

FEDERAL RESERVE SYSTEM

Unione di Banche Italiane, S.p.A.
Bergamo, Italy

Order Approving the Establishment of a Representative Office

Unione di Banche Italiane, S.p.A. (“UBI”), Bergamo, Italy, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 10(a) of the IBA¹ to establish a representative office in New York, New York. 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 New York, New York (*New York Daily News*, March 30, 2015). The time for submitting comments has expired, and the Board has considered all comments received.

UBI is organized as a joint stock corporation under Italian law with more than 147,000 shareholders.² UBI’s shares are widely held, and each shareholder holds less than 5 percent of UBI’s shares.

UBI, with total assets of approximately \$108 billion, is the fifth largest bank in Italy by asset size.³ UBI engages in a range of commercial and retail banking

¹ 12 U.S.C. § 3107(a).

² In October 2015, UBI converted from a cooperative bank into a joint stock corporation under Italian law operating pursuant to the new regulatory framework in Italy for the reform of cooperative banks with consolidated assets exceeding €8 billion. See Law No. 33 of March 24, 2015, converting Legislative Degree No. 3 of January 24, 2015. Although this change in corporate structure impacts shareholder rights—in particular, establishing the right to one vote for each ordinary share—no substantial impact is expected on UBI’s business model or operational activities.

³ Asset and ranking data are as of June 30, 2015.

activities through its 1,560 domestic branches and eight bank subsidiaries located in Italy. Outside Italy, UBI operates representative offices in the People's Republic of China (including Hong Kong SAR), Brazil, Russia, and India. UBI also has one banking subsidiary, UBI Banca International SA, located in Luxembourg. UBI has no operations in the United States.

The proposed representative office would act as a liaison between UBI's customers and U.S. service providers and business contacts. The proposed representative office would also engage in other representational activities, including gathering information and conducting research.⁴

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 the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their

⁴ 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).

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

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

The Board has previously determined, in connection with applications involving other banks in Italy, that those banks were subject to comprehensive supervision on a consolidated basis by the Bank of Italy.⁷ As of November 4, 2014, UBI

⁵ 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 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 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 towards 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 See, e.g., Banca Popolare di Vicenza S.C.p.A. (order dated September 27, 2011), 97 Federal Reserve Bulletin 11 (3rd Quar. 2011); Board letter to Luigi L. De Ghenghi dated September 25, 2007 (comprehensive consolidated supervision for Intesa Sanpaolo

is subject to the direct prudential supervision of the European Central Bank within the context of the Single Supervisory Mechanism (“SSM”) because the total value of its assets exceeds €30 billion. The SSM is a system of financial supervision composed of the European Central Bank (“ECB”) and the national competent authorities of the participating Member States in which specific tasks concerning policies relating to the prudential supervision of credit institutions and the stability of the financial system within the Union and each Member State are specifically allocated between the ECB and the national competent authority.⁸ Under the SSM, the ECB has direct prudential supervisory responsibility for UBI, while the Bank of Italy, as the relevant national competent authority for UBI, retains supervisory authority over all other areas, including consumer protection and the prevention of money laundering and terrorist financing.

Under the SSM, a joint supervisory team composed of staff members from the ECB and the relevant national competent authorities is established for the consolidated supervision of each significant supervised entity or significant supervised group, such as UBI, in participating European Union member states. The responsibilities of these joint supervisory teams include implementation of the supervisory examination program approved by the ECB and of any ECB supervisory decisions concerning that entity or group; performance of the supervisory review and evaluation process required by European Union law; coordination with on-site inspection teams; and liaising with the national competent authorities where relevant.

Under the SSM, UBI is subject to regular on-site and off-site examinations; supervisory reviews, including stress tests; and supervision on a consolidated basis by the ECB. The ECB reviews compliance with all relevant European Union law, including

S.p.A.); Banca di Roma, S.p.A., 2002 WL 1848520 (2002); Banca Intesa, S.p.A., 86 Federal Reserve Bulletin 433 (2000).

⁸ Information regarding the SSM is derived from Council Regulation 1024/2013, 2013 O.J. (L 287) 63 (EC); Regulation 468/2014 of the European Central Bank, 2014 O.J. (L 141) 1 (ECB); and Directive 2013/36/EU of the European Parliament and of the Council, 2013 O.J. (L 176) 338 (EU).

directives concerning capital requirements as implemented by national legislation and European Union regulations. The ECB may also impose additional capital or liquidity requirements or other prudential measures that are provided for under applicable European Union law.⁹ In fulfilling their responsibilities under the SSM, the ECB and the relevant national competent authorities agree to provide information to each other in a timely and accurate manner, with regular access to updated information as necessary.

Based on all the facts of record, including the above information, the Board has determined that UBI is subject to comprehensive supervision on a consolidated basis by the ECB and the Bank of Italy acting through the SSM.

The Board has also considered the following additional standards set forth in the IBA and Regulation K: (1) 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; (2) the financial and managerial resources of the bank; (3) whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; and (4) whether the bank's home country supervisor has consented to the establishment of the office.¹⁰

Italy is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with those recommendations, Italy 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 Italy, and credit institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. UBI has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money-laundering compliance.

⁹ Articles 4(1)(f) and 16 of Council Regulation 1024/2013, 2013 O.J. (L 287) 63, 74, 81 (EC).

¹⁰ See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2).

UBI appears to have the experience and capacity to support the proposed representative office. In addition, UBI 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 UBI's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, financial and managerial factors are consistent with approval of the proposed representative office.

UBI has committed to make available to the Board such information on the operations of UBI and any of its affiliates that 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 providing such information to the Board may be prohibited by law or otherwise, UBI has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for the disclosure of such information. In addition, subject to certain conditions, the ECB and the Bank of Italy may share information on UBI'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 UBI has provided adequate assurances of access to any necessary information that the Board may request. In addition, the Bank of Italy and the ECB have no objection to the establishment of the proposed representative office.

The Board has also considered whether UBI's proposal would present a risk to the stability of the United States. The proposal would not appear to affect financial stability in the United States. In particular, the absolute and relative size of UBI in its home country; the scope of UBI'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 UBI 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 UBI, the Board has determined that UBI's application to establish the proposed representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of UBI and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by UBI or its affiliates with applicable federal statutes, the Board may require termination of any of UBI's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by UBI 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 of the Board of Governors,¹² effective January 19, 2016.

Margaret M. Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

¹¹ The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York or its agent, the New York State Department of Financial Services, to license the proposed office of UBI in accordance with any terms or conditions that they may impose.

¹² Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.