

FEDERAL RESERVE SYSTEM

Caixa Econômica Federal
Brasília, Brazil

Order Approving Establishment of a Representative Office

Caixa Econômica Federal (“Bank”), Brasília, Brazil, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 10(a) of the IBA¹ to establish a representative office in Jersey City, New Jersey. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New Jersey (*The New York Times*, January 28, 2007). The time for filing comments has expired, and all comments received have been considered.

Bank, a state-owned entity with total consolidated assets of approximately \$98 billion,² is the second largest bank in Brazil.³ The Federative Republic of Brazil, including the states and the municipalities, owns all the capital of Bank, but Bank has its own equity and management autonomy. Bank currently has operations only in Brazil, where it provides commercial and retail banking services and investment banking services throughout the country. Through its subsidiaries, Bank manages a development fund, administers Brazilian lotteries,

¹ 12 U.S.C. § 3107(a).

² Data are as of December 31, 2006.

³ The Bank’s board of directors consists of seven members. The Minister of Economy appoints five members, including the chairman; the Minister of Planning, Budget and Management appoints one member; and the Bank’s president occupies the remaining seat and serves as vice chairman of the board.

and offers insurance products. Bank also is the main fiscal agent for the Brazilian government, and it provides financing for the government's housing, education, and infrastructure projects.

The proposed representative office would market products of Bank in the United States, act as a liaison between Bank's head office in Brazil and its prospective U.S.-based customers, and develop relationships with international organizations.

In acting on a foreign bank's application under the IBA and Regulation K to establish a representative office, the Board takes into account whether the foreign bank: (1) engages directly in the business of banking outside of the United States; (2) has furnished to the Board the information it needs to assess the application adequately; and (3) is subject to comprehensive supervision on a consolidated basis by its home country supervisor.⁴ The Board also considers additional standards set forth in the IBA and Regulation K.⁵ The Board will consider that the supervision standard has been met where it determines that the applicant bank is subject to a supervisory framework that is consistent

⁴ 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

⁵ 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2).

with the activities of the proposed representative office, taking into account the nature of such activities. This is a lesser standard than the comprehensive, consolidated supervision standard applicable to applications to establish branch or agency offices of a foreign bank. The Board considers the lesser standard sufficient for approval of representative office applications because representative offices may not engage in banking activities.⁶

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

With respect to home country supervision of Bank, the Board has considered the following information. Bank is subject to the regulatory and supervisory authority of the Central Bank of Brazil (“Central Bank”), which has primary responsibility for the regulation of financial institutions in Brazil. The Board previously has determined that the Central Bank exercises a significant degree of supervision over the activities of four other Brazilian banks. In each case, the supervision exercised by the Central Bank was found to be sufficient to allow for the approval of a representative office in the United States by the applicant.⁷ Based on

⁶ 12 CFR 211.24(d)(2).

⁷ See Banco Bandeirantes, S.A., 81 Federal Reserve Bulletin 742 (1995); Unibanco-União de Bancos Brasileiros, S.A., 82 Federal Reserve Bulletin 1148 (1996); Banco BBA-Creditanstalt S.A., 85 Federal Reserve Bulletin 518 (1999); Banco Itaú S.A., 86 Federal Reserve Bulletin 851 (2000). The Board later determined that two privately owned commercial banks in Brazil, Banco Itaú and Banco Bradesco, were subject to comprehensive consolidated supervision by the Central Bank in connection with each bank’s election to be treated as a financial holding company. Banco Itaú’s election was declared effective in February 2002, and Banco Bradesco’s election was declared effective in January 2004. Bank is a government-owned bank with a mandate to carry out certain policy initiatives of

all the facts of record, it has been determined that Bank is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities.

The additional standards set forth in section 7 of the IBA and Regulation K have also been taken into account.⁸ The Central Bank has no objection to the establishment of the proposed representative office. With respect to the financial and managerial resources of Bank, taking into consideration its record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, financial and managerial factors are consistent with approval. Bank appears to have the experience and capacity to support the proposal and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law and for its operations in general.

Brazil is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering. In accordance with those recommendations Brazil has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in Brazil, and financial institutions are required to establish internal

the Brazilian government. As such, some of its activities differ from those of privately owned Brazilian banks.

⁸ 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; 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.

policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Bank has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money laundering compliance.

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

Based on the foregoing and all the facts of record, and subject to the commitments made by Bank and the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved.⁹ Should any restrictions on access to information on the operations or activities

⁹ Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board. See 12 CFR 265.7(d)(12).

of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank with the conditions imposed in this order and the commitments made to the Board in connection with this application.¹⁰ For purposes of this action, these commitments and conditions are deemed to be conditions imposed by the Board in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board,
effective August 7, 2007.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹⁰ The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New Jersey to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New Jersey or its agent, the New Jersey Department of Banking and Insurance, to license the proposed office of Bank in accordance with any terms or conditions that it may impose.