

## FEDERAL RESERVE SYSTEM

Popular, Inc.  
Hato Rey, Puerto Rico

Popular International Bank  
Hato Rey, Puerto Rico

Popular North America, Inc.  
Mount Laurel, New Jersey

Banco Popular, National Association  
Orlando, Florida

### Order Approving the Acquisition of a Bank and Establishment of a Branch and an Agreement Corporation

Popular, Inc., Popular International Bank, and Popular North America, Inc., (collectively “Popular”), bank holding companies within the meaning of the Bank Holding Company Act (“BHC Act”), have requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Banco Popular, National Association, Orlando, Florida (“Bank”), a de novo national bank.

Bank also has applied under section 211.4 of Regulation K (12 C.F.R. 211.4) to establish an agreement corporation under section 25 of the Federal Reserve Act (12 U.S.C. §§ 601-604a) (“FRA”). In addition, Bank has applied under section 25 of the FRA and section 211.3 of Regulation K (12 C.F.R. 211.3) to establish a foreign branch in Culebra, Puerto Rico.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 47,191 (1999)). 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 the FRA and the BHC Act.

Popular, with total consolidated assets of \$25.5 billion is the 35th largest commercial banking organization in the United States, controlling less than 1 percent of total assets of insured commercial banks in the United States.<sup>1</sup> Popular operates depository institutions and branches in California, Florida, Illinois, New York, New Jersey, Texas, Puerto Rico, the U.S. Virgin Islands, and the British Virgin Islands. Popular is the 126th largest commercial banking organization in Florida, controlling deposits of \$114.1 million, representing less than 1 percent of total deposits in depository institutions in the state.<sup>2</sup> Bank's de novo entry into the Orlando, Florida, banking market would enhance competition in that market.<sup>3</sup> Based on all the facts of record, the Board concludes 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.

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met.<sup>4</sup> For purposes of the BHC Act, the home state of Popular is New York, and Bank would be located in Florida. All the conditions for an interstate

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<sup>1</sup> Asset and ranking data are as of December 31, 1999.

<sup>2</sup> Deposit data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

<sup>3</sup> The Orlando, Florida, banking market is defined as Orange, Osceola, and Seminole Counties; the Western half of Volusia County; and the towns of Clermont and Groveland in Lake County.

<sup>4</sup> See 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of the company were the largest on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

acquisition enumerated in section 3(d) of the BHC Act are met in this case.<sup>5</sup> In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

The Board has carefully considered the financial and managerial resources and future prospects of Popular and Bank and other supervisory factors, in light of all the facts of record. As part of this consideration, the Board has reviewed relevant reports of examination and other supervisory information prepared by the Federal Reserve Bank of New York and other federal banking supervisory agencies, including Popular's compliance with the Currency and Foreign Transactions Reporting Act and related regulations.<sup>6</sup>

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<sup>5</sup> See 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A). Popular is adequately capitalized and adequately managed, as defined in the BHC Act. Popular has operated banking offices in Florida since 1997, and the Florida Department of Banking and Finance has indicated that this transaction would comply with applicable Florida law. See Fla. Stat. Ann. § 658.295 (West 1999). See also Letter from Richard T. Donelan, Chief Banking Counsel, Department of Banking and Finance, State of Florida, to Donald J. Toumey, Esq., counsel for Popular (September 14, 1999). On consummation of the proposal, Popular would control less than 10 percent of the total amount of deposits in insured depository institutions in the United States. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

<sup>6</sup> 31 U.S.C. § 5311 *et seq.* On March 9, 2000, Popular's subsidiary bank, Banco Popular de Puerto Rico, Hato Rey, Puerto Rico ("Banco Popular"), entered into a written agreement (the "Written Agreement"), pursuant to section 8 of the Federal Deposit Insurance Act (12 U.S.C. § 1818), to address the deficiencies in its anti-money laundering programs. See Written Agreements Approved by Federal Reserve Banks, 86 Federal Reserve Bulletin 351 (2000). In response to the Written Agreement, Banco Popular, with the assistance of independent auditors, conducted a review of its anti-money laundering policies and submitted a report to the Board on the adequacy of its procedures and a plan designed to ensure full compliance with all applicable anti-money laundering laws and regulations. In reviewing this proposal, the Board has considered this report and the steps already taken by Banco Popular to ensure compliance with anti-money laundering laws and the Written Agreement and will continue to monitor Banco Popular's ongoing efforts in this area.

The Board also has considered other aspects of the financial condition and resources of Popular and other aspects of their managerial resources. The Board notes that the bank holding companies and their subsidiary banks are well capitalized and are expected to remain so after consummation of the proposal. Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Popular, and its subsidiaries are consistent with approval of the proposal.

Considerations relating to the convenience and needs of the community, including the performance records of Popular's subsidiary banks under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*), and other supervisory factors that the Board must consider under section 3 of the BHC Act also are consistent with approval.

Bank has applied to establish Popular Insurance, Inc. ("PII"), an agreement corporation under section 25 of the FRA. Based on all the facts of record, the Board concludes that the financial and managerial resources of Popular are consistent with the establishment of this corporation. Accordingly, the Board finds that the establishment of PII by Popular is consistent with the FRA and Regulation K.

Bank also has applied pursuant to section 25 of the FRA and section 211.3 of Regulation K (12 C.F.R. 211.3) to establish a branch in Culebra, Puerto Rico. The Board has concluded, based on all the facts of record, that the financial and managerial resources and future prospects of the institutions involved as well as other factors it is required to consider when reviewing an application to establish a branch under section 25 of the FRA are consistent with approval.

Based on the foregoing, and in light of all the facts of record, the Board has determined that the applications should be, and hereby are, approved. Approval of the applications is specifically conditioned on compliance by Popular

with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order.

The acquisition of Bank shall 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, and Bank shall be open for business within six 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,<sup>7</sup> effective June 5, 2000.

(signed)

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Robert deV. Frierson  
Associate Secretary of the Board

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<sup>7</sup> Voting for this action: Chairman Greenspan and Governors Kelley, Meyer, and Gramlich. Absent and not voting: Vice Chairman Ferguson.