



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

September 26, 2013

Mr. Hector Becil
Managing Director, U.S. Legal Compliance
The Bank of Nova Scotia
One Liberty Plaza
New York, New York 10006

Dear Mr. Becil:

This letter responds to your request of May 28, 2013, on behalf of The Bank of Nova Scotia (“BNS”), Toronto, Canada, for relief from passivity commitments that BNS made to the Board of Governors of the Federal Reserve System in connection with its investment in First BanCorp (“FBC”), San Juan, Puerto Rico. The requested relief would completely relieve BNS from commitments that the Board relied on in determining that BNS would not be able to exercise a controlling influence over FBC.

On August 9, 2007, the Board approved, under section 3 of the Bank Holding Company Act (“BHC Act”), the application by BNS, a foreign bank that is a financial holding company for purposes of the BHC Act, to acquire 10 percent of the outstanding voting shares of FBC and, indirectly, its subsidiary bank, FirstBank of Puerto Rico, Santurce, Puerto Rico. In addition, the Board approved, under section 4 of the BHC Act, BNS’s notice to acquire indirectly FBC’s subsidiary savings association, FirstBank Florida, Miami, Florida.² At the time of

¹ 12 U.S.C. § 1842. See 12 CFR 225.15.

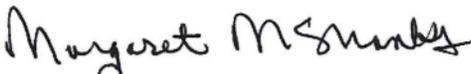
² 12 U.S.C. § 1843. See 12 CFR 225.24. BNS’s indirect investments in the nonbank subsidiaries of FBC and FirstBank Florida, all in Puerto Rico and the U.S. Virgin Islands, were made in accordance with section 4(c)(9) of the BHC Act and section 211.23(f)(1) of Regulation K, because these locations were outside the United States for purposes of the International Banking Act and Regulation K. 12 U.S.C. § 3101(7); 12 U.S.C. § 1843(c)(9); 12 CFR 211.23(f)(1) and 211.2(i).

its application and notice, BNS agreed to abide by certain commitments of the type on which the Board previously has relied in determining that an investing bank holding company would not be able to exercise a controlling influence over another bank holding company for purposes of the BHC Act.

Since 2007, FBC has issued additional shares, diluting BNS's ownership interest in FBC to 0.3 percent. Based on BNS's de minimis ownership of FBC's voting securities, BNS is presumed not to control FBC. In addition, BNS does not have the right to appoint a director to the board of directors of FBC or have representation on the board. Further, there are no existing or contemplated business relationships between the two firms. BNS has also provided written representation that it will not exercise or attempt to exercise a controlling influence over the management or policies of FBC.

Based on all the facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board under section 265.7(a)(2) of the Board's Rules Regarding Delegation of Authority (12 CFR 265.7(a)(2)), and after consulting with the General Counsel, has approved BNS's request for relief from the passivity commitments it provided in connection with BNS's investment in FBC. This action is based on the representations and commitments set forth in all of your communications and correspondence related to your request, including the representations discussed above. Any change in the facts presented could result in a different conclusion and should be reported to Board staff immediately. This determination should not be construed as granting relief from any other conditions or commitments to which BNS may be subject.

Very truly yours,


Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Ivan Hurwitz, Vice President,
Federal Reserve Bank of New York