

FEDERAL RESERVE SYSTEM

Allfunds Bank S.A.U.
Madrid, Spain

Order Approving the Establishment of a Representative Office

Allfunds Bank S.A.U. (“Allfunds”), Madrid, Spain, 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 Miami, Florida (the “Miami Representative Office”). 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 Miami, Florida (*Miami Herald*, May 22, 2020). The time for submitting comments has expired, and the Board has considered all comments received.

Allfunds, with total assets of approximately \$2.5 billion, is a Spanish bank providing clearing, settlement, and administration services through a platform offered to financial services firms, including banks, wealth managers, broker-dealers, insurance companies, fund managers, and pensions.² Allfunds is the largest investment fund administration platform in Europe based on assets under administration (“AuA”), with over \$615 billion AuA.³ Its foreign operations include subsidiary companies in Brazil, Luxembourg, and Switzerland; branches in Italy, Singapore, and the United Kingdom; and representative offices in Brazil, Chile, Colombia, and the United Arab Emirates.

¹ 12 U.S.C. § 3107(a).

² Asset data are as of December 31, 2019.

³ AuA and ranking data are as of May 20, 2020.

Allfunds is an indirect wholly owned subsidiary of LHC4 (UK) Limited (“LHC4” – total assets of \$2.3 billion), London, United Kingdom. LHC4, a holding company, holds Allfunds through Liberty Partners, S.L.U. (“Liberty”), Madrid, Spain.⁴

The Miami Representative Office would act as a liaison with U.S. clients and prospective clients of Allfunds. The Miami Representative Office also would market and solicit new business for banking products and technological services provided by Allfunds.⁵

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 LHC4’s largest shareholder is LHC1 Limited (“LHC1”), which indirectly owns and controls LHC4 through two wholly owned intermediaries, LHC2 Limited and LHC3 Plc, all of Saint Helier, Jersey. LHC1 is jointly held by Hellmann & Friedman and its affiliates (“H&F”), San Francisco, California, and Eiffel Investment Pte Ltd. (“Eiffel”), Singapore. Eiffel is an investment vehicle of GIC Special Investments Pte Ltd., a direct subsidiary of GIC (Ventures) Pte Ltd., Singapore, which is owned by the Minister for Finance of the Government of Singapore. H&F and Eiffel each indirectly control Allfunds. LHC4’s second largest shareholder, with 22.5 percent of its voting shares is BNP Paribas S.A. (“BNPP”), Paris, France. BNPP’s interest in LHC4 is held through BNP Paribas Securities Services and BNP Paribas Asset Management, both of Paris, France. LHC4’s sole remaining shareholder is Credit Suisse Group AG, which holds its shares through its bank subsidiary Credit Suisse AG (“Credit Suisse”), both of Zürich, Switzerland.

⁵ A representative office may engage in representational and administrative functions in connection with the banking activities of a 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.⁶ The Board also considers additional standards set forth in the IBA and Regulation K.⁷

In the case of an application to establish a representative office, the Board has by rule determined that the supervision standard may be met if the Board 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 and the operating record of the applicant bank.⁸ 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

⁶ 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 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. 12 CFR 211.24(c)(1).

⁷ See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2). These standards include the following: 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).

⁸ See 12 CFR 211.24(c) and (d)(2).

standard sufficient for approval of representative office applications because representative offices may not engage in banking activities. This application has been considered under the lesser standard.

As a foreign bank, Allfunds engages directly in the business of banking outside the United States. Allfunds has provided the Board with the 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 Allfunds is supervised by Banco de España (“Bank of Spain”) under the Single Supervisory Mechanism (“SSM”). The SSM is a system of financial supervision composed of the European Central Bank (“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 authorities. Under the SSM framework, the ECB has direct prudential supervisory responsibility over “significant institutions,” while the national competent authorities have direct prudential supervisory responsibility over “less significant institutions,” subject to the oversight of the ECB.⁹ A common prudential regulatory framework applies to banks supervised under the SSM, including those supervised by the national competent authorities as less significant institutions. Through its oversight function, the ECB aims to ensure that the supervisory activities carried out by national competent authorities are in line with high supervisory standards, with a view toward fostering consistency of supervisory outcomes within the SSM.¹⁰

Under the SSM, Allfunds is a “less significant institution” and is subject to direct prudential supervision by the Bank of Spain under the oversight of the ECB. The Board has previously assessed the SSM, including in determining that the ECB and Bank

⁹ With respect to both significant institutions and less significant institutions, the national competent authorities retain authority over supervisory matters that were not transferred to the SSM, including consumer protection and the prevention of money laundering and terrorist financing.

¹⁰ Where necessary, the ECB may decide to directly supervise any less significant institution to ensure that high supervisory standards are applied consistently.

of Spain exercise comprehensive supervision over certain Spanish banks designated as “significant institutions” under this framework.¹¹ The SSM framework has not changed materially since it was last considered by the Board.¹² The Board has previously found that Allfunds’ parent foreign banks—Credit Suisse and BNPP—are subject to comprehensive supervision on a consolidated basis, and home country supervision of the parent foreign banks meets the standards required for establishment of a representative office.¹³

Based on all the facts of record, it has been determined that Allfunds, Credit Suisse, and BNPP are subject to a supervisory framework that is consistent with the current and proposed activities of the Miami Representative Office, taking into account the nature of such activities.

The following additional standards set forth in the IBA and Regulation K have also been considered: (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

¹¹ See Abanca Corporación Bancaria, S.A., FRB Order 2018-20 (September 28, 2018) and Board letter to Rita Milazzo dated August 1, 2017 (finding comprehensive consolidated supervision for Banco Bilbao Vizcaya Argentaria, S.A.).

¹² See e.g., Abanca Corporación Bancaria, S.A., FRB Order 2018-20 (September 28, 2018); 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 (finding comprehensive consolidated supervision for Banco Bilbao Vizcaya Argentaria, S.A.); and Unione di Banche Italiane, S.p.A., FRB Order 2017-11 (April 13, 2017).

¹³ See Credit Suisse, 85 Federal Reserve Bulletin 68 (January 1999); BNP Paribas, 91 Federal Reserve Bulletin 51 (Winter 2005). See also Federal Reserve Bank of New York letter to Phillip G. Feigen dated January 31, 2020 (finding supervision consistent with the activities of the proposed representative office for Banque Transatlantique); and Banque SYZ SA, FRB Order 2016-09 (June 23, 2016).

the bank's operations with the Board; and (4) whether the bank's home country supervisor has consented to the establishment of the office.¹⁴

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 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 Allfunds. Allfunds has policies and procedures to comply with these laws and regulations. These policies and procedures are monitored by government entities, including the Bank of Spain, which is responsible for anti-money-laundering compliance.

Allfunds appears to have the experience and capacity to support the Miami Representative Office. Allfunds has several representative offices in South America and the Middle East and operates branches and subsidiaries in six countries. In addition, Allfunds has established controls and procedures for the Miami Representative Office to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally. Taking into consideration Allfunds' record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, it has been determined that financial and managerial factors are consistent with approval of Allfunds' application to establish the Miami Representative Office.

Allfunds has committed to make available to the Board such information on the operations of Allfunds and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of

¹⁴ See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2).

1956, as amended,¹⁵ and other applicable federal law. To the extent that providing such information to the Board may be prohibited by law or otherwise, Allfunds 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 Bank of Spain may share information on Allfunds' 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 Allfunds has provided adequate assurances of access to any necessary information that the Board may request. In addition, the Bank of Spain has no objection to the establishment of the Miami Representative Office.

Whether Allfunds' proposal would present a risk to the stability of the United States has also been considered. The proposal would not appear to affect financial stability in the United States. In particular, the absolute and relative size of Allfunds in its home country; the scope of Allfunds' 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 Allfunds 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, it has been determined that 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 Allfunds, Allfunds' application to establish the Miami Representative Office 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.¹⁶ Should any restrictions on access to information on the operations or activities of Allfunds and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Allfunds or its affiliates with

¹⁵ 12 U.S.C. § 1841 et seq.

¹⁶ 12 CFR 265.7(d)(12).

applicable federal statutes, the Board may require termination of any of Allfunds' direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Allfunds with the conditions imposed in this order and the commitments made to the Board in connection with this application.¹⁷ 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 October 20, 2020.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

¹⁷ The Board's authority to approve the establishment of the Miami 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 Miami Representative Office in accordance with any terms or conditions that they may impose.