

FEDERAL RESERVE SYSTEM

Banco Popular Español, S.A.
Madrid, Spain

Order Approving Establishment of a Representative Office

Banco Popular Español, S.A. (“Bank”), Madrid, Spain, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA (12 U.S.C. section 3107(a)) to establish a representative office 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 a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Miami (*The Miami Herald*, July 29, 2005). The time for filing comments has expired, and all comments received have been considered.

Bank, with total consolidated assets of approximately \$88.3 billion,¹ is the lead bank of the third largest commercial banking group in Spain and provides wholesale and retail banking services through a network of branches in Spain, Portugal, and France.² Bank also has representative offices in Asia, Latin America, Canada, and elsewhere in Europe.

The proposed representative office would serve as a liaison between Bank’s existing and prospective customers in Spain and the United States. The office would also promote the Bank’s services to potential customers in the

¹ Unless otherwise indicated, data are as of December 31, 2004.

² Bank also owns controlling interests in ten bank subsidiaries and owns nonbank subsidiaries that engage in activities related to securities and mutual funds, asset management, insurance, leasing, factoring, and venture capital.

United States and Latin America, provide information to customers concerning their accounts, inform U.S.- and Spanish-owned businesses of business opportunities existing in Spain, and receive applications for extensions of credit and other banking services on behalf of Bank.

The IBA and Regulation K require that the Board, in acting on an application by a foreign bank to establish a representative office, take into account whether (1) the foreign bank has furnished the information the Board 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 supervisors (12 U.S.C. section 3105(d)(2); 12 CFR 211.24(d)(2)).³ The Board also may take into account 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)).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information

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

necessary to assess the application through submissions that address the relevant issues.

With respect to supervision by home country authorities, the Board 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, including the above information, it has been determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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)) have also been taken into account. The Bank of Spain has no objection to the establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration its record of operations 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. Bank 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.

⁴ See 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); Banco de Sabadell S.A., 79 Federal Reserve Bulletin 366 (1993).

Spain is a member of the Financial Action Task Force and subscribes to its recommendations regarding measures to combat money laundering and international terrorism. In accordance with these recommendations, Spain has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Spain, and credit 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 on Bank's operations, the restrictions on disclosure in relevant jurisdictions in which Bank operations have been reviewed and relevant government authorities have been communicated with 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 as the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, 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 addition, subject to certain conditions, the Bank of Spain may share information on Bank'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 Bank has provided adequate assurances of access to any necessary information that the Board may request.

Based on the foregoing and all the facts of record, and subject to the commitments made by Bank and the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved.⁵ Should any restrictions on access to information on the operations or activities of Bank or any of 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 or recommend termination of any of Bank's direct and indirect activities in the United States. Approval of the application also is specifically conditioned on compliance by Bank with the conditions imposed in this order and the commitments made to the Board in connection with this application.⁶ For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its finding and decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective February 8, 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. See 12 CFR 265.7(d)(12).

⁶ The Board's authority to approve the establishment of the proposed representative office 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 or its agent, the Florida Office of Financial Regulation, to license the proposed office of Bank in accordance with any terms or conditions that it may impose.