

FEDERAL RESERVE SYSTEM

Caja de Ahorros y Monte de Piedad de Madrid
Madrid, Spain

Order Approving Establishment of an Agency

Caja de Ahorros y Monte de Piedad de Madrid (“Bank”), Madrid, Spain, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish an agency in Miami, Florida. 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 an agency in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Miami, Florida (*Miami Herald*, June 18, 2001). The time for filing comments has expired, and all comments have been considered.

Bank, with consolidated assets of approximately \$56 billion,¹ is the second largest savings bank² and parent of the fourth largest banking group in Spain. Bank is a not-for-profit organization, offering retail and commercial banking services throughout Spain.³ The control commission is

¹Asset data are as of June 30, 2001.

²As a savings bank, Bank is required to channel part of its annual profits to social and cultural projects in the communities in which it operates. There is no minimum legal requirement for such contributions.

³Bank does not have shareholders. Its operations are controlled and governed by three bodies: a general assembly, a board of directors, and a control commission. The 320-member general assembly includes

composed of 13 members elected by the general assembly. Bank also engages in securities, insurance, asset management, real estate development, information management, mining, and health care activities through a number of domestic subsidiaries. Outside Spain, Bank operates branches in Portugal and Ireland. It also has a representative office and an interest in a finance company in Cuba. Bank currently does not have any operations in the United States.

The proposed agency would offer deposits, loans, guarantees, personal banking, and investment management services to existing and potential customers, including Spanish and multinational corporations, financial institutions, and governments. It also would seek to develop business in Latin America.

In order to approve an application by a foreign bank to establish an agency in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States, and 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. § 3105(d)(2); 12 C.F.R. 211.24).⁴

representatives of the municipalities in which Bank operates (40 percent), Bank's depositors (35 percent), the parliament of the Community of Madrid (15 percent), and Bank's employees (10 percent). Bank's board of directors is composed of 22 members, proportionally representing the groups comprising the general assembly.

⁴In 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

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 applications involving other banks in Spain, that those banks were subject to home country supervision on a consolidated basis.⁵ Bank is supervised by the Bank of Spain on substantially the same terms and conditions as those other banks.

Spain has enacted laws, and the Bank of Spain has promulgated implementing regulations, aimed at preventing money laundering. The laws and regulations require financial institutions, including savings banks, to establish and implement policies, procedures, and controls for the purpose of

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. The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)-(3)).

⁵See Banco Pastor, S.A., 87 Federal Reserve Bulletin 555 (2001); Caja de Ahorros de Valencia, Castellón y Alicante, 84 Federal Reserve Bulletin 231 (1998); Banco Exterior de España S.A., 81 Federal Reserve Bulletin 616 (1995); Corporación Bancaria de España, 81 Federal Reserve Bulletin 598 (1995); Banco Santander S.A., 79 Federal Reserve Bulletin 622 (1993); Banco de Sabadell S.A., 79 Federal Reserve Bulletin 366 (1993).

preventing and detecting money laundering, and to report certain cash transactions, as well as suspicious transactions, to appropriate authorities. An institution's compliance with applicable laws and regulations is monitored by the Bank of Spain and the institution's external auditors. Bank has policies and procedures to comply with these laws and regulations.

Based on all the facts of record, including the above information, it has been determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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)-(3)) have also been taken into account. The Bank of Spain has no objection to the establishment of the proposed agency.

Spain's risk-based capital standards conform to the European Union capital standards, which are consistent with those established by the Basel Capital Accord. Bank's capital is in excess of the minimum levels that would be required by the Basel Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed agency. In addition, Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information about Bank's operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed and the relevant government authorities have been communicated with regarding access to information. Bank has committed to

make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, 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 has 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 Bank of Spain 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, it has been determined 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, as well as the terms and conditions set forth in this order, Bank's application to establish an agency is hereby approved.⁶ Should any restrictions on access to information on the operations or activities of Bank and 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 or recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank with the commitments made in connection with

⁶Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

this application and with the conditions in this order.⁷ The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board, effective October 31, 2001.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

⁷The authority to approve the establishment of the proposed agency parallels the continuing authority of the State of Florida to license offices of a foreign bank. The approval of this application does not supplant the authority of the State of Florida, or its agent, the Florida Department of Banking and Finance (“Department”), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.