

FEDERAL RESERVE SYSTEM

BNP Paribas  
Paris, France

Order Approving the Acquisition of a Bank Holding Company

BNP Paribas (“BNPP”) has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”) (12 U.S.C. § 1842) (“BHC Act”) to acquire 55 percent of the voting shares of BancWest Corporation, Honolulu, Hawaii (“BancWest”), which owns Bank of the West, San Francisco, California (“Bank of the West”), and First Hawaiian Bank, Honolulu, Hawaii (“First Hawaiian”). BNPP currently owns 45 percent of BancWest’s voting shares, and would own all BancWest’s outstanding voting shares on consummation of the proposal.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (66 Federal Register 37,686 (2001)). 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.

BNPP, with total consolidated assets of \$709.2 billion, is the largest banking organization in France.<sup>1</sup> BNPP operates branches in Chicago, Illinois; Los Angeles, California; New York, New York; and San Francisco, California; agencies in Houston, Texas, and Miami, Florida; and representative offices in Dallas, Texas, and Atlanta, Georgia. With its 45-percent share of outstanding voting shares, BNPP indirectly controls BancWest and its bank subsidiaries, Bank of the West and First Hawaiian. BNPP also

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<sup>1</sup> Asset and ranking data for BNPP are as of September 30, 2001, and are based on the exchange rate then applicable.

engages in a broad range of permissible nonbanking activities in the United States through its subsidiaries.

BancWest, with total consolidated assets of \$19.8 billion, is the 35<sup>th</sup> largest banking organization in the United States, controlling less than 1 percent of total banking assets of insured commercial banks in the United States.<sup>2</sup> BancWest operates Bank of the West and First Hawaiian. Bank of the West, with total assets of \$12.3 billion, controls deposits of \$7 billion in California, representing approximately 1.5 percent of total deposits of insured depository institutions in the state (“state deposits”).<sup>3</sup> Bank of the West also operates branches in Oregon, New Mexico, Nevada, Washington, and Idaho. First Hawaiian, with total assets of \$7.2 billion, controls deposits of \$5.5 billion in Hawaii, representing approximately 30 percent of total state deposits. First Hawaiian also operates branches in Guam and Saipan; a branch in Grand Cayman, British West Indies; and a representative office in Tokyo, Japan.

#### Financial, Managerial, and Supervisory Considerations

The BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal and certain other supervisory factors. BNPP’s capital levels exceed the minimum levels that would be required under the Basel Capital Accord, and its capital levels are considered equivalent to the capital levels that would be required of a U.S. banking organization. In assessing the financial and managerial strength of BNPP and its subsidiaries, the Board has reviewed

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<sup>2</sup> Asset and ranking data for BancWest are as of September 30, 2001.

<sup>3</sup> Asset and deposit data for Bank of the West and First Hawaiian are as of June 30, 2001. State deposit and ranking data are as of June 30, 2000. In this context, depository institutions include commercial banks, savings banks, and savings associations.

information provided by BNPP, confidential supervisory and examination information, and publicly reported and other financial information. In addition, the Board has consulted with relevant supervisory authorities, including those in France. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign banking organization unless it is “subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank’s home country.”<sup>4</sup> The home country supervisor of BNPP is the French Banking Commission (“FBC”), which is responsible for the supervision and regulation of French financial institutions.

In approving applications under the BHC Act, the Board previously has determined that French banks, including BNPP, were subject to comprehensive consolidated supervision by the FBC.<sup>5</sup> In this case, the Board

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<sup>4</sup> 12 U.S.C. § 1842(c)(3)(B). Under Regulation Y, the Board uses the standards enumerated in Regulation K to determine whether a foreign bank that has applied under section 3 of the BHC Act is subject to consolidated home country supervision. See 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to affiliates, to assess the bank’s overall financial conditions and its compliance with law and regulations. See 12 C.F.R. 211.24(c)(1).

<sup>5</sup> See Banque Nationale de Paris, 81 Federal Reserve Bulletin 515 (1995). Pursuant to delegated authority, the Federal Reserve Bank of San Francisco approved BNPP’s application to establish offices in the United States. Letter dated May 18, 2000, from the Federal Reserve Bank of San Francisco to Paul Glotzer, Esq.

finds that the FBC continues to supervise BNPP in substantially the same manner as it supervised French banks at the time of those previous determinations. Based on this finding and all the facts of record, the Board concludes that BNPP continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.

In addition, section 3 of the BHC Act requires the Board to determine that a foreign bank 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.<sup>6</sup> The Board has reviewed the restrictions on disclosure in relevant jurisdictions in which BNPP operates and has communicated with relevant government authorities concerning access to information. In addition, BNPP previously has committed to make available to the Board such information on the operations of BNPP and its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act and other applicable federal law. BNPP also previously has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable BNPP and its affiliates to make such information available to the Board. In light of these commitments, the Board concludes that BNPP has provided adequate assurances of access to any appropriate information that the Board may request. Based on these and all the facts of record, the Board concludes that the supervisory factors it is required to consider are consistent with approval.

#### Other Considerations

Section 3 of the BHC Act prohibits the Board from

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approving a proposal that would result in a monopoly. The Board is also prohibited from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.<sup>7</sup>

Because BNPP already controls BancWest, the proposed transaction would have no anticompetitive effects in any relevant markets. Accordingly, and 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. Considerations based on the convenience and needs of the communities to be served, including the records of performance of the U.S. subsidiary banks of the organizations under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) (“CRA”) also are consistent with approval.<sup>8</sup>

### Conclusion

Based on the foregoing, the Board has determined that the acquisition by BNPP of the BancWest voting shares, should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of

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<sup>6</sup> See 12 U.S.C. § 1842(c)(3)(A).

<sup>7</sup> 12 U.S.C. § 1842(c).

<sup>8</sup> Bank of the West received a “satisfactory” rating from the Federal Deposit Insurance Corporation (“FDIC”) at its most recent CRA evaluation, as of May 1, 2000. First Hawaiian received an “outstanding” rating from the FDIC at its most recent CRA evaluation, as of January 1, 2001.

record in light of the factors that the Board is required to consider under the BHC Act.

The Board's approval is specifically conditioned on compliance by BNPP with all the commitments made in connection with this application, including the conditions set forth in the order and the above-noted Board regulations and orders. The Board's approval also specifically is conditioned on BNPP's compliance with the commitments it previously made regarding access to information, and on the Board's receiving access to information on the operations or activities of BNPP and any of its affiliates that the Board determines to be appropriate to determine and enforce compliance by BNPP and its affiliates with applicable federal statutes. If any restrictions on access to information on the operations or activities of BNPP and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by BNPP or its affiliates with applicable federal statutes, the Board may require termination of any of BNPP's direct or indirect activities in the United States. All the commitments and conditions on which the Board relied in granting its approval, including the commitments and conditions specifically described above, 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 acquisition of the BancWest shares may not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated 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 San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>9</sup> effective December 4, 2001.

(signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>9</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.