

FEDERAL RESERVE BOARD

Banco do Brasil, S.A.
Brasilia, Brazil

Caixa de Previdência dos Funcionarios do Banco do Brasil
Rio de Janiero, Brazil

Order Approving the Acquisition of a Bank

Banco do Brasil, S.A. (“Banco do Brasil”), Brasilia, and Caixa de Previdência dos Funcionarios do Banco do Brasil (“Previ”), Rio de Janiero, both of Brazil (together, “Applicants”), have requested the Board’s approval under section 3 of the Bank Holding Company Act of 1956, as amended (“BHC Act”),¹ to acquire EuroBank, Coral Gables, Florida (“EuroBank”).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (76 Federal Register 36923 (2011)). 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.

Banco do Brasil, with total consolidated assets equivalent to \$520.1 billion, is the largest banking organization in Brazil based on asset size.² Banco do Brasil also operates branches in New York, New York, and Miami, Florida; maintains representative offices in Washington, D.C., Orlando, Florida, and White Plains, New York; and wholly owns indirectly BB Money Transfers, Inc., a licensed money transmitter operating in 14 states. Banco do Brasil also maintains a securities broker-dealer subsidiary in New York, New York, Banco do Brasil Securities LLC, and owns 50 percent of the shares of Banco Votorantim, a Brazilian bank that owns a securities broker-dealer subsidiary in New York, New York, Banco Votorantim Securities, Inc.

¹ 12 U.S.C. § 1842.

² Asset and ranking data are as of September 30, 2011, and are based on the exchange rate as of that date.

Banco do Brasil is and would remain a qualifying foreign banking organization under the Board's Regulation K and is treated as a financial holding company under section 4(I) of the BHC Act. The Brazilian government owns approximately 59.1 percent of Banco do Brasil's shares.³ Previ, the pension plan for Banco do Brasil employees, owns approximately 10.4 percent of Banco do Brasil's shares.⁴

EuroBank, with total consolidated assets of \$83 million operates only in Florida and is the 245th largest depository organization in Florida, controlling deposits of approximately \$81 million (less than 1 percent of deposits in the state).⁵ Banco do Brasil does not currently operate an insured depository institution in Florida.

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. The BHC Act also 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 the probable effect of the proposal in meeting the convenience and needs of the community to be served.⁶

³ Banco do Brasil share ownership data are as of June 30, 2011.

⁴ Previ is a subsidiary of Banco do Brasil for purposes of the BHC Act because Banco do Brasil selects three of the six Previ directors; a Banco do Brasil appointee on the Previ board is granted tie-breaking voting power; and Banco do Brasil selects three of the six Previ executive board members (and each Previ executive board decision must be approved by at least one Banco do Brasil appointee). Previ is considered to be a parent of Banco do Brasil by virtue of its share ownership in Banco do Brasil and its disproportionate voting power to elect three of the seven directors on the Banco do Brasil board. Consequently, Previ has also applied for approval to acquire EuroBank. Previ is and would remain subject to all activity restrictions applicable to qualifying foreign banking organizations.

⁵ Asset data are as of September 30, 2011. Statewide deposit and ranking data are as of June 30, 2010.

⁶ 12 U.S.C. § 1842(c)(1).

Banco do Brasil does not currently compete with EuroBank in any relevant banking market.⁷ Accordingly, the Board concludes, based on all the facts of record, that consummation of 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.

Financial, Managerial, and Other 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 banks 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 U.S. banking supervisors of the institutions involved, and publicly reported and other financial information, including information provided by Applicants. In addition, the Board has consulted with Banco Central do Brasil (“BCB”), the agency with primary responsibility for the supervision and regulation of Brazilian banking organizations, including Banco do Brasil. The Board also has consulted with the Federal Deposit Insurance Corporation (“FDIC”) and the Florida Office of Financial Regulation (“FOFR”), the federal and state agencies, respectively, with primary responsibility for the supervision and regulation of EuroBank.

In evaluating the financial factors in proposals involving banking organizations, the Board reviews the financial condition of the applicants and the target depository institution.⁸ In assessing financial resources, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the

⁷ Banco do Brasil operates a branch office in the Miami banking market that does not offer insured deposits. On consummation of the proposal, Banco do Brasil’s home state under the BHC Act would be Florida.

⁸ A commenter expressed concerns about EuroBank’s financial condition and management, including concerns based on a Notice of Charges and of Hearing issued by the FDIC on May 3, 2011. The Board has reviewed the financial and managerial factors in this proposal, including those comments, in the context of the financial and managerial condition of Applicants and the resulting organization. Moreover, as noted above, the Board has consulted with the FDIC and the FOFR.

financial condition of the combined 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 resources of the organizations involved in the proposal. The capital levels of Banco do Brasil exceed the minimum levels that would be required under the Basel Capital Accord and are considered to be equivalent to the capital levels that would be required of a U.S. banking organization seeking to acquire EuroBank. The proposed transaction is structured as a cash purchase of shares. Banco do Brasil would use existing resources to fund the purchase of shares. In light of the relative size of Banco do Brasil in relation to EuroBank, the transaction would have a minimal impact on Banco do Brasil's financial condition. Banco do Brasil has been profitable and would inject additional capital into EuroBank, causing EuroBank to be well capitalized. Based on its review of the record, the Board finds that Applicants have sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of Banco do Brasil's U.S. operations and of EuroBank. In addition, the Board has considered its supervisory experience and that of other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money-laundering laws. As noted, the Board has consulted with the BCB. The Board also has considered Banco do Brasil's plans for implementing the acquisition, including the proposed management after consummation.

Section 3 of the BHC Act 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.⁹ As noted, the BCB is the primary supervisor of Brazilian banks,

⁹ 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). In assessing this standard under section 211.24 of Regulation K, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities

including Banco do Brasil. The Board previously has determined that Banco do Brasil is subject to comprehensive supervision on a consolidated basis by its home country supervisor.¹⁰ Banco do Brasil continues to be supervised by the BCB on substantially the same terms and conditions. Based on this finding and all the facts of record, including consultation with the BCB, the Board has concluded that Banco do Brasil continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.

In evaluating this proposal, the Board also considered whether Previ is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country. The Board has previously determined that the system of comprehensive supervision or regulation of a company may vary, depending on the nature of the acquiring company and the proposed investment.¹¹ The Board believes that Previ may be found to be subject to an appropriate type and level of comprehensive regulation on a consolidated basis, given its nature, and structure, and the fact that Banco do Brasil would exercise effective control over and manage the operations of EuroBank. Previ is the pension plan for Banco do Brasil employees and, as such, is subject to regulation by the Superintendência Nacional de Previdência Complementar, the supervisor of pension funds in Brazil (“PREVIC”), and Comissão de Valores Mobiliários, the securities and exchange commission of Brazil (“CVM”). PREVIC and CVM conduct annual and periodic inspections of Previ, respectively, and require Previ to submit reports about its operations. Specifically, Previ files reports with PREVIC concerning its investments, benefits provided,

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. No single factor is essential, and other elements may inform the Board’s determination.

¹⁰ See Board letter to Kathleen A. Scott, Esq. dated April 13, 2010.

¹¹ Chuo Mitsui Trust Holdings, Inc., 97 Federal Reserve Bulletin 30 (2011); China Investment Corporation, 96 Federal Reserve Bulletin B31 (2010).

actions taken to prevent and combat money laundering and concealment of assets, internal controls, and updates on new statutes and regulations applicable to Previ. Based on all the facts of record, the Board has determined that Previ is subject to comprehensive supervision on a consolidated basis by its appropriate home country authorities for purposes of this application.

Section 3 of the BHC Act also requires the Board to take into consideration the extent to which the proposed acquisition would result in greater or more concentrated risk to the stability of the U.S. banking or financial system.¹² The Board has carefully considered the proposal's potential impacts under the financial stability factor. Based on its review of the record, including consideration of the small size and scope of the operations of EuroBank, the Board finds that the proposed acquisition would not result in greater or more concentrated risk to the stability of the U.S. banking or financial system.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors under the BHC Act.¹³

¹² 12 U.S.C. § 1842(c)(7), as added by section 604(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376.

¹³ Section 3 of the BHC Act also requires the Board to determine that an applicant has provided adequate assurances that it will make available to 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. 12 U.S.C. § 1842(c)(3)(A). The Board has reviewed the restrictions on disclosure in the relevant jurisdictions in which Banco do Brasil operates and has communicated with relevant government authorities concerning access to information. In addition, Banco do Brasil has committed that, to the extent not prohibited by applicable law, it 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, the International Banking Act, and other applicable federal laws. Banco do Brasil also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable its affiliates to make such information available to the Board. Based on all facts of record, including the conditions in this order, the Board has concluded that Banco do Brasil has provided adequate assurances of access to any appropriate information the Board may request.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).¹⁴ 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 neighborhoods, in evaluating bank expansionary proposals.¹⁵

The Board has considered carefully all the facts of record, including evaluations of the CRA performance record of EuroBank,¹⁶ data reported by EuroBank under the Home Mortgage Disclosure Act (“HMDA”),¹⁷ other information provided by Applicants, confidential supervisory information, and public comment received on the proposal. The commenter alleged that EuroBank had engaged in disparate treatment of African American individuals in home mortgage lending.

A. CRA Performance Evaluations

As provided in the CRA, the Board has reviewed the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the relevant insured depository institution’s CRA performance records. An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications

¹⁴ 12 U.S.C. § 2901 et seq.; 12 U.S.C. § 1842(c)(2).

¹⁵ 12 U.S.C. § 2903.

¹⁶ Banco do Brasil currently does not operate an insured depository institution in the United States. Accordingly, Banco do Brasil’s U.S. operations are not subject to performance evaluations under the CRA.

¹⁷ 12 U.S.C. § 2801 et seq.

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.¹⁸

EuroBank received a "Satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of March 17, 2009. The Board also has consulted with the FDIC regarding the activities of EuroBank since the 2009 CRA performance evaluation.

B. HMDA and Fair Lending Records

The Board has carefully considered the HMDA data for 2009 and 2010 reported by EuroBank in its assessment area and in the Miami metropolitan statistical area of concern to the commenter and has also considered the fair lending records of EuroBank, in light of public comment received on the proposal. Commenter alleged, based on HMDA data reported in 2009, that EuroBank had engaged in disparate treatment of African American individuals in home mortgage lending.

Although the HMDA data might reflect certain disparities in the rates of loan applications, originations, and denials 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 EuroBank is excluding or imposing higher costs on any group 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.¹⁹ 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.

¹⁸ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (2010).

¹⁹ 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.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all lending institutions 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 or ethnicity. Because of the limitations of HMDA data, the Board has considered these data carefully and taken into account other information, including examination reports that provide on-site evaluations of compliance with fair lending laws by EuroBank.

The record of this proposal, including confidential supervisory information, indicates that EuroBank has taken steps to ensure compliance with fair lending and other consumer protection laws. EuroBank has in place a formal fair lending policy and program that includes its home mortgage and small business lending operations. EuroBank also provides internal compliance training, and the bank's staffs in bank management, line-of-business, and compliance attend outside conferences and seminars and other fair lending and consumer protection training sessions. Banco do Brasil has indicated that the combined institution would continue to have such policies and procedures on consummation of the proposal.

The Board also has considered the HMDA data in light of other information, including the overall performance record of EuroBank under the CRA. EuroBank's established efforts and records of performance demonstrate that the institution is not excluding individuals or geographies on a prohibited basis, contrary to the allegations of the commenter.²⁰ In fact, in the fair lending review conducted at the most recent CRA examination of EuroBank, the FDIC found no evidence of illegal credit discrimination. Moreover, the FDIC determined in the 2009 examination that the geographic distribution of the bank's small business loans reflected a strong performance in the assessment area.

²⁰ Banco do Brasil has represented that EuroBank does not engage in extensive marketing of consumer credit products and that EuroBank's loans consist largely of commercial loans, including small business loans. As a result, EuroBank received a small number of HMDA-reportable loan applications, including applications from minority individuals, and made a small number of HMDA-reportable loans. The application and lending volumes were too small to draw any statistically significant conclusions.

C. Conclusion on Convenience and Needs and CRA Performance

The Board has considered carefully all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Applicants, the public comment received on the proposal, and confidential supervisory information. Applicants represent that the proposal would result in increased credit availability and access to a broader array of financial products and services for customers of the combined organization. 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 insured depository institutions are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.²¹ In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.²² Should any

²¹ Commenter requested that the Board hold a public hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its regulations, the Board also may, in its discretion, hold a public 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 262.3(e) and 262.25(d). 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 views and, in fact, submitted written comments that the Board has considered carefully in acting on the proposal. The request fails to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public hearing. 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 on the proposal is denied.

²² The commenter also alleged that Banco do Brasil is funding environmentally harmful projects in Brazil. The comments concern matters that are beyond the statutory factors the Board is authorized to consider. See Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973).

restrictions on access to information on the operations or activities of Banco do Brasil or any of its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Banco do Brasil or its affiliates with applicable federal statutes, the Board may require termination of any of Banco do Brasil's or its affiliates' direct or indirect activities in the United States. 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, these 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.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors,²³ effective December 16, 2011.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

²³ Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Duke, Tarullo, and Raskin.