



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

July 31, 2025

Stuart Feldstein, Esq.
Acting Principal Deputy Chief Counsel
Office of the Comptroller of the Currency
U.S. Department of the Treasury
400 7th Street, SW
Washington, DC 20219

Dear Mr. Feldstein:

This letter concerns the request by Santander Bank, N.A. (“Bank”), Wilmington, Delaware, for an exemption from certain requirements of section 23A of the Federal Reserve Act¹ to acquire 100 percent of the ownership interests of its affiliate, Banco Santander International (“BSI”), Miami, Florida, an Edge Act² corporation. Bank and BSI are both wholly owned subsidiaries of Santander Holdings USA, Inc. (“SHUSA”), Boston, Massachusetts, which in turn is a direct, wholly owned subsidiary of Banco Santander, S.A., Madrid, Spain. As part of a one-time internal corporate reorganization, SHUSA would contribute all of BSI’s stock to Bank for no consideration, causing BSI to become a wholly owned operating subsidiary of Bank and Bank to assume the liabilities of BSI.³

Section 23A and the Board’s Regulation W limit the amount of covered transactions between a bank and any single affiliate to 10 percent of the bank’s capital stock and surplus and limit the amount of covered transactions between a bank and all of

¹ 12 U.S.C. § 371c.

² 12 U.S.C. §§ 611–633.

³ Bank represents that BSI currently engages only in activities that would be permissible for a national bank.

its affiliates to 20 percent of the bank's capital stock and surplus.⁴ Section 23A defines a covered transaction to include, among other things, "a purchase of an asset from the affiliate."⁵ Regulation W specifies that the acquisition by a bank of the shares of a company that is an affiliate constitutes a purchase of assets if (i) as a result of the transaction, the company becomes an operating subsidiary of the bank; and (ii) the company has liabilities, or the bank gives cash or any other consideration in exchange for the security.⁶ Accordingly, Bank's proposed acquisition of 100 percent of the ownership interests of BSI is a purchase of an asset subject to section 23A.

Section 23A defines affiliate to include "any other company that is controlled by the company that controls the member bank."⁷ Bank and BSI are both controlled by SHUSA and are therefore affiliates for purposes of section 23A.⁸

Although Bank would acquire BSI for no consideration, it would assume the liabilities of BSI. The covered transaction is valued at \$[REDACTED], as of March 31, 2025. This transaction amount exceeds the quantitative limits in section 23A for covered transactions both with a single affiliate and with all affiliates. Accordingly, Bank seeks an exemption from the quantitative limits of section 23A to engage in the transaction.

Because Bank is a national bank, the Office of the Comptroller of the Currency ("OCC") may, by order, exempt the proposed asset purchase from the requirements of section 23A if the Board and OCC jointly find the exemption to be (i) in the public interest and (ii) consistent with the purposes of section 23A.⁹ In addition, the FDIC must not object to the exemption in writing based on a determination that the exemption presents an unacceptable risk to the Deposit Insurance Fund within 60 days of being notified of the OCC's and Board's joint findings.¹⁰

The Board previously has stated that the dual purposes of section 23A are to protect against a depository institution suffering losses in transactions with affiliates

⁴ 12 U.S.C. § 371c(a)(1); 12 CFR 223.11.

⁵ 12 U.S.C. § 371c(b)(7)(C); 12 CFR 223.3(h)(2).

⁶ 12 CFR 223.31(a).

⁷ 12 U.S.C. § 371c(b)(1)(A); 12 CFR 223.2(a)(2).

⁸ A company "controls" another company if, among other things, it owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other company. 12 U.S.C. § 371c(b)(3)(A)(i); 12 CFR 223.3(g)(1)(i). SHUSA owns all the voting securities of both Bank and BSI and thus controls both entities.

⁹ 12 U.S.C. § 371c(f)(2)(B)(i)(I).

¹⁰ 12 U.S.C. § 371c(f)(2)(B)(i)(II).

and to limit the ability of the depository institution to transfer to its affiliates the subsidy arising from the institution's access to the federal safety net.¹¹ The Board previously has approved exemptions under section 23A for one-time asset transfers that are part of an internal corporate reorganization where the transaction is structured to ensure the quality of the transferred assets and to protect the bank from losses should the quality of the transferred assets deteriorate.¹²

Bank asserts that the contribution of BSI to Bank would result in efficiencies and increased profitability for Bank, and that it would allow Bank to [REDACTED]. Further, Bank asserts that its improved financial position and increased efficiencies as a result of the transaction would allow Bank to enhance and expand its core retail offerings to existing and new customers. In addition, SHUSA and Bank have provided commitments listed in the Appendix, similar to those relied upon by the Board in granting section 23A exemptions to allow previous internal corporate reorganizations, to ensure that Bank is protected from losses should the quality of the assets acquired by Bank in connection with the proposal deteriorate.¹³

In light of these considerations and all the facts presented, the Director of the Division of Supervision and Regulation, acting pursuant to authority delegated by the Board, and with the concurrence of the General Counsel, hereby finds that the proposed exemption is in the public interest and consistent with the purposes of section 23A.

This action is specifically conditioned on compliance by Bank with all the commitments and representations it has made to the Board in connection with this exemption request. These commitments constitute conditions imposed in writing in connection with this action and, as such, may be enforced in proceedings under applicable law. This action also is based on the specific facts and circumstances described in Bank's correspondence and this letter. Any change in the facts or circumstances may result in a different conclusion or revocation of the findings in this letter.

¹¹ 67 *Fed. Reg.* 76560 (Dec. 12, 2002).

¹² See, e.g., Letter from Michele Taylor Fennell, Deputy Associate Secretary of the Board, to Martin Gruenberg, Acting Chairman of the FDIC (Nov. 23, 2022), <https://www.federalreserve.gov/supervisionreg/legalinterpretations/fedreserseactint20221123.pdf>.

¹³ SHUSA has committed to contribute funds to Bank equal to the book value of any low-quality assets that are transferred to Bank in connection with the contribution of BSI.

This action also is specifically conditioned on receipt by Bank of all regulatory approvals required by the proposal and compliance with any conditions imposed in connection with such approvals.

Very truly yours,

(Signed) Benjamin W. McDonough

Benjamin W. McDonough
Deputy Secretary of the Board

cc: Federal Deposit Insurance Corporation
Alfred Seivold, Acting Senior Deputy Director
Division of Complex Institution Supervision and Resolution
ASeivold@FDIC.gov

Appendix

In connection with the request filed by Santander Bank, N.A., Wilmington, Delaware (“Bank”), to the Office of the Comptroller of the Currency for an exemption from the requirements of section 23A of the Federal Reserve Act (12 U.S.C. § 371c) in order to engage in an internal corporate reorganization through which the Bank would acquire its affiliate, Banco Santander International (“BSI”), the Bank and BSI’s parent holding company, Santander Holdings USA, Inc. (“SHUSA”), provide the following commitments to the Board of Governors of the Federal Reserve System (“Board”):

1. SHUSA commits that, on the effective date of the internal corporate reorganization, it will contribute funds to the Bank in the amount of the book value of any low-quality assets that are transferred to the Bank at the time that BSI is transferred to the Bank. SHUSA and the Bank also commit that the Bank will hold an amount of risk-based capital equal to the book value of any low-quality assets that are transferred to the Bank so long as the Bank retains ownership or control of the transferred assets.
2. SHUSA commits, for a two-year period following the effective date of the internal corporate reorganization, to make either (i) a cash payment to the Bank equal to the book value at the end of each calendar quarter plus write-downs during that quarter by the Bank of any transferred assets (other than those that were low-quality assets at the time of the initial transfer) that were low-quality assets at the end of that quarter; or (ii) quarterly purchases from the Bank of any transferred assets (other than those that were low-quality assets at the time of the initial transfer) that were low-quality assets at the end of that quarter at a price equal to the book value at the end of that quarter plus write-downs during that quarter by the Bank of any such transferred assets. SHUSA will make the cash payment or will purchase the assets within 30 days after the end of each calendar quarter. SHUSA and the Bank also commit that the Bank will hold an amount of risk-based capital equal to the book value of any transferred assets that become low-quality so long as the Bank retains ownership or control of the transferred assets as described in the example above.
3. Before the internal corporate organization is consummated, a majority of the Bank’s directors will review and approve the transaction.

SHUSA and the Bank agree that these commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision on the exemption waiver request and, as such, may be enforced in proceedings under applicable law.

SHUSA and the Bank understand that, as a condition of any exemption waiver granted by the Board, the Bank must remain well capitalized based on the Office of the Comptroller of the Currency's risk-based capital guidelines and the modifications to those guidelines described in commitments (1) and (2) above.