

FEDERAL RESERVE SYSTEM

Banco BPI, S.A.  
Porto, Portugal

Order Approving Establishment of Representative Offices

Banco BPI, S.A. (“Bank”), Porto, Portugal, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA<sup>1</sup> to establish representative offices in Newark, New Jersey, and New Bedford, Massachusetts. 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 Newark, New Jersey (*New Jersey Star Ledger*, August 22, 2012), and in New Bedford, Massachusetts (*New Bedford Standard-Times*, August 21, 2012). The time for filing comments has expired, and all comments received have been considered.

Bank, with total consolidated assets of approximately \$56.2 billion, is the fourth largest bank in Portugal.<sup>2</sup> Bank engages in a range of commercial and retail banking activities in Portugal and internationally. Outside Portugal, Bank operates branches in Spain, France, Macau, and the Cayman Islands, and representative offices in Canada, Venezuela, Germany, France, the United Kingdom, Switzerland, and South Africa. Bank operates banks in the Cayman Islands, Angola,

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<sup>1</sup> 12 U.S.C. § 3107(a).

<sup>2</sup> Data are as of June 30, 2013.

and Mozambique. Bank also operates a subsidiary bank in Portugal that operates branches in Spain and Switzerland. In the United States, Bank operates a money remitter subsidiary.<sup>3</sup>

Bank's largest shareholder, CaixaBank, S.A. ("CaixaBank"), a subsidiary of Caja de Ahorros y Pensiones de Barcelona ("La Caixa"), both of Barcelona, Spain, owns approximately 46 percent of Bank. La Caixa is an integrated financial group with banking, insurance, pension, and investment fund activities, as well as holdings in international banks. Outside Spain, CaixaBank has branches in Morocco, Poland, and Romania. CaixaBank operates five representative offices in Europe, three in Asia, four in the Middle East, and one in South America. CaixaBank has no operations in the United States.<sup>4</sup> Bank's second largest shareholder, Prestação de Serviços, S.A. ("Santoro Finance"), a subsidiary of Santoro Financial Holdings, SGPS, both of Lisbon, Portugal, owns approximately 19.5 percent of Bank. Santoro Finance provides consulting services, including economic consulting, accounting, marketing, advertising, and business management. Allianz Europe, Amsterdam, The Netherlands, and Companhia de Seguros Allianz Portugal, Lisbon, Portugal, subsidiaries of Allianz SE, Munich, Germany, collectively own approximately 8.8 percent of

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<sup>3</sup> The Bank will close the money remitter upon commencement of business at the Bank's representative offices.

<sup>4</sup> CaixaBank owns approximately 16.4 percent of the share capital of the Bank of East Asia Limited ("BEA"), Hong Kong, which is a bank holding company for the purposes of the Bank Holding Company Act of 1956 ("BHC Act"), as amended. CaixaBank executed passivity commitments to demonstrate to the Board that CaixaBank's ownership in BEA coupled with its business relationships would not enable CaixaBank and its affiliates to exercise a controlling influence over BEA for the purposes of the BHC Act. In July 2013, CaixaBank submitted an application to open a representative office in New York.

Bank. Allianz SE is an international financial services company that offers a range of insurance and asset management products and services. No other shareholder owns 5 percent or more of Bank's shares.

The proposed representative offices would serve as liaisons between Bank and its customers. The proposed representative offices would also conduct research and assemble credit information, solicit banking business for Bank, perform back-office functions, provide information to customers, and perform loan servicing functions.<sup>5</sup>

In acting on an application under the IBA and Regulation K 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.<sup>6</sup> The Board may also

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<sup>5</sup> 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).

<sup>6</sup> 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

consider additional standards set forth in the IBA and Regulation K.<sup>7</sup> The Board may consider that the supervision standard has been met if it 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. 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.<sup>8</sup> This application has been considered under the lesser standard.

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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.

<sup>7</sup> 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 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).

<sup>8</sup> See 12 CFR 211.24(d)(2).

As noted above, Bank and CaixaBank engage directly in the business of banking outside the United States. Bank 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 Board has considered that Bank is supervised by the Bank of Portugal. The Board previously has considered the supervisory regime in Portugal for financial institutions in connection with applications involving other Portuguese banks.<sup>9</sup> Bank is supervised by the Bank of Portugal 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 a supervisory framework that is consistent with the activities of the proposed representative offices, taking into account the nature of such activities. The Bank of Portugal has no objection to the proposed representative offices.

With respect to supervision of La Caixa and CaixaBank, the Board previously has considered the supervisory regime in Spain for financial institutions in connection with applications involving other Spanish banks.<sup>10</sup> La Caixa and CaixaBank are supervised by their home country supervisor, the Bank of Spain, on substantially the same terms and conditions as those other banks. Based on all the

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<sup>9</sup> *See, e.g.*, Banco Espírito Santo de Investimento, S.A., 95 Federal Reserve Bulletin B53 (2009); Banco Santander Totta, S.A., 93 Federal Reserve Bulletin C71 (2007); and Caixa Económica Montepio Geral, 86 Federal Reserve Bulletin 700 (2000).

<sup>10</sup> *See, e.g.*, Bankia, S.A. (order dated December 16, 2011), 98 Federal Reserve Bulletin 42 (4<sup>th</sup> Quar. 2011); Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja, et al. (order dated December 17, 2010), 97 Federal Reserve Bulletin 4 (4<sup>th</sup> Quar. 2010); and Caja de Ahorros y Monte de Piedad de Madrid, et al., 95 Federal Reserve Bulletin B23 (2009).

facts of record, it has been determined that La Caixa and CaixaBank are subject to a supervisory framework consistent with the activities of the proposed representative offices.

With respect to the financial and managerial resources of Bank, taking into consideration Bank'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 offices. Bank appears to have the experience and capacity to support the proposed representative offices and has established controls and procedures for the proposed representative offices to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Portugal 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, Portugal has enacted laws and developed regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Portugal, and Portuguese 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 restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed, and relevant government authorities have been communicated with regarding access to information. Bank and La Caixa have committed to make available to the Board such information on their operations and on any of their 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 La Caixa 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 addition, subject to certain conditions, the Bank of Portugal 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.

Information relevant to the standard regarding risk to the stability of the United States financial system has been reviewed. In particular, consideration has been given to the absolute and relative size of Bank in its home country, the scope of Bank'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 Bank in its home country. 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 Bank and La Caixa, Bank's application to establish the representative offices is hereby approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to the authority delegated by the Board.<sup>11</sup> 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

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<sup>11</sup> 12 CFR 265.7(d)(12).

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 conditions imposed in this order and the commitments made to the Board in connection with this application.<sup>12</sup> 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 November 18, 2013.

*Margaret McCloskey Shanks (signed)*

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Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>12</sup> The Board's authority to approve the establishment of the proposed representative offices parallels the continuing authority of the states of Massachusetts and New Jersey to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the states of Massachusetts and New Jersey or their agents, the Massachusetts Office of Consumer Affairs and Business Regulation and the New Jersey Division of Banking, to license the proposed offices of Bank in accordance with any terms or conditions that those agents may impose.