

FEDERAL RESERVE SYSTEM

**Artesia Banking Corporation S.A.
Brussels, Belgium**

Order Approving Establishment of a Branch

Artesia Banking Corporation S.A. (“Bank”), Brussels, Belgium, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA (12 U.S.C. ' 3105(d)) to establish a branch in New York, New York. 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 New York, New York (*New York Post*, January 28, 2002). The time for filing comments has expired, and all comments have been considered.

Bank, with assets of \$85 billion, is a wholly owned subsidiary of Dexia S.A. (“Dexia”), Brussels, Belgium.¹ Bank was acquired by Dexia in July 2001. Under a proposed internal merger effective April 1, 2002, Dexia’s other Belgian bank subsidiary, Dexia Bank Belgium S.A. (“DBB”), Brussels, Belgium, would contribute its assets and liabilities, including those related to DBB’s New York branch, to Bank. Bank would be the surviving entity and would change its name to Dexia Bank Belgium SA (“New DBB”). Bank is engaged in investment banking, retail banking, and insurance activities

¹ All financial data as of September 30, 2001.

primarily in Belgium and other European countries (Denmark, France, Austria, Ireland, Luxembourg, and the Netherlands). Bank has four U.S. subsidiaries engaged in funding and mortgage-related activities. Bank currently has no banking operations in the United States.

Dexia and its subsidiaries and affiliates (the “Dexia Group”), with consolidated assets of approximately \$329 billion, is the second largest financial services organization in Belgium. The Dexia Group has global operations in a broad range of financial services, including banking, public finance, investment management, and insurance. The two largest shareholders of Dexia are Arcofin CVBA (15.3 percent), a financial cooperative holding company, and Holding Communal (15 percent), a limited liability company owned by 599 Belgian municipalities and provinces. No other shareholder owns more than 10 percent of Dexia’s shares. DBB, with assets of \$135 billion, is a Belgian bank with an extensive network of European operations. Its principal lines of business include retail banking, commercial lending, public and project financing, investment management services, and capital market activities. Bank is, and New DBB will be on consummation of the merger, a qualifying foreign banking organization within the meaning of Regulation K (12 C.F.R. 211.23(b)).

The proposed branch would continue the operations and activities of the existing DBB New York branch, which engages in corporate lending activities, foreign exchange and money market transactions, and derivative products transactions.

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States, and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by their home country supervisor (12 U.S.C. ' 3105(d)(2); 12 C.F.R. 211.24).²

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**

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

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.

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving banks in Belgium, including DBB, that those banks were subject to home country supervision on a consolidated basis.³ Bank is supervised, and New DBB would be supervised, by the Belgian Commission Bancaire et Financière (“CBF”) on substantially the same terms and conditions as those other banks. Based on all the facts of record, it has been determined that Bank is, and New DBB would be, subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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

³ *See Dexia Project and Public Finance International Bank*, 86 Federal Reserve Bulletin 289 (2000); *KBC Bank, N.V.*, 85 Federal Reserve Bulletin 832 (1999); *Credit Communal de Belgique*, 82 Federal Reserve Bulletin 104 (1996).

Belgium is a member of the Financial Action Task Force and subscribes to its recommendations regarding measures to combat money laundering. In accordance with these recommendations, Belgium has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in Belgium 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 Federal Reserve has previously considered the anti-money laundering regime of DBB; this regime would be continued by New DBB after the merger.

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

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

Dexia have 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 and Dexia have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the CBF may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that Bank has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and Dexia, as well as the terms and conditions set forth in this order, Bank's application to establish a branch is hereby approved.⁴ Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct or indirect

⁴ 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.

activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and Dexia with the commitments made in connection with this application and with the conditions in this order.⁵ The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under 12 U.S.C. ' 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board, effective March 29, 2002.

(Signed)

Robert deV. Frierson
Deputy Secretary of the Board

⁵ The authority to approve the establishment of the proposed branch parallels the continuing authority of the State of New York to license offices of a foreign bank. The approval of this application does not supplant the authority of the State of New York, or its agent, the New York State Banking Department (“Department”), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.