

March 28, 2014

The Federal Reserve revised this order on April 4, 2014, to correct BCP's asset size, which was originally stated as \$21.1 million. BCP's asset size is \$21.1 billion.

FEDERAL RESERVE SYSTEM

Banque Centrale Populaire
Casablanca, Morocco

Order Approving Establishment of a Representative Office

Banque Centrale Populaire ("BCP"), Casablanca, Morocco, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA¹ to establish a representative office in Washington, D.C. 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 a representative office 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 Washington, D.C. (*Washington Post*, October 12, 2012). The time for filing comments has expired, and all comments received have been considered.

Ten regional Moroccan banks, the Banque Populaires Regionales ("BPRs"), each own between approximately 2.8 and 4.9 percent of BCP's voting shares and together control 45.7 percent. Approximately 17.5 percent of the voting shares of BCP is owned, directly and indirectly, by the government of Morocco.² Additionally, the International Finance Corporation, an international financial institution, owns 5 percent of BCP's shares. No other shareholder owns 5 percent or more of BCP's shares.

¹ 12 U.S.C. § 3107(a).

² The government of Morocco holds approximately 6 percent of BCP's shares. Approximately 5.1 percent of BCP's shares are held by Group Office Cherifien des Phosphates, a Moroccan phosphate mining and export company, 94 percent of the shares of which are held by the government of Morocco. Approximately 6.4 percent of BCP's shares are owned by the state-run pension fund.

BCP (assets of \$21.1 billion)³ engages in retail and commercial banking; corporate, project and trade finance; investment banking; correspondent banking; and foreign exchange activities. Outside Morocco, BCP's subsidiary Chaabi Bank, Paris, France, has 35 branches and offices across Europe. BCP also owns subsidiary banks in Western Africa and holds a 50 percent interest in Atlantic Bank International, Abidjan, Ivory Coast, which has banking operations in seven African countries. BCP has representative offices in six jurisdictions. BCP has no operations in the United States.

BCP is part of an association of banks originally chartered in 1926 under Moroccan law. That association, Crédit Populaire du Maroc ("CPM"), Casablanca, Morocco, includes BCP and the 10 BPRs.⁴ CPM was formed to create a nationwide banking network of BCP and the BPRs. Each of BCP and the BPRs provides services to customers in a specific geographic region of Morocco, with BCP serving the Casablanca region. BCP serves as the central banking body for the BPRs.

As noted above, BCP and the BPRs operate as a nationwide banking network.⁵ The proposed representative office would act as a liaison between BCP and the BPRs and their respective customers. The proposed representative office would also conduct research, solicit banking business for BCP and the BPRs, perform back-office

³ Data are as of December 31, 2013. BCP is part of Groupe Banque Populaire ("GBP"), which also includes BCP's banking and specialized subsidiaries, the 10 BPRs, and BCP's foundations of public utility. The GBP entities together have assets of \$35.1 million and are the second largest financial organization in Morocco.

⁴ The BPRs are independent banks operating as banking cooperatives that are owned by their customers.

⁵ CPM is not an incorporated organization. However, the IBA defines a "foreign bank" as "any company organized under the laws of a foreign country, ... which engages in the business of banking, or any subsidiary or affiliate, organized under such laws, of such company." 12 U.S.C. § 3101(7). The IBA defines "company" to have the same meaning as in the Bank Holding Company Act of 1956, as amended ("BHC Act"). 12 U.S.C. § 3101(13). Section 2(b) of the BHC Act defines a company to include, among other things, any "association or similar organization." 12 U.S.C. § 1841(b). In other contexts, the Board has regarded a group of entities that are bound together in a formalized structure to constitute a "company." Because of the legally mandated structure of the CPM, the Board is treating it as a single banking entity for the purposes of providing representative functions.

and administrative functions, provide information about products and services to customers, and perform preliminary steps in connection with lending, such as assembling credit information.⁶

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a representative office, the Board must consider whether (1) the foreign bank has furnished to the Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.⁷ The Board also considers additional standards set forth in the IBA and Regulation K.⁸

⁶ A representative office may engage in representational and administrative functions in connection with the banking activities of the foreign bank, including soliciting new business for the foreign bank, conducting research, acting as a liaison between the foreign bank's head office and customers in the United States, performing preliminary and servicing steps in connection with lending, and performing back-office functions. A representative office may not contract for any deposit or deposit-like liability, lend money, or engage in any other banking activity. 12 CFR 211.24(d)(1).

⁷ 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing the supervision standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which 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 the 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; and (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.

⁸ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2). These standards include: whether the bank's home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank; whether the bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; whether the appropriate supervisors in the home country may share information on the bank's operations with the

In the case of an application to establish a representative office, the Board has by rule determined that the supervision standard may be met if the Board determines that the applicant bank is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities.⁹ This is a lesser standard than the comprehensive, consolidated supervision standard applicable to applications to establish branch or agency offices of a foreign bank. The Board considers the lesser standard sufficient for approval of representative office applications because representative offices may not engage in banking activities. This application has been considered under the lesser standard.

In connection with this application, BCP has provided certain commitments that limit the activities of the proposed representative office. It has committed to engage only in activities permissible for a representative office under Regulation K. In particular, BCP has committed that the proposed representative office would not make credit decisions nor any other decisions that would bind BCP, or engage in activities related to securities trading, foreign exchange, or money transmission. The representative office would engage only in the activities indicated in its application to the Board and would not be staffed by more than five employees.

As noted above, BCP engages directly in the business of banking outside the United States. BCP has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank's record of operation. The Board may also, in the case of a foreign bank that presents a risk to the stability of the United States, take into account, to the extent appropriate, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk. 12 U.S.C. § 3105(d)(3)(E).

⁹ See 12 CFR 211.24(d)(2). In adopting the regulations governing applications to establish representative offices, the Board noted that “[a] lesser standard applies because representative offices do not conduct a banking business, such as taking deposits or making loans, and therefore present less risk to U.S. customers than do branches or agencies.” 66 Fed. Reg. 54365 (October 26, 2001).

In evaluating whether the scope of supervision of BCP by home country authorities meets the standards required for opening a representative office, a number of factors have been taken into consideration. The Moroccan central bank, Banque Al-Maghrib (“BAM”), supervises banks and finance companies, including BCP and its subsidiaries. BAM supervises and regulates BCP, the BPRs, CPM, and the GBP through a combination of regular on-site examinations and off-site monitoring. On-site examinations cover the major areas of operation, capital adequacy, risk management, asset quality, and internal controls. Off-site monitoring is conducted through the review of required periodic reports, which are submitted daily, monthly, biannually, and annually. BCP, BCP’s subsidiaries, the BPRs, CPM, and the GBP each submit periodic reports to BAM, including accounting, prudential, and financial reports. The General Inspectorate of CPM, which is charged with its internal audit function, submits to BAM annual reports on internal controls, risk management, compliance, business continuity, and foreign branch activity.

BAM sets the scope for annual audits of BCP, the BPRs, and the GBP and requires that the audits be performed by external auditors. The external auditors annually submit a report to BAM on the internal control systems of BCP, the BPRs, and the GBP.

Based on all the facts of record, including the commitments provided by BCP limiting the activities of the proposed office, it has been determined that BCP is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities.

BCP appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally. Taking into consideration BCP’s record of operation in its home country, its overall financial resources, and its standing with its home country supervisor, financial and managerial factors are consistent with approval of the proposed representative office.

Morocco is not a member of the Financial Action Task Force (“FATF”). Morocco is a member of the Middle East and North Africa Financial Action Task Force,

one of several associate members of FATF, and subscribes to its recommendations on measures to combat money laundering. In accordance with these recommendations, Morocco has enacted laws and developed regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Morocco, and Moroccan financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. BCP has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money-laundering compliance.

BCP has committed to make available to the Board such information on BCP's operations and on any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the BHC Act, and other applicable federal law. To the extent that providing such information to the Board may be prohibited by law or otherwise, BCP 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 addition, subject to certain conditions, BAM may share information on BCP's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that BCP has provided adequate assurances of access to any necessary information that the Board may request.

The proposal would not appear to affect financial stability in the United States. In particular, the absolute and relative size of BCP in its home country; the scope of BCP's activities, including the types of activities it proposes to conduct in the United States and the potential for those activities to increase or transmit financial instability; and the framework in place for supervising BCP in its home country do not appear to create significant risk to the financial stability of the United States. Based on these and other factors, financial stability considerations in this proposal are consistent with approval.

On the basis of all the facts of record, and subject to commitments made by BCP, BCP's application to establish the representative office is hereby 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.¹⁰ Should any restrictions on access to information on the operations or activities of BCP and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by BCP or its affiliates with applicable federal statutes, the Board may require termination of any of BCP's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by BCP with the conditions imposed in this order and the commitments made to the Board in connection with this application.¹¹ For purposes of this action, these commitments and conditions are deemed to be conditions imposed by the Board in writing in connection with this decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective March 28, 2014.

(signed) Robert deV. Frierson

Robert deV. Frierson
Secretary of the Board

¹⁰ 12 CFR 265.7(d)(12).

¹¹ The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the District of Columbia to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the District of Columbia or its agent, the District of Columbia Department of Insurance, Securities and Banking, to license the proposed office of BCP in accordance with any terms or conditions that they may impose.