

FEDERAL RESERVE SYSTEM

Caixa de Aforros de Vigo, Ourense e Pontevedra
Vigo, Spain

Order Approving Establishment of an Agency

Caixa de Aforros de Vigo, Ourense e Pontevedra (“Bank”), Vigo, Spain, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish an agency in Miami, Florida. 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 an agency in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Miami, Florida (*Miami Herald*, July 12, 2001). The time for filing comments has expired, and all comments have been considered.

Bank, with consolidated assets of approximately \$9.2 billion,¹ is a not-for-profit savings bank² offering retail and commercial banking services, primarily in the Galicia Region of Spain.³ Bank also engages in securities,

¹ Asset data are as of September 30, 2001.

² As a savings bank, Bank is required to channel part of its annual profits to social and cultural projects in the communities in which it operates. There is no minimum legal requirement for such contributions.

³ Bank does not have shareholders. Its operations are controlled and governed by three bodies: a general assembly, a board of directors, and a control commission. The 160-member general assembly includes representatives of the municipalities in which Bank operates (25 percent), Bank’s depositors (40 percent), the Bank’s “founding institutions” (i.e., the municipal governments of Vigo, Ourense, and Pontevedra Regions of Spain) (25 percent), and Bank’s employees (10 percent). Bank’s board of directors is composed of

insurance, asset management, venture capital, food distribution, real estate development, telecommunications, and information management activities through a number of domestic subsidiaries. Outside Spain, Bank operates two branches in Portugal and has representative offices in Venezuela, Mexico, and Switzerland. Bank currently does not have any operations in the United States.

The proposed agency would offer deposit, trade finance, project finance, corporate loan, personal banking, and investment management services to Bank's existing and potential customers in the Americas and the Carribean.

In order to approve an application by a foreign bank to establish an agency in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant 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

(12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24).⁴ The Board may also take into

27 members, proportionally representing the groups comprising the general assembly. The control commission is composed of 11 members elected by the general assembly.

⁴ 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;

account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in Spain, that those banks were subject to home country supervision on a consolidated basis.⁵ Bank is supervised by the Bank of Spain on substantially the same terms and conditions as those other banks.

Based on all the facts of record, including the above information, it has been determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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)) have also been taken into account. The Bank of Spain has no objection to the establishment of the proposed agency.

(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.

⁵ See Caja de Ahorros y Monte de Piedad de Madrid, 87 Federal Reserve Bulletin __ (October 31, 2001); Banco Pastor, S.A., 87 Federal Reserve Bulletin 555 (2001); Caja de Ahorros de Valencia, Castellón y Alicante, 84 Federal Reserve Bulletin 231 (1998); Banco Exterior de España S.A., 81 Federal Reserve Bulletin 616 (1995); Corporación Bancaria de España, 81 Federal Reserve Bulletin 598 (1995); Banco Santander S.A., 79 Federal Reserve Bulletin 622 (1993); Banco de Sabadell S.A., 79 Federal Reserve Bulletin 366 (1993).

Spain has enacted laws, and the Bank of Spain has promulgated implementing regulations, designed to prevent money laundering. The laws and regulations require financial institutions, including savings banks, to establish and implement policies, procedures, and controls for the purpose of preventing and detecting money laundering, and to report certain cash transactions and suspicious transactions to appropriate authorities. An institution's compliance with applicable laws and regulations is monitored by the Bank of Spain and the institution's external auditors. Bank has policies and procedures to comply with these laws and regulations.

Spain's risk-based capital standards conform to the European Union capital standards, which are consistent with those established by the Basel Capital Accord. Bank's capital is in excess of the minimum levels that would be required by the Basel Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed agency. In addition, Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information about Bank's operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed and the relevant government authorities have been communicated with 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, 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 Bank of Spain 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, it has been determined 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 as well as the terms and conditions set forth in this order, Bank's application to establish an agency is hereby approved.⁶ Should any restrictions on access to information on the operations or activities of Bank and 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 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 compliance by Bank with the commitments made in connection with this application and with the conditions in this order.⁷ The commitments and

⁶ Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

⁷ The authority to approve the establishment of the proposed agency parallels the continuing authority of the State of Florida to license offices of a foreign bank. The approval of this application does not supplant the authority of the State of Florida or its agent, the Florida Department of Banking and Finance ("Department"), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board, effective December 20, 2001.

(Signed)

Robert deV. Frierson
Deputy Secretary of the Board