

FEDERAL RESERVE SYSTEM

Banco de Reservas de la República Dominicana
Santo Domingo, Dominican Republic

Order Approving the Establishment of Two Representative Offices

Banco de Reservas de la República Dominicana (“Banreservas”), Santo Domingo, Dominican Republic, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 10(a) of the IBA¹ to establish a representative office in New York, New York (“New York Representative Office”) and in Miami, Florida (“Miami Representative Office”). 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 comment, has been published in a newspaper of general circulation in New York, New York (*New York Post*, July 29, 2022) and in Miami, Florida (*Miami Herald*, August 3, 2022). The time for submitting comments has expired.

Banreservas, with total assets of approximately \$18.5 billion, is the largest commercial bank in the Dominican Republic by asset size.² Banreservas provides a range of banking and financial products and services, including savings and checking accounts, consumer and commercial loans, mortgages, credit cards, trade financing solutions, factoring, investments, and capital market products, as well as tax collection, collection services, and payroll management.

¹ 12 U.S.C. § 3107(a).

² Asset data is as of December 31, 2022. Ranking data is as of December 2021.

Banreservas has nonbank subsidiaries that engage in activities such as leasing, brokerage services, and portfolio management. Outside the Dominican Republic, the bank operates a representative office in Madrid, Spain. The state of the Dominican Republic owns 100 percent of the shares of Banreservas.

The New York Representative Office and the Miami Representative Office would act as a liaison with U.S. clients and prospective clients of Banreservas. The New York Representative Office and the Miami Representative Office also would promote and market Banreservas's products and services, perform back-office functions, and conduct market research.³

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a representative office, 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 the United States, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their

³ A representative office may engage in representational and administrative functions in connection with the banking activities of a foreign bank, including soliciting new business for the foreign bank, conducting research, acting as a liaison between the foreign bank's head office and customers in the United States, performing preliminary and servicing steps in connection with lending, and performing back-office functions. A representative office may not contract for any deposit or deposit-like liability, lend money, or engage in any other banking activity. 12 CFR 211.24(d)(1).

home country supervisor.⁴ The Board also considers additional standards set forth in the IBA and Regulation K.⁵

In the case of an application to establish a representative office, the Board has by rule determined that the supervision standard may be met if the Board determines that the applicant 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 and the operating record of the applicant bank.⁶ 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

⁴ 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing the supervision 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. 12 CFR 211.24(c)(1).

⁵ See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2). These standards include the following: 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. The Board may also, in the case of a foreign bank that presents a risk to the stability of the U.S. financial system, 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).

⁶ *See* 12 CFR 211.24(d)(2).

standard sufficient for approval of representative office applications because representative offices may not engage in banking activities. This application has been considered under the lesser standard.

In connection with this application, Banreservas has provided certain commitments that limit the activities of the New York Representative Office and the Miami Representative Office. In particular, Banreservas has committed that the offices would not solicit deposits, make credit decisions or any other decisions that bind Banreservas (except for local administrative matters), or engage in activities related to securities trading, foreign exchange, or money transmission. The New York Representative Office and the Miami Representative Office would engage only in the activities described in the application to the Board.

As noted above, Banreservas engages directly in the business of banking outside of the United States. Banreservas has provided the Board with the information necessary to assess the application, through submissions that address the relevant issues. Banreservas is subject to supervision by the Superintendency of Banks of the Dominican Republic (“SB”). The SB is responsible for the consolidated supervision of financial intermediation entities in the Dominican Republic. The SB establishes annual risk-based supervisory plans for financial institutions, including the frequency and scope of examinations, based on each institution’s aggregate risk rating. The SB assigns each supervised institution an aggregate risk rating to reflect the SB’s degree of supervisory concern based on the institution’s significant activities, inherent risks, risk profile trends, safety and soundness, and effectiveness of internal controls and risk management practices. Banreservas is subject to a supervisory plan by the SB, which includes on-site examinations and off-site monitoring of the bank. The SB’s oversight includes an annual review of the bank’s consolidated financial statements and a periodic review of other reports.

Based on all the facts of record, including the commitments that Banreservas provided, it has been determined that Banreservas is subject to a supervisory framework that is consistent with the proposed activities of the New York Representative

Office and the Miami Representative Office, taking into account the nature of such activities.

The following additional standards set forth in the IBA and Regulation K have also been considered: (1) 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; (2) the financial and managerial resources of the bank; (3) whether the appropriate supervisors in the home country may share information on the bank's operations with the Board; and (4) whether the bank's home country supervisor has consented to the establishment of the offices.⁷

The Dominican Republic is a member of the Financial Action Task Force of Latin America, a Financial Action Task Force regional body for Latin American countries, and subscribes to its recommendations on measures to combat money laundering and international terrorism. In accordance with those recommendations, the Dominican Republic has enacted laws to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in the Dominican Republic, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering. The SB enforces those requirements with respect to Dominican banks, including Banreservas. Banreservas has policies and procedures to comply with these laws and regulations that are monitored by government entities, including the SB, which are responsible for anti-money-laundering compliance.

Banreservas appears to have the experience and capacity to support the New York Representative Office and the Miami Representative Office. Banreservas operates branches and subsidiaries in the Dominican Republic. In addition, Banreservas has established controls and procedures for the New York Representative Office and the Miami Representative Office to ensure compliance with U.S. law, as well as controls and

⁷ See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2).

procedures for its operations generally. Taking into consideration Banreservas's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, financial and managerial factors are consistent with approval of Banreservas's application to establish the New York Representative Office and the Miami Representative Office.

Banreservas has committed to make available to the Board such information on the operations of Banreservas and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act,⁸ and other applicable federal law. To the extent that providing such information to the Board may be prohibited by law or otherwise, Banreservas has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for the disclosure of such information. In addition, subject to certain conditions, the SB may share information on Banreservas'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 Banreservas has provided adequate assurances of access to any necessary information that the Board may request. In addition, the SB has no objection to the establishment of the New York Representative Office or the Miami Representative Office.

Whether Banreservas's proposal would present a risk to the stability of the U.S. financial system has also been considered. The proposal would not appear to affect financial stability in the United States. In particular, the absolute and relative size of Banreservas in its home country; the scope of Banreservas's activities, including the types of activities it proposes to conduct in the United States and the potential for those activities to increase or transmit financial instability; and the framework in place for supervising Banreservas in its home country do not appear to create significant risk to the financial stability of the United States. Based on these and other factors, financial stability considerations in this proposal are consistent with approval.

⁸ 12 U.S.C. § 1841 et seq.

On the basis of all the facts of record and subject to the commitments made by Banreservas, Banreservas's application to establish the New York Representative Office and the Miami Representative Office 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.⁹ Should any restrictions on access to information on the operations or activities of Banreservas and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Banreservas or its affiliates with applicable federal statutes, the Board may require termination of any of Banreservas's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Banreservas 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 this decision and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective June 26, 2023.

(signed)

Michele Taylor Fennell
Deputy Associate Secretary of the Board

⁹ 12 CFR 265.7(d)(3).

¹⁰ The Board's authority to approve the establishment of the New York Representative Office and the Miami Representative Office parallels the continuing authority of the State of New York and 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 New York or its agent, the New York State Department of Financial Services, or the State of Florida or its agent, the Florida Office of Financial Regulation, to license the New York Representative Office and the Miami Representative Office, respectively, in accordance with any terms or conditions that they may impose.