

## FEDERAL RESERVE SYSTEM

Barclays PLC  
London, England

Barclays Bank PLC  
London, England

Barclays Group US Inc.  
Wilmington, Delaware

### Order Approving the Formation of Bank Holding Companies and Acquisition of a Bank Holding Company

Barclays PLC (“Barclays”) and its subsidiaries, Barclays Bank PLC (“Barclays Bank”) and Barclays Group US Inc. (“Barclays US”) (collectively, “Applicants”), have requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”) to become bank holding companies and to acquire Juniper Financial Corp. (“Juniper”) and its subsidiary bank, Juniper Bank (“Juniper Bank”), both in Wilmington, Delaware.<sup>1</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (69 Federal Register 56,067 (2004)). The time for filing comments has expired, and the Board has considered the proposal

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<sup>1</sup> 12 U.S.C. § 1842. Barclays and Barclays Bank are each treated as a financial holding company for purposes of the BHC Act. Barclays US has elected to become a financial holding company on consummation of the proposal. The Board has determined that its election would become effective on consummation of the proposal, if on that date, Juniper Bank remains well capitalized and well managed. On that date, Juniper Bank must also have received a rating of at least “satisfactory” at its most recent performance evaluation under the Community Reinvestment Act (“CRA”). 12 U.S.C. § 2901 et seq.

and all comments received in light of the factors set forth in section 3 of the BHC Act.

Barclays, with total consolidated assets of approximately \$901 billion, is the 11<sup>th</sup> largest banking organization in the world.<sup>2</sup> Barclays operates branches in New York and Miami and representative offices in New York, San Francisco, and Washington, D.C. Juniper Bank, with consolidated assets of approximately \$437 million, is the 21<sup>st</sup> largest depository organization in Delaware, controlling \$326.8 million in deposits.<sup>3</sup>

### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition 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 effect of the proposal in meeting the convenience and needs of the community to be served.<sup>4</sup>

Applicants do not currently engage in retail banking activities in the United States and, therefore, do not compete with Juniper Bank in any relevant banking market. Accordingly, the Board concludes, based on all the facts of record, that consummation of the proposal would not have a significantly adverse

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<sup>2</sup> Worldwide asset data are as of June 30, 2004, and worldwide ranking data are as of December 31, 2003. Asset figures are based on United Kingdom generally accepted accounting principles.

<sup>3</sup> Asset, deposit, and ranking data are as of June 30, 2004.

<sup>4</sup> 12 U.S.C. § 1842(c)(1).

effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.

Financial, Managerial, and Supervisory Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including confidential supervisory and examination information from the various U.S. banking supervisors of the institutions involved, publicly reported and other financial information, information provided by Applicants, and public comment on the proposal.<sup>5</sup> In addition, the Board consulted with the Financial Services Authority (“FSA”), which is responsible for the supervision and regulation of financial institutions in the United Kingdom.

In evaluating financial factors in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis and the financial condition of the subsidiary banks and significant nonbanking operations. In this evaluation, the Board considers a variety of areas, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also

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<sup>5</sup> Using press reports, a commenter expressed concern that (1) projects that Barclays financed in Asia have negative environmental consequences, (2) Barclays Bank is a defendant in litigation involving the apartheid policies of the former government in South Africa, and (3) Barclays Bank is increasing its interest in banking organizations in Zimbabwe and Zambia. These matters are not within the Board’s jurisdiction to adjudicate or within the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act. See Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973) (“Western Bancshares”).

evaluates the financial condition of the combined organization on consummation, including its capital position, asset quality, earnings prospects, and the impact of the proposed funding of the transaction. Based on its review of these factors, the Board finds that Applicants have sufficient financial resources to effect the proposal. The capital levels of Barclays Bank would continue to 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. Furthermore, Juniper Bank is well capitalized and would remain so on consummation of the proposal. The proposed transaction is structured as a share purchase, and the consideration to be received by Juniper's shareholders would be funded from Applicants' existing cash resources.

The Board also has considered the managerial resources of Applicants, Juniper, and Juniper Bank, particularly the supervisory experience of the other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking laws. The Board has reviewed assessments by the relevant federal and state banking supervisory agencies of the organizations' management and of the risk-management systems of the Applicants' U.S. operations and of the operations of Juniper and Juniper Bank. The Board also has considered Applicants' plans to integrate Juniper and Juniper Bank and Applicants' proposed business plan for, and management structure of, Juniper Bank.

Based on these and all other 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 bank unless the bank is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate

authorities in the bank's home country.<sup>6</sup> The home country supervisor of the Applicants is the FSA.

In approving applications under the BHC Act and the International Banking Act ("IBA"),<sup>7</sup> the Board previously has determined that various banks in the United Kingdom, including Barclays Bank, were subject to home country supervision on a consolidated basis.<sup>8</sup> In this case, the Board finds that the FSA continues to supervise Barclays Bank in substantially the same manner as it supervised United Kingdom banks at the time of those determinations. Based on this finding and all the facts of record, the Board concludes that Barclays Bank 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 company 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>9</sup> The Board has reviewed the restrictions on disclosure in relevant

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<sup>6</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 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 subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship with any affiliates, to assess the bank's overall financial condition and its compliance with laws and regulations. See 12 C.F.R. 211.24(c)(1).

<sup>7</sup> 12 U.S.C. § 3101 *et seq.*

<sup>8</sup> See, e.g., HBOS Treasury Services plc, 90 Federal Reserve Bulletin 103 (2004); The Royal Bank of Scotland Group, 90 Federal Reserve Bulletin 87 (2004); Board letter to Gerald LaRocca, January 16, 2003.

<sup>9</sup> See 12 U.S.C. §1842(c)(3)(A).

jurisdictions in which Applicants operate and has communicated with relevant government authorities concerning access to information. In addition, Applicants previously have committed to make available to the Board such information on the operations of Applicants and their affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. Applicants have also previously committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable Applicants and their affiliates to make such information available to the Board. In light of these commitments, the Board concludes that Applicants have 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.

#### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their 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 expansionary proposals.

The Board has carefully considered the convenience and needs factor and the CRA performance record of Juniper Bank in light of all the facts of record, including public comments received on the proposal. A commenter opposing the

proposal expressed concern about Juniper Bank's record of community development lending.

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examination by the appropriate federal supervisor of the CRA performance record of the relevant insured depository institution. An institution's most recent CRA performance evaluation is a particularly important consideration in the 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.<sup>10</sup>

Juniper Bank received a "satisfactory" rating at its most recent CRA performance examination by the Federal Deposit Insurance Corporation ("FDIC"), as of May 13, 2003. Juniper Bank engages primarily in credit card operations and has been designated as a limited purpose bank by the FDIC for purposes of assessing its CRA performance.<sup>11</sup> The performance test for limited purpose banks evaluates an institution's record of community development lending, investments, and services in its designated assessment area.<sup>12</sup>

In the last performance evaluation of Juniper Bank, examiners indicated that the bank originated an adequate level of community development loans in its assessment area in Delaware during the evaluation period.<sup>13</sup>

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<sup>10</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

<sup>11</sup> A "limited purpose bank" is a bank that (1) offers only a narrow product line, such as credit card loans, to a regional or broader market and (2) has been designated as a limited purpose bank by the appropriate federal banking agency. 12 C.F.R. 345.12(o). The FDIC designated Juniper Bank as a limited purpose bank on April 15, 2002.

<sup>12</sup> 12 C.F.R. 345.25(a) and (c).

<sup>13</sup> The evaluation period for the examination was May 24, 2001, to May 12, 2003.

Community development loans made by Juniper Bank that examiners noted favorably included a bridge loan to a nonprofit organization that was used in the construction of a group home in New Castle County for LMI individuals with mental illness, and the bank's participation in a loan fund administered by a community development financial institution that financed the rehabilitation of fifteen apartments and the construction of four group homes for low-income individuals in Wilmington.

Examiners also indicated that the level of qualified investments, grants, and in-kind donations of property in Juniper Bank's assessment area reflected an adequate responsiveness to the credit and development needs of the bank's assessment area. Examiners stated that the bank purchased a \$250,000 bond from the Delaware State Housing Authority, the proceeds of which were used to fund affordable housing initiatives in Delaware.

Examiners also praised Juniper Bank for the high level of community development services provided to fifteen organizations throughout its assessment area. They commended the bank for providing financial-skills education and outreach programs to three nonprofit organizations in Delaware. Examiners concluded that the high level of community services provided by the bank demonstrated an excellent responsiveness in addressing the LMI and community economic development needs of its assessment area.

Applicants represented that since the last performance evaluation, Juniper Bank has purchased more than \$1 million of securities backed by mortgages in LMI communities in New Castle County and has committed \$400,000 to pooled loan funds that financed community development initiatives in the bank's assessment area. Applicants also represented that Juniper Bank continues to provide services to its community, including participating in programs to increase financial literacy and other life skills for children and young adults

transitioning from the foster care system and for young mothers. In addition, Applicants represented that after consummation of the proposal, they would continue to implement Juniper Bank's existing CRA program and would not change or discontinue any services or products now offered by Juniper Bank.<sup>14</sup> The FDIC, as Juniper Bank's primary federal supervisor, will continue to evaluate the bank's CRA performance record after consummation.

The Board has carefully considered all the facts of record, including reports of examination of the CRA record of Juniper Bank, information provided by Applicants, public comments received on the proposal, and confidential supervisory information. Applicants represented that the proposal would enable the combined organization to increase Juniper Bank's credit card business and would provide Juniper's customers access to Applicants' international banking products and services that are currently unavailable to its customers. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance record of Juniper Bank, are consistent with approval.

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<sup>14</sup> The commenter asserted that Barclays Bank's activities negatively affected lower-income communities outside the United States and that this record should be viewed as a predictor of Juniper Bank's performance under the CRA after Applicants acquire the bank. As previously noted, allegations concerning these types of activities outside the United States are within the jurisdiction of the foreign supervisor for the organization to adjudicate and are not within the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act. See Western Bancshares. Moreover, the CRA requires the relevant banking agency to assess an insured depository institution's record of meeting the credit needs of its community in the United States, but does not extend to activities conducted by foreign banks outside the United States. See 12 U.S.C. § 2903.

## Conclusion

Based on the foregoing and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.<sup>15</sup> In reaching this 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 and other applicable statutes. The Board's approval is specifically conditioned on compliance by Applicants with the conditions imposed in this order, the commitments made to the Board in connection with the application, and the prior commitments to the Board referenced in this order. These commitments and conditions 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 proposal shall not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated

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<sup>15</sup> The commenter requested that the Board hold a public meeting or hearing 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. Under its regulations, the Board also 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 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 had ample opportunity to submit comments on the proposal, and in fact, the commenter has submitted written comments that the Board considered carefully in acting on the proposal. The commenter's request fails to demonstrate why its written comments do not present its views adequately 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 hearing or meeting is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

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 New York, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>16</sup> effective November 9, 2004.

(signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>16</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.