

FEDERAL RESERVE SYSTEM

Caisse Nationale de Crédit Agricole
Paris, France

Order Approving the Formation of a Bank Holding Company

Caisse Nationale de Crédit Agricole (“CNCA”), a foreign banking organization subject to the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) to own indirectly all of the voting shares of Espírito Santo Bank, Miami, Florida.¹

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 53,680 (1999)). The time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

CNCA, with total consolidated assets of approximately \$402 billion, is the largest banking organization in France.² In the United States, CNCA operates branches in New York, New York, and Chicago, Illinois; and representative offices in Houston, Texas, and San Francisco, California. CNCA also engages through subsidiaries in the United States in a broad range of permissible nonbanking

¹ CNCA controls more than 25 percent of the voting shares of Banco Espírito Santo, S.A., Lisbon, Portugal (“Banco Espírito Santo”), which also has applied to acquire all of the voting shares of Espírito Santo Bank. Because of its ownership of Banco Espírito Santo, CNCA is also required to seek Board approval under the BHC Act to own indirectly the shares of Espírito Santo Bank. The Board has approved applications filed by Banco Espírito Santo and its related holding companies in a separate order. E.S. Control Holding S.A., et al., 86 Federal Reserve Bulletin ____ (2000) (Order dated April 5, 2000).

² Data are as of December 31, 1998, and are based on exchange rates on that date.

activities, including securities and futures trading, leasing, financing, brokerage, and financial consulting activities.

Espírito Santo Bank is the 53rd largest banking organization in Florida, controlling deposits of \$315 million, representing less than 1 percent of all deposits in commercial banking organizations in the state.³

Certain Supervisory Considerations

Under section 3 of the BHC Act, the Board may not approve an application involving a foreign bank unless the bank is “subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank’s home country.”⁴ The Board previously has determined, in applications under the International Banking Act (12 U.S.C. § 3101 et seq.) (“IBA”), that CNCA is subject to comprehensive consolidated supervision by its home country supervisor.⁵ No material changes have occurred in the manner of CNCA’s supervision that would alter the Board’s previous determination. Based on all the facts of record, the Board has concluded that CNCA is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

³ Data are as of June 30, 1999.

⁴ 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. See 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the 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 its affiliates, to assess the foreign bank’s overall financial condition and compliance with law and regulation. See 12 C.F.R. 211.24(c)(1)(ii).

⁵ Caisse National de Crédit Agricole, 81 Federal Reserve Bulletin 1055 (1995) See also, Crédit Agricole Indosuez, 83 Federal Reserve Bulletin 1025 (1996);

The BHC Act also requires the Board to determine that the foreign bank has provided 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.⁶ The Board has reviewed the restrictions on disclosure in jurisdictions where CNCA has material operations and has communicated with relevant government authorities concerning access to information. CNCA has committed that it will make available to the Board such information on its operations and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. CNCA also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable CNCA to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that CNCA has provided adequate assurances of access to any appropriate information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

Other Factors under the BHC Act

The Board also has carefully considered the financial and managerial resources and future prospects of the banks and companies involved in this proposal, the convenience and needs of the communities to be served, and certain supervisory factors. CNCA's capital levels exceed the levels required under French capital guidelines. The capital levels of CNCA also exceed the capital levels under the

⁶ See 12 U.S.C. § 1842(c)(3)(A).

Basle Capital Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization under similar circumstances.

The Board has reviewed supervisory information from the home country authorities responsible for supervising CNCA concerning the proposal and the condition of the parties, confidential financial information from CNCA, and reports of examination from the appropriate federal and state supervisors of the affected organizations assessing the financial and managerial resources of the organizations. Based on all the facts of record, the Board has concluded that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are other supervisory factors that the Board must consider under section 3 of the BHC Act.

In addition, based on all the facts of record, including the fact that CNCA does not have banking operations in the banking market in which Espírito Santo Bank operates, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market, and that competitive considerations are consistent with approval. Considerations related to the convenience and needs of the communities to be served, including the performance record of Espírito Santo Bank under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) (“CRA”), also are consistent with approval of the proposal.⁷

⁷ Espírito Santo Bank was rated “satisfactory” in its most recent CRA performance evaluation conducted by the Federal Deposit Insurance Corporation, as of July 21, 1997.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on CNCA's compliance with all the commitments made in connection with this application, and on the receipt by CNCA and Espírito Santo Bank of all necessary approvals from state and federal regulators. The approval is also specifically conditioned on the Board's receiving access to information on the operations or activities of CNCA and any of its affiliates that the Board determines to be appropriate to determine and enforce compliance by CNCA and its affiliates with applicable federal statutes. The commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of Espírito Santo Bank shall not be consummated before the fifteenth calendar day following the effective date of this order, and the proposal shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors,⁸ effective April 5, 2000.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

⁸ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.

