

OFFICE OF THRIFT SUPERVISION

**APPROVAL OF APPLICATION FOR PERMISSION TO
ORGANIZE A FEDERAL SAVINGS BANK**

ORDER NO.: 98-123

DATE: December 29, 1998

Doral Financial Holding Company, a bank holding company (the "Applicant"), has applied for approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. §1464(e) and 12 C.F.R. § 552.2-1 for permission to organize Doral Bank, FSB, New York, New York (the "Savings Bank"), which would be a wholly owned subsidiary of the Applicant ("the Application").

The OTS has considered the Application under the factors set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3 and 552.2-1 and other applicable statutes and regulations. The OTS also has considered the Application under the Community Reinvestment Act, 12 U.S.C. § 2901 et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e.

In addition, the Director has considered a digest from the Northeast Regional Office, an analysis prepared by Corporate Activities and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the Application satisfies the applicable approval standards, other than 12 C.F.R. § 543.3(d)(1), provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee ("Regional Director"). The OTS has determined that there is good cause under 12 C.F.R. § 500.30(a), and no statutory impediment, to waiving the requirements of 12 C.F.R. § 543.3(d)(1) regarding the composition of the board of directors of the Savings Bank. Accordingly, the OTS hereby waives 12 C.F.R. § 543.3(d)(1) and approves the Application, subject to the following conditions:

1. The proposed transaction shall be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Savings Bank shall certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the Savings Bank, and provided further that no additional information having an adverse bearing on any feature of the Application has been brought to the attention of the Applicant, the Savings Bank or the OTS;
3. The Savings Bank shall obtain all required regulatory approvals prior to consummation, and will act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;

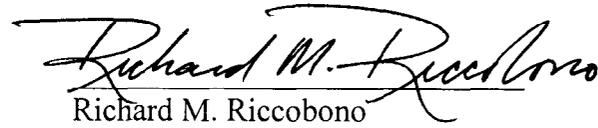
4. No later than 5 calendar days from the date of consummation of the proposed transaction, the Savings Bank shall file with the Regional Director, a certification by legal counsel stating the effective date of the proposed transaction and of the Savings Bank's insurance of accounts, and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Application and this order;
5. The Savings Bank shall submit independent audit reports to the Regional Director for its first three fiscal years. These reports shall be in compliance with the audit rules set forth in 12 C.F.R. Section 562.4;
6. The Savings Bank must operate within the parameters of its business plan. The Savings Bank and the Applicant must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Applicant) for the prior written non-objection of the Regional Director a minimum of 60 days before the proposed change is proposed to be implemented;
7. Any material deviation from the Community Reinvestment Act Plan must be submitted to the Regional Director for review and non-objection. The revised plan should be submitted no later than 30 days prior to the desired implementation date;
8. The initial capitalization of the Savings Bank shall not be less than \$10 million;
9. Prior to the date of consummation, and subject to prior non-objection by the Regional Director, the Savings Bank will hire three additional senior officers with experience in the New York City market. The following documents must be submitted to the Regional Director for each of these individuals: (i) Biographical and Financial Report on Form 1623; (ii) Fingerprint card; and (iii) RB-20 Applicant Certification;
10. Prior to the date of consummation, the Savings Bank will submit a copy of the proposed data processing agreement between the Savings Bank and the Applicant for review and clearance by the Regional Director;
11. Prior to the date of consummation, the Savings Bank will submit copies of the proposed lending and investment policies for review and clearance by the Regional Director;
12. The Savings Bank will strictly comply with its branching plans set forth in the Application;
13. Any subsidiary of the Applicant that engages in securities brokerage activities ("Securities Brokerage Entity") must be operated as a separate legal entity from the Savings Bank so that: 1) their respective accounts and records are not intermingled; 2) each observes the procedural formalities of separate legal titles; 3) each is held out to

the public as a separate enterprise; and 4) none dominates another to the extent that one is treated as a mere department of the other;

14. The Savings Bank and the Securities Brokerage Entity are prohibited from sharing common officers unless prior written approval is obtained from the Regional Director, which shall be based on criteria such as regulatory compliance, experience, character, integrity and the ability to perform both duties;
15. A majority of the Savings Bank's board of directors must not be comprised of individuals that are directors or employees of any Securities Brokerage Entity;
16. The Savings Bank and any Securities Brokerage Entity must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. Section 563.200; corporate opportunity, 12 C.F.R. Section 563.201; self-dealing, 12 C.F.R. Section 550.10; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and the Securities Brokerage Entity are prohibited from using their influence to: a) take advantage of a business opportunity for the Securities Brokerage Entity's benefit when the opportunity is of present or potential advantage to the Savings Bank; or b) place the Securities Brokerage Entity in a position that leads to, or could create the appearance of, potential conflict of interest;
17. At least 40 percent of the Savings Bank's board of directors must be comprised of individuals who are not officers or employees of the Applicant or affiliates thereof, and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Applicant or any affiliate, is not an officer or employee of the Savings Bank, and is representative of the Savings Bank's local community. At least 50 percent of the Savings Bank's audit and investment committees must be comprised of directors who are not officers or employees of the Savings Bank, the Applicant or any affiliates;
18. The Savings Bank, the Applicant and the Securities Brokerage Entity are subject to the provisions of 12 C.F.R. Section 563.76, *Offers and Sales of Securities at an Office of Savings Association*, and related policy established in OTS Thrift Bulletins 23-2, *InterAgency Statement on Retail Sales of Nondeposit Investment Products* (the "InterAgency Statement"), and 23a, *Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities*, and any additional or successor statements of policy or regulations addressing these subjects. The Savings Bank and the Applicant shall ensure compliance by the Securities Brokerage Entity with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Securities Brokerage Entity or its representatives market, or offer for sale, trust services of the Savings Bank; and

19. The Savings Bank's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC"), including the May 5, 1997 *FFIEC Year 2000 Project Management Awareness* statement, the December 17, 1997 *FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk*, the March 17, 1998 *FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness*, the March 17, 1998 *FFIEC Guidance Concerning the Year 2000 Impact on Customers*, the April 10, 1998 *Guidance Concerning Testing for Year 2000 Readiness*, the May 13, 1998 *Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness*, the May 13, 1998 *Guidance on Year 2000 Customer Awareness Programs*, the September 2, 1998 *Guidance Concerning Fiduciary Services and Year 2000 Readiness*, the October 15, 1998 interim *InterAgency Guidelines Establishing Year 2000 Standards for Safety and Soundness* and companion interim rule, *Safety and Soundness Standards* and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

By Order of the Director of the Office of Thrift Supervision, or her designee,
effective DECEMBER 29, 1998.


Richard M. Riccobono
Deputy Director