

FEDERAL RESERVE SYSTEM

Fortis Bank S.A./N.V.
Brussels, Belgium

Order Approving Establishment of Branches

Fortis Bank S.A./N.V. ("Bank"), Brussels, Belgium, 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 branches in New York, New York, and Stamford, Connecticut. 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 a branch in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in newspapers of general circulation in New York, New York (*Daily News*, April 24, 2002), and Stamford, Connecticut (*The Advocate*, April 24, 2002). The time for filing comments has expired, and all comments have been considered.

Bank, with total assets of \$329 billion, is the largest bank in Belgium.¹ Bank is a subsidiary of Fortis Brussels S.A./N.V. ("Fortis Brussels"), Brussels, Belgium, which holds 99.7 percent of Bank's shares. Fortis Brussels is 50-percent-owned by Fortis S.A./N.V., Brussels, Belgium, and 50-percent-owned by Fortis N.V., Utrecht, Netherlands. The Fortis Group, which consists of Fortis S.A./N.V. and Fortis N.V. and the group of companies owned and/or controlled by them, is primarily engaged in banking, insurance,

¹ Asset data are as of December 31, 2001.

and investment and has operations throughout the world. Virtually all of the banking operations of the group are conducted by Bank and its direct and indirect subsidiaries. Bank provides a wide range of financial products and services, including retail, merchant, and private banking as well as asset management.

The Fortis Group currently has no banking operations in the United States, but engages through nonbank subsidiaries in a broad range of financial activities, including insurance activities.²

The proposed New York branch would engage in deposit taking, lending, foreign exchange activities, certain derivatives transactions, and securities investment activities. The proposed Connecticut branch would engage in lending and other financing activities and would not take any deposits other than those permitted for a corporation organized under section 25A of the Federal Reserve Act.

In order to approve an application by a foreign bank to establish a branch 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

² Bank and its parent companies have elected to be treated as financial holding companies by filing a declaration in connection with Bank's application to establish banking offices in the United States.

its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24).³ The Board may also take into 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)-(3)).

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 Belgium, that those banks were subject to home country supervision on a consolidated basis.⁴ Bank is supervised by the Belgian Banking and Finance Commission on substantially the same terms and conditions as those other banks. Based on all the facts of record, it has been

³ 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.

⁴ See *Artesia Banking Corporation*, 88 Federal Reserve Bulletin 253 (2002); *Dexia Project and Public Finance International Bank*, 86 Federal Reserve Bulletin 289 (2000); *KBC Bank, N.V.*, 85 Federal Reserve Bulletin 832 (1999); *Credit Communal de Belgique*, 82 Federal Reserve Bulletin 104 (1996). See also footnote 5.

determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.⁵

The Board has also taken into account 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)-(3)). The Belgian Banking and Finance Commission has no objection to the establishment of the proposed branches.

Belgium'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 branches. In addition, Bank has established controls and procedures for the proposed branches to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Belgium is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering. In accordance with these recommendations, Belgium has enacted laws and

⁵ In reaching this view, the oversight of the Fortis Group as a whole has been considered. Under an agreement to coordinate the exercise of their respective supervisory powers, the banking and insurance supervisory authorities in Belgium and the Netherlands have designated the Belgian Banking and Finance Commission as the supervisory coordination authority for the entire Fortis Group. The banking regulators in Belgium, the Netherlands, and Luxembourg have also entered into a memorandum of understanding to cooperate with each other in the consolidated supervision of the banking activities of the Fortis Group.

created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in Belgium, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Bank has policies and procedures to comply with these laws and regulations. Bank's compliance with applicable laws and regulations is monitored by the Belgian Banking and Finance Commission and Bank's internal and external auditors.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank and its ultimate parents have 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 and its ultimate parents have 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 Belgian Banking and Finance Commission 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 branches 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 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 conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

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 Board's authority to approve the establishment of the proposed branches parallels the continuing authority of the States of Connecticut and New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Connecticut Department of Banking and the New York State Banking Department to license the proposed offices of Bank in accordance with any terms or conditions that they may impose.

By order, approved pursuant to authority delegated by the Board,
effective October 8, 2002.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board