

FEDERAL RESERVE SYSTEM

Royal Bank of Canada, Montreal, Canada,
RBC Centura Banks, Inc., and
RBC Centura Bank, Rocky Mount, North Carolina

Order Approving the Acquisition of a Bank Holding Company,
Merger of Depository Institutions, and Establishment of Branches

Royal Bank of Canada (“RBC”), a foreign banking organization subject to the provisions of the Bank Holding Company Act (“BHC Act”), and its wholly owned subsidiary, RBC Centura Banks, Inc. (“RBC Centura”), have requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Admiralty Bancorp, Inc. (“Admiralty”) and its wholly owned subsidiary, Admiralty Bank, both in Palm Beach Gardens, Florida.¹ RBC Centura Bank (“RBC Bank”), RBC Centura’s wholly owned subsidiary, has also requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (“Bank Merger Act”) to merge with Admiralty Bank, with RBC Bank as the surviving entity.² In addition, RBC Bank proposes to retain and operate branches at the main and branch offices of Admiralty Bank.³

¹ RBC is treated as a financial holding company in accordance with sections 225.90 and 225.91 of Regulation Y (12 C.F.R. 225.90-225.91). Through its subsidiaries and affiliates, RBC engages in a variety of nonbanking activities, including investment banking, asset management, and mortgage lending.

² The transaction would be effected through a series of steps. Admiralty would merge with a newly created, wholly owned subsidiary of RBC, with Admiralty surviving. Admiralty then would merge with and into RBC Bank. Immediately thereafter, Admiralty Bank would merge with and into RBC Bank.

³ See 12 U.S.C. §§ 321 & 1831u. The Admiralty Bank branches to be acquired by RBC Bank are listed in the Appendix.

Notice of the proposal, affording interested persons an opportunity to comment, has been published in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)) in the Federal Register (67 Federal Register 63,661 and 63,662 (2002)) and locally. As required by the BHC Act and the Bank Merger Act, reports on the competitive effects of the merger were requested from the U.S. Attorney General and relevant banking agencies. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the statutory provisions that govern the retention and operation of interstate branches.

RBC, with total assets of \$225.4 billion, is the largest banking organization in Canada.⁴ RBC operates depository institutions in Florida, Georgia, North Carolina, South Carolina, and Virginia. RBC Centura's subsidiary commercial bank, RBC Bank, controls deposits of \$20.8 million in Florida, representing less than 1 percent of total deposits of insured depository institutions in the state ("state deposits").⁵ Admiralty's subsidiary commercial bank, Admiralty Bank, controls deposits of \$527.0 million in Florida, representing less than 1 percent of state deposits. On consummation of the proposal, RBC Bank would become the 35th largest depository institution in Florida, controlling deposits of approximately \$547.8 million, representing less than 1 percent of state deposits.

⁴ Asset and national ranking data for RBC are as of December 31, 2001, and are based on the exchange rate then available.

⁵ Deposit and state ranking data are as of June 30, 2002, and are adjusted to reflect mergers and acquisitions completed through November 6, 2002. In this context, depository institutions include commercial banks, savings banks, and savings associations.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of RBC Centura is North Carolina, and RBC Centura proposes to acquire a depository institution in Florida.⁶ Based on a review of all the facts of record, including a review of relevant state statutes, the Board finds that all conditions for an interstate acquisition enumerated in section 3(d) are met in this case.⁷ In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Financial, Managerial, and Supervisory Considerations

The BHC Act and the Bank Merger Act require 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. In assessing the financial and managerial strength of RBC and its subsidiaries, the Board has reviewed information provided by RBC, confidential supervisory and examination

⁶ 12 U.S.C. § 1841(o)(4)(C).

⁷ RBC Centura is adequately capitalized and adequately managed, as defined by applicable law. In addition, RBC Centura would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States on consummation of the proposal. See 12 U.S.C. § 1842(d)(1)(A) & (B), 1842(d)(2)(A) & (B). RBC Centura also would control less than 30 percent of the total deposits of insured depository institutions in Florida. Florida law prohibits the interstate acquisition of a Florida bank that has been in existence and continuously operating for three years or fewer. This transaction would meet the minimum age requirements imposed by Florida law. See Fla. Stat. Ann. § 658.295(8).

information, and publicly reported and other financial information.⁸ RBC'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. 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.⁹

⁸ The commenter alleged that an insurance company subsidiary of RBC, Liberty Life Insurance Co. of Greenville, South Carolina ("Liberty Life"), discriminated against African-American clients by charging them higher premiums than white clients for industrial life insurance policies issued between 1905 and 1967. On August 23, 2002, the Administrative Law Judge Division of the South Carolina Department of Insurance ("S.C. Insurance Department") upheld the S.C. Insurance Department's determination that Liberty Life had engaged in discriminatory pricing of its insurance premiums. RBC acquired Liberty Life in November 2000, and the S.C. Insurance Department's findings related to practices that occurred before RBC acquired Liberty Life. RBC currently has policies in place at Liberty Life designed to prevent discrimination in pricing based on race or other prohibited bases. Liberty Life has appealed the findings of the S.C. Insurance Department. Although the Board has only limited authority to address matters related to the insurance activities of regulated insurance companies, the Board will continue to monitor this matter.

⁹ The commenter suggests, based on a general news article about the ability of U.S. taxpayers to evade tax liability by using offshore international banking accounts, that the availability of RBC accounts in Guernsey, Channel Islands, reflects unfavorably on RBC's management. RBC has indicated that it maintains strict "source of funds" guidelines and "know your customer" rules and advises clients of RBC's international private banking group that they may be obligated to declare income in their home countries and may be liable for tax in those jurisdictions.

The commenter also submitted press accounts concerning a brokerage subsidiary, RBC Dain Rauscher Corp. ("Dain Rauscher"), discussing the decision by the Securities and Exchange Commission to settle regulatory charges brought against Dain Rauscher in its capacity as successor to Rauscher Pierce Refsnes, Inc. RBC acquired Dain Rauscher in 2001, and the charges related to matters that

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."¹⁰ The home country supervisor of RBC is Canada's Office of the Superintendent of Financial Institutions ("OSFI"), which is responsible for the supervision and regulation of Canadian financial institutions.

In approving applications under the BHC Act, the Board previously has determined that Canadian banks, including RBC, were subject to comprehensive consolidated supervision by the OSFI.¹¹ In this case, the Board

occurred in 1993 and 1994. There are no facts of record to suggest that Dain Rauscher engaged in the conduct that gave rise to the regulatory action after RBC acquired it in 2001.

The commenter further requested that the Board consider media reports discussing litigation that arose from a total return swap agreement between RBC and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., and the subsequent indictment of three former RBC employees for fraud. These matters also are in private litigation. The Board will monitor the various judicial proceedings and has supervisory authority under federal banking laws to require that RBC take appropriate action based on the court findings.

¹⁰ 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 submitted an application 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 condition and its compliance with law and regulations. See 12 C.F.R. 211.24(c)(1).

¹¹ See Royal Bank of Canada, 83 Federal Reserve Bulletin 442 (1997).

finds that the OSFI continues to supervise RBC in substantially the same manner as it supervised Canadian banks at the time of those previous determinations. Based on this finding and all the facts of record, the Board concludes that RBC 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.¹² The Board has reviewed the restrictions on disclosure in relevant jurisdictions in which RBC operates and has communicated with relevant government authorities concerning access to information. In addition, RBC previously has committed to make available to the Board such information on the operations of RBC and its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act and other applicable federal law. RBC also previously has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable RBC and its affiliates to make such information available to the Board. In light of these commitments, the Board concludes that RBC 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.

Competitive Considerations

As part of the Board's review under section 3 of the BHC Act and the Bank Merger Act, the Board has considered carefully the competitive effects of the

¹² See, e.g., 12 U.S.C. § 1842(c)(3)(A).

proposal in light of all the facts of record. RBC and Admiralty compete directly in the Miami-Fort Lauderdale, Florida, banking market (“Miami banking market”).¹³ The Board has reviewed the competitive effects of the proposal in this banking market in light of all the facts of record, including the number of competitors that would remain in the market, the relative share of total deposits in depository institutions in the market (“market deposits”)¹⁴ controlled by RBC and Admiralty, the concentration level of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”), and other characteristics of the market.¹⁵

RBC operates an agency office in the Miami banking market that does not accept insured deposits, and Admiralty operates a branch in the market, which opened August 2001, and controls deposits of \$30.7 million, representing less than 1 percent of market deposits. Consummation of this proposal would not result in an appreciable increase in the level of concentration of market deposits, and RBC Bank would become the 78th largest depository institution in the Miami banking market, with less than 1 percent of market deposits.

The Department of Justice has reviewed the proposal and advised the Board that consummation would not likely have a significantly adverse effect on competition in any relevant market. No banking agency has indicated that the proposal raises competitive issues.

¹³ The Miami banking market is defined as Broward and Dade Counties, Florida.

¹⁴ Market share data are as of June 30, 2002, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. See First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

¹⁵ See DOJ Guidelines, 49 Federal Register 26,823 (1984).

Based on all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the Miami banking market or in any other relevant banking market.

Convenience and Needs Considerations

In acting on this proposal, the Board also must consider the convenience and needs of the communities to be served and take into account the records of performance of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) (“CRA”). The CRA requires the federal supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansion proposals. The Board has considered carefully the convenience and needs factor and the CRA performance records of RBC Bank and Admiralty Bank in light of all the facts of record, including a public comment received on the effect of the proposal on the communities to be served by the combined organization.¹⁶

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the appropriate federal supervisors of the CRA performance records of RBC Bank and Admiralty Bank. An institution’s most recent CRA performance evaluation is a particularly important consideration in the

¹⁶ The commenter alleged, among other things, that RBC Bank and RBC Mortgage engaged in disparate treatment of minority and nonminority individuals in mortgage lending, based on data submitted under the Home Mortgage Disclosure Act, 12 U.S.C. § 2801 et seq. (“HMDA”).

applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.¹⁷

RBC Bank received a "satisfactory" CRA rating at its most recent CRA performance evaluation, as of March 4, 2002, from the Federal Reserve Bank of Richmond.¹⁸ Admiralty Bank also received a "satisfactory" CRA rating at its most recent CRA performance evaluation, as of July 6, 1998, from the Federal Reserve Bank of Atlanta. Examiners found no violations of the substantive provisions of fair lending and consumer protection laws at either institution and no evidence of prohibited discrimination or other illegal credit practices.

B. RBC Bank's CRA Performance Record

1. Lending Test

Examiners rated RBC Bank "high satisfactory" under the lending test for the review period in its most recent CRA performance evaluation based on the bank's lending activity, distribution of loans, and community development lending.¹⁹ Examiners reported that RBC Bank served its assessment areas by offering a variety of credit products, including residential mortgage, home equity, consumer, small business, and commercial loans.

¹⁷ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

¹⁸ RBC and RBC Centura also control RBC Centura Card Bank, Atlanta, Georgia, a credit card bank that has not been examined for CRA performance since opening for business in July 2000.

¹⁹ The review period for RBC Bank's CRA evaluation was January 1, 2000, through December 31, 2001. During the review period, RBC Bank's assessment areas included 16 Metropolitan Statistical Areas ("MSAs") and 13 non-MSAs. Full scope reviews were conducted in ten of the bank's assessment areas that together accounted for a substantial portion of the bank's dollar volume.

Examiners noted that RBC Bank originated a substantial majority of its loans, by number and dollar volume, to businesses and consumers in its assessment areas and was highly responsive to community credit needs. Examiners also found that RBC Bank was an active lender relative to its lending capacity and taking into account economic conditions in the bank's assessment areas (as evidenced by the bank's quarterly average loan-to-deposit ratio, which consistently exceeded that of all banks headquartered in metropolitan areas of North Carolina and of similar asset size). Examiners commended RBC Bank for its lending distribution by geographical and income levels, commenting favorably on the bank's small business and HMDA lending penetration in particular. Examiners also found that in most markets, small business and HMDA-reportable loans accounted for the majority of the bank's loan portfolio. During the review period, RBC Bank extended more than \$2 billion in HMDA-reportable loans.

Examiners found that RBC Bank, in an effort to meet the needs of its local communities, offered and participated in assorted special loan programs to benefit LMI individuals and LMI areas or to promote economic development. Included among these loan programs were credit products offered through the Federal Housing Administration ("FHA"), Department of Veterans Affairs ("VA"), and Farm Service Housing and/or Rural Housing Service ("FSH/RHS").²⁰ During the review period, RBC Bank originated 1,069 FHA, VA, and FSH/RHS loans totaling \$102.1 million. Examiners also found that RBC Bank offered "Affordable Housing Program" ("AHP") loans that provided as much as 100 percent financing and flexible underwriting terms to certain borrowers who did not meet the underwriting criteria

²⁰ Examiners also noted that RBC Bank continued to participate in the Community Investment Corporation of North Carolina, which is a statewide affordable housing loan consortium that provides long-term permanent financing for LMI multifamily housing developments.

necessary for the secondary market.²¹ During the review period, RBC Bank originated 751 AHP loans, totaling \$56.4 million, to eligible borrowers.

Examiners concluded that RBC Bank extended a high level of loans, approximately \$22 million, for community development purposes. The loans were used primarily to provide housing for LMI individuals and to facilitate small business development. Examiners observed that 72.3 percent of the qualified loans were made in North Carolina.²² Also, the bank entered a partnership with the Federal Home Loan Bank of Atlanta and various community groups to extend 208 loans to assist first-time homebuyers, develop multifamily low-income housing, and rehabilitate and rebuild low-income housing damaged by Hurricane Floyd. Examiners commended RBC Bank for its commitment to its local market areas and for its willingness to participate in flexible and somewhat complex credit transactions to benefit LMI borrowers and LMI areas.

Since its most recent performance evaluation, RBC Bank reported that it has provided and committed approximately \$26.5 million in community development loans to finance the creation of affordable housing for the benefit of LMI families and LMI areas and for small business development in Virginia, Florida, Georgia, North Carolina, and South Carolina. The funding includes projects in partnership with the Virginia Housing Development Authority, the Self-Help Credit Union of North Carolina, Habitat for Humanity, the North Carolina

²¹ The AHP offers home purchase loans to families whose incomes do not exceed 80 percent to 100 percent of the HUD median family income for the county of residence.

²² RBC Bank provided 33 community development loans totaling \$15.8 million in North Carolina during the review period, including one loan of \$2.2 million in Greene County to build an LMI housing facility.

Institute for Minority Economic Development, and the Florida Community Loan Fund.²³

2. Investment Test

Examiners rated RBC Bank “high satisfactory” for its record of responding to community development needs through investments. Examiners noted that RBC Bank made significant investments in low-income housing tax credit limited partnerships, equity housing funds, and low-income mortgage pools. During the review period, RBC Bank committed to participate in qualified investments totaling \$50.8 million and funded \$27.2 million of that commitment. Examiners also noted that during the review period, RBC Bank supported various community development organizations, whose operations assist LMI individuals and areas or support small business development, through contributions of more than \$341,000.

RBC Bank has represented that since its most recent performance evaluation, it has committed an additional \$18.7 million in qualified investments for community development purposes. Such investments include a \$25,000 donation to the Rocky Mount Habitat for Humanity; up to \$8 million in low-income housing tax credit investments through the Community Affordable Housing Equity Corporation syndicate, which operates in Virginia, North Carolina, South Carolina, and Georgia; a purchase of \$10 million in LMI mortgages throughout the bank’s Atlanta assessment area; and a \$200,000 grant to the East Lake Community Foundation to renovate Atlanta’s East Lake neighborhood.

²³ RBC Bank received a Bank Enterprise Award from the Department of the Treasury for a \$5 million loan that the bank originated to the Self-Help Credit Union of North Carolina, a community development financial institution. RBC Bank donated the award of \$550,000 to the credit union to provide financing for additional low-income housing in North Carolina.

RBC Bank also stated that it has taken several other measures to provide economic and community support to projects and programs that assist LMI and minority populations. RBC Bank, along with other lenders, has coordinated an effort to organize and fund an eastern North Carolina regional economic development not-for-profit organization known as the Foundation for Renewal for Eastern North Carolina (“FOR ENC”). FOR ENC will establish a venture and incentive fund to provide monetary support for community development projects in the region. In addition, RBC Bank reported that its Community Development Manager and Compliance Manager have met with community organizations in Atlanta to evaluate and develop a CRA strategic plan for the Atlanta market. The plan resulted in the creation of production goals for LMI and minority mortgage customers. RBC Bank also represented that its commercial lending officers have established relationships with affordable housing developers in the Atlanta market.

3. Service Test

RBC Bank was rated “high satisfactory” at its most recent performance evaluation for its provision of retail banking and community development services. Examiners found that RBC Bank’s delivery systems, branch locations, and hours of operation were readily accessible to all portions of its assessment areas. Examiners observed that approximately 19 percent of the bank’s 242 branches were in LMI areas. In addition, examiners found that bank personnel provided support to community development organizations, which, in turn, offered community development services throughout the bank’s assessment areas. One RBC Bank officer served on the advisory committee of the North Carolina Community College System’s Small Business Center Network (“SBNC”), which operates 58 offices throughout North Carolina. The SBNC promotes microenterprise development through economic and workforce development programs. As previously noted, RBC Bank also is a

majority owner of a small business investment corporation that provides capital and management assistance to qualifying small businesses.

C. Admiralty Bank's CRA Performance Record

As previously noted, Admiralty Bank received a satisfactory CRA rating at its most recent performance evaluation.²⁴ Examiners determined that Admiralty Bank's loan-to-deposit ratio was reasonable given the bank's size and assessment area credit needs. Examiners also found that the majority of consumer loans originated during the review period were made to individuals inside the bank's assessment area.²⁵ Examiners noted that Admiralty Bank's distribution of business and consumer loans inside the assessment area reflected effective loan penetration to businesses and individuals of different income levels.

Examiners found that Admiralty Bank is primarily a commercial lender with particular expertise in originating business loans guaranteed by the Small Business Administration ("SBA"). Approximately 88 percent of the loans originated by Admiralty Bank during the exam period were commercial loans. Although only 42 percent of the sample of business loans reviewed by examiners were originated to businesses in the bank's assessment area, examiners found that the availability of SBA loan products was sufficient to meet demand in and around the assessment area. Examiners noted that the loans originated to businesses outside the assessment area

²⁴ The review period for Admiralty Bank's CRA evaluation was October 1996 through June 15, 1998. Admiralty Bank's assessment area included 28 census tracts in the northern part of the West Palm Beach-Boca Raton MSA. Examiners noted that although the bank's assessment area contains no low-income census tracts, the bank did not unreasonably exclude any LMI areas from the assessment area.

²⁵ Examiners concluded that the 47 consumer loans originated by the Admiralty Bank since its previous performance evaluation constituted a significant volume of consumer loans for a bank its size.

were almost all SBA loans and were distributed over an extended area of the southeast Florida region.

RBC Bank stated that it intends to apply its CRA compliance policies to Admiralty Bank after the merger. RBC Bank has represented that it intends to evaluate the Florida market that Admiralty Bank serves and to visit local organizations to evaluate community development opportunities. The resulting evaluation would become the basis for the RBC Bank plan for CRA compliance in the markets that Admiralty Bank now serves.

D. HMDA

RBC recently acquired Eagle Bancshares, Inc. and its thrift subsidiary, Tucker Federal Bank, both in Tucker, Georgia.²⁶ In evaluating that proposal, the Board considered comments filed by the commenter about RBC Bank's HMDA data that were substantially the same as the comments submitted in this case.²⁷ In considering this earlier proposal, the Board reviewed extensively RBC Bank's and RBC Mortgage's 2000 and 2001 HMDA data and assessed each institution's performance in lending to minority applicants and to applicants in LMI census tracts in eleven markets. In connection with RBC's current proposal, the Board reviewed its previous HMDA analysis and analyzed RBC's performance in additional markets.

²⁶ See Royal Bank of Canada, 88 Federal Reserve Bulletin 385 (2002).

²⁷ The commenter noted that RBC Bank's denial disparity ratios, which compare the denial rate for minority loan applicants with that for nonminority applicants -- particularly for African-American applicants in the Rocky Mount, Greensboro, and Charlotte MSAs, all in North Carolina, and the Norfolk, Virginia MSA -- compared unfavorably with those of the HMDA-reporting lenders in the aggregate in those four MSAs. Aggregate data are based on all lenders reporting HMDA data in a particular market.

The Board is concerned when the record of an institution indicates disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race, gender or national origin. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.²⁸ HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including examination reports that provide on-site evaluation of RBC Bank's compliance with fair lending laws and the overall lending and community development activities of RBC Bank.²⁹

²⁸ The data do not, for example, account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

²⁹ The commenter expressed concern about the apparent increase in the denial disparity ratios for African-American and Latino applicants to RBC Mortgage in the St. Louis, Missouri, MSA, and the apparent disparity in the Chicago, Illinois, MSA in originations of loans to African-American and nonminority applicants. In addition, the commenter questioned whether RBC Mortgage is complying with the requirements of HMDA. The commenter requested on-site examinations of and enforcement actions against RBC Bank and RBC Mortgage to address these HMDA-related issues.

The Board also has considered, and hereby adopts, the findings and explanations discussed in its review of these matters in the Tucker Federal Bank proposal.³⁰

As noted, examiners found no evidence of prohibited discriminatory practices or of substantive violations of fair lending laws at RBC Bank's most recent performance evaluation. The Board also notes that the lower percentages of mortgage loans to African Americans and in predominantly minority census tracts by RBC Bank appear to reflect a lower percentage of applications received by the bank from these individuals and areas as compared with the aggregate. RBC Bank's approval rate for such loans approximated or exceeded that of the aggregate in all four markets reviewed.

As noted above, RBC Bank has in place a number of programs designed to help meet the credit needs of its communities and examiners found that RBC Bank has engaged in substantial lending throughout its assessment areas. The HMDA data also reflected overall improvements in the number of mortgage loans originated by the bank to African Americans, LMI individuals, and to individuals residing in predominantly minority and LMI census tracts during 2000 and 2001. In addition, the applicant has implemented a number of programs and made efforts to improve its outreach efforts to minorities and to LMI individuals and LMI areas.

RBC has provided information about the policies and procedures it has implemented to comply with fair lending laws and HMDA and to ensure accurate HMDA reporting. The Board notes that the Federal Reserve Bank of Richmond concluded an on-site review of RBC Bank's record of compliance with fair lending laws on March 4, 2002. The examiners' findings did not substantiate the commenter's allegations about the bank's lending practices. With respect to RBC Mortgage, the Board has forwarded the commenter's letter to the Department of Housing and Urban Development and the Federal Trade Commission, the agencies responsible for enforcing compliance with fair lending laws by nondepository institutions.

E. Conclusion on Convenience and Needs Considerations

In reviewing the effect of the proposal on the convenience and needs of the communities to be served, the Board has considered carefully all the facts of record, including the comments received and the responses to the comments, evaluations of the performance of RBC Bank and Admiralty Bank under the CRA, the relevant HMDA data for RBC Bank and RBC Mortgage, other information provided by RBC Bank, and confidential supervisory information. The Board also has reviewed information submitted by RBC Bank concerning its CRA performance and its activities to help ensure compliance with fair lending laws since its last performance evaluation.

The record indicates that RBC Bank has performed adequately under the CRA. Based on all the facts of record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs of the communities to be served, including the CRA performance records of the institutions involved, are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and all facts of record, the Board has determined that the applications should be, and hereby are, approved.³¹ In

³⁰ See Royal Bank of Canada, 88 Federal Reserve Bulletin 385 (2002).

³¹ The commenter also requested that the Board hold a public hearing or meeting on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authority. In addition, the Bank Merger Act does not require the Board to hold a public hearing or meeting.

Under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an

reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, and the statutory provisions that govern the retention and operation of interstate branches.

The Board's approval is specifically conditioned on compliance by RBC, RBC Centura, and RBC Bank with all the commitments and representations made in connection with the applications. The Board's determination also is conditioned specifically on the Board's receiving access to information on the operations or activities of RBC and any of its affiliates that the Board determines to be appropriate to assess and enforce compliance by RBC and its affiliates with applicable federal statutes. These commitments, representations, and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

The proposed transactions may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for

opportunity for testimony. 12 C.F.R. 225.16(e). The Board has considered carefully the commenter's request in light of all the facts of record. In the Board's view, the public has had ample opportunity to submit comments on the proposal, and, in fact, the commenter has submitted written comments that the Board has considered carefully in acting on the proposal. The commenter's request fails to demonstrate why its written comments do not adequately present evidence in support of its position and fails to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

good cause by the Board or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors,³² effective January 13, 2003.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

³² Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.

Appendix

Addresses of Main Office and Branches to be Acquired by RBC Bank

1. 4400 PGA Boulevard
Palm Beach Gardens, FL 33410
2. 496 Central Parkway West
Altamonte Springs, FL 32714
3. 1401 North Federal Highway
Boca Raton, FL 33432
4. 4350 North Atlantic Avenue
Cocoa Beach, FL 32931
5. 300 West Broward Boulevard
Fort Lauderdale, FL 33312
6. 14235 U.S. Highway One
Juno Beach, FL 33408
7. 620 West Indiantown Road
Jupiter, FL 33458
8. 2 South Orange Avenue
Orlando, FL 32801
9. 2811 South Orange Avenue
Orlando, FL 32806
10. 6769 North Wickham Road, Suite B100
Melbourne, FL 32940