31, 2004, and these data are based on the exchange rate then in effect. Domestic assets are as of June 30, 2006, and deposit data and rankings are as of June 30, 2005.

⁹ Credit Agricole also is deemed to control indirectly Banca Intesa S.p.A., Milan, Italy, which operates a branch in New York.

including securities and futures trading, leasing, financing, brokerage, and financial consulting activities.¹⁰

ES Bank has total assets of approximately \$409 million and has one office in Miami. ES Bank is the 87th largest insured depository organization in Florida, controlling deposits of approximately \$301 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.¹¹

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including confidential supervisory and examination information from the various U.S. banking supervisors of the institutions involved, publicly reported and other financial information, and information provided by Applicants and public comment on the proposal. The Board also has consulted with the Commission Bancaire, which has primary responsibility for the supervision and regulation of French banks, including Credit Agricole.

In evaluating the financial factors in proposals involving new bank holding companies, the Board reviews the financial condition of the applicants and the target depository institutions. The Board also evaluates the financial

¹⁰ Calyon Securities, Inc., New York, New York, a U.S. subsidiary of Calyon, engages in certain securities underwriting and dealing activities that are permissible for a bank holding company that has financial-holding-company status. Boetie and Credit Agricole have engaged in these activities indirectly under the temporary authority of section 4(c)(9) of the BHC Act described above.

¹¹ In this context, depository institutions include commercial banks, savings banks, and savings associations.

condition of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has carefully considered the financial factors of this proposal. France's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Accord"). The capital ratios of Credit Agricole and Applicants' foreign subsidiary banks with U.S. banking operations would continue to exceed the minimum levels that would be required under the Accord and are considered equivalent to the capital levels that would be required of a U.S. banking organization. In this regard, Applicants' subsidiary banks with U.S. banking operations are well capitalized. The Board also has considered the financial resources of Applicants and other organizations involved in the proposal. Based on its review of these factors, the Board finds that the financial factors of the proposal are consistent with approval.

The Board also has considered the managerial resources of the organizations involved and the combined organization.¹² The Board has reviewed the examination records of ES Bank and the U.S. banking operations of the organizations involved in the proposal, including assessments of their

¹² A commenter asserted that Boetie violated the BHC Act by acquiring the voting shares of Credit Agricole before submitting the proposal to the Board for approval. In addition, the commenter complained that Boetie and Credit Agricole violated the BHC Act through the acquisition of all the shares of Credit Lyonnais in 2003 without the Board's prior approval for the acquisition of Credit Lyonnais's nonbanking operations. The commenter asserted that the Board lacked authority to waive the BHC Act's application filing requirements with respect to such transactions and inappropriately shielded such transactions from comment. As noted above, Boetie and Credit Agricole have operated the U.S. subsidiaries under the temporary authority granted by the Board under section 4(c)(9) of the BHC Act, which does not provide for public notice.

management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant banking supervisory agencies with ES Bank and the U.S. banking operations of organizations involved in the proposal and their records of compliance with applicable banking law, including compliance with anti-money laundering laws.¹³ Furthermore, the Board has consulted with the Commission Bancaire about Applicants and about the managerial resources of Credit Agricole, including its compliance with applicable laws and regulations.¹⁴ Credit Agricole and

¹³ A commenter cited various news and congressional reports from 2003 through 2005 regarding allegations that ES Bank concealed assets and money laundering in connection with accounts held for the benefit of certain international individuals, including former Chilean President Augusto Pinochet. According to those reports, ES Bank's relationship with the Pinochet family ended in January 2000. As noted above, the Board has considered the assessments of the Federal Deposit Insurance Corporation ("FDIC"), ES Bank's primary federal supervisor, of the bank's compliance with anti-money laundering laws in confidential reports of examination.

¹⁴ Three commenters expressed concern about Credit Agricole's managerial record in light of past enforcement matters, including an enforcement action concerning alleged false representations by Credit Lyonnais in connection with its investment in Executive Life, a failed California insurer. The Board notes that there is no evidence or allegation that Credit Agricole was involved in any manner in the matters that resulted in the issuance of the enforcement action against Credit Lyonnais. Moreover, this conduct occurred before Credit Lyonnais became a subsidiary of Credit Agricole in 2003. In January 2004, Credit Agricole and Credit Lyonnais agreed to a consent order that was jointly issued by the Board and the Commission Bancaire that called for the organization to enhance its global compliance programs and provided for close cooperation between the Board and the Commission Bancaire to ensure that the terms of the consent order were met. The Board has considered Credit Agricole's actions to comply with the consent order. See Order to Cease and Desist and Civil Money Penalty, December 18, 2003, between Credit Lyonnais and the Board; Order Issued upon Consent, January 8, 2004, among Credit Agricole, Credit Lyonnais, the Commission Bancaire, and the Board.

Applicants' subsidiary banks with U.S. banking operations are considered to be well managed.¹⁵ Based on all the facts of record, the Board has concluded that considerations relating to the managerial resources¹⁶ and future prospects of the organizations involved in the proposal are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country.¹⁷ As noted, the

In addition, a commenter cited news reports about fines imposed by the Tokyo Stock Exchange and the Japanese Securities Dealers Association against Credit Agricole Indosuez's securities brokerage subsidiary in Japan in 2003. Credit Agricole subsequently implemented a Global Enhanced Compliance Program designed to ensure compliance with regulatory requirements in various jurisdictions in which Credit Agricole operates. As noted, the Board consulted with the Commission Bancaire about Credit Agricole's compliance with applicable laws and regulations.

¹⁵ See 12 CFR 225.90(c).

¹⁶ A commenter alleged Credit Agricole and Credit Lyonnais are signatories to international human rights and environmental agreements and that the organizations have exhibited a lack of environmental and human rights standards. The Board notes that such matters are not within the limited statutory factors the Board may consider when reviewing an application under the BHC Act. See Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973).

¹⁷ See 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. See 12 CFR 225.13(a)(4). Regulation K provides that a foreign bank will be considered subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship with any

Commission Bancaire is the primary supervisor of French banks, including Credit Agricole. The Board has previously determined in orders approving applications¹⁸ filed under the International Banking Act and the BHC Act involving Credit Agricole, that Credit Agricole is subject to comprehensive supervision on a consolidated basis by its home country supervisor.¹⁹ Based on all the facts of record, the Board has concluded that Credit Agricole continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.²⁰

In addition, section 3 of the BHC Act requires the Board to determine that an applicant has provided adequate assurances that it will make available to

affiliates, to assess the bank's overall financial condition and its compliance with laws and regulations. See 12 CFR 211.24(c)(1).

¹⁸ See Caisse Nationale de Crédit Agricole, 86 Federal Reserve Bulletin 412 (2000); Crédit Agricole Indosuez, 83 Federal Reserve Bulletin 1025 (1997); Caisse Nationale de Crédit Agricole, 81 Federal Reserve Bulletin 1055 (1995).

¹⁹ The Board has previously determined that Banco Espirito Santo, S.A. and Banca Intesa S.p.A. are subject to comprehensive supervision on a consolidated basis. See E.S. Control Holding S.A. et al., 86 Federal Reserve Bulletin 418 (2000); Banca Intesa S.p.A., 86 Federal Reserve Bulletin 433 (2000). Calyon has also been determined to be subject to comprehensive supervision on a consolidated basis. See Calyon, S.A. (Order dated September 8, 2006). Credit Lyonnais has not previously been determined to be subject to comprehensive supervision on a consolidated basis. Credit Lyonnais is supervised by the Commission Bancaire on substantially the same terms and conditions as Credit Agricole, Calyon, and other French banks previously reviewed by the Board. See, e.g., BNP Paribas, 91 Federal Reserve Bulletin 51 (2005); Société Générale, 87 Federal Reserve Bulletin 353 (2001). Therefore, the Board has concluded that Credit Lyonnais is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

²⁰ Boetie and FNCA are considered to be part of the Credit Agricole Group. Therefore, the Commission Bancaire has access to the financial statements of Boetie and FNCA and may monitor relationships between those entities and Credit Agricole.

the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.²¹ The Board has reviewed the restrictions on disclosure in the relevant jurisdictions in which Applicants operate and have communicated with relevant government authorities concerning access to information.

In addition, Applicants have committed that, to the extent not prohibited by applicable law, each will make available to the Board such information on the operations of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act and other applicable federal law. Applicants also have committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable their affiliates to make any such information available to the Board. In light of these commitments, the Board has concluded that Applicants have provided adequate assurances of access to any appropriate information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant banking market. In addition, section 3 of the BHC Act prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by its probable effect in meeting the

²¹ See 12 U.S.C. § 1842(c)(3)(a).

convenience and needs of the community to be served.²² The applications result from a reorganization of shareholder interests in Credit Agricole, which had no effect, adverse or otherwise, on competition in the marketplace. Based on all the facts of record, the Board concludes that the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also must consider the effects of a proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).²³ The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.²⁴

The Board has considered carefully all the facts of record, including reports of examination of the CRA performance records of ES Bank, data reported by ES Bank under the Home Mortgage Disclosure Act (“HMDA”),²⁵

²² 12 U.S.C. § 1842(c)(1).

²³ 12 U.S.C. § 2901 et seq.

²⁴ 12 U.S.C. § 2903.

²⁵ 12 U.S.C. § 2801 et seq.

other information provided by Applicants, confidential supervisory information, and public comment received on the proposal. A commenter criticized ES Bank's responsiveness to the credit needs of LMI borrowers and communities. The commenter also expressed concern, based on 2001 and 2002 HMDA data, about the lack of home mortgage applications by African Americans to ES Bank.

A. CRA Performance Evaluation

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.²⁶

ES Bank received a "satisfactory" rating at its most recent CRA performance evaluation from the FDIC, as of September 26, 2003 ("2003 Evaluation").²⁷ Applicants have no plans to alter the CRA program of ES Bank.

ES Bank, the only subsidiary of Applicants that is subject to the CRA, is a wholesale bank for CRA evaluation purposes. Examiners noted in the 2003 Evaluation that as a wholesale bank, ES Bank does not have the business infrastructure to directly serve the credit and banking service needs of typical

²⁶ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,640 (2001).

²⁷ A commenter criticized ES Bank's record of small business lending and home mortgage lending to LMI borrowers and in LMI communities. Examiners evaluate the record of community development of ES Bank and other wholesale banks through review of community development loans, qualified investments, or community development services. See 12 CFR 345.25(a).

retail customers, including LMI individuals and small businesses, and that the bank must satisfy its CRA obligations through community development activities.

In the 2003 Evaluation, examiners characterized ES Bank's community development lending as satisfactory overall. Examiners stated that during the evaluation period,²⁸ ES Bank exhibited a good record of community development lending and had been responsive in meeting the needs of its assessment area, including financing projects for affordable housing, revitalization, and social services to low-income people. During the evaluation period, ES Bank originated seven community development loans totaling \$5.1 million. Examiners described bank officers as proactive in identifying qualifying loans in a highly competitive environment for community development loans and noted that the officers had taken a leadership role in some loans. Examiners noted that ES Bank demonstrated flexibility during the evaluation period by helping to initiate a loan consortium to finance low-income housing acquisitions and construction in its assessment area.

ES Bank has represented that it continues to respond to the needs of its assessment area through community development lending activities since the 2003 Evaluation. From January 2004 through May 2006, ES Bank originated more than \$10.1 million in community development loans in its assessment area. As an example, ES Bank represented that the bank approved a \$4.5 million loan in 2006 to finance an apartment building in an LMI census tract, which will be converted into condominiums and sold at substantially lower prices than new construction units.

Examiners characterized ES Bank's performance under the investment test in its assessment area as satisfactory. During the evaluation

²⁸ The evaluation period was August 29, 2000, through September 26, 2003.

period, ES Bank made qualified investments and donations totaling more than \$2.6 million. Examiners noted that ES Bank's investment and donation activities demonstrated a good effort by the bank to serve the needs of its assessment area, particularly in light of very strong competition for qualified investments in the assessment area. ES Bank represented that it has made more than \$1 million in qualified investments since the 2003 Evaluation.

In the 2003 Evaluation, examiners noted that ES Bank had provided community development services that were generally responsive in supporting community development needs. During the evaluation period, bank officers provided financial services education to a local school and technical assistance to nine nonprofit organizations. ES Bank has continued to provide community development services in its assessment area since the 2003 Evaluation.

B. HMDA Data and Fair Lending Record

The Board has carefully considered the lending records and HMDA data of ES Bank in light of the public comments received on the proposal. A commenter expressed concern, based on 2001 and 2002 HMDA data, that ES Bank lacked home mortgage applications by African-American borrowers. The Board has reviewed the HMDA data from 2001 through 2005 that were reported by ES Bank in the Miami, Florida Metropolitan Statistical Area, which comprises the bank's assessment area.

Although the HMDA data might reflect certain disparities in the rates of loan applications, originations, denials, or pricing among members of different racial or ethnic groups in certain local areas, they provide an insufficient basis by themselves on which to conclude whether or not ES Bank is excluding any racial or ethnic group or imposing higher credit costs on those groups on a prohibited basis. The Board recognizes that HMDA data alone, even with the recent addition

of pricing information, provide only limited information about the covered loans.²⁹ HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race. Because of the limitations of HMDA data, the Board has considered these data carefully and has taken into account other information, including examination reports that provide on-site evaluations of compliance by ES Bank with fair lending laws. In the fair lending review conducted by the FDIC in conjunction with the bank's CRA evaluation in 2003, examiners noted no substantive violations of provisions of applicable fair lending laws. The Board also consulted with the FDIC about the concerns expressed by commenters.³⁰

²⁹ The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

³⁰ A commenter questioned the veracity of ES Bank's reporting of no denials of home mortgage applications in 2001 and 2002 and generally alleged that the bank prescreened its home mortgage applications. Specifically, the commenter contended that ES Bank violated HMDA by not accurately reporting its home mortgage applications and violated the Equal Credit Opportunity Act ("ECOA") (15 U.S.C. § 1691 *et seq.*) by not providing adverse action notices when required. ES Bank has represented that it reported no denials because it is a wholesale bank

The record also indicates that ES Bank has taken steps designed to ensure compliance with fair lending and other consumer protection laws. Applicants represented that ES Bank has implemented fair lending policies, procedures, and training programs, including annual compliance training for all consumer lending department personnel on the prevention of illegal prescreening and on discouragement or exclusion of credit applicants. Formal lending policies address significant criteria for loan approvals by the bank's senior management or loan committee. Applicants also represented that ES Bank's fair lending policies and procedures are designed to ensure that loan officers price loans uniformly and avoid illegal discrimination and that current and proposed lending activities and customer complaints are reviewed. In addition, Applicants represented that ES Bank provides for an independent review of the lending activities of the bank to ensure all lending practices are in full compliance with all laws, regulations, and internal policies and procedures. Applicants further stated that an independent consulting firm audits these efforts annually and that those results are provided to the Internal Audit Committee of the Board of Directors and the bank's Compliance Department and Legal Department. Applicants do not plan to implement significant changes to ES Bank's compliance policies and programs.

engaged primarily in international private banking and that its residential mortgages are generally extended as an accommodation to private banking customers where a mortgage loan approval would be expected. The commenter also questioned ES Bank's characterization of loans generated by brokers as accommodation loans. Applicants represented that ES Bank began using two licensed mortgage brokers in 2001 in an effort to increase its loan portfolio during a period when internal referrals had slowed. Applicants also represented that ES Bank's brokers referred a small number of mortgage loans to the bank in 2005. The Board has consulted with the FDIC, the primary federal supervisor of ES Bank, about the bank's record of compliance with HMDA and ECOA in connection with this matter.

The Board also has considered the HMDA data in light of other information, including ES Bank's CRA community development activities and the overall performance records of ES Bank under the CRA. These established efforts demonstrate that the institution is active in helping to meet the credit needs of its entire community.

C. Conclusion on Convenience and Needs and CRA Records

The Board has carefully considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Applicants, comments received on the proposal, and confidential supervisory information. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance records of the relevant depository institutions are consistent with approval.

Conclusion

Based on the foregoing and in light of all the facts of record, the Board has determined that the proposal should be, and hereby is, approved.³¹

³¹ A commenter requested that the Board hold a public hearing or meeting on the proposal. Section 3 of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for any of the banks to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from any supervisory authority. Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 CFR 225.16(e). The Board has considered carefully the commenter's request in light of all the facts of record. In the Board's view, the commenter had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered carefully in acting on the proposal. The commenter's request fails to demonstrate why written comments do not present its views adequately or why a hearing or meeting

In reaching this conclusion, the Board has considered all the facts of record in light of the factors it is required to consider under the BHC Act and other applicable statutes.³² The Board's approval is specifically conditioned on compliance by Applicants with the conditions in this order and all the commitments made to the Board in connection with the proposal. For purposes of this action, the commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

By order of the Board of Governors,³³ effective September 8, 2006.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is denied.

³² A commenter also requested that the Board extend the comment period. As previously noted, the Board has accumulated a significant record in this case, including reports of examination, confidential supervisory information, public reports and information, and public comment. In the Board's view, the commenter has had ample opportunity to submit its views and, in fact, has provided multiple written submissions that the Board has considered carefully in acting on the proposal. Based on a review of all the facts of record, the Board has concluded that the record in this case is sufficient to warrant action at this time and that neither an extension of the comment period nor further delay in considering the proposal is warranted.

³³ Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin. Absent and not voting: Governor Bies.

FEDERAL RESERVE SYSTEM

Calyon, S.A.
Paris, France

Order Approving Establishment of a Branch

Calyon, S.A. (“Bank”),¹ 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 a branch in Los Angeles, California. 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. Bank previously received approval to file an application for approval of this branch after-the-fact.²

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Los Angeles (*Los Angeles Times*, November 1, 2004). The time for filing comments has expired, and all comments received have been considered.

¹ Calyon is the successor to Crédit Agricole Indosuez, S.A., Paris, France.

² In May 2004, Bank acquired certain assets and liabilities of Crédit Lyonnais (“Credit Lyonnais”), also in Paris, including all the assets and liabilities of the Credit Lyonnais branch in Los Angeles. Bank received temporary authority to establish and operate the Los Angeles branch before an application was filed and acted on in accordance with section 211.24(a)(6) of Regulation K (12 CFR 211.24(a)(6)). See Board Letter dated April 15, 2004, to Michael Bradfield, Esq. With this application, Bank seeks permanent authority to establish and operate the branch in Los Angeles.

Bank is a direct subsidiary of Crédit Agricole S.A. (“Credit Agricole”), Paris,³ the lead bank for the Crédit Agricole Group, which provides a wide range of banking and financial services to retail and corporate customers throughout the world and is the largest banking group in France with assets of approximately \$913 billion.⁴ SAS Rue La Boétie (“Boetie”), also in Paris, holds approximately 55 percent of the shares of Credit Agricole.⁵ The Fédération Nationale du Crédit Agricole (“FNCA”), also in Paris, controls Boetie.⁶ In the United States, Credit Agricole conducts banking operations through offices of Bank; through another French bank subsidiary, Credit Lyonnais; and through Espirito Santo Bank, Miami, Florida, the U.S. bank subsidiary of Banco Espirito Santo, S.A., Lisbon, Portugal.⁷ The Crédit Agricole Group also operates a number of nonbank subsidiaries in the United States. Bank is a qualifying foreign banking organization under Regulation K (12 CFR 211.23(b)).

³ Credit Agricole holds 95.3 percent of Bank’s shares.

⁴ Asset data are as of December 31, 2004.

⁵ The remainder of Credit Agricole’s shares are held by members of the public.

⁶ Credit Agricole supports, coordinates, and supervises the operations of approximately 40 regional cooperative banks (Caisses Régionales or “Caisses”) and approximately 2600 local cooperative banks, which operate a retail branch network in France. FNCA, Boetie, Credit Agricole, and the regional and local cooperative banks together comprise the Crédit Agricole Group. In connection with a public offering of shares by Credit Agricole, the Caisses established a wholly owned holding company, Boetie, in 2001 and transferred their shares of Credit Agricole to it. Boetie holds and votes the shares of Credit Agricole to maintain the Caisses’ control of Credit Agricole. FNCA, an unincorporated association, acts as a consultative and representative body for the Caisses. See also Fédération Nationale du Crédit Agricole et al. (Order dated September 8, 2006).

⁷ Credit Agricole also is deemed to control Banca Intesa S.p.A, Milan, Italy, which operates a branch in New York.

Bank assumed the operations of the Los Angeles branch of Credit Lyonnais in connection with a corporate reorganization in which Bank also acquired Credit Lyonnais's branches in Chicago, Illinois, and New York, New York. No change in the activities of the branch occurred as a result of the reorganization. The branch markets Bank's commercial lending products and functions primarily as a loan production office for the bank's New York branch.

Bank's home state is New York, and Bank proposes to continue to operate its branch in California. Under section 5(a)(2) of the IBA (12 U.S.C. § 3103(a)), a foreign bank, with the approval of the Board and the appropriate state banking supervisor, may establish and operate a state-licensed branch outside the home state of the foreign bank to the extent a state bank with the same home state as the foreign bank could do so under section 44 of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1831u). Bank acquired all the assets and liabilities of the Credit Lyonnais branch in Los Angeles as part of its assumption of the wholesale business assets and liabilities of Credit Lyonnais under provisions of French commercial law. This transaction constituted an interstate merger transaction as defined in the FDI Act. Section 44(a) of the FDI Act permits the approval of a merger transaction under the Bank Merger Act between state banks with different home states, provided that neither state has elected to prohibit interstate merger transactions pursuant to section 44(a)(2) of the FDI Act. New York and California both permit interstate merger transactions. Accordingly, the proposed interstate merger transaction would be permitted under section 44 of the FDI Act, and the Board is permitted to approve the establishment by Bank of the branch outside its home state of New York if the remaining criteria

of section 5(a) of the IBA are met. The Board has determined that the additional conditions specified in section 5(a)(3) of the IBA are satisfied.⁸

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether the foreign bank (1) engages directly in the business of banking outside of the United States; (2) has furnished to the Board the information it needs to assess the application adequately; and (3) is subject to comprehensive supervision on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 CFR 211.24(c)(1)).⁹

⁸ Section 5(a)(3) of the IBA requires that certain conditions of section 44 of the FDI Act be met in order for the Board to approve an interstate banking transaction. See 12 U.S.C. § 3103(a)(3)(C) (referring to sections 44(b)(1), 44(b)(3), and 44(b)(4) of the FDI Act, 12 U.S.C. §§ 1831u(b)(1), (b)(3), and (b)(4)). The Board has determined that Bank is in compliance with state filing requirements. Community reinvestment considerations are also consistent with approval. Bank and Credit Lyonnais were both adequately capitalized as of the date the application was filed, and Bank would continue to be at least adequately capitalized and adequately managed on consummation of this proposal. The Board has determined, after consultation with the Secretary of the Treasury, that the financial resources of Bank are equivalent to those required for a domestic bank to receive approval for interstate branching under section 44 of the FDI Act.

⁹ 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.

The Board also may consider additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 CFR 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 Board previously has determined that Bank and Credit Agricole are subject to comprehensive supervision or regulation on a consolidated basis by their home country supervisor, the Commission Bancaire.¹⁰ Bank and Credit Agricole remain supervised by the Commission Bancaire on substantially the same terms and conditions. Based on all the facts of record, it has been determined that Bank and Credit Agricole are subject to comprehensive supervision on a consolidated basis by their home country supervisor.

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)-(3)) have also been taken into account. The Commission Bancaire has no objection to the establishment of the proposed branch.

France's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Accord"). Bank's capital is in excess of the minimum levels that would be required by the 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

¹⁰ See Caisse Nationale de Crédit Agricole, 81 Federal Reserve Bulletin 1055 (1995). See also, Crédit Agricole Indosuez, 83 Federal Reserve Bulletin 1025 (1997); Caisse Nationale de Crédit Agricole, 86 Federal Reserve Bulletin 412 (2000).

with approval, and Bank appears to have the experience and capacity to support the proposed branch. Bank has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general.

France is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering. In accordance with those recommendations, France has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in France, 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. Bank's compliance with applicable laws and regulations is monitored by Bank's internal auditors and the Commission Bancaire.

With respect to access to information about 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, Boetie, and FNCA 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, Boetie, and FNCA 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, the Commission Bancaire may share information on Bank's operations with other supervisors, including the Board, subject to certain conditions. In light of these commitments

and other facts of record, and subject to the condition described below, the Board has 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, the Board has determined that Bank's application to establish a branch should be, and hereby is, approved. 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 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 conditions imposed in this order and the commitments made to the Board in connection with this application.¹¹ For purposes of this action, these commitments and conditions are deemed to be conditions imposed by the Board in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

By order of the Board of Governors,¹² effective September 8, 2006.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹¹ The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the State of California to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of California to license the proposed office of Bank in accordance with any terms or conditions that it may impose.

¹² Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin. Absent and not voting: Governor Bies.