



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 26, 1997

Bradley K. Sabel, Esq.
Shearman & Sterling
599 Lexington Avenue
New York, New York 10022-6069

Dear Mr. Sabel:

This responds to your request, on behalf of your clients, Banco Unión C.A. ("Banco Unión") and Consorcio Unión S.A. ("Consorcio"), both of Caracas, Venezuela, for relief from certain commitments made in connection with their applications to become bank holding companies by acquiring Union Chelsea National Bank, New York, New York ("Bank"), approved by the Board by order dated December 31, 1976.^{1/} You also request that Banco Unión and Consorcio be permitted to deregister as bank holding companies.

Your request is based on the following facts. Banco Unión and Consorcio, which together own all the voting shares of bank, propose to sell Bank to Excel Bank, N.A., New York, New York ("Excel"). Excel proposes to acquire Bank by merging with and into Bank, with Bank as the surviving corporation. The Office of the Comptroller of the Currency has approved the merger under the Bank Merger Act (12 U.S.C. § 1828(c)). Bank would be owned almost entirely by three individuals who are members of a single family that have no affiliation with Banco Unión or Consorcio. Neither Banco Unión

^{1/} Banco Unión, C.A., et al., 63 Federal Reserve Bulletin 61 (1977). Banco Unión and Consorcio agreed to enter into a voting agreement under which Banc Unión would vote at least 25 percent of the shares owned by both companies, and to maintain a letter of credit for the benefit of Bank.

or Consorcio would provide any financing in connection with the acquisition of Bank by Excel.

A portion of the purchase price would be payable to Banco Unión in Bank stock. You represent that the stock owned by Banco Unión would constitute approximately 3.3 percent of Bank's voting shares after the merger and would not, in any event, exceed 5 percent of Bank's voting shares. In addition, Banco Unión would have the right to appoint one member to Bank's board of directors, which would have at least five members. Banco Unión also would have some business relationships with Bank, such as acting as a deposit broker and providing computer services. All of these business relationships would be maintained with Bank on an arm's-length basis.

Based on the foregoing and all the facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board (12 C.F.R. 265.7(a)(2)), and after consulting with the General Counsel, has approved the requests of Banco Unión and Consorcio to be relieved from their commitments and to deregister as bank holding companies. This action is taken in reliance on all the facts of record, including all the representations and commitments made in connection with this proposal. Any changes to the proposal should be presented to staff as soon as possible, and may require a new submission to staff and a revision in this action. Except as modified by this action, all commitments applicable to Banco Unión and Consorcio shall remain in full force and effect. In addition, the Board reserves its right to initiate control proceedings against Banco Unión or Consorcio should facts presented at a future date indicate that either of these entities controls Bank or any other company in a manner inconsistent with the BHC Act.

Very truly yours,



Jennifer J. Johnson

Deputy Secretary of the Board

cc: Federal Reserve Bank of New York