

FEDERAL RESERVE SYSTEM

Banco Itaú S.A.
Sao Paolo, Brazil

Order Approving Establishment of a Representative Office

Banco Itaú S.A. ("Bank"), Sao Paolo, Brazil, 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*, March 12, 2000). The time for filing comments has expired and all comments have been considered.

Bank, with assets of \$30 billion (as of June 30, 2000), is the fourth largest banking organization in Brazil. Bank is 78 percent owned by Itaúsa- Investimentos Itaú S.A. ("Itaúsa") and its subsidiaries. Approximately 60 percent of Itaúsa is owned by members of two related Brazilian families, either directly or through related companies. The remaining 40 percent of Itaúsa's shares is owned by the public (18 percent), two foundations associated with Bank (12 percent), and an unrelated Brazilian company (10 percent).

Bank provides commercial and retail banking services, investment banking services, and other financial services such as securities brokerage and insurance. Bank operates branches in New York and the Cayman Islands, banking subsidiaries in the Cayman Islands, Argentina, and Uruguay, and a representative office in Frankfurt, Germany. Bank also owns less than

20 percent of the shares of banks operating in Luxembourg and Portugal. Bank's parent, Itaúsa, owns most of the remaining shares of these banks.

The representative office would market the products of Bank in the United States, act as a liaison between head office and U.S.-based customers, and facilitate correspondent banking activities in the United States.

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/} In addition, the Board may take into account additional standards set forth in the IBA and Regulation K.^{2/} The Board previously has 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

^{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).

representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.^{3/}

As noted above, Bank engages directly in the business of banking outside the United States through its banking operations in Brazil and elsewhere. Bank 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. Bank is subject to the regulatory and supervisory authority of the Central Bank of Brazil (the “Central Bank”), which has primary responsibility for the regulation of financial institutions in Brazil. The Board previously has determined that the Central Bank exercises a significant degree of supervision over the activities of three other Brazilian banks, each of which were approved to establish representative offices in the United States.^{4/} Bank is supervised by the Central Bank on substantially the same terms and conditions as the other Brazilian 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 taken into account the additional standards set forth in the IBA and in Regulation K.^{5/} The Central Bank has authorized Bank to establish the proposed office. With respect to the financial and managerial resources of

^{3/} See 58 Federal Register 6348, 6351 (1993). See also *Banco de la Ciudad de Buenos Aires*, 85 Federal Reserve Bulletin 647 (1999); *Agricultural Bank of China*, 83 Federal Reserve Bulletin 617 (1997); *Citizens National Bank*, 79 Federal Reserve Bulletin 805 (1993).

^{4/} See *Banco Bandeirantes, S.A.*, 81 Federal Reserve Bulletin 742 (1995); *Unibanco-Uniao do Banco Brasileiros, S.A.*, 82 Federal Reserve Bulletin 1148 (1996); *Banco BBA-Creditanstalt S.A.*, 85 Federal Reserve Bulletin 518 (1999).

^{5/} See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

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 and Itaúsa have 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 and Itaúsa have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain 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 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. 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 above are

^{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.

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

By order of the Board of Governors,^{7/} effective October 16, 2000.
(Signed)

Robert deV. Frierson
Associate Secretary of the Board

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