

FEDERAL RESERVE SYSTEM

Fédération des caisses Desjardins du Québec
Levis, Canada

Order Approving Establishment of a Branch

Fédération des caisses Desjardins du Québec (“Federation”), Levis, Canada, has applied under section 7(d) of the International Banking Act of 1978 (“IBA”)¹ to establish a federally licensed branch in Hallandale, Florida, as part of a corporate reorganization of its existing banking operations. 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 branch 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 Florida (Miami Herald, October, 28, 2016). The time for submitting comments has expired, and the Board has considered all comments received.

Federation has determined to combine a number of its operations in Canada, resulting in a change in control over its existing banking operations in the United States. Federation is a depository institution subsidiary of The Desjardins Group (“Desjardins”), Levis, Canada. Desjardins, with consolidated assets of approximately \$200.7 billion, is the 6th largest banking organization in Canada.² Desjardins is a cooperative network of financial institutions operating primarily in the province of Quebec, Canada. Desjardins owns all of Federation’s shares. Federation controls Caisse centrale Desjardins du Québec (“CCD”), Montreal, Canada, a cooperative financial

¹ 12 U.S.C. § 3105(d).

² Asset data and ranking information are as of June 30, 2016, and are based on the exchange rate on that date.

institution, as well as the nonbanking companies of Desjardins. CCD primarily provides clearing services and funding for the financial institution members of Desjardins. In the United States, CCD operates a federally licensed branch in Hallandale, Florida. Federation and CCD propose to amalgamate into Federation.³ As a result of this combination, Federation would take over operation of CCD's existing U.S. branch. Federation is, and would remain, a qualifying foreign banking organization under Regulation K.⁴

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, (2) the foreign bank has furnished to the Board the information it needs to assess the application adequately, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country

³ In addition, CCD owns a U.S. bank subsidiary, Desjardins Bank, National Association, through its subsidiary, Desjardins FSB Holdings, Inc., both of Hallandale, Florida. Desjardins and Federation have applied under section 3 of the Bank Holding Company Act for Federation to merge with CCD. This application is being processed by the Federal Reserve Bank of Atlanta under delegated authority.

⁴ 12 CFR 211.23(a).

supervisor.⁵ The Board also considers additional standards as set forth in the IBA and Regulation K.⁶

⁵ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24. Regulation K provides that a foreign bank is subject to consolidated home country supervision if the foreign bank is supervised or regulated in such a manner that its home country supervisors receive sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to any affiliate) to assess the foreign bank's overall financial condition and compliance with law and regulation.

12 CFR 211.24(c)(1)(ii). 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 and relationships 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.

⁶ 12 U.S.C. § 3105(d)(3)-(4) and 12 CFR 211.24(c)(2)-(3). The additional standards set forth in section 7 of the IBA and Regulation K include the following: (i) whether the bank's home country supervisor has consented to the establishment of the office; (ii) the financial and managerial resources of the bank; (iii) 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; (iv) whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; (v) whether the bank has provided the Board with 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 necessary to determine and enforce compliance with the IBA and other applicable federal banking statutes; (vi) whether the bank and its U.S. affiliates are in compliance with U.S. law; (vii) the needs of the community; and (viii) the bank's record of operation. The Board also considers, in the case of a foreign bank that presents a risk to the stability of the United States, whether the home country of the bank has adopted, or is making demonstrable progress toward

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

The Federal Reserve previously has determined that Desjardins, Federation, and CCD are subject to comprehensive supervision on a consolidated basis by their home country supervisor, the Autorité des marchés Financiers (“AMF”).⁷ Desjardins, Federation, and CCD remain supervised by the AMF on substantially the same terms and conditions.⁸ Based on all the facts of record, it has been determined that, after the proposed transaction, Desjardins and Federation would continue to be subject to comprehensive supervision on a consolidated basis by their home country supervisor.

The additional standards set forth in section 7 of the IBA and Regulation K have also been taken into account. The AMF has no objection to the establishment of the proposed branch.

The Board has also considered the financial and managerial factors in this case. AMF’s risk-based capital standards are consistent with those established by the Basel Capital Accord (“Basel Accord”). Federation’s capital is in excess of the minimum levels that would be required by the Basel Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Federation are considered consistent with approval, and Federation appears to have the experience and capacity to support the proposed branch. In addition, Federation has established controls and procedures for the proposed branch to ensure

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).

⁷ The Desjardins Group, 90 Federal Reserve Bulletin 69 (2004).

⁸ At the time of the Board’s prior CCS determination for Desjardins, the Quebec supervisory authority responsible for Desjardins was the Inspector General. Since 2003, the entity performing these functions has been restructured and renamed, with the core supervisory functions that were performed by the Inspector General at that time now performed by the AMF.

compliance with U.S. law and for its operations in general. Moreover, as noted above, the proposal represents the reorganization of existing banking operations.

Canada has enacted laws and regulations to deter money laundering that are consistent with Financial Action Task Force recommendations. Money laundering is a criminal offense in Canada, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Federation has policies and procedures to comply with these laws and regulations, and Federation's compliance with applicable laws and regulations is monitored by governmental entities responsible for anti-money-laundering compliance.

With respect to access to information on Federation's operations, the restrictions on disclosure in relevant jurisdictions in which Federation operates have been reviewed. Federation has committed to make available to the Board such information on its operations and on those of any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Federation 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, it has been determined that Federation has provided adequate assurances of access to any necessary information that the Board may request.

Section 173 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended the IBA to provide that the Board may consider, for a foreign bank that presents a risk to the stability of the United States financial system, 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.⁹ Information relevant to the standard regarding risk to the stability of the United States financial system has also been reviewed. In particular, consideration has been given to the absolute and relative size of Federation in its home jurisdiction; the scope of Federation'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 Federation in its home jurisdiction. Based on these and other factors, financial stability considerations for this proposal are consistent with approval.

On the basis of all the facts of record, and subject to the commitments made by Federation as well as the terms and conditions set forth in this order, Federation's application to establish a branch in Florida 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 Federation and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Federation or its affiliates with applicable federal statutes, the Board may require termination of any of Federation's direct or indirect activities in the United States or, in the case of any such operations licensed by the Office of the Comptroller of the Currency ("OCC"), recommend termination of such operations. Approval of this application also is specifically conditioned on compliance by Federation with the commitments made in connection with this application and with the conditions in this order.¹¹

⁹ Pub. L. No. 111-203, 124 Stat. 1376, 1440 (2010), codified at 12 U.S.C. § 3105(d)(3)(E).

¹⁰ 12 CFR 265.7(d)(12).

¹¹ The Board's authority to approve the establishment of branches parallels the continuing authority of the OCC to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the OCC to license the proposed branch of Federation in accordance with any terms and conditions that the OCC may impose.

By order, approved pursuant to authority delegated by the Board, effective
December 16, 2016.

Robert deV. Frierson (signed)

Robert deV. Frierson
Secretary of the Board