

FEDERAL RESERVE SYSTEM

Banco Comercial Português, S.A.
Oporto, Portugal

Order Approving Establishment of a Representative Office

Banco Comercial Português, S.A. ("Bank"), Oporto, Portugal, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Miami (*The Miami Herald*, January 12, 2000). The time for filing comments has expired, and all comments have been considered.

Bank, with consolidated assets of \$62 billion, is the largest banking organization in Portugal. Bank's subsidiary, Banco Português do Atlântico, S.A. ("Atlântico"), Oporto, Portugal, operates internationally through numerous branches and agencies, including a state-licensed branch in New York, New York, and a state-licensed agency in Miami, Florida. Through subsidiaries and affiliates, Bank and Atlântico also engage in a variety of nonbanking activities in and outside Portugal, including asset management, real estate and equipment leasing, and investment banking.

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 of 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 subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.^{1/} The Board may take into account additional standards set forth in the IBA and Regulation K.^{2/}

As noted above, Bank engages directly in the business of banking outside the United States through its banking operations in Portugal and elsewhere. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

With respect to home country supervision of Bank, the Board has considered the following information. The Bank of Portugal, the central bank of Portugal, is the principal supervisory authority of Bank. The Board previously has determined, in connection with applications involving other Portuguese banks, that those banks were subject to comprehensive consolidated supervision by the Bank

^{1/} See 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). 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.

^{2/} See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

of Portugal.^{3/} Bank is supervised by the Bank of Portugal in substantially the same manner as those other banks. Based on this finding and all the facts of record, the Board concludes that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has taken into account the additional standards set forth in the IBA and in Regulation K.^{4/} The Bank of Portugal has granted Bank approval to establish the proposed office. With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, the Board has determined that financial and managerial considerations are consistent with approval. In addition, Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures in the branch to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on the operations of Bank and any affiliate of Bank 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 may be prohibited or impeded by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or

^{3/} See *Banco Espírito Santo, S.A.*, 86 Federal Reserve Bulletin 418 (2000); *Caixa Geral de Depósitos S.A.*, 85 Federal Reserve Bulletin 774 (1999).

^{4/} See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the Bank of Portugal may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board has concluded that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office in Miami should be, and hereby is, approved.^{5/} Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.^{6/} The commitments and conditions referred to

^{5/} In a separate action, the Board today approved under section 3 of the Bank Holding Company Act the application of Bank and certain of its subsidiaries, including Atlântico, to become bank holding companies with respect to BPABank National Association, Newark, New Jersey.

^{6/} The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida or its agent, the Florida Department of Banking and Finance, to license the proposed office of Bank in accordance with any terms or conditions that the Florida Department of Banking and Finance may impose.

(continued...)

above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings against Bank, its offices, and its affiliates under applicable law.

By order of the Board of Governors,^{7/} effective June 30, 2000.

(Signed)

Robert deV. Frierson
Associate Secretary of the Board

^{6/}(...continued)

^{7/} Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.