



Legal Developments: Third Quarter, 2018

Order Issued Under Bank Holding Company Act

Order Issued Under Section 3 of the Bank Holding Company Act

HarborOne Mutual Bancshares
Brockton, Massachusetts

HarborOne Bancorp, Inc.
Brockton, Massachusetts

Order Approving the Merger of Bank Holding Companies
FRB Order No. 2018-18

HarborOne Bancorp, Inc., and its parent company, HarborOne Mutual Bancshares, both of Brockton, Massachusetts (collectively, “HarborOne”), both bank holding companies within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),¹ have requested the Board’s approval under section 3 of the BHC Act² for HarborOne Bancorp, Inc. to acquire and merge with Coastway Bancorp, Inc. (“Coastway”), and thereby indirectly acquire Coastway Community Bank, both of Warwick, Rhode Island. Following the proposed acquisition, Coastway Community Bank would be merged into HarborOne’s subsidiary bank, HarborOne Bank, Brockton, Massachusetts.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (83 *Federal Register* 17661 (April 23, 2018)).⁴ The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

HarborOne, with consolidated assets of approximately \$2.9 billion, is the 325th largest insured depository organization in the United States.⁵ HarborOne controls approximately \$2.1 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. HarborOne controls HarborOne Bank, which operates branches only in Massachusetts.

Coastway is the 1,022nd largest insured depository organization in the United States. Coastway controls approximately \$494.9 million in deposits, which represent less than

¹ 12 U.S.C. § 1841 *et seq.*

² 12 U.S.C. § 1842.

³ The merger of Coastway Community Bank into HarborOne Bank is subject to approval by the Federal Deposit Insurance Corporation (“FDIC”), pursuant to section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”). 12 U.S.C. § 1828(c). The FDIC approved the bank merger on August 31, 2018.

⁴ 12 CFR 262.3(b).

⁵ National asset data are as of June 30, 2018. National deposit, ranking, and market-share data are as of March 31, 2018, unless otherwise noted.

1 percent of the total amount of deposits of insured depository institutions in the United States. Coastway controls Coastway Community Bank, with assets of \$837 million, which operates only in Rhode Island.

On consummation of the proposal, HarborOne would become the 274th largest insured depository organization in the United States, with consolidated assets of approximately \$3.7 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. HarborOne would control consolidated deposits of approximately \$2.6 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁶

Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company, without regard to whether the transaction is prohibited under state law.⁷ The Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the bank has not been in existence for the lesser of the state statutory minimum period of time or five years.⁸ In addition, the Board may not approve an interstate application if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.⁹

For purposes of the BHC Act, the home state of HarborOne is Massachusetts, and Coastway Community Bank is located only in Rhode Island.¹⁰ HarborOne and HarborOne Bank are well capitalized and well managed under applicable law, and HarborOne Bank has an “Outstanding” rating under the Community Reinvestment Act of 1977 (“CRA”).¹¹ Rhode Island has no statutory minimum age requirement,¹² and Coastway Community Bank has been in existence for more than five years.

On consummation of the proposed transaction, HarborOne would control less than 1 percent of the total amount of consolidated deposits of insured depository institutions in the United States. In addition, there are no states in which HarborOne and Coastway have overlapping banking operations; thus, there is no applicable state deposit cap. The Board has considered all other requirements under section 3(d) of the BHC Act, including HarborOne Bank’s record of meeting the convenience and needs of the communities it

⁶ In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁷ 12 U.S.C. § 1842(d)(1)(A).

⁸ 12 U.S.C. § 1842(d)(1)(B).

⁹ 12 U.S.C. § 1842(d)(2)(A) and (B). For purposes of section 3(d) of the BHC Act, the acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. The Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

¹⁰ See 12 U.S.C. § 1841(o)(4). A bank holding company’s home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

¹¹ 12 U.S.C. § 2901 *et seq.*

¹² See R.I. Gen. Laws § 19-7-1 *et seq.*

serves. Accordingly, in light of all the facts of record, the Board may approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.¹³ The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.¹⁴

HarborOne Bank and Coastway Community Bank compete directly in the Providence, Rhode Island, banking market (“Providence market”).¹⁵ The Board has considered the competitive effects of the proposal in this banking market. In particular, the Board has considered the number of competitors that would remain in the market; the relative share of total deposits in insured depository institutions in the market (“market deposits”) that HarborOne would control;¹⁶ the concentration levels of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹⁷ and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Providence market. On consummation of the proposal, the Providence market would remain highly concentrated as measured by the HHI, according to the DOJ Bank Merger Guidelines; however, the change in HHI would be small, and numerous competitors would remain in the market.¹⁸

¹³ 12 U.S.C. § 1842(c)(1).

¹⁴ 12 U.S.C. § 1842(c)(1)(B).

¹⁵ The Providence market is defined as Bristol, Kent, Newport, and Providence counties, all of Rhode Island; the townships of Charlestown, Exeter, Narragansett, New Shoreham, North Kingstown, Richmond, and South Kingstown, all in Washington County, Rhode Island; the city of Attleboro and the townships of Fall River, Rehoboth, Seekonk, Somerset, Swansea, and Westport, all in Bristol County, Massachusetts. HarborOne Bank has a branch located in the Massachusetts portion of this market and does not have a branch presence in the portion of the market located in Rhode Island. Coastway Community Bank has a branch presence only in the portion of the market located in Rhode Island. Nevertheless, the banks are considered to compete in the entire market.

¹⁶ State deposit and market share data are as of June 30, 2017, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. *See, e.g., Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

¹⁷ Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. *See* Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

¹⁸ HarborOne operates the 18th largest depository institution in the Providence market, controlling approximately \$93.2 million in deposits, which represent approximately 0.3 percent of market deposits. Coastway operates the 11th largest depository institution in the same market, controlling deposits of approximately \$479.8 million, which represent approximately 1.5 percent of market deposits. On consummation of the proposed transaction,

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the Providence market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.¹⁹ In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

HarborOne and HarborOne Bank are well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a cash-share exchange, with a subsequent merger of the subsidiary depository institutions.²⁰ The asset quality, earnings, and liquidity of both HarborOne Bank and Coastway Community Bank are consistent with approval, and HarborOne appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, the future prospects of the institutions under the proposal are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of HarborOne, Coastway, and their subsidiary depository institutions, including assess-

HarborOne would become the 9th largest depository organization in the market, controlling deposits of approximately \$573.0 million, which represent approximately 1.8 percent of market deposits. The HHI for the Providence market would increase by 1 point to 2111, and 23 competitors would remain in the market.

¹⁹ 12 U.S.C. § 1842(c)(2), (5), and (6).

²⁰ To effect the holding company merger, a wholly owned subsidiary of HarborOne Bancorp, Inc., which was formed to facilitate the transaction, would merge with Coastway, with Coastway as the surviving entity ("First-Step Merger"). At the effective time of the First-Step Merger, each share of Coastway common stock that is issued and outstanding would be converted into a right to receive an amount of cash. Immediately thereafter, Coastway would merge with HarborOne Bancorp, Inc., with HarborOne Bancorp, Inc. as the surviving entity. HarborOne has the financial resources to effect the proposed transaction.

ments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by HarborOne; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws.

HarborOne, Coastway, and their subsidiary depository institutions are each considered to be well managed. HarborOne's directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and HarborOne's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered HarborOne's plans for implementing the proposal. HarborOne has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. HarborOne would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, HarborOne's management has the experience and resources to operate the combined organization in a safe and sound manner, and HarborOne plans to integrate Coastway's existing management and personnel in a manner that augments HarborOne's management.²¹

Based on all the facts of record, including HarborOne's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, the Board concludes that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of HarborOne and Coastway in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.²² In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the federal bank supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operations,²³ and requires the appropriate federal bank supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.²⁴

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers the assessments of other relevant supervisors, the

²¹ Following consummation of the proposal, Coastway's president and chief executive officer would become the Director of Banking, Rhode Island, at HarborOne Bank.

²² 12 U.S.C. § 1842(c)(2).

²³ 12 U.S.C. § 2901(b).

²⁴ 12 U.S.C. § 2903.

supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the acquiring institution's business model and marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of HarborOne Bank and Coastway Community Bank, the fair lending and compliance records of both banks, the supervisory views of the FDIC, confidential supervisory information, information provided by HarborOne, and the public comment on the proposal.²⁵ The commenter requested that HarborOne's proposed acquisition of Coastway include a forward-looking community benefits plan.²⁶

Records of Performance under the CRA

The CRA requires that the appropriate federal bank supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.²⁷ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal bank supervisors apply a lending test to evaluate the performance of a large insured depository institution, such as HarborOne Bank, in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act ("HMDA"),²⁸ in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-,

²⁵ See Interagency Questions and Answers Regarding Community Reinvestment, 81 *Fed. Reg.* 48506, 48548 (July 25, 2016).

²⁶ The Board consistently has found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any private party. See, e.g., *TriCo Bancshares*, FRB Order No. 2018-13 at 9 n.20 (June 6, 2018); *Howard Bancorp, Inc.*, FRB Order No. 2018-05 at 9 n. 21 (February 12, 2018); *Sandy Spring Bancorp, Inc.*, FRB Order No. 2017-32 at 12 n.31 (November 22, 2017); *First Midwest Bancorp, Inc.*, FRB Order No. 2016-18 at 11 n.28 (November 10, 2016); *CIT Group, Inc.*, FRB Order No. 2015-20 at 24 n.54 (July 19, 2015); *Citigroup Inc.*, 88 *Federal Reserve Bulletin* 485 (2002); *Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838, 841 (1994). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas.

²⁷ 12 U.S.C. § 2906.

²⁸ 12 U.S.C. § 2801 *et seq.*

and upper-income individuals;²⁹ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.³⁰ Large institutions also are subject to an investment test, which evaluates the number and amounts of qualified investments that benefit their AAs, and a service test, which evaluates the availability and effectiveness of their systems for delivering retail banking services and the extent and innovativeness of their community development services.³¹ Intermediate small banks, such as Coastway Community Bank, are subject to the lending test, as well as a community development test that evaluates the number and amounts of their community development loans and qualified investments; the extent to which they provide community development services; and their responsiveness to community development lending, investment, and service needs.³²

CRA Performance of HarborOne Bank

HarborOne Bank was assigned an overall "Outstanding" rating at its most recent CRA performance evaluation by the FDIC, as of December 18, 2017 ("HarborOne Bank Evaluation").³³ The bank received "Outstanding" ratings for the Lending Test, Investment Test, and Service Test.³⁴

Examiners found that HarborOne Bank's overall lending levels reflected good responsiveness to the credit needs of its AA. Examiners noted that a high percentage of the bank's home mortgage and small business loans, as measured by number of loans and dollar volume, was originated within its AA. Examiners found that the geographic distribution of the bank's loans reflected good penetration throughout its AA and that the distribution of the bank's borrowers reflected excellent penetration among borrowers of different income levels and businesses of different sizes. Examiners determined that HarborOne Bank was a leader in making community development loans and noted that the bank made extensive use of innovate and flexible lending practices.

Examiners found that HarborOne Bank had an excellent level of qualified community development investments, grants, and donations. In addition, examiners determined that the bank was a leader in providing community development services in its AA. Examiners found that the bank's delivery systems were readily accessible to all portions of its AA, and the bank's branch hours and services were tailored to the convenience and needs of the bank's AA.

²⁹ Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.*, 12CFR228.22(b)(3).

³⁰ *See* 12 CFR 228.22(b).

³¹ *See* 12 CFR 228.21 *et seq.*

³² 12 CFR 228.26(c).

³³ The HarborOne Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed mortgage loans reported pursuant to HMDA and small business loans as reported under CRA data collection requirements, from January 1, 2015, through December 31, 2016. The evaluation period for community development loans, investments, and services was August 25, 2014, through December 18, 2017.

³⁴ The HarborOne Bank Evaluation included a full-scope evaluation of the bank's sole AA, which consists of parts of the Boston, Massachusetts Metropolitan Division and the Providence-Warwick, Rhode Island-Massachusetts Metropolitan Statistical Area ("MSA").

CRA Performance of Coastway Community Bank

Coastway Community Bank received an overall rating of “Outstanding” at its most recent CRA performance evaluation by the FDIC, as of May 30, 2017 (“Coastway Evaluation”).³⁵ The bank received “Outstanding” ratings for the Lending Test and the Community Development Test.³⁶

Examiners concluded that Coastway Community Bank was responsive to the credit needs of its AA. In particular, examiners found that the bank’s loan-to-deposit ratio was reasonable given the bank’s asset size, financial condition, and the credit needs of its AA. Examiners noted that the bank made a substantial majority of its home mortgage and small business loans within its AA. Examiners found that the geographic distribution of the bank’s home mortgage and small business loans reflected excellent dispersion throughout its AA. Examiners also found that, given the demographics of the bank’s AA, the distribution of the bank’s borrowers reflected excellent penetration among individuals of different income levels and businesses of different sizes.

Examiners concluded that Coastway Community Bank demonstrated excellent responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.

Views of the FDIC

In its review of the proposal, the Board consulted with the FDIC regarding HarborOne Bank’s CRA, consumer compliance, and fair lending records. The FDIC reviewed and approved the Bank Merger Act application related to the proposal. The Board has considered the results of the most recent consumer compliance examinations of HarborOne Bank and Coastway Community Bank conducted by FDIC examiners, which included a review of the banks’ compliance management programs and the banks’ compliance with consumer protection laws and regulations. The Board has taken this information, as well as the CRA performance records of HarborOne Bank and Coastway Community Bank, into account in evaluating the proposal, including in considering whether HarborOne has the experience and resources to ensure that HarborOne Bank helps to meet the credit needs of the communities within its AA.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. HarborOne represents that, following consummation of the proposal, existing customers of HarborOne Bank and Coastway Community Bank would benefit from an expanded branch and ATM network. In addition, HarborOne represents that the proposal would result in a combined organization with lower fixed costs and greater resources for lending and community investment activities.

HarborOne asserts that the combined organization would remain committed to fulfilling the needs of LMI communities. HarborOne states that it will continue to offer its existing products and services following consummation of the proposal. This includes products that are intended to increase affordable housing and the creation of small businesses, such as

³⁵ The Coastway Evaluation was conducted using Intermediate Small Bank CRA Examination Procedures. Examiners reviewed mortgage loans reported pursuant to HMDA and small business loans reported under CRA data collection requirements, from January 1, 2015, through December 31, 2016. The evaluation period for community development lending, investments, and services was July 1, 2014, through May 30, 2017.

³⁶ The Coastway Evaluation included an evaluation of the bank’s sole AA, which consists of parts of the Providence-Warwick, Rhode Island-Massachusetts MSA.

first-time home buyer loans, MassHousing mortgages, Federal Home Loan Bank grants, and Small Business Administration loans.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory views of the FDIC, confidential supervisory information, information provided by HarborOne, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."³⁷

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.³⁸ These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.³⁹

The Board's experience has shown that proposals involving an acquisition of less than \$10 billion in total assets, or that result in a firm with less than \$100 billion in total assets, are generally not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.⁴⁰

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target that has less than

³⁷ Dodd-Frank Act § 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601(2010), codified at 12 U.S.C. § 1842(c)(7).

³⁸ Many of the metrics considered by the Board measure an institution's activities relative to the United States financial system.

³⁹ For further discussion of the financial stability standard, see *Capital One Financial Corporation*, FRB Order No. 2012-2 (February 14, 2012).

⁴⁰ See *People's United Financial, Inc.*, FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

\$10 billion in total assets and a pro forma organization of less than \$100 billion in total assets. Both the acquirer and the target are predominately engaged in retail and commercial banking activities.⁴¹ The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by HarborOne with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with the proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Boston, acting under delegated authority.

By order of the Board of Governors, effective September 12, 2018.

Voting for this action: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.

Ann E. Misback
Secretary of the Board

⁴¹ HarborOne and Coastway offer a range of retail and commercial banking products and services. HarborOne has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

Orders Issued Under Federal Reserve Act

Origin Bank
Choudrant, Louisiana

*Order Approving the Establishment of a Branch
FRB Order No. 2018-17 (September 4, 2018)*

Origin Bank, Choudrant, Louisiana, a state member bank subsidiary of Origin Bancorp, Inc., Ruston, Louisiana, has requested the Board's approval under section 9 of the Federal Reserve Act ("FRA")¹ and the Board's Regulation H² to establish a branch on La Branch Street, Houston, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has considered the proposal and the comments received in light of the factors specified in the FRA.

Origin Bank, with total assets of \$4.4 billion, is the 61st largest depository organization in Texas, with 17 branches throughout Texas, controlling approximately \$1.1 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.⁵ Origin Bank operates through 45 branches throughout Louisiana, Mississippi, and Texas, and the bank's main office is in Choudrant, Louisiana.

Under section 208.6 of the Board's Regulation H,⁶ which implements section 9 of the FRA, the factors that the Board must consider in acting on branch applications include (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank's capital and its future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act ("CRA");⁷ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁸ The Board has considered the application in light of these factors and the public comment received on the proposal.

¹ Section 9 of the FRA, 12 U.S.C. § 321, which applies the interstate branching provisions of the National Bank Act, 12 U.S.C. § 36(c)(2), permits a state member bank with a branch in a state other than the bank's home state to establish additional branches in that state to the same extent as a bank chartered in that state. Origin Bank currently operates branches in Texas and is permitted under section 9 of the FRA and Texas state law to establish additional branches in Texas. *See* 12 U.S.C. § 36(c)(2); Texas Fin. Code Ann. § 203.006 (permitting an out-of-state bank that has established or acquired a branch in Texas to establish or acquire additional branches in Texas to the same extent that a Texas state-chartered bank could under state or federal law).

² 12 CFR part 208.

³ The branch will be located on two adjacent parcels of land with a current address of 5515 & 5521 La Branch Street. These two parcels are in the process of being replatted into a single property. The City of Houston has designated a preliminary address of 1511 Binz Street to the replatted property, but the exact street address of the branch has not yet been determined. Origin Bank will provide the final street address to the Board as soon as it has been determined.

⁴ 12CFR 262.3(b).

⁵ Asset data are as of June 30, 2018. State deposit data are as of March 31, 2018, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁶ 12 CFR 208.6(b).

⁷ 12 U.S.C. § 2901 *et seq.*

⁸ 12 CFR 208.21(a).

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Origin Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Origin Bank, and the comment received on the proposal. Origin Bank is well capitalized and would remain so upon consummation of the proposal. The asset quality, earnings, and liquidity of Origin Bank are consistent with approval, and Origin Bank appears to have adequate resources to absorb the costs of the proposal. In addition, future earnings prospects are considered consistent with approval. The Board also has reviewed Origin Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.⁹

In considering Origin Bank's managerial resources, the Board has reviewed the bank's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with Origin Bank and the bank's record of compliance with applicable banking laws, including consumer protection and anti-money-laundering laws. Origin Bank is considered to be well managed. Origin Bank's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and the bank's risk-management program appears to be consistent with approval.

Based on this review and all the facts of record, the Board concludes that Origin Bank's management, financial history and condition, capital adequacy, and future earnings prospects, as well as the effectiveness of Origin Bank in combatting money-laundering activities, are consistent with approval of the proposal.

Convenience and Needs Considerations

In considering the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institution is helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served.¹⁰ In this evaluation, the Board places particular emphasis on the record of the relevant depository institution under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,¹¹ and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating a bank branching proposal.¹²

In addition, the Board considers the bank's overall compliance record and the results of recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the

⁹ 12 CFR 208.21(a).

¹⁰ 12 CFR 208.6(b)(3).

¹¹ 12U.S.C. § 2901(b).

¹² 12U.S.C. § 2903.

institution's business model, its marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Origin Bank, the fair lending and compliance records of the bank, confidential supervisory information, information provided by Origin Bank, and the public comment received on the proposal.

Public Comment on the Proposal

One commenter objects to the proposal, alleging that Origin Bank has engaged in redlining in Dallas and Houston, Texas.¹³ Specifically, the commenter alleges that Origin Bank disfavors certain African American neighborhoods in Houston and Dallas and has limited its lending, market activities, community development activities, and branching in those areas.

Business of the Applicant and Response to the Comment

Through its network of branches in three states, Origin Bank offers a broad range of loan and deposit products and services to consumers and businesses, including commercial, residential, agricultural, and consumer loans, and personal checking and savings accounts. Origin Bank denies the commenter's allegations. The bank represents that the bank's compliance personnel regularly review information relating to loan volume and geographic penetration with the bank's market presidents, and community development loans, services, donations and investments are tracked and are routinely communicated to bank management. Origin Bank further asserts that it maintains policies, procedures, and practices to ensure compliance with the CRA and applicable fair lending laws and regulations. Additionally, Origin Bank asserts that it continually seeks meaningful partnerships with nonprofit organizations, schools, community organizations, and small businesses to foster community development.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the response to comments by the applicant. In particular, the Board evaluates an institution's performance in light of examinations and other supervisory information and information and views provided by the appropriate federal supervisors.¹⁴ In this case, the Board considered the information collected by and the findings of examiners from the Federal Reserve Bank of Dallas ("Reserve Bank"), who conducted an on-site CRA performance evaluation of Origin Bank.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.¹⁵ An institution's most recent CRA performance evaluation is a particularly important consideration in the appli-

¹³ Redlining is the practice of providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which a credit seeker resides or will reside or in which a property to be mortgaged is located. See Interagency Fair Lending Examination Procedures (August 2009), available at <https://www.ffiec.gov/pdf/fairlend.pdf>.

¹⁴ See Interagency Questions and Answers Regarding Community Reinvestment, 81 *Federal Register* 48506, 48548 (July 25, 2016).

¹⁵ 12U.S.C. § 2906.

cations process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act ("HMDA"),¹⁶ in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;¹⁷ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

CRA Performance of Origin Bank

Origin Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Reserve Bank, as of October 24, 2016 ("Origin Bank Evaluation").¹⁸ Origin Bank received a "High Satisfactory" rating for each of the Lending Test and the Service Test and a "Low Satisfactory" rating for the Investment Test.¹⁹

Examiners found that Origin Bank's overall lending activity reflected good responsiveness to credit needs in its AAs. According to examiners, the bank made an adequate percentage of its loans inside its AAs. Examiners noted that, overall, the bank's distribution of borrowers reflected good penetration among individuals of different income levels and businesses of different revenue sizes. Examiners found that the bank's geographic distribution of loans reflected adequate penetration throughout the AAs. Examiners noted that the bank made a relatively high level of community development loans for a variety of

¹⁶ 12 U.S.C. § 2801 *et seq.*

¹⁷ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.*, 12CFR228.22(b)(3).

¹⁸ The Origin Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed HMDA and small business and small farm lending activities reported by the bank from January 1, 2013, through December 31, 2015. The evaluation period for community development lending, investments, and services was September 16, 2013, through October 24, 2016.

¹⁹ The Origin Bank Evaluation included a full-scope review of the bank's AAs within the Monroe, Louisiana, Metropolitan Statistical Area ("MSA"); the Lincoln Parish, Louisiana, MSA; the Dallas-Fort Worth Metroplex, which is composed of counties in the Dallas-Fort Worth-Arlington MSA and the Dallas-Plano-Irving, Texas, Metropolitan Division ("Dallas AA"); and the North Central, Mississippi, MSA. A limited-scope review was conducted in the bank's AAs within the Houston-Sugar Land-Bayton, Texas, MSA ("Houston AA"); the Morehouse Parish, Louisiana, MSA; the Northwest, Louisiana, MSA; and the bank's Oxford, Mississippi non-MSA Mississippi AA.

purposes, including community services, economic development, and revitalization and stabilization, but the majority were for affordable housing.

Examiners found Origin Bank's lending performance in the Dallas AA, an area of concern for the commenter, to be adequate. Examiners found that the geographic distribution of the bank's loans in this AA reflected poor penetration, and the bank's distribution of lending to borrowers of different income levels and businesses of different revenue sizes reflected adequate penetration. Examiners found that the bank made a relatively high level of community development loans. In the Houston AA, another area of concern for the commenter, examiners found the bank's lending performance to be consistent with its overall lending performance in the Dallas AA.

Examiners found that the bank's investments demonstrated good responsiveness to credit and community development needs throughout its AAs. Examiners found that the bank had an adequate level of qualified community development investments and grants, particularly those not routinely provided by private investors. In the Dallas AA, examiners found that the bank had an adequate level of qualified community development investments and grants, with investments primarily focused on economic development initiatives. The bank's investment performance in the Houston AA was found to be consistent with the bank's overall investment performance in the Dallas AA.

Examiners found that Origin Bank provided a relatively high level of community development services throughout its AAs. Origin Bank's retail delivery systems were found to be accessible to geographies and individuals of different income levels located in its AAs. Examiners further noted that Origin Bank's opening and closing of branches did not adversely affect the accessibility of banking services, particularly to LMI geographies and/or individuals. Examiners found that the banking services did not vary in a way that inconvenienced the bank's AAs, particularly LMI geographies and individuals.

In the Dallas AA, examiners found that Origin Bank's performance under the Service Test was good. Examiners compared the distribution of the bank's delivery systems to households and businesses within the area and found that the bank's delivery systems were readily accessible to the bank's geographies and individuals of different income levels. Examiners also found that the bank's retail and community development services reflected good responsiveness to the needs of the AA. Moreover, examiners found that the bank's record of opening or closing branches in the Dallas AA generally had not affected the accessibility of its delivery systems. In the Houston AA, examiners concluded that Origin Bank's service performance was consistent with its overall service performance in the Dallas AA.

Origin Bank's Efforts since the 2016 CRA Evaluation

Origin Bank represents that since the Origin Bank Evaluation, it has continued to help meet the credit needs of its AAs, including the needs of LMI communities and individuals. Origin Bank represents that it has made community development loans that support economic development and revitalization, as well as loans to organizations providing community services to LMI individuals and families. The bank also asserts that it has continued to offer a broad range of products and banking services that are designed to address the needs of LMI individuals and geographies, including free online banking and mobile banking services and a low-cost checking account with no minimum deposit to open. The bank represents that it participates in a number of grant programs to facilitate its financing of affordable housing, grants to help LMI families, and economic development programs to promote economic growth activities in the bank's AAs, including in Houston. Additionally, Origin Bank asserts that it has continued to partner with nonprofit

organizations by having its employees serve on their boards, developing relationships with small business groups, promoting financial literacy, and sponsoring first-time homebuyers' events that are targeted to LMI consumers.

Additional Supervisory Views

The Board has considered the results of a recent consumer compliance examination conducted by Reserve Bank examiners, which included a review of the bank's compliance risk management program and its compliance with consumer protection laws and regulations. As part of the consumer compliance examination, Reserve Bank examiners also evaluated Origin Bank's fair lending compliance management program, which included an evaluation of the bank's fair-lending-related policies, procedures, and internal controls.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. The proposed branch would be located less than one-half mile from a currently operating branch, which would be closed. The bank believes that the location of the proposed branch would provide more safety and convenience to the bank's customers because the drive-in facility would be part of the branch, whereas the existing branch's drive-in facility is located across the street from the existing branch.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Origin Bank, the bank's record of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Origin Bank, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.²⁰ The Board's approval is specifically conditioned on Origin Bank's compliance with all the commitments made to the Board in connection with the proposal, as well as all conditions imposed in this order. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

²⁰ The Board construes the comment received on the proposal to include a request that the Board hold a public hearing on the proposal. Under its rules, the Board may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. 12 CFR 262.3(e). The Board has considered the commenter's request in light of all the facts of record. Notice of the proposal was published in relevant newspapers of general circulation on June 12, 2018. The comment period ended on June 27, 2018. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

The branch must be established within one year of the date of this order, unless such period is extended by the Board or the Reserve Bank, acting under authority delegated by the Board.

By order of the Board of Governors, effective September 4, 2018.

Voting for this action: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.

Ann E. Misback
Secretary of the Board

Compass Bank Birmingham, Alabama

Order Approving the Establishment of a Branch FRB Order No. 2018-19 (September 25, 2018)

Compass Bank, Birmingham, Alabama, a state member bank subsidiary of Banco Bilbao Vizcaya Argentaria, S.A., Bilbao, Spain, and BBVA Compass Bancshares, Inc., Houston, Texas (“BBVA Compass”), has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”)¹ and the Board’s Regulation H² to establish a branch at 12525 Memorial Drive, Houston, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has considered the proposal and the comments received in light of the factors specified in the FRA.

BBVA Compass, with consolidated assets of \$87.6 billion, is the 40th largest depository organization in the United States, controlling approximately \$69.9 billion in deposits, which represent less than 1.0 percent of the total amount of deposits of insured depository institutions in the United States.⁵ Compass Bank operates through 646 offices located in Alabama, Arizona, California, Colorado, Florida, New Mexico, and Texas, and the bank’s main office is in Birmingham, Alabama. In Texas, Compass Bank is the fifth largest depository institution, with 342 offices, controlling approximately \$36.2 billion in deposits, which represent approximately 4.4 percent of the total amount of deposits in that state.⁶

Under section 208.6 of the Board’s Regulation H,⁷ which implements section 9 of the FRA, the factors that the Board must consider in acting on branch applications include (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank’s capital and future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank’s performance under the Community Reinvestment Act (“CRA”);⁸ and (5) whether the bank’s investment in bank premises in establishing the branch satisfies certain criteria.⁹ The Board has considered the application in light of these factors and the public comment received on the proposal.

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Compass Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Compass Bank, and the comment received on the proposal. Compass Bank is

¹ 12 U.S.C. § 321.

² 12 CFR Part 208.

³ The proposed branch would replace an existing branch located only 0.4 miles away from and in the same census tract as the proposed branch.

⁴ 12CFR 262.3(b).

⁵ Total assets are as of June 30, 2018. National asset ranking and deposit data are as of March 31, 2018. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁶ State deposit data are as of June 30, 2017.

⁷ 12 CFR 208.6(b).

⁸ 12 U.S.C. § 2901 *et seq.*

⁹ 12 CFR 208.21(a).

well capitalized and would remain so upon consummation of the proposal. The asset quality, earnings, and liquidity of Compass Bank are consistent with approval, and Compass Bank appears to have adequate resources to absorb the costs of the proposal. In addition, future earnings prospects are consistent with approval. The Board also has reviewed Compass Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.¹⁰

In considering Compass Bank's managerial resources, the Board has reviewed the bank's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with Compass Bank and the bank's record of compliance with applicable banking laws, including anti-money-laundering laws. Compass Bank's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and the bank's risk-management program appears to be consistent with approval.

Based on this review and all the facts of record, the Board concludes that Compass Bank's management, financial history and condition, capital adequacy, and future earnings prospects, as well as the effectiveness of Compass Bank in combatting moneylaundering activities, are consistent with approval of the proposal.

Convenience and Needs Considerations

In considering the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institution is helping to meet the credit needs of the communities it serves, as well as other potential effects of the proposal on the convenience and needs of the communities to be served.¹¹ In this evaluation, the Board places particular emphasis on the record of the relevant depository institution under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,¹² and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating a bank branching proposal.¹³

In addition, the Board considers the bank's overall compliance record and the results of recent fair lending examinations. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, marketing and outreach plans, and plans after consummation and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Compass Bank, the fair lending and compliance records of the bank, confidential supervisory infor-

¹⁰ 12 CFR 208.21(a).

¹¹ 12CFR 208.6(b)(3).

¹² 12 U.S.C. § 2901(b).

¹³ 12 U.S.C. § 2903.

mation, information provided by Compass Bank, and the public comment received on the proposal.

Public Comment on the Proposal

A commenter objected to the proposal, alleging that Compass Bank has engaged in redlining in Houston, Texas.¹⁴ Specifically, the commenter alleged that Compass Bank disfavors certain African American neighborhoods in Houston in its lending, marketing, community development, and branching and in other respects.

Business of the Applicant and Response to Comment

Through its network of branches, Compass Bank offers a variety of loan and deposit products and services to consumers and businesses, including residential real estate, consumer, and commercial loan products. With respect to the comment, Compass Bank denies the commenter's allegations and represents that the bank treats all requests for credit equally and does not consider race when underwriting loans. Compass Bank further represents that it attempts to serve all segments of the population in its Houston assessment area ("AA"), including underserved, underbanked, and LMI consumers. Additionally, Compass Bank represents that it closely monitors its mortgage application and originations activity, paying particular attention to high-minority census tracts, and that it maintains and monitors marketing and outreach plans for areas that have statistically high redlining risk.

Record of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the response to comments by the applicant. In particular, the Board evaluates an institution's performance in light of examinations and other supervisory information, and information and views provided by the appropriate federal supervisors.¹⁵ In this case, the Board considered information collected by and findings of examiners from the Federal Reserve Bank of Atlanta ("Reserve Bank").

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.¹⁶ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze

¹⁴ Redlining is the practice of providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which a credit seeker resides or will reside or in which a property to be mortgaged is located. See Interagency Fair Lending Examination Procedures (August 2009), available at <https://www.ffiec.gov/pdf/fairlend.pdf>.

¹⁵ See Interagency Questions and Answers Regarding Community Reinvestment, 81 *Federal Register* 48506, 48548 (July 25, 2016).

¹⁶ 12 U.S.C. § 2906.

an institution's data reported under the Home Mortgage Disclosure Act ("HMDA"),¹⁷ in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's AAs; (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of such loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;¹⁸ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

CRA Performance of Compass Bank

Compass Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Reserve Bank, as of December 7, 2015 ("Compass Bank Evaluation").¹⁹ Compass Bank received "High Satisfactory" ratings for the Lending Test and the Investment Test and a "Low Satisfactory" rating for the Service Test.²⁰

Examiners found that Compass Bank's overall lending activity in its AAs in Texas and in five other states was good.²¹ According to examiners, the geographic distribution of loans throughout the bank's AAs was good. Examiners also found that the bank had a good distribution of loans among borrowers of different income levels and businesses of different sizes. Examiners noted that the bank made an adequate level of community development loans during the review period. Examiners found that Compass Bank's community development loans were made for a variety of purposes, including providing community services targeted to LMI individuals, promoting economic development by financing small businesses, supporting affordable housing, and revitalizing or stabilizing targeted LMI census tracts.

¹⁷ 12 U.S.C. § 2801 *et seq.*

¹⁸ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.*, 12CFR228.22(b)(3).

¹⁹ The Compass Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed HMDA-reportable and CRA small business lending from January 1, 2014, through December 31, 2014, except for community development loans, which were evaluated from April 1, 2013, through March 31, 2015. The evaluation period for the bank's retail banking services was 2014, excepting its record of opening and closing branch offices, which was evaluated from January 1, 2013, through December 31, 2014. The evaluation period for community development loans, investments, and services was April 1, 2013, through March 31, 2015.

²⁰ The Compass Bank Evaluation included a full-scope review of the bank's AAs within the following areas: the Birmingham–Hoover, Alabama, Metropolitan Statistical Area ("MSA"); the Mobile, Alabama, MSA; the Phoenix–Mesa–Glendale, Arizona, MSA; the Riverside–San Bernardino–Ontario, California, MSA; the San Diego–Carlsbad–San Marcos, California, MSA; the Stockton, California, MSA; the Denver–Aurora–Broomfield, Colorado, MSA; the Jacksonville, Florida, MSA; the Albuquerque, New Mexico, MSA; the Dallas–Fort Worth–Arlington, Texas, MSA; the Houston–Sugar Land–Baytown, Texas, MSA ("Houston AA"); the San Antonio–New Braunfels, Texas, MSA; and the AA comprising Val Verde and Maverick counties, both in Texas. A limited-scope review was conducted in 65 other assessment areas in Alabama, Arizona, California, Colorado, Florida, New Mexico, and Texas.

²¹ Compass Bank showed good lending performance in Alabama, Arizona, Colorado, Florida, New Mexico, and Texas. Compass Bank showed adequate lending performance in California.

In the Houston AA, the area of interest to the commenter, examiners determined that Compass Bank exhibited good lending performance. The bank's geographic distribution of loans was found to reflect good penetration throughout the AA. Examiners found that the bank's distribution of borrowers reflected good penetration among borrowers of different income levels and businesses of different revenue sizes. Compass Bank was found to have made a relatively high level of community development loans in the Houston AA.

Examiners found that Compass Bank's overall investment performance was good in Texas and Alabama and adequate in the other states in which it operates.²² A majority of Compass Bank's investments supported affordable housing. Compass Bank purchased securities backed by government-guaranteed mortgages to qualified LMI borrowers, invested in Low Income Housing Tax Credit projects,²³ and invested in community development financial institutions that finance affordable housing for LMI borrowers and promote economic development via small business loan funds and microfinancing. Examiners found that the majority of the bank's qualified contributions supported organizations engaged in community services for LMI individuals or communities, including financial counseling, youth and family programs, home repairs, health services, and job training.

In the Houston AA, examiners found that Compass Bank made a significant level of qualified investments and was in a leadership position with respect to some of its investments. Examiners noted that Compass Bank's contributions were responsive to several identified community development needs in this AA, which included investments in projects that supported affordable housing, financial education and literacy, and small business development.

Compass Bank's Service Test performance in Alabama was good, and it was adequate in the other states in which the bank operates, including Texas. Examiners noted that, overall, Compass Bank's retail delivery systems were reasonably accessible to the geographies and individuals of different income levels. Examiners found that the bank's banking services and business hours did not vary in a way that inconvenienced the bank's AAs, including LMI geographies. Examiners also noted that Compass Bank offered no- or low-cost deposit accounts and various alternative delivery systems. However, examiners found that Compass Bank's closing of branches adversely affected the accessibility of banking services in some AAs, including the Houston AA. During the review period, the bank closed 39 branches, the majority in Texas, and 10 of these branches were located in LMI census tracts.²⁴

Examiners indicated that the bank provided an adequate level of community development services throughout the bank's AAs. Examiners noted that the bank's employees were involved in organizations and activities that promoted or facilitated affordable housing for LMI individuals; provided community services for LMI individuals, such as financial literacy education; and promoted economic development and revitalization of LMI areas.

In the Houston AA, Compass Bank's performance on the Service Test was found to be adequate. Examiners noted that, during the review period, two branches were opened (both in upper-income census tracts) and three branches were closed (two in LMI tracts and one in an upper-income tract), and that the changes to branch distribution as a result of the closures adversely impacted the accessibility of retail banking services for some LMI geog-

²² Compass Bank's performance in Texas had the greatest impact on its performance under the Investment Test due to the relatively high concentration of branches, deposits, and lending in the state.

²³ See 26 U.S.C. § 42.

²⁴ Compass Bank represents that it completes a full CRA and fair lending impact analysis prior to closing or consolidating any branches in accordance with its branch-closing policy.

raphies and individuals in the AA. Examiners found that Compass Bank provided a relatively high level of community development services in the AA and that these services were responsive to identified community development needs in the AA.

Compass Bank's Efforts since the Compass Bank Evaluation

Compass Bank represents that since the Compass Bank Evaluation, it has continued to help meet the credit needs in its AAs, including the needs of LMI communities and individuals. Compass Bank represents that it has developed new tools and programs to monitor and improve its CRA performance. In addition, the bank asserts that it has increased its levels of community development lending and investment and has developed new retail services and partnerships to better respond to the needs of LMI customers. In the Houston AA, Compass Bank represents that it has made loans and investments targeted toward the construction of affordable housing and has provided grants to organizations that support affordable housing, economic development, and disaster recovery efforts.

Additional Supervisory Views of the Reserve Bank

The Board has considered the results of a 2015 target examination of Compass Bank's Fair Housing Act ("FHA") fair lending program. The Board also has considered the preliminary findings of a more recent FHA examination, which included a redlining review of a number of markets, including the Houston AA. The redlining review included an evaluation of the bank's lending, marketing and outreach, assessment area, and branching. With respect to branching, the review in the Houston AA included a review of Compass Bank's branch distribution, branch openings and closures, branch products and services, and branch hours.²⁵

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. As noted, the proposed branch would replace an existing branch located 0.4 miles away. The bank asserts that the proposed branch would allow the bank to continue to serve existing customers' banking needs. While the products and services offered at the proposed branch would be substantially the same as those offered at the existing branch, the bank represents that the new branch's design and features would enhance current services and allow the bank to serve additional customers in the community.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Compass Bank, the bank's record of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Compass Bank, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

²⁵ The Board also considered Compass Bank's supervisory record with the Bureau of Consumer Financial Protection.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.²⁶ The Board's approval is specifically conditioned on compliance by Compass Bank with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with the proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Reserve Bank acting under authority delegated by the Board.

By order of the Board of Governors, effective September 25, 2018.

Voting for this action: Chairman Powell, Vice Chairman Clarida, Vice Chairman for Supervision Quarles, and Governor Brainard.

Ann E. Misback
Secretary of the Board

²⁶ The Board construes the comment received on the proposal to include a request that the Board hold public hearings on the proposal. Under its rules, the Board may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. 12 CFR 262.3(e). The Board has considered the commenter's request in light of all the facts of record. Notice of the proposal was published in relevant newspapers of general circulation on May 18, 2018. The comment period ended on June 4, 2018. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

Orders Issued Under International Banking Act

Lloyds Bank Corporate Markets plc
London, England

Order Approving Establishment of a Branch
FRB Order No. 2018-15 (July 9, 2018)

Lloyds Bank Corporate Markets plc (“LBCM”), London, England, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA¹ to establish a state-licensed branch in New York, New York. The IBA provides that a foreign bank must obtain the approval of the Board to establish a branch 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 New York, New York (*The New York Times*, May 15, 2018). The time for submitting comments has expired, and the Board has considered all comments received.

LBCM is a subsidiary of Lloyds Banking Group plc (“LBG”), London, England.² LBG, with consolidated assets of approximately \$1.1 trillion, is the parent company of the third largest banking group in the United Kingdom.³ LBG operates through subsidiaries that provide a variety of retail, corporate, and investment banking services. Outside the United Kingdom, LBG has operations in continental Europe, the Channel Islands, the Isle of Man, Gibraltar, Singapore, and the United States. LBG primarily operates in the United States through a licensed broker-dealer, Lloyds Securities Inc. (“LSI”), and offices of LBG’s bank subsidiaries, Lloyds Bank plc (“Lloyds Bank”), London, England, and Bank of Scotland plc (“BoS”), Edinburgh, Scotland. Currently, Lloyds Bank and BoS each have a state-licensed branch in New York, New York, and BoS operates a representative office in Houston, Texas. In 2008, LBG elected to be treated as a financial holding company within the meaning of the Bank Holding Company Act of 1956, as amended (“BHC Act”).⁴

LBG is in the process of reorganizing its operations to comply with U.K. “ring-fencing” requirements, which generally go into full effect on January 1, 2019.⁵ Under the applicable ring-fencing rules, U.K. banking groups with retail deposits and/or deposits from small and medium-sized enterprises in aggregate amounts above £25 billion must separate the banking entities holding those deposits from certain other operations. In response, LBG is reorganizing its core banking operations into a ring-fenced banking group (“RFB group”) and a non-ring-fenced banking group (“NRFB group”).⁶ The RFB group would include Lloyds Bank and BoS, as well as the majority of their current U.K.-based operations; the NRFB group would include LBCM and certain entities not permissible for ring-fenced banking entities (“RFBs”) to own.⁷ As part of this reorganization, LBG proposes

¹ 12 U.S.C. § 3105(d).

² LBG is a publicly traded company, and its shares are widely held. As of February 23, 2018, BlackRock Inc. and Harris Associates L.P. each owned approximately 5 percent of the issued ordinary shares of LBG, and no other shareholder owned more than 5 percent of LBG’s shares.

³ Asset and ranking data are as of December 31, 2017.

⁴ 12 U.S.C. § 1841 *et seq.*; *see also* 12 CFR 225.91.

⁵ *See* The Financial Service (Banking Reform) Act 2013.

⁶ In addition to the RFB group and NRFB group, LBG’s post-ring-fence organizational structure would include insurance and equity-investment subgroups.

⁷ Under the U.K. ring-fencing rules, RFBs are subject to restrictions that include general prohibitions on establishing branches or subsidiaries outside of the European Economic Area (“EEA”), owning substantial equity

that the banking operations conducted by the New York branches of Lloyds Bank and BoS transition to become the operations that would be conducted by the New York branch of LBCM.⁸ Following this migration of clients and assets to LBCM, Lloyds Bank and BoS would close their existing U.S. offices.

LBCM received its banking license from the Prudential Regulation Authority (“PRA”) on July 25, 2017, and has commenced banking operations in the United Kingdom. Once it is fully operational, LBCM will engage in business generally prohibited for RFBs, such as transactions that result in financial exposure to credit institutions, investment firms, and structured finance vehicles. In addition, LBCM will operate in jurisdictions where RFBs are generally prohibited from booking transactions or owning substantial equity interests.

The proposed U.S. branch of LBCM would engage in wholesale banking activities, including lending and related extensions of credit, money market activities, and foreign exchange and derivatives activities.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank has furnished to the Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.⁹ The Board also considers additional standards set forth in the IBA and Regulation K.¹⁰

As noted above, LBCM engages directly in the business of banking outside the United States. LBCM also has provided the Board with the information necessary to assess the application, through submissions that address the relevant issues.

interests in entities organized outside of the EEA, dealing in investments as principal and in most derivative and other hedging products, and incurring financial exposure to certain financial companies such as credit institutions and investment firms.

⁸ In connection with the reorganization of LBG, Lloyds America Securities Corporation, New York, New York, and its U.S. registered broker-dealer subsidiary, LSI, would become wholly owned subsidiaries of LBCM.

⁹ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24(c)(1). Regulation K provides that a foreign bank is subject to consolidated home country supervision if the foreign bank is supervised or regulated in such a manner that its home country supervisors receive sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to any affiliate) to assess the foreign bank’s overall financial condition and compliance with law and regulation. 12 CFR 211.24(c)(1)(ii). In assessing this supervisory standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which 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 and relationships 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; and (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board’s determination.

¹⁰ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). These standards include whether the bank’s home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank, including the bank’s experience and capacity to engage in international banking; whether the bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; whether the appropriate supervisors in the home country may share information on the bank’s operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank’s record of operation. In the case of a foreign bank that presents a risk to the stability of the United States, the Board also may take into account, to the extent appropriate, whether the home country of the foreign bank has adopted, or is making demonstrable progress towards adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk. 12 U.S.C. § 3105(d)(3)(E).

The Board previously has found that Lloyds Bank's predecessor was subject to comprehensive supervision on a consolidated basis by its home country supervisor.¹¹ LBCM is supervised by the PRA, which is part of the Bank of England. The PRA supervises U.K. banking groups on a consolidated basis, which includes a review of banking groups' management, governance, risk-management controls, compliance with capital and liquidity requirements, and resolvability. Under its supervisory authority, the PRA performs stress tests for certain banking groups, such as LBG, and regularly obtains information from the group in connection with those exercises. The Financial Conduct Authority ("FCA") regulates the market conduct of U.K. financial firms, including LBCM, and has supervisory responsibilities that include monitoring banks' compliance with anti-money-laundering ("AML") and counter-terrorism-financing ("CTF") requirements under U.K. law.

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

The Board has also considered the financial and managerial and other applicable factors in this case. The PRA has no objections to the establishment of the proposed branch. LBCM has provided the Board with information regarding its financial condition, management, proposed activities, policies and procedures, and other information relevant to its current and proposed operations. LBCM'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 institution.

LBCM has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general. Specifically, the proposed branch would operate under the same regulatory compliance framework as LBG's existing U.S. operations and would retain members of the risk, credit, and compliance teams that currently manage the U.S. operations of LBG. Taking into consideration LBCM's overall financial and managerial resources, financial and managerial factors are considered consistent with approval.

The United Kingdom is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with those recommendations, the United Kingdom has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in the United Kingdom, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. The FCA enforces those requirements with respect to U.K. banks, including LBCM. LBCM adheres to the same group-level policies, procedures, and standards regarding AML and CTF that apply to LBG and LBG's other subsidiaries. LBCM's compliance with applicable laws and regulations is monitored by governmental entities responsible for AML compliance, including the FCA.

LBCM has committed to make available to the Board such information on its operations and on those of any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the BHC 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, LBCM has committed to cooperate with the Board to obtain any necessary

¹¹ See *Lloyds TSB Offshore Limited*, 92 *Federal Reserve Bulletin* C62 (2006).

exemptions or waivers that might be required from third parties for disclosure of such information. In light of these commitments and subject to the condition described below, it has been determined that LBCM has provided adequate assurances of access to any necessary information that the Board may request.

Section 173 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the IBA to provide that the Board may consider, for a foreign bank that presents a risk to the stability of the United States financial system, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk.¹² Information relevant to the standard regarding risk to the stability of the United States financial system has also been reviewed. In particular, consideration has been given to (1) the relative size of LBCM in its home country; (2) the scope of LBCM's activities, including the type of activities it proposes to conduct in the United States and the potential for these activities to increase or transmit financial instability; and (3) the framework in place for supervising LBCM in its home jurisdiction. Taking into account these considerations, it has been determined that the proposed reorganization of LBG would result in a banking organization that would not add any new activities or financial stability risk to the United States financial system. Based on these and other factors, financial stability considerations for this proposal are consistent with approval.

On the basis of all the facts of record, and subject to the commitments made by LBCM as well as the terms and conditions set forth in this order, LBCM's application to establish a branch in New York, New York, is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.¹³ Should any restrictions on access to information on the operations or activities of LBCM and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by LBCM and its affiliates with applicable federal statutes, the Board may require termination of any of LBCM's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by LBCM with the commitments made in connection with this application and with the conditions in this order.¹⁴

By order, approved pursuant to authority delegated by the Board, effective July 9, 2018.

Margaret McCloskey Shanks
Deputy Secretary of the Board

¹² Pub. L. No. 111-203, 124 Stat. 1376, 1440 (2010), codified at 12 U.S.C. § 3105(d)(3)(E).

¹³ 12 CFR 265.7(d)(12).

¹⁴ The Board's authority to approve the establishment of branches parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and its agent, the New York State Department of Financial Services ("NYDFS"), to license the proposed branch of LBCM in accordance with any terms and conditions that the NYDFS may impose.

Nordea Bank Abp Helsinki, Finland

Order Approving Establishment of a Branch FRB Order No. 2018-16 (August 3, 2018)

Nordea Bank Abp (“Nordea Finland”), Helsinki, Finland, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA¹ to retain the state-licensed branch in New York, New York (“Existing NY Branch”), of Nordea Bank AB (publ) (“Nordea Bank Sweden”), Stockholm, Sweden, following consummation of the merger of Nordea Bank Sweden with and into Nordea Finland (the “Merger”), with Nordea Finland as the surviving entity. 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 branch 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 New York, New York (*New York Post*, January 22, 2018). The time for submitting comments has expired, and the Board has considered all comments received.

Nordea Finland will be the top-tier parent company of the Nordea Group, a banking organization that will be comprised of Nordea Finland and its consolidated subsidiaries, following consummation of the Merger. Nordea Finland was established by Nordea Bank Sweden for the purpose of changing the domicile of the Nordea Group’s parent company from Sweden to Finland. Nordea Finland currently is wholly owned by Nordea Bank Sweden. Nordea Finland was granted a banking license by the European Central Bank (“ECB”) on June 26, 2018. Nordea Finland plans to merge with Nordea Bank Sweden, with Nordea Finland as the surviving entity, in the fourth quarter of 2018.² Nordea Finland proposes to retain Nordea Bank Sweden’s Existing NY Branch (“Proposed NY Branch”) following consummation of the Merger.

Sampo plc (“Sampo”), Helsinki, Finland, owns 21.3 percent of Nordea Bank Sweden’s outstanding shares and is the largest shareholder of Nordea Bank Sweden. No other shareholder owns more than 5 percent of the shares of Nordea Bank Sweden. Sampo will own a corresponding percentage of Nordea Finland’s shares following consummation of the Merger.³

Nordea Bank Sweden has consolidated assets of approximately \$698 billion.⁴ It is an operating bank that engages directly in activities usual in connection with the business of banking in the countries in which it operates, including by offering retail and wholesale banking products to customers inside and outside of the Nordic region (Finland, Sweden, Norway, and Denmark). In the United States, Nordea Bank Sweden operates the Existing NY Branch and indirectly owns Nordea Investment Management North America, Inc., a

¹ 12 U.S.C. § 3105(d).

² The Merger will be structured as a transfer of all the assets and liabilities of Nordea Bank Sweden to Nordea Finland. Pursuant to Finnish law, upon consummation of the Merger, the current shareholders of Nordea Bank Sweden will become the shareholders of Nordea Finland without any change in their level of ownership.

³ Sampo has two director interlocks with Nordea Bank Sweden and, upon consummation of the Merger, would be considered to control Nordea Finland for purposes of the Bank Holding Company Act (“BHC Act”), 12 U.S.C. § 1841 *et seq.* Nordea Finland and Sampo have each committed to notify the Board if Sampo’s ownership interest in Nordea Finland increases to more than 21.3 percent. Sampo’s holding of Nordea Finland would be consistent with section 4 of the BHC Act.

⁴ Asset data are as of December 31, 2017.

U.S. asset management company incorporated in Delaware and registered with the U.S. Securities and Exchange Commission. Nordea Bank Sweden is, and following the Merger, Nordea Finland will be, a qualifying foreign banking organization under Regulation K.⁵ The Existing NY Branch services Nordea Bank Sweden's customers doing business in the United States. It also offers loans, other credit services, and cash management services, and it markets services including foreign exchange. Following the Merger, the Proposed NY Branch will carry on the business of the Existing NY Branch in the same manner as the business currently is conducted.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank has furnished to the Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.⁶ The Board also considers additional standards set forth in the IBA and Regulation K.⁷

In this case, Nordea Finland will be subject to supervision by the ECB and the Finanssivalvota ("Finnish FSA") acting through the Single Supervisory Mechanism ("SSM") because the total value of its assets will exceed €30 billion. The Board has previously determined that the ECB, acting through the SSM, exercises comprehensive supervision over certain European banks.⁸ The SSM is a system of financial supervision composed of the ECB and the national competent authorities of the participating European Union Member States in which specific tasks are distributed between the ECB and the national competent authority. Under the SSM, the ECB has direct prudential supervisory responsibility for Nordea Finland, while the Finnish FSA, as the relevant national competent

⁵ 12 CFR 211.23(a). Sampo and Nordea Finland together also would meet the standards to be a qualifying foreign banking organization. Nordea Finland has committed to inform the Board if either Sampo no longer qualifies as a qualifying foreign banking organization or Sampo engages in activities or makes investments in the United States that are not permissible under regulations promulgated by the Board, including section 211.23(f) of Regulation K. Separately, Sampo has committed to provide, on an annual basis, a written statement indicating whether it is, directly or indirectly, engaged in activities in the United States as defined in the Board's Regulation K.

⁶ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24. In assessing the supervision standard, the Board considers, among other indicia of comprehensive, consolidated supervision, 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 relationships 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; and (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board's determination.

⁷ 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). These standards include whether the bank's home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank, including the bank's experience and capacity to engage in international banking; whether the bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank's record of operation. In the case of a foreign bank that presents a risk to the stability of the United States, the Board also may take into account, to the extent appropriate, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk. 12 U.S.C. § 3105(d)(3)(E).

⁸ See, e.g., *Deutsche Pfandbriefbank AG*, FRB Order 2018-01 (January 3, 2018); *ING Bank N.V.*, FRB Order 2017-27 (October 20, 2017); Board letter to Rita Milazzo dated August 1, 2017 (comprehensive consolidated supervision for Banco Bilbao Vizcaya Argentaria, S.A.); Board letter to Andrea Tokheim dated July 24, 2017 (comprehensive consolidated supervision for Bank of Ireland Group plc); and *Unione di Banche Italiane*, S.p.A., FRB Order 2016-01 (January 19, 2016).

authority for Nordea Finland, retains supervisory authority over all other areas, including consumer protection and the prevention of money laundering and terrorist financing. The methodologies and standards that underpin the day-to-day supervision of large European Union banking organizations by the ECB under the SSM regulatory framework are aimed at achieving a consistent supervisory approach across the European Union. The system of supervision applied to large banks within the European Union has not changed materially since it was last considered by the Board.

The Finnish FSA will remain the primary national competent authority for Nordea Finland and the primary supervisor of Sampo on a consolidated basis following consummation of the Merger. The Finnish FSA is primarily responsible for the supervision of Finnish banking and insurance organizations. Sampo, which is headquartered in Finland and owns shares in companies engaged in banking, fund management, and insurance in several countries in the European Economic Area, is considered a financial conglomerate under the EU's Financial Conglomerates Directive. The Board has previously determined that Sampo is subject to comprehensive supervision on a consolidated basis by the Finnish FSA.⁹ Sampo remains subject to supervision by the Finnish FSA on substantially the same terms and conditions.

Based on all the facts of record, including the above information, it has been determined that Nordea Finland is subject to comprehensive supervision on a consolidated basis by the ECB and the Finnish FSA acting through the SSM and that Sampo is subject to comprehensive supervision on a consolidated basis by the Finnish FSA.

The Board has also considered the financial and managerial and other applicable factors in the case. The ECB has no objection to the establishment of the proposed branch. The ECB's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Basel Accord"). Nordea Bank Sweden's capital is, and following the Merger, Nordea Finland's will be, in excess of the minimum levels that would be required by the Basel Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Nordea Finland are considered consistent with approval, and Nordea Finland appears to have the experience and capacity to support the proposed branch. In addition, Nordea Bank Sweden has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general, and these will be continued at Nordea Finland following the Merger.

Finland is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with these recommendations and European Union money laundering directives, Finland has enacted laws and regulations to deter money laundering, terrorist financing, and other illicit activities. Banks are subject to know-your-customer requirements and must consider whether a transaction is unusual for a customer. Banks report suspicious transactions to a special money laundering clearinghouse that is part of Finland's National Bureau of Investigation. Failure to report a suspicious transaction can result in a fine or imprisonment for up to six months. The Finnish FSA is responsible for enforcing compliance with Finland's anti-money-laundering laws and regulations, and Finnish banks are expected to have written anti-money-laundering policies and procedures. Nordea Bank Sweden has such policies and procedures to comply with applicable anti-money-laundering and counterterrorist financing laws and regulations, and these policies will remain in effect at Nordea Finland following consummation of the Merger. Nordea Finland's compliance

⁹ *Nordea Bank AB (publ)*, FRB Order 2017-11 (April 13, 2017).

with applicable laws and regulations will be monitored by governmental entities responsible for anti-money-laundering compliance.

Nordea Finland has committed to make available to the Board such information on its operations and on those of any of its affiliates, including Sampo, that the Board deems necessary to determine and enforce compliance with the IBA, the BHC 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, Nordea Finland 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 light of these commitments and other facts of record, it has been determined that Nordea Finland has provided adequate assurances of access to any necessary information that the Board may request.

Section 173 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the IBA to provide that the Board may consider, for a foreign bank that presents a risk to the stability of the United States financial system, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk.¹⁰ Information relevant to the standard regarding risk to the stability of the United States financial system has also been reviewed. In particular, consideration has been given to (1) the size and scope of Nordea Finland's activities, including the type of activities it proposes to conduct in the United States and the potential for these activities to increase or transmit financial instability, and (2) the framework in place for supervising Nordea Finland in its home jurisdiction. Taking into account these considerations, it has been determined that the proposed Merger would result in a banking organization that would not add any new activities or financial stability risk to the United States financial system. Based on these and other factors, financial stability considerations for this proposal are consistent with approval.

On the basis of all the facts of record, and subject to the commitments made by Nordea Finland as well as the terms and conditions set forth in this Order, Nordea Finland's application to establish a branch in New York is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.¹¹ Should any restrictions on access to information on the operations or activities of Nordea Finland and its affiliates, including Sampo, subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Nordea Finland and its affiliates, including Sampo, with applicable federal statutes, the Board may require termination of any of Nordea Finland's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Nordea Finland with the commitments made in connection with this application and with the conditions in this Order.¹² 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 applicable law.

By order, approved pursuant to authority delegated by the Board, effective August 3, 2018.

Ann E. Misback
Secretary of the Board

¹⁰ 12 U.S.C. § 3105(d)(3)(E).

¹¹ 12 CFR 265.7(d)(12).

¹² The Board's authority to approve the establishment of a branch parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and its agent, the New York State Department of Financial Services, to license the proposed branch of Nordea Finland in accordance with any terms and conditions that the New York State Department of Financial Services may impose.

Abanca Corporación Bancaria, S.A.
Betanzos, La Coruña, Spain

Order Approving Establishment of a Branch
FRB Order No. 2018-20 (September 28, 2018)

Abanca Corporación Bancaria, S.A. (“Abanca”), Betanzos, La Coruña, Spain, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA¹ to establish a state-licensed branch in Miami, Florida. The Foreign Bank Supervision Enhancement Act, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch 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 (*The Miami Herald*, November 16, 2017). The time for submitting comments has expired, and the Board has considered all comments received.

Abanca, which is the 11th largest bank in Spain and has consolidated assets of approximately \$58.2 billion, is a subsidiary of Abanca Holding Financiero, S.A. (“Abanca Holding,” and, together with Abanca, the “Abanca Group”), Madrid, Spain, a financial holding company organized under the laws of Spain² with consolidated assets of approximately \$58.6 billion.³ Abanca Holding currently holds 86.8 percent of Abanca’s voting stock. The principal shareholder of Abanca Holding is Mr. Juan Carlos Escotet, who owns 89.6 percent of Abanca Holding’s voting stock and is thus indirectly the largest shareholder of Abanca.⁴ In addition to controlling Abanca, Mr. Escotet is also a controlling shareholder of banks in various other countries.

Abanca offers a range of banking and financial products and services to individual and corporate customers. In addition to having a distribution network of branches throughout Spain, the bank provides insurance, pension management, and investment advisory services through several domestic subsidiaries. Abanca also operates branch offices in Portugal and Switzerland, as well as representative offices in Brazil, Venezuela, Panama, Mexico, France, the United Kingdom, Germany, and Switzerland. Currently, Abanca has no branches or other offices in the United States. Abanca also controls companies engaged in various commercial and industrial activities, including three subsidiaries in the United States. Upon establishment of the proposed branch of Abanca, the Abanca Group would be a qualifying foreign banking organization as defined in section 211.23 of Regulation K.⁵

The proposed U.S. branch of Abanca would engage in personal and commercial lending, remittance services, advisory services, trade finance, and wholesale deposit-taking activities permissible to a state-licensed entity.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank has furnished to the

¹ 12 U.S.C. § 3105(d).

² Abanca Holding has not elected to be treated as a financial holding company under U.S. law.

³ Asset data are as of June 30, 2018, and are based on the exchange rate on that date. Ranking data are as of November 15, 2017.

⁴ Other than Abanca’s ownership of 8.8 percent of its stock in the form of treasury shares, no other shareholder owns more than 5 percent of the voting stock of Abanca or Abanca Holding.

⁵ 12 CFR 211.23(a). As Abanca Group will be a qualifying foreign banking organization, the activities of Abanca’s nonbanking subsidiaries, including those in the United States, would be permissible pursuant to section 211.23(f) of Regulation K. 12 CFR 211.23(f).

Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.⁶ The Board also considers additional standards set forth in the IBA and Regulation K.⁷

As noted above, Abanca engages directly in the business of banking outside the United States. Abanca also has provided the Board with the information necessary to assess the application, through submissions that address the relevant issues.

The Abanca Group is subject to supervision by the European Central Bank (“ECB”) and the Banco de España (“Bank of Spain”) acting through the Single Supervisory Mechanism (“SSM”) because the total value of its assets exceeds €30 billion. The Board has previously determined that the ECB, acting through the SSM, exercises comprehensive supervision over certain European banks.⁸ The SSM is a system of financial supervision composed of the ECB and the national competent authorities of participating European Union Member states by which specific tasks are distributed between the ECB and the national competent authority. Under the SSM, the ECB has direct prudential supervisory responsibility for the Abanca Group, while the Bank of Spain, as the relevant national competent authority for the Abanca Group, retains supervisory authority over all other areas, including consumer protection and the prevention of money laundering and terrorist financing. The methodologies and standards that underpin the day-to-day supervision of large European Union banking organizations by the ECB under the SSM regulatory framework are aimed at achieving a consistent supervisory approach across the European Union. The system of supervision applied to large banks within the European Union has not changed materially since it was last considered by the Board.

⁶ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24(c)(1). Regulation K provides that a foreign bank is subject to consolidated home country supervision if the foreign bank is supervised or regulated in such a manner that its home country supervisors receive sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to any affiliate) to assess the foreign bank’s overall financial condition and compliance with law and regulation. 12 CFR 211.24(c)(1)(ii). In assessing this supervisory standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which 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 and relationships 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; and (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board’s determination.

⁷ See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3). These standards include whether the bank’s home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank, including the bank’s experience and capacity to engage in international banking; whether the bank has procedures to combat money laundering, whether there is a legal regime in place in the home country to address money laundering, and whether the home country is participating in multilateral efforts to combat money laundering; whether the appropriate supervisors in the home country may share information on the bank’s operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank’s record of operation. In the case of a foreign bank that presents a risk to the stability of the United States, the Board also may take into account, to the extent appropriate, whether the home country of the foreign bank has adopted, or is making demonstrable progress towards adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk. 12 U.S.C. § 3105(d)(3)(E).

⁸ See, e.g., *Nordea Bank Abp*, FRB Order 2018-16 (August 3, 2018); *Deutsche Pfandbriefbank AG*, FRB Order 2018-01 (January 3, 2018); *ING Bank N.V.*, FRB Order 2017-27 (October 20, 2017); Board letter to Rita Milazzo dated August 1, 2017 (comprehensive consolidated supervision for Banco Bilbao Vizcaya Argentaria, S.A.); Board letter to Andrea Tokheim dated July 24, 2017 (comprehensive consolidated supervision for Bank of Ireland Group plc); and *Unione di Banche Italiane, S.p.A.*, FRB Order 2017-11 (April 13, 2017).

Based on all the facts of record, including the above information, it has been determined that the Abanca Group is subject to comprehensive supervision on a consolidated basis by the ECB and the Bank of Spain acting through the SSM.

The Board has also considered the financial and managerial and other applicable factors in this case. The Abanca Group, Mr. Escotet, and Mr. Escotet's other controlled companies have provided commitments to the Board intended to address supervisory concerns.⁹ The ECB has no objections to the establishment of the proposed branch. The ECB's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Basel Accord"). Abanca's capital is in excess of the minimum levels that would be required by the Basel Accord and is considered equivalent to capital that would be required of a U.S. banking institution. Managerial and other financial resources of Abanca are considered consistent with approval, and Abanca appears to have the experience and capacity to support the proposed branch. In addition, Abanca has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general.

Spain is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with those recommendations, Spain has enacted laws and created legislative and regulatory standards to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Spain, and credit institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their operations, including foreign branches. The Bank of Spain enforces those requirements with respect to Spanish banks, including Abanca. Abanca has policies and procedures to comply with these laws and regulations that are monitored by government entities, including the Bank of Spain, which is responsible for anti-money-laundering compliance.

The Abanca Group has committed to make available to the Board such information on its operations, and on those of 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, the Abanca Group has committed to cooperate with the Board to obtain any necessary exemptions or waivers that might be required from third parties for disclosure of such information. In light of these commitments and subject to the condition described below, it has been determined that Abanca has provided adequate assurances of access to any necessary information that the Board may request.

Section 173 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the IBA to provide that the Board may consider, for a foreign bank that presents a risk to the stability of the United States financial system, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk.¹⁰ Information relevant to the standard regarding risk to the stability of the United States financial system has also been reviewed. In particular, consideration has

⁹ Abanca is currently, and would remain, part of a parallel-owned banking organization because Mr. Escotet has direct or indirect control over several banks and no single supervisor exercises consolidated supervision over all of these commonly controlled banks. The commitments provide for restrictions on transactions between Abanca's proposed U.S. branch and affiliated companies, as well as regular reporting requirements and other undertakings to help ensure ongoing compliance with the commitments and U.S. law. See Joint Agency Statement on Parallel-Owned Banking Organizations, available at: <http://www.federalreserve.gov/boarddocs/press/general/2002/20020423/attachment.pdf>.

¹⁰ Pub. L. No. 111-203, 124 Stat. 1376, 1440 (2010), codified at 12 U.S.C. 3105(d)(3)(E).

been given to (1) the relative size of Abanca in its home country; (2) the scope of Abanca's activities, including the type of activities it proposes to conduct in the United States and the potential for these activities to increase or transmit financial instability; and (3) the framework in place for supervising Abanca in its home jurisdiction. Taking into account these considerations, it has been determined that the proposal would not create significant risk to the financial stability of the United States. Based on these and other factors, financial stability considerations for this proposal are consistent with approval.

On the basis of all the facts of record, and subject to the commitments made by the Abanca Group, Mr. Escotet, and Mr. Escotet's other controlled companies, as well as the terms and conditions set forth in this order, Abanca's application to establish a branch in Miami, Florida, is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.¹¹ Should any restrictions on access to information on the operations or activities of Abanca and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Abanca and its affiliates with applicable federal statutes, the Board may require termination of any of Abanca's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Abanca with the commitments made in connection with this application and with the conditions in this order.¹² The commitments and conditions referred to above be conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective September 28, 2018.

Ann E. Misback
Secretary of the Board

¹¹ 12 CFR 265.7(d)(12).

¹² The Board's authority to approve the establishment of branches parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida and its agent, the Florida Office of Financial Regulation ("OFR"), to license the proposed branch of Abanca in accordance with any terms and conditions that the OFR may impose.