

FEDERAL RESERVE SYSTEM

Caja de Ahorros del Mediterráneo
Alicante, Spain

Order Approving Establishment of an Agency

Caja de Ahorros del Mediterráneo (“Bank”), 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 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 Herald, October 21, 2005). The time for filing comments has expired, and all comments received have been considered.

Bank, with total assets of approximately \$54 billion,¹ is the fifth largest savings bank in Spain.² Bank is the top-tier company of CAM, which

¹ Asset and ranking data are as of September 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, a board of directors, and a control commission. The 180-member general assembly includes representatives of the municipalities in which Bank operates (24 percent); Bank’s depositors (36 percent); representatives designated by the parliament of the community of Valencia and other communities in which the founding entities of Caja de Ahorros del Mediterráneo (“CAM”) are located (27 percent); and Bank’s employees (13 percent). Bank’s board of directors is composed of 20 board members, proportionally representing the entities comprising the general assembly. Bank’s ten-member control commission oversees the board of directors and is the administrator of elections.

is the ninth largest banking organization in Spain. CAM provides a broad range of banking, financial, and other services primarily in Spain. Bank maintains representative offices in seven countries and operates several nonbank subsidiaries in the Cayman Islands which issue bonds. Bank does not have any operations in the United States and would be a qualifying foreign banking organization under Regulation K.

The Miami agency would offer commercial banking, private banking, and correspondent banking services targeted primarily at Spanish customers. The agency also would coordinate CAM's access to U.S. capital markets.

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. § 3105(d)(2); 12 CFR 211.24).³ The Board also considers additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3)).

³ In assessing this standard, the Board considers, among other indicia of comprehensive, consolidated supervision, 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. No single factor is essential, and other elements may inform the Board's determination.

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. § 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 organization. Managerial and other financial resources of Bank are consistent

⁴ See Caja de Ahorros de Galicia, Caixa Galic, 92 Federal Reserve Bulletin ____ (2006) (Order dated March 20, 2006); Banco Popular Español, S.A., 92 Federal Reserve Bulletin ____ (2006) (Order dated February 8, 2006); Banco Bilbao Vizcaya Argentaria, S.A., 91 Federal Reserve Bulletin 258 (2005); Banco Pastor, S.A., 87 Federal Reserve Bulletin 555 (2001); Caja de Ahorros de Valencia, Castellón y Alicante, 84 Federal Reserve Bulletin 231 (1998); Banco Exterior de España S.A., 81 Federal Reserve Bulletin 616 (1995); Corporación Bancaria de España, 81 Federal Reserve Bulletin 598 (1995); Banco Santander S.A., 79 Federal Reserve Bulletin 622 (1993); and Banco de Sabadell S.A., 79 Federal Reserve Bulletin 366 (1993).

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 these 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 and its top-tier parent 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 top-tier parent 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 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 decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board, effective March 30, 2006.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

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 Florida Office of Financial Regulation to license the proposed agency of Bank in accordance with any terms or conditions that it may impose.