

FEDERAL RESERVE SYSTEM

Abanca Corporación Bancaria, S.A.  
Betanzos, La Coruña, Spain

Order Approving Establishment of a Branch

Abanca Corporación Bancaria, S.A. (“Abanca”), Betanzos, La Coruña, Spain, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA<sup>1</sup> to establish a state-licensed branch in Miami, Florida. The Foreign Bank Supervision Enhancement Act, 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 Miami, Florida (*The Miami Herald*, November 16, 2017). The time for submitting comments has expired, and the Board has considered all comments received.

Abanca, which is the 11th largest bank in Spain and has consolidated assets of approximately \$58.2 billion, is a subsidiary of Abanca Holding Financiero, S.A. (“Abanca Holding,” and, together with Abanca, the “Abanca Group”), Madrid, Spain, a financial holding company organized under the laws of Spain<sup>2</sup> with consolidated assets of approximately \$58.6 billion.<sup>3</sup> Abanca Holding currently holds 86.8 percent of Abanca’s voting stock. The principal shareholder of Abanca Holding is Mr. Juan Carlos Escotet, who owns 89.6 percent of Abanca Holding’s voting stock and is thus indirectly the

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<sup>1</sup> 12 U.S.C. § 3105(d).

<sup>2</sup> Abanca Holding has not elected to be treated as a financial holding company under U.S. law.

<sup>3</sup> Asset data are as of June 30, 2018, and are based on the exchange rate on that date. Ranking data are as of November 15, 2017.

largest shareholder of Abanca.<sup>4</sup> In addition to controlling Abanca, Mr. Escotet is also a controlling shareholder of banks in various other countries.

Abanca offers a range of banking and financial products and services to individual and corporate customers. In addition to having a distribution network of branches throughout Spain, the bank provides insurance, pension management, and investment advisory services through several domestic subsidiaries. Abanca also operates branch offices in Portugal and Switzerland, as well as representative offices in Brazil, Venezuela, Panama, Mexico, France, the United Kingdom, Germany, and Switzerland. Currently, Abanca has no branches or other offices in the United States. Abanca also controls companies engaged in various commercial and industrial activities, including three subsidiaries in the United States. Upon establishment of the proposed branch of Abanca, the Abanca Group would be a qualifying foreign banking organization as defined in section 211.23 of Regulation K.<sup>5</sup>

The proposed U.S. branch of Abanca would engage in personal and commercial lending, remittance services, advisory services, trade finance, and wholesale deposit-taking activities permissible to a state-licensed entity.

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 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

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<sup>4</sup> Other than Abanca's ownership of 8.8 percent of its stock in the form of treasury shares, no other shareholder owns more than 5 percent of the voting stock of Abanca or Abanca Holding.

<sup>5</sup> 12 CFR 211.23(a). As Abanca Group will be a qualifying foreign banking organization, the activities of Abanca's nonbanking subsidiaries, including those in the United States, would be permissible pursuant to section 211.23(f) of Regulation K. 12 CFR 211.23(f).

parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.<sup>6</sup> The Board also considers additional standards set forth in the IBA and Regulation K.<sup>7</sup>

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<sup>6</sup> 12 U.S.C. § 3105(d)(2); 12 CFR 211.24(c)(1). 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 supervisory 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 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.

<sup>7</sup> See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). 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, including the bank's experience and capacity to engage in international banking; 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. In the case of a foreign bank that presents a risk to the stability of the United States, the Board also may 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).

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

The Abanca Group is subject to supervision by the European Central Bank (“ECB”) and the Banco de España (“Bank of Spain”) acting through the Single Supervisory Mechanism (“SSM”) because the total value of its assets exceeds €30 billion. The Board has previously determined that the ECB, acting through the SSM, exercises comprehensive supervision over certain European banks.<sup>8</sup> The SSM is a system of financial supervision composed of the ECB and the national competent authorities of participating European Union Member states by which specific tasks are distributed between the ECB and the national competent authority. Under the SSM, the ECB has direct prudential supervisory responsibility for the Abanca Group, while the Bank of Spain, as the relevant national competent authority for the Abanca Group, retains supervisory authority over all other areas, including consumer protection and the prevention of money laundering and terrorist financing. The methodologies and standards that underpin the day-to-day supervision of large European Union banking organizations by the ECB under the SSM regulatory framework are aimed at achieving a consistent supervisory approach across the European Union. The system of supervision applied to large banks within the European Union has not changed materially since it was last considered by the Board.

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<sup>8</sup> See, e.g., Nordea Bank Abp, FRB Order 2018-16 (August 3, 2018); Deutsche Pfandbriefbank AG, FRB Order 2018-01 (January 3, 2018); ING Bank N.V., FRB Order 2017-27 (October 20, 2017); Board letter to Rita Milazzo dated August 1, 2017 (comprehensive consolidated supervision for Banco Bilbao Vizcaya Argentaria, S.A.); Board letter to Andrea Tokheim dated July 24, 2017 (comprehensive consolidated supervision for Bank of Ireland Group plc); and Unione di Banche Italiane, S.p.A., FRB Order 2017-11 (April 13, 2017).

Based on all the facts of record, including the above information, it has been determined that the Abanca Group is subject to comprehensive supervision on a consolidated basis by the ECB and the Bank of Spain acting through the SSM.

The Board has also considered the financial and managerial and other applicable factors in this case. The Abanca Group, Mr. Escotet, and Mr. Escotet's other controlled companies have provided commitments to the Board intended to address supervisory concerns.<sup>9</sup> The ECB has no objections to the establishment of the proposed branch. The ECB's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Basel Accord"). Abanca'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 institution. Managerial and other financial resources of Abanca are considered consistent with approval, and Abanca appears to have the experience and capacity to support the proposed branch. In addition, Abanca has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general.

Spain 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, 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

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<sup>9</sup> Abanca is currently, and would remain, part of a parallel-owned banking organization because Mr. Escotet has direct or indirect control over several banks and no single supervisor exercises consolidated supervision over all of these commonly controlled banks. The commitments provide for restrictions on transactions between Abanca's proposed U.S. branch and affiliated companies, as well as regular reporting requirements and other undertakings to help ensure ongoing compliance with the commitments and U.S. law. See Joint Agency Statement on Parallel-Owned Banking Organizations, available at: <http://www.federalreserve.gov/boarddocs/press/general/2002/20020423/attachment.pdf>.

detection and prevention of money laundering throughout their operations, including foreign branches. The Bank of Spain enforces those requirements with respect to Spanish banks, including Abanca. Abanca has policies and procedures to comply with these laws and regulations that are monitored by government entities, including the Bank of Spain, which is responsible for anti-money-laundering compliance.

The Abanca Group 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, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, the Abanca Group has committed to cooperate with the Board to obtain any necessary exemptions or waivers that might be required from third parties for disclosure of such information. In light of these commitments and subject to the condition described below, it has been determined that Abanca 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 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.<sup>10</sup> 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 (1) the relative size of Abanca in its home country; (2) the scope of Abanca's activities, including the type of activities it proposes to conduct in the United States and the potential for these activities to increase or transmit financial instability; and (3) the framework in place for supervising Abanca in its home

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<sup>10</sup> Pub. L. No. 111-203, 124 Stat. 1376, 1440 (2010), codified at 12 U.S.C. 3105(d)(3)(E).

jurisdiction. Taking into account these considerations, it has been determined that the proposal would not create significant risk to the financial stability of the United States. 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 the Abanca Group, Mr. Escotet, and Mr. Escotet's other controlled companies, as well as the terms and conditions set forth in this order, Abanca's application to establish a branch in Miami, Florida, is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.<sup>11</sup> Should any restrictions on access to information on the operations or activities of Abanca and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Abanca and its affiliates with applicable federal statutes, the Board may require termination of any of Abanca's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Abanca with the commitments made in connection with this application and with the conditions in this order.<sup>12</sup> The commitments and conditions referred to above be conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective September 28, 2018.

*Ann E. Misback (signed)*

Ann E. Misback  
Secretary of the Board

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

<sup>12</sup> The Board's authority to approve the establishment of branches 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 and its agent, the Florida Office of Financial Regulation ("OFR"), to license the proposed branch of Abanca in accordance with any terms and conditions that the OFR may impose.