

FEDERAL RESERVE SYSTEM

Caixa Económica Montepio Geral
Lisbon, Portugal

Order Approving Establishment of a Representative Office

Caixa Económica Montepio Geral (“Bank”), Lisbon, Portugal, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Newark, New Jersey. The Foreign Bank Supervision Enhancement Act of 1991, which amended 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 submit comments, has been published in a newspaper of general circulation in Newark, New Jersey (*Newark Star-Ledger*, May 31, 2000). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately \$6.7 billion,¹ is the sixth largest bank in Portugal.² Bank engages in a full range of banking activities, and offers a wide variety of products and services, particularly in the areas of mortgage and construction lending. Bank operates an extensive branch network in Portugal. Bank also operates branches in Madeira and the Cayman Islands, and representative offices in Canada and France. Bank currently does not conduct any operations in the United States.

The proposed representative office would serve as a liaison between Bank and its customers, solicit new business, and establish good will and name recognition among potential customers.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and

¹Unless otherwise indicated, data are as of March 31, 2000.

²Bank is wholly owned by Montepio Geral – Associação Mutualista (“Montepio”), Lisbon, Portugal, a mutual benefit association with approximately 100,000 members. Montepio, directly and through Bank, owns interests in a bank in Cape Verde and a bank in Guinea-Bissau.

has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2)).³ In addition, the Board may take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with an application involving other Portuguese banks, that those banks were subject to home country supervision on a consolidated basis.⁴ Bank is supervised by the Bank of Portugal (“Central Bank”) on substantially the same terms and conditions as the other banks, including with respect to transactions and relationships with affiliates. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The Central Bank has no objection to the establishment of the proposed representative office.

³ In assessing this standard, the Board considers, among other factors, 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 examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with 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; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board’s determination.

⁴*See Caixa Geral de Depósitos S.A.*, 85 Federal Reserve Bulletin 774 (1999); *Banco Espírito Santo, S.A.*, 86 Federal Reserve Bulletin 418 (2000); *Banco Comercial Português, S.A.*, 86 Federal Reserve Bulletin 613 (2000).

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board has also determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information on Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank and its parent have committed to make available to the Board such information on the operations of Bank and any of their affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank and its parent have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the Central Bank may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and its parent, and the terms and conditions set forth in this order, the Board has determined that Bank's application to establish the representative office should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct and indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and its parent with the commitments made in connection with this application and with the conditions in this order.⁵ The commitments and

⁵ The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New Jersey to
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conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings against Bank and its affiliates under 12 U.S.C. § 1818.

By order of the Board of Governors,⁶ effective August 21, 2000.

(Signed)

Robert deV. Frierson
Associate Secretary of the Board

⁵(...continued)

license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New Jersey and the New Jersey Department of Banking and Insurance ("Department") to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

⁶ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.