

# FEDERAL RESERVE press release



For immediate release

July 26, 1999

The Federal Reserve Board announced today its approval of the application of Banco de la Ciudad de Buenos Aires, Buenos Aires, Argentina, to establish a representative office in New York, New York.

Attached is the Board's Order relating to this action.

Attachment

FEDERAL RESERVE SYSTEM

Banco de la Ciudad de Buenos Aires  
Buenos Aires, Argentina

Order Approving Establishment of a Representative Office

Banco de la Ciudad de Buenos Aires ("Bank"), Buenos Aires, Argentina, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The Daily News*, February 8, 1999). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately \$3.1 billion,<sup>1</sup> ranks among the 15 largest banks in Argentina. Bank has 35 offices in Argentina and no offices outside Argentina.<sup>2</sup>

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<sup>1</sup>Data are as of fiscal year ending October 31, 1998.

<sup>2</sup>Bank's Los Angeles representative office was closed in 1989 to reduce costs.

Bank is wholly owned by the city of Buenos Aires, and, with the exception of the *Fundacion del Banco de la Ciudad de Buenos Aires* (the "Foundaton"), has no affiliated entities.<sup>3</sup> Bank provides a full range of banking-related financial services to individuals, small and medium-sized businesses, and large domestic and multinational corporate clients. Bank and another Argentine bank serve as the official court depositary for required court deposits relating to all proceedings pending before federal and local courts in Buenos Aires.

The proposed representative office would solicit loans and, in connection with such loan solicitation, prepare applications, execute documents on Bank's behalf pursuant to powers of attorney, assemble credit information, and make property inspections and appraisals. The office would also solicit other banking business on behalf of Bank, conduct research, and act as liaison with correspondents of Bank.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside the United States, and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is

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<sup>3</sup>The Foundation, a subsidiary of Bank, is an autonomous legal entity that undertakes activities in furtherance of the humanitarian needs of the Buenos Aires community.

subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2)).<sup>4</sup> In addition, the Board may take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The Board has previously stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.<sup>5</sup>

With respect to home country supervision of Bank, the Board has considered the following information. Bank is subject to the regulatory and supervisory authority of the Central Bank

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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 58 *Federal Register* 6348, 6351 (1993). See also *Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993); *Agricultural Bank of China*, 83 *Federal Reserve Bulletin* 617 (1997).

of the Republic of Argentina ("Central Bank"), which regulates and supervises the entire banking system in Argentina. The Central Bank has no objection to Bank's establishment of the proposed representative office. The Board has previously determined that factors relating to the supervision of two other Argentine banks, both of which also proposed to establish representative offices in the United States, were consistent with approval.<sup>6</sup> The Board has determined that Bank is supervised by the Central Bank on substantially the same terms and conditions as the two other Argentine banks.

Based on all the facts of record, the Board has determined that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office.

The Board has also determined that for purposes of the IBA and Regulation K, Bank engages directly in the business of banking outside of the United States. Bank has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

The Board also has 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)). As noted above, the Central Bank has no objection to the

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<sup>6</sup> See *Banco Roberts, S.A.*, 81 Federal Reserve Bulletin 202 (1995); *Banco Francés del Río de la Plata S.A.*, 81 Federal Reserve Bulletin 618 (1995).

establishment of the proposed representative office. The Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information on Bank's operations, the Board has reviewed the restrictions on disclosure in Argentina and has communicated with relevant government authorities 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 that 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 from third parties for disclosure of such information. In addition, subject to certain conditions, the Central Bank 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 conditions described below, the Board concludes 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 the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to 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 is also specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.<sup>7</sup> The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors,<sup>8</sup> effective

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<sup>7</sup>The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and its agent, the New York State Banking Department ("Department"), to license the proposed representative office of Bank in accordance with any terms or conditions that the Department may impose.

<sup>8</sup>Voting for this action: Chairman Greenspan, Vice Chair

(continued...)

May 5, 1999.

(signed)

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Robert deV. Frierson  
Associate Secretary of the Board

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<sup>8/</sup>(...continued)  
Rivlin, and Governors Kelley, Ferguson, and Gramlich. Absent and  
not voting: Governor Meyer.