

FEDERAL RESERVE SYSTEM

Caja de Ahorros de Galicia, Caixa Galicia
A Coruña, Spain

Order Approving Establishment of an Agency

Caja de Ahorros de Galicia, Caixa Galicia ("Bank"), A Coruña, 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. section 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 (*Miami Daily Business Review*, July 28, 2005). The time for filing comments has expired, and all comments received have been considered.

Bank, a savings bank with total assets of approximately \$42 billion,¹ is the 11th largest bank in Spain.² Bank provides wholesale

¹ Asset data are as of June 30, 2005.

² Spanish savings banks are generally organized as mutual entities and do not have shareholders. Bank's operations are controlled and governed by a general assembly and a board of directors. The 160-member general assembly includes representatives of the municipalities in which Bank operates (25 percent); Bank's depositors (40 percent); representatives designated by 34 regional civic organizations (25 percent); and Bank's employees (10 percent). Bank's board of directors is composed of 21 board

and retail banking services through more than 700 branches throughout Spain. Bank also engages through its subsidiaries in real estate, insurance, venture capital, information technology, transportation, and utilities services, as well as manufacturing and energy-related activities. Outside Spain, Bank operates branches in Portugal and Switzerland and representative offices in France, England, Switzerland, Mexico, Argentina, and Venezuela. Bank currently does not have any operations in the United States.

The proposed agency would offer deposit and investment management services, largely for Latin American customers. The agency would also provide corporate banking and foreign trade services to companies.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether the foreign bank (1) engages directly in the business of banking outside the United States; (2) has furnished to the Board the information it needs to assess the application adequately; and (3) is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. section 3105(d)(2); 12 CFR 211.24).³ The Board also

members, proportionally representing the entities comprising the general assembly.

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

considers additional standards set forth in the IBA and Regulation K (12 U.S.C. section 3105(d)(3)-(4); 12 CFR 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 Federal Reserve 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.⁴ 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, it has been determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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. section 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3)). The Bank of Spain has no objection to the establishment of the proposed agency.

Spain's risk-based capital standards 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

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 Banco Bilbao Vizcaya Argentaria, S.A., 91 Federal Reserve Bulletin 258 (2005); Caixa de Aforros de Vigo, 88 Federal Reserve Bulletin 132 (2002).

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.

Spain is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering. In accordance with those recommendations, Spain has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in Spain, 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 that are monitored by governmental entities responsible for anti-money laundering compliance.

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 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 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 in Miami, Florida, is hereby approved.⁵ 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.⁶ The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this

⁵ 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.

⁶ The Board's 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 Board's approval of this application does not supplant the authority of the State of Florida Department of Financial Services to license the proposed agency of Bank in accordance with any terms or conditions that it may impose.

decision and may be enforced in proceedings under 12 U.S.C. section 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board, effective March 20, 2006.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board