

FEDERAL RESERVE SYSTEM

Empresas Juan Yarur SpA
Banco de Credito e Inversiones S.A.
Santiago, Chile

Order Approving the Acquisition of a Bank Holding Company

Empresas Juan Yarur SpA (“EJY”) and its subsidiary, Banco de Credito e Inversiones S.A. (“BCI” and, collectively with EJY, “Applicants”), both of Santiago, Chile, foreign banking organizations subject to the provisions of the Bank Holding Company Act (“BHC Act”),¹ have requested the Board’s approval under section 3(a)(1) of the BHC Act to acquire CM Florida Holdings, Inc. (“CM Florida”), Coral Gables, Florida, and thereby indirectly to acquire its subsidiary bank, City National Bank of Florida (“City National”), Miami, Florida.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (78 Federal Register 42074 (July 15, 2013)). The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

EJY, with total assets of approximately \$36.8 billion, is the fourth largest banking organization in Chile.² EJY, through its subsidiaries, including BCI, engages in banking and insurance services throughout Chile. Outside Chile, BCI operates representative offices in Peru, Brazil, Colombia, Mexico, and Spain. In the United States, BCI operates a branch in Miami, Florida. EJY and BCI are each qualifying

¹ 12 U.S.C. § 1842.

² Foreign asset and ranking data are as of March 31, 2015.

foreign banking organizations and on consummation of the proposal would continue to meet the requirements for a qualifying foreign banking organization under Regulation K.³

CM Florida, with consolidated assets of approximately \$5.6 billion, is the 215th largest insured depository organization in the United States, controlling approximately \$4.3 billion in deposits.⁴ CM Florida controls City National, which operates only in Florida. City National is the 18th largest insured depository institution in Florida, controlling approximately \$4.3 billion in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state.⁵

On consummation of the proposal, EJY through BCI would become the 180th largest insured depository organization in the United States, with consolidated assets in the United States of approximately \$7.5 billion, which represents less than 1 percent of the total assets of insured depository organizations in the United States. EJY would control approximately \$4.3 billion in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in the United States. In Florida, EJY would become the 18th largest depository organization, controlling approximately \$4.3 billion in deposits, representing less than 1 percent of the total deposits of insured depository institutions in that state.

Factors under the Bank Holding Company Act

The BHC Act sets forth the factors that the Board must consider when reviewing the formation of bank holding companies or the acquisition of banks. These factors include the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks

³ 12 CFR 211.23(a).

⁴ Asset and nationwide deposit data are as of March 31, 2015, unless otherwise noted.

⁵ Statewide deposit-ranking data are as of June 30, 2014. In this context, insured depository institutions include commercial banks, savings banks, and savings and loan associations.

involved in the proposal; the availability of information to determine and enforce compliance with the BHC Act and other applicable federal banking laws; the convenience and needs of the communities to be served, including the records of performance of the insured depository institutions involved in the transaction under the Community Reinvestment Act (“CRA”);⁶ the effects of the acquisition on financial stability; and, in the case of an application involving a foreign bank, whether the foreign bank, including its parent holding company, is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.⁷

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.⁸

Applicants and CM Florida do not compete in any relevant banking market.⁹ Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive factors are consistent with approval of the proposal.

⁶ U.S.C. § 2901 et seq.

⁷ U.S.C. § 1842(c).

⁸ 12 U.S.C. § 1842(c)(1).

⁹ BCI’s Miami branch is not insured by the Federal Deposit Insurance Corporation and generally cannot accept retail deposits.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, as well as the effectiveness of these companies in combatting money-laundering activities.¹⁰ The Board also considers whether an applicant has provided 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 appropriate to determine and enforce compliance with the BHC Act.

In its evaluation of financial factors, the Board reviews the financial condition of the organizations involved on both parent-only and consolidated bases, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization on a pro forma basis, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

The capital levels of both EJY and BCI exceed the minimum levels that would be required under the Basel Capital Accord and are considered to be equivalent to

¹⁰ The Board has analyzed the effectiveness of Applicants' anti-money-laundering efforts in connection with the Board's assessment of whether Applicants are subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in their home country.

the capital levels that would be required of a U.S. banking organization.¹¹ BCI's reported earnings performance and asset quality indicators, including nonperforming loans and reserves for loan losses, are consistent with approval. The proposed transaction is structured as cash for purchase of shares. BCI would fund the transaction with existing resources, including previously issued subordinated debt of \$311.8 million.¹² Applicants appear to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. In addition, future prospects are considered consistent with approval. Based on its review of the record, the Board finds that Applicants have sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Applicants' U.S. operations, CM Florida, and City National, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Applicants, the Board's supervisory experience and those of the other relevant bank supervisory agencies with the organizations, including through consultations in connection with this proposal, and the organizations' records of compliance with applicable banking and anti-money-laundering laws. The Board also has consulted with the Superintendencia de

¹¹ The Board considered the total and tier 1 risk-based capital ratios and the ratio of tier 1 capital to total consolidated assets of EJY and BCI. In addition, EJY and BCI provided common equity tier 1 capital ratios calculated under U.S. rules as part of the capital equivalency assessment.

¹² At consummation, BCI would be well capitalized. In addition, BCI will increase its capital through an equity offering of approximately \$360 million. EJY would subscribe to its 55 percent (\$198 million) pro rata share of the equity offering, funded through the issuance of approximately \$216 million in debt to third parties. Upon completion of the capital raise, both BCI and EJY would continue to have capital levels equivalent to the capital levels that would be required of a U.S. banking organization.

Bancos e Instituciones Financieras (“SBIF”), the agency with primary responsibility for the supervision and regulation of Chilean banking organizations, including BCI.

The Board has reviewed the restrictions on disclosure in the relevant jurisdictions in which the Applicants operate and has communicated with relevant government authorities concerning access to information. In addition, Applicants have committed that they will make available to the Board such information on their operations and the operations of their affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act, and other applicable federal laws.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as access to information by the Board, are consistent with approval.

Supervision or Regulation on a Consolidated Basis

In evaluating this application, and as required by section 3 of the BHC Act, the Board considered whether the Applicants are subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in their home country.¹³

¹³ 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. See 12 CFR 225.13(a)(4). 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 supervisor receives 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 under section 211.24 of Regulation K, 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,

Banco de Credito e Inversiones

As noted, the SBIF is the primary supervisor of Chilean banks, including BCI. The Board previously has determined, in connection with an application to establish an agency, that BCI is subject to comprehensive supervision on a consolidated basis by the SBIF.¹⁴ The SBIF obtains information on BCI's operations through annual on-site examinations and its review of audit and financial reports submitted by BCI. BCI's asset quality and capital also are reviewed annually. As part of the examinations, the SBIF reviews BCI's internal controls, and BCI provides reports to the SBIF on the scope of its internal audits. The SBIF requires BCI to meet minimum capital ratios and prohibits BCI from extending credit to affiliates on terms more favorable than those offered to third parties. The SBIF has the authority to impose sanctions on BCI and its directors, officers, and managers if necessary to enforce compliance with its regulations.

Empresas Juan Yarur

In assessing whether EJY may be considered subject to consolidated supervision, the Board has considered a number of factors. The Board has long held that "the legal systems for supervision and regulation vary from country to country, and comprehensive supervision or regulation on a consolidated basis can be achieved in

audit reports, or otherwise; (iii) obtain information on the dealings with 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 determinative, and other elements may inform the Board's determination.

¹⁴ Banco de Credito e Inversiones S.A., 85 Federal Reserve Bulletin 446 (1999). In addition, the Board previously has determined that three other Chilean banks are subject to comprehensive supervision on a consolidated basis by the SBIF. See Corpbanca, 95 Federal Reserve Bulletin B57 (2008); Banco del Estado de Chile, 91 Federal Reserve Bulletin 442 (2005); and Banco de Chile, 90 Federal Reserve Bulletin 550 (2004).

different ways.”¹⁵ In addition, the Board makes case-by-case, institution-specific determinations under the comprehensive supervision standard.¹⁶ In considering previous cases in which a foreign bank was owned by a nonbank parent company, the Board has stated that the system of comprehensive supervision or regulation may vary, depending on the nature of the acquiring company and the proposed investment.¹⁷ In light of this background, the Board has taken the following facts into account:

Prior to this proposal, EJY was part of a complex structure of family-affiliated nonbank companies that owned a controlling interest in BCI. None of these companies was subject to consolidated regulation or supervision by governmental authorities. In order to address the issues raised by this organizational structure, the controlling shareholders committed to a significant restructuring and simplification of the ownership of BCI. Under this proposal, EJY would become the sole parent company of BCI. No other company would own directly or indirectly more than 5 percent of the voting shares of BCI or EJY. Upon completion of the restructuring, EJY would operate as a shell holding company. BCI would comprise approximately 98 percent of the assets of EJY. EJY would also own three regulated insurance companies in Chile, constituting the remaining 2 percent of the assets of EJY.

EJY and its subsidiaries together are a financial group under Chilean law. Since 2004, Chile has taken numerous steps to provide greater transparency for such groups by giving financial regulators the ability to obtain information on the owners of regulated financial institutions. In October 2014, Chile adopted new legislation that gives

¹⁵ See Industrial and Commercial Bank of China Limited (“ICBC–CIC Order”), FRB Order No. 2012-4 (May 9, 2012) and 57 Federal Register 12992, 12995 (April 15, 1992).

¹⁶ See ICBC–CIC Order and 58 Federal Register 6348, 6349 (January 28, 1993).

¹⁷ Id.; China Investment Corporation, 96 Federal Reserve Bulletin B31, at B33 (2010).

the SBIF new authority with respect to controlling shareholders of Chilean banks.¹⁸ The SBIF may require such companies to meet a solvency ratio.¹⁹ The SBIF may also inspect the books and records of any such company in order to assess the effect of the parent company on the bank.²⁰ Chilean law also limits the ability of Chilean banks to engage in transactions with affiliates, including parent companies.²¹

Chilean law also provides that regulators of financial institutions may share information with each other. The SBIF, as the regulator of banks, and the Superintendencia de Valores y Seguros (“SVS”), as the regulator of securities and insurance companies, regularly meet as part of the Financial Stability Council and may share information at any time. EJY is also registered with the SVS. As a registered company, EJY is required to publish annual audited financial statements. The SBIF has confirmed its ability and willingness to share information as necessary with the Board concerning operations of BCI and EJY.

The Board has taken into account that EJY is not an operating company and that EJY’s proposed investment in CM Florida and City National would be indirect and made through a foreign bank that is subject to consolidated supervision by the SBIF. Moreover, as noted, BCI and its regulated insurance affiliates comprise virtually 100 percent of the assets of EJY. EJY also has made a number of commitments in connection with this application. It would remain a non-operating company and would not acquire control of any company other than a regulated financial services company in Chile without the Board’s approval. EJY would make its books and records available to the SBIF and the Board to determine compliance with these commitments. The SBIF has

¹⁸ Law No. 20.789, Gazette No. 9178-05 (2014). Chilean General Banking Law (Ley General de Bancos, “LGB”), Article 16.

¹⁹ Article 28, LGB.

²⁰ Article 16, LGB.

²¹ See Articles 84–85, LGB.

confirmed that it is willing and has the authority to access and monitor the books and records of EJY in order to determine EJY's continuing compliance with these commitments. In addition, the SBIF may share with the Board all information gathered through its monitoring of EJY and has indicated its willingness to assist the Board in obtaining any additional information the Board may require from EJY and its affiliates. These commitments and the involvement of the SBIF in monitoring these commitments limit the ability of EJY to undertake new activities, to make unregulated investments, or to engage in operations or activities outside the scope of appropriate governmental oversight. Moreover, CM Florida and City National would be owned and operated by BCI, which is fully subject to supervision and regulation by the SBIF.

Based on all the facts of record, including the structure and limited activities of EJY, the commitments made by BCI and EJY, and the cooperation offered by the SBIF, the Board determines that EJY and BCI are subject to comprehensive supervision on a consolidated basis by their home country supervisor for purposes of this proposal.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served. In its evaluation of the effect of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and whether the proposal would result in public benefits. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA. In addition, the Board considers the banks' overall compliance records, the results of recent fair lending examinations and other supervisory assessments, the supervisory views of examiners, other supervisory information, and comments received on the proposal. The Board may also consider the institution's business model, its marketing and outreach plans, the

organization's plans following consummation, and any other information the Board deems relevant.

The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,²² and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods.²³ In addition, fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics.

The Board received a comment from a commenter who objected to the proposal principally on the basis of City National's record of extending home mortgage credit, including refinancing credit, to minority individuals in the Fort Lauderdale, Miami, and Orlando Metropolitan Statistical Areas as reflected in data reported under the Home Mortgage Disclosure Act ("HMDA")²⁴ for 2011.

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.²⁵ Consequently, HMDA data disparities must be evaluated in the context of other information regarding the lending record of an institution.

²² 12 U.S.C. § 2901(b).

²³ 12 U.S.C. § 2903.

²⁴ 12 U.S.C. § 2801 *et seq.*

²⁵ Other data relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of City National,²⁶ its fair lending and compliance records, the supervisory views of the Office of the Comptroller of the Currency (“OCC”), confidential supervisory information, information provided by Applicants, and the public comment received on the proposal.

City National’s Business and Applicants’ Response to Comment

City National engages primarily in commercial lending, corporate cash management, and private banking. As of September 30, 2014, commercial real estate loans and commercial and industrial loans accounted for approximately 57 percent of the loan portfolio. Residential real estate lending represented approximately 26.1 percent of the loan portfolio. Applicants argued that the commenter’s assessment of City National’s lending performance did not accurately reflect the bank’s performance when reviewed in the context of a broader range of data.

Record of Performance under the CRA

As indicated above, in evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the response to comments by the applicant. In particular, the Board evaluates an institution’s performance in light of examinations and other supervisory information provided by the appropriate federal supervisors.²⁷

examinations, examiners analyze such additional information before reaching a determination regarding an institution’s compliance with fair lending laws.

²⁶ BCI’s Miami branch may not take insured deposits and therefore is not subject to the CRA.

²⁷ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.²⁸ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's HMDA data in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on the number and amount of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas; the geographic distribution of such loans—including the proportion and dispersion of the institution's lending in its assessment areas and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies; the distribution of such loans based on borrower characteristics, including the number and amount of home mortgage loans to low-, moderate-, middle-, and upper-income individuals;²⁹ the institution's community

²⁸ 12 U.S.C. § 2906.

²⁹ Examiners also consider the number and amount of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less; small

development lending, including the number and amount of community development loans and their complexity and innovativeness; and the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies. Consequently, the Board considers the overall CRA rating and the rating on the lending test to be important indicators, when taken into consideration with other factors, in determining whether a depository institution is helping to meet the credit needs of its communities.

CRA Performance of City National

City National was assigned an overall "Outstanding" rating at its most recent publicly available CRA examination as of May 29, 2012 ("City National Evaluation"),³⁰ conducted by the OCC, with ratings of "Outstanding" for the Lending, Investment, and Services Tests.

Examiners found that City National demonstrated good responsiveness to assessment area credit needs with respect to the bank's lending activity. Examiners also found that City National originated a substantial majority of its loans within its assessment area and that the bank had an excellent geographic distribution of its loans throughout its assessment area. Examiners found that the bank had an adequate distribution of loans among borrowers of different income levels and businesses of different sizes. Home mortgage lending activity was considered adequate. Examiners

business and small farm loans by loan amount at origination; and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

³⁰ The City National Evaluation was conducted using the Large Institution CRA Examination Procedures. The evaluation period for the Lending Test, including community development loans, was January 1, 2009, through December 31, 2011. For the Investment and Service Tests, the evaluation period was May 18, 2009 (the date of the previous CRA examination), through May 29, 2012. Examiners conducted a full-scope review of the Miami-Ft. Lauderdale-Palm Beach, Florida assessment area, which accounted for 92 percent of the bank's deposits in the market. The bank has received an overall "Outstanding" CRA rating from the OCC at each of its evaluations since 2003.

considered the bank's lending in light of its primary business focus and noted that, historically, the bank has not been a traditional retail-focused institution and does not actively market a variety of home mortgage products, unlike other institutions in its assessment area. Small business lending activity was considered good and examiners found the bank to have an excellent level of community development loans.

Examiners found City National to have an excellent level of qualified community development investments in the bank's Miami-Fort Lauderdale-Palm Beach assessment area. Examiners noted that the bank made a significant investment in a qualified investment fund backed by multiple mortgages on properties that provide affordable rental housing to LMI residents. In addition, examiners noted that the bank's community development investments help address the need for employment for LMI persons in the assessment area.

In evaluating the Service Test, examiners noted that City National's retail delivery systems were excellent and readily accessible to all geographies and to individuals of different income levels. Examiners found that City National provided a relatively high level of community development services that were responsive to assessment area needs, particularly those related to financial literacy and affordable housing.

City National's Efforts since the City National Evaluation

Since the City National Evaluation, City National has implemented several programs for lending to underserved communities and individuals in its assessment area. For example, City National has engaged in a partnership with Neighborhood Housing Services of South Florida ("NHSSF").³¹ In addition, City National recently approved the

³¹ As a result, 17 senior officers from City National committed over 100 hours of service to coordinate, structure, develop, and implement the NHSSF CitySmart Affordable Housing Program. This program provides NHSSF with ongoing expertise from City National and access to credit for LMI home purchasers.

establishment of a down payment assistance program that will provide qualified applicants with the lesser of 2 percent or up to \$2,000 for a down payment. City National also created a program in which qualified borrowers can refinance their existing mortgage to take advantage of lower interest rates. The program allows for LMI families to refinance without any costs, as City National will be assuming the costs of the new loan as part of the program.

Views of Other Regulators

The Board has considered the record of City National in complying with fair lending and other consumer protection laws. In particular, the Board has reviewed the results of consumer compliance examinations of City National conducted by the OCC. The examination reports discuss City National's record of compliance with fair lending and other consumer protection laws and regulations and the bank's policies and procedures to help ensure compliance with fair lending and other consumer protection laws and regulations.

Public Benefits of the Proposal

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits. In this regard, Applicants have stated that they intend to maintain City National's existing fair lending policies and procedures following consummation of the transaction. Applicants have indicated they will serve as a source of strength to City National following the proposed acquisition and will provide additional resources to City National to allow the institution to continue to serve the needs of its local communities. Applicants also represent that BCI intends to leverage its experience and capabilities to work with existing management to explore the possibility of expanding the products and services that City National offers to its customers.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the record of the relevant depository institution involved under the CRA, the institution's record of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Applicants, and the public comment on the proposal. Based on that review, the Board concludes that the proposal would result in public benefits and that the convenience and needs factor is consistent with approval.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system."³²

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, availability of substitute providers for any critical products and services offered by the resulting firm, interconnectedness of the resulting firm with the banking or financial system, extent to which the resulting firm contributes to the complexity of the financial system, and extent of the cross-border activities of the resulting firm.³³ These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board

³² Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1842(c)(7).

³³ Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.³⁴

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, Applicants would have assets of approximately \$42.4 billion, most of which would be outside the United States. The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of BCI or City National in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all the other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board hereby approves the proposed transaction.³⁵ In reaching its conclusion, the Board has considered

³⁴ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012).

³⁵ A commenter requested that the Board hold public hearings on the proposal. Section 3(b) of the BHC Act does not require that the Board hold a public hearing on an application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if

all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Applicants with all the commitments made to and relied on by the Board in connection with the application and on receipt of all other regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors,³⁶ effective September 21, 2015.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board concludes that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

³⁶ Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.