FRB Order No. 2024-11
December 12, 2024

FEDERAL RESERVE SYSTEM

The Bank of Nova Scotia
Toronto, Canada

Order Approving the Acquisition of Shares in a Bank Holding Company and Certain Nonbank Subsidiaries

The Bank of Nova Scotia ("BNS"), Toronto, Canada, a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to increase its ownership interest from 4.93 percent to up to 14.99 percent of the voting shares of KeyCorp, Cleveland, Ohio, also a financial holding company. KeyCorp controls KeyBank National Association ("KeyBank"), Cleveland, Ohio, a national bank. BNS also filed a notice under section 163(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") to acquire shares of KeyCorp, which is engaged in activities described in section 4(k) of the BHC Act.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (89 Federal Register 74275 (September 12, 2024)), in accordance with the Board's Rules of Procedure.[4] The time for submitting comments has expired, and the Board did not receive any comments. The Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

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[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] 12 U.S.C. § 5363(b).

[4] 12 CFR 262.3(b).

BNS, with consolidated assets of approximately $1.0 trillion, is the 3rd largest insured depository organization in Canada.[5] BNS provides retail and commercial banking, wealth management, and investment advisory services, and has operations primarily in Canada. In the United States, BNS's operations are primarily conducted through an agency in New York and a branch in Texas. BNS also operates representative offices in Florida and California, and through Scotia Holdings (USA) LLC, operates nonbanking subsidiaries in the United States.[6] Following consummation of the proposed transaction, BNS would continue to meet the requirements for a qualifying foreign banking organization under the Board's Regulation K.[7]

KeyCorp, with consolidated assets of approximately $189.8 billion, is the 26th largest insured depository organization in the United States.[8] KeyCorp controls approximately $145.7 billion in consolidated deposits, which represent less than one percent of the total amount of deposits of insured depository institutions in the United States.[9] KeyCorp controls KeyBank, which operates in Alaska, Colorado, Connecticut, Florida, Idaho, Indiana, Maine, Massachusetts, Michigan, New York, Ohio, Oregon, Pennsylvania, Utah, Vermont, and Washington.[10]

Noncontrolling Investment

BNS has stated that it does not propose to control or exercise a controlling influence over KeyCorp as a result of the proposal. Under the BHC Act, a company

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[5] Consolidated asset and national ranking data are as of July 31, 2024.

[6] These nonbanking subsidiaries include Scotia Capital (USA) Inc., a registered broker–dealer, and Scotia Financing (USA) LLC, a financing subsidiary, both of New York, New York.

[7] 12 CFR 211.23(a).

[8] Consolidated asset data are as of September 30, 2024, and national deposit, ranking, and market share data are as of June 30, 2024.

[9] In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

[10] KeyCorp also controls Key National Trust Company of Delaware, Wilmington, Delaware, a nondepository trust company.

controls a bank or another company if (1) the company directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the bank or company; (2) the company controls in any manner the election of a majority of the directors or trustees of the bank or company; or (3) the Board determines that the company directly or indirectly exercises a controlling influence over the management or policies of the bank or company.[11] The Board's Regulation Y sets forth presumptions for determining when one company generally would be considered to exercise a controlling influence over another company for purposes of the BHC Act.[12] The presumptions generally are based on a combination of control over voting securities and the presence of other significant relationships that may facilitate control, such as director interlocks, business relationships, and limiting contractual rights.

As a result of the proposal, BNS would acquire up to 14.99 percent of KeyCorp's voting shares. In addition, BNS has made certain representations indicating that its relationships with KeyCorp upon consummation of the proposed transaction would not trigger any of the Regulation Y presumptions of control.[13] Based on these considerations and all the facts of record, it does not appear that BNS would control KeyCorp or KeyBank.

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[11] 12 U.S.C. § 1841(a)(2).

[12] See 12 CFR part 225, subpart D.

[13] 12 CFR 225.32. The Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank or bank holding company. See, e.g., Bern Bancshares, Inc., FRB Order No. 2020-09 (2020) (acquiring up to 6.74 percent of the voting shares of a bank holding company); First Citizens BancShares, Inc., FRB Order No. 2017-01 (2017) (acquiring up to 9.0 percent of the voting shares of a bank); Penn Bancshares, Inc., 92 Federal Reserve Bulletin C37 (2006) (acquiring up to 24.89 percent of the voting shares of a bank); Sun Banks, Inc., 71 Federal Reserve Bulletin 243 (1985) (acquiring up to 15 percent of the voting shares of a bank).

Factors Governing Board Review of the Transaction

Section 163(b) of the Dodd-Frank Act requires a bank holding company with total consolidated assets of $250 billion or more, a global systemically important bank holding company, or a nonbank financial company designated by the Financial Stability Oversight Council for supervision by the Board to provide notice to the Board before acquiring voting shares of any company with total consolidated assets of $10 billion or more that engages in activities described in section 4(k) of the BHC Act.[14] BNS exceeds the applicable asset threshold. KeyCorp exceeds the applicable asset threshold and engages in activities described in section 4(k) of the BHC Act. Accordingly, the proposed acquisition of voting shares of KeyCorp requires notice to the Board under section 163(b) of the Dodd-Frank Act. In reviewing a notice under section 163(b) of the Dodd-Frank Act, the Board is required to consider the standards listed in section 4(j)(2) of the BHC Act,[15] described below. In addition, section 163(b) requires the Board to consider "the extent to which the proposed acquisition would result in greater or more concentrated risks to global or United States financial stability or the United States economy."[16]

Section 4(j)(2)(A) of the BHC Act requires the Board to consider whether the proposed acquisition of voting shares of KeyCorp "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the United States banking or financial system."[17] As part of its evaluation, the Board reviews the financial and managerial resources and the future prospects of the companies involved, the effect of the proposal on competition in

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[14] 12 U.S.C. §§ 5363(b)(1) and 5365 note.

[15] 12 U.S.C. § 5363(b)(4).

[16] Id.

[17] 12 U.S.C. § 1843(j)(2)(A).

the relevant markets, the risk to the stability of the U.S. banking or financial system, and the public benefits of the proposal.[18] The Board also reviews the records of performance of the relevant insured depository institutions under the Community Reinvestment Act of 1977 ("CRA").[19]

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 an attempt to monopolize the business of banking in any relevant market.[20] The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any 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 communities to be served.[21]

BNS does not currently control a commercial bank in the United States, and BNS and KeyCorp do not compete directly in any retail banking market. The U.S. Department of Justice has conducted a review of the potential competitive effects of the proposal and has advised the Board that it did not conclude that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

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[18] See 12 CFR 225.26; see, e.g., Texas Independent Bancshares, Inc., FRB Order No. 2019-10 (June 27, 2019); M&T Bank Corporation, FRB Order 2015-27 (September 30, 2015); Southside Bancshares, Inc., FRB Order 2014-21 (December 10, 2014); Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012); Bank of America Corporation/Countrywide, 94 Federal Reserve Bulletin C81 (2008).

[19] 12 U.S.C. § 2901 et seq.

[20] 12 U.S.C. § 1842(c)(1)(A).

[21] 12 U.S.C. § 1842(c)(1)(B).

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 resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.[22] In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the organization, 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. 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.

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

[22] 12 U.S.C. § 1842(c)(2), (5), and (6). The Board has analyzed the effectiveness of BNS's anti-money-laundering efforts in connection with the Board's assessment of whether BNS is subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in its home country.

levels that would be required of a U.S. banking organization.[23] BNS appears to have adequate resources to absorb the costs of the proposal. In addition, future prospects are consistent with approval.[24]

The Board also has considered the managerial resources of the organizations involved. The Board has reviewed the examination records of BNS and KeyCorp, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by BNS; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws. The Board also has consulted with the Office of the Superintendent of Financial Institutions ("OSFI"), the agency with primary responsibility for the supervision of Canadian banks and other financial institutions, including BNS.

Section 3 of the BHC Act also prohibits the Board from approving a proposal unless the applicant provides 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.[25] The Board has reviewed the restrictions on disclosure in the relevant jurisdictions in which BNS operates. In addition, BNS has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on its operations and the operations of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act of 1978,[26] and

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[23] The Board considered the common equity tier 1 risk-based capital ratio, tier 1 risk-based capital ratio, total risk-based capital ratio, and the ratio of tier 1 capital to total assets of BNS.

[24] The transaction would be funded from cash on hand at BNS. BNS has the financial resources to effect the proposed transaction.

[25] 12 U.S.C. § 1842(c)(3)(A).

[26] 12 U.S.C. § 3101 et seq.

other applicable federal laws. BNS also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable it or its affiliates to make such information available to the Board.

Based on all the facts of record, including BNS's and KeyCorp's supervisory records and their managerial and operational resources, the Board determines that considerations relating to the financial and managerial resources and the 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

As required by section 3 of the BHC Act, the Board considers whether BNS is subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in its home country.[27] The Board previously has determined that BNS is subject to comprehensive supervision on a consolidated basis by its home country

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[27] 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign banking organization 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 reports of examination, audit reports, or otherwise; (iii) obtain information on the dealings and relationship 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.

supervisor, OSFI.[28] BNS remains supervised by OSFI on substantially the same terms and conditions. Based on this finding and all the facts of record, the Board concludes that BNS continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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.[29] In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the organizations. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also reviews the institution's post-consummation plans and the expected impact of those plans on the communities served by the institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records of the relevant depository institutions under the CRA. The Board strongly encourages insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation and their obligations under the CRA.[30]

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[28] The Bank of Nova Scotia, 93 Federal Reserve Bulletin C136 (3rd Quar. 2007); The Bank of Nova Scotia, 93 Federal Reserve Bulletin C73 (1st Quar. 2007).

[29] 12 U.S.C. § 1842(c)(2).

[30] See 12 U.S.C. § 2901(b).

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, gender, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments on the proposal. The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined organization's plans after consummation, and any other information the Board deems relevant.

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 KeyBank; the fair lending and compliance records of KeyBank; the supervisory views of the Office of the Comptroller of the Currency ("OCC"); confidential supervisory information; and information provided by BNS.

Records of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the OCC with respect to KeyBank.[31] In addition, the Board considers information provided by the applicant.

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.[32] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site

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[31] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

[32] 12 U.S.C. § 2906.

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 a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of a large bank, such as KeyBank, in helping to meet the credit needs of the communities it serves. The Lending Test specifically evaluates an institution's lending-related activities 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 data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"),[33] 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 evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;[34] (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative

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[33] 12 U.S.C. § 2801 et seq.

[34] Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of $1 million or less; small 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) (2023).

or flexible lending practices to address the credit needs of LMI individuals and geographies.[35] The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs. The Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.[36]

CRA Performance of KeyBank

KeyBank was assigned an overall rating of "Outstanding" at its most recent CRA performance evaluation by the OCC, as of April 3, 2023 ("KeyBank Evaluation").[37] The bank received "Outstanding" ratings for the Lending and Investment Tests, and a "High Satisfactory" rating for the Service Test.[38]

With respect to the Lending Test, the bank's performance was driven by "Outstanding" ratings in 15 rated areas, including the three largest rated areas by deposit volume (Ohio, New York, and Washington). Examiners found that KeyBank demonstrated excellent lending activity and overall good geographic and borrower distribution of lending in New York and Washington, and demonstrated overall good lending activity with an adequate geographic distribution of lending and good borrower

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[35] See 12 CFR 228.22(b) (2023).

[36] See 12 CFR 228.23 and 228.24 (2023).

[37] The KeyBank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed small business, small farm, and HMDA-reportable loan data from January 1, 2019, through December 31, 2021. Examiners also reviewed community development activities from January 1, 2019, through December 31, 2021.

[38] The KeyBank Evaluation involved a full-scope review of the bank's activities in 26 of the bank's AAs located in 16 states and 2 multistate metropolitan statistical areas ("MMSAs"): Alaska, Colorado, Connecticut, Florida, Idaho, Indiana, Massachusetts, Maine, Michigan, New York, Ohio, Oregon, Pennsylvania, Utah, Vermont, Washington, NY-NJ-CT-PA MMSA, and OR-WA MMSA. A limited-scope review was conducted in the remaining 39 AAs.

distribution of lending in Ohio. Examiners also noted that KeyBank was a leader in making community development loans in those three states.

With respect to the Investment Test, the bank's performance was driven by "Outstanding" ratings in 15 rated areas, including the three largest rated areas by deposit volume (New York, Ohio, and Washington). Examiners noted that KeyBank had an excellent level of community development investments in those three states.

With respect to the Service Test, the bank's performance was driven by "High Satisfactory" ratings in 11 rated areas, including the largest rated area by deposit volume (New York). In New York, examiners found that overall, KeyBank had readily accessible retail service delivery systems and an overall limited level of community development services.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the OCC as the primary regulator of KeyBank. The Board also considered the results of the most recent consumer compliance examination of KeyBank, which included review of the bank's compliance management program and its compliance with consumer protection laws and regulations, including fair lending.

The Board has taken this information, as well as the CRA performance record of KeyBank, into account in evaluating the proposal, including considering whether BNS has the experience and resources to ensure that KeyBank would help meet the credit needs of the communities to be served following consummation of the proposed transaction.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. This includes, for example, the organization's business model and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by the organization; any additional plans the organization has for meeting the needs of its communities following consummation; and any other information the Board deems

relevant. BNS represents that it does not anticipate that the proposed transaction would result in any changes to KeyBank's operations, including its product and service offerings and its facilities.

Branch Closures

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses' access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.[39] In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.[40]

BNS represents that it does not anticipate that any existing branches of KeyBank would be closed, consolidated, or relocated in connection with the proposal.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the record of KeyBank under the CRA, the institution's record of compliance with fair lending and

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[39] See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

[40] See, e.g., 12 CFR 228.24(d)(2) (2023).

other consumer protection laws, supervisory information, information provided by BNS, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Financial Stability Considerations

Section 3 of the BHC Act requires the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."[41] In addition, the Dodd-Frank Act requires the Board to consider "the extent to which the proposed acquisition would result in greater or more concentrated risks to global or United States financial stability or the United States economy" in reviewing a notice submitted pursuant to section 163(b) of the Dodd-Frank Act.[42]

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 acquiring 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 acquiring firm, the availability of substitute providers for any critical products and services offered by the firm, the interconnectedness of the acquiring firm with the banking or financial system, the extent to which the acquiring firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the acquiring firm.[43] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving

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[41] 12 U.S.C. § 1842(c)(7).

[42] 12 U.S.C. § 5363(b)(4).

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

the acquiring firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.[44]

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. The Board reviewed publicly available data, data compiled through the supervisory process, and data obtained through information requests to the institutions involved in the proposal, as well as qualitative information.

In this case, the proposed acquisition of a noncontrolling interest in KeyCorp would not result in a material increase in BNS's systemic footprint in the United States. Further, the proposed acquisition would represent 3.9 percent of BNS's tier 1 capital and would increase BNS's ownership interest from approximately 4.93 percent to up to 14.99 percent of the voting shares of Keycorp. BNS would neither consider KeyCorp a subsidiary nor consolidate its financial performance on its balance sheet. BNS and KeyCorp do not have other material linkages. In addition, the proposal would result in an equity infusion into KeyCorp, enhancing KeyCorp's resiliency.[45]

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 U.S. banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Weighing of Public Benefits of the Proposal

As noted above, in connection with a notice under section 163(b) of the Dodd-Frank Act, the Board is required to "consider whether performance of the activity by a bank holding company or a subsidiary of such company can reasonably be expected

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[44] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

[45] The value of additional shares that BNS proposes to purchase is approximately $1.98 billion. This value is based on a formula using the volume-weighted average closing price of KeyCorp common stock over a period of time. The proposal is expected to result in an 18.7 percent increase in capital for KeyCorp.

to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the United States banking or financial system."[46] Under the proposal, BNS would acquire a noncontrolling interest in KeyCorp. BNS's investment in KeyCorp, and indirectly in KeyBank, would strengthen KeyCorp's capital position and thus allow it to better serve customers.

The Board concludes that the proposal is not likely to result in significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the U.S. banking or financial system. Based on the entire record, and for the reasons discussed above, the Board believes that the balance of benefits and potential adverse effects related to competition, financial and managerial resources, convenience to the public, financial stability, and other factors weighs in favor of approval of the proposal. Accordingly, the Board determines that the balance of the public benefits of the proposal under the standard in section 4(j)(2)(A) of the BHC Act, which the Board is required to consider under section 163(b) of the Dodd-Frank Act, is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Dodd-Frank Act, and other applicable statutes. The Board's approval is specifically conditioned on compliance by BNS with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is conditioned on receipt by BNS of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection

[46] 12 U.S.C. § 1843(j)(2)(A).

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 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting under delegated authority.

By order of the Board of Governors,[47] effective December 12, 2024.

(Signed) Michele Taylor Fennell

Michele Taylor Fennell
Associate Secretary of the Board

[47] Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.