

MIAMI SPECIAL REPORT 2010: THE IBERIAN CONNECTION

Posted on 04/01/2011



1395

Espírito Santo Bank
Conrad Hotel

Weil, Gotshal &
Manges LLP



For many Iberian businesses looking to access the US or Latin America, Miami increasingly stands out as a preferred point of focus

Alongside the evident attractions of Miami, and Florida itself, it is however the city's wider connections that many businesses find of most significance. It's the same reason why a number of Iberian law firms are also placing a growing emphasis on Miami with some having already established a local presence.

Recent years have seen a wave of Spanish investment in the city, Caja Madrid, Banco Popular Español, Banco de Sabadell, BBVA and Banco Santander have all established significant Florida operations, both to capitalise on local domestic as well as regional and Latin American opportunities. In addition, Spanish infrastructure companies are also prominent within Florida, with companies such as OHL using Miami as a base from which to manage national and regional highway concessions. Likewise, Garrigues and Ecija are among the Spanish law firms that now have a Miami base.

Miami nice

Miami is not a stranger to international investment, and is among the top ten US finance and commercial centres and is a major conduit for international trade. Central Miami is home to the largest concentration of international banks in the US and increasingly preferred as a major corporate centre for US businesses active in Central and Latin America.

A 2009 study by UBS ranked it as the richest city in the US and the world's fifth-richest city, in terms of purchasing power, as well as being regarded as one of the cleanest and with the highest standards of living.

Miami itself has a population of 5.4 million, almost three-fifths of which are of Latin American or Hispanic origin. Florida is the fourth largest state in the US with 18.2 million inhabitants, and a GDP equivalent to half the wealth generated in Spain.

Spanish and Portuguese businesses are now making an impact. Their presence is even evident with a brief visit to Miami. Brickell Avenue, considered the "Wall Street of the South", features among its most prominent buildings the 30-storey Sabadell Financial Centre and the 36-storey Espirito Santo Plaza.

Facing a difficult domestic economy, Miami offers a number of Spanish and Portuguese banks an increasingly important hedge both in terms of revenue generation and risk balance compared to their domestic markets. Florida's relatively large population and strong Hispanic presence fits culturally with Spanish businesses while its international links make it a major point for money transfers into and out of Central and Latin America.

Echoing their physical prominence, a number of Spanish banks are also now prominent players commercially. The Sabadell Financial Centre is a product of last year's acquisition by Barcelona's Banco Sabadell, Spain's fourth largest bank, of Mellon United.

The deal built on Sabadell's 2008 acquisition of BBVA's local Miami private banking business and saw it pay \$160m to acquire the bank from Bank of New York Mellon Corp, giving it 15 branches in

Southern Florida. The deal saw it take on \$1.68bn in deposits and \$875m in loans, 60 percent of the loan portfolio of Mellon United along with its 350 employees.

Sabadell now operates in the US as Sabadell United Bank and was the first Spanish bank in Florida, having established a presence in 1993, from where it now coordinates all of its US and Latin American operations.

Other Spanish banks that have similarly set their sights on Florida include Spain's third largest bank Banco Popular Español which acquired Miami-based TotalBank in November 2007 for \$300m, and Caja Madrid which acquired an 83 percent share of 20-branch City National Bancshares for \$927m (€585m) in cash in November 2008.

Spain's second largest bank, BBVA, is also active in Florida through BBVA Compass, having acquired the bank in 2007 building on the earlier acquisitions across the Southern US, with a focus similarly on the Hispanic market. Banco Santander also operates locally but is likely to become much more high profile as a result of its proposal to build the 60-storey Banco Santander Tower on Brickell Avenue on the site of its current office building.

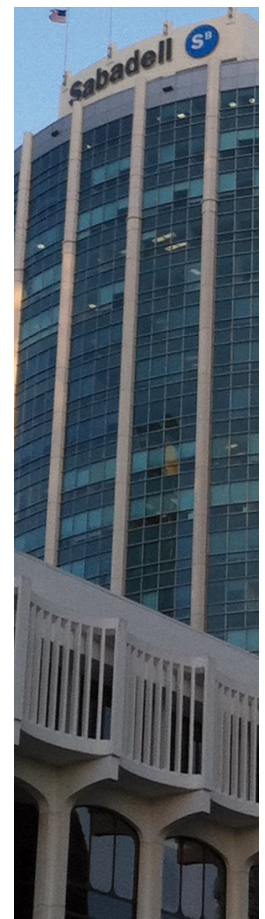
Across the road will be the Espíritu Santo Plaza, which contains the North American headquarters of Portugal's Banco Espírito Santo as well as housing a 203-room, 103-suite Conrad Hotel, luxury condominiums, and the offices of US firm Weil Gotshal & Manges, as well as the newly arrived Kennedys, led by former Madrid-based partner Alex Guillamont.

Kennedys opened for business in Miami in September, but is already looking to expand its niche insurance and reinsurance operations, says Guillamont. "We see Miami as a key location connecting Spain, the US and Latin America. It is a very comfortable place in which to do business and from where matters across both the US and Latin America can be very easily managed."

It is not only financial institutions that are utilising Miami as a gateway. Iberian businesses are literally building or rebuilding Florida's infrastructure, as well as much else across the US.

Constructor OHL won a US\$560m contract to design, build and finance the largest public construction project ever awarded in Florida – an expressway interchange in Miami – and now operates a major base locally. FCC has also won a \$100m contract to upgrade the I-95 highway through Miami, while ACS Dragados won the 35-year, \$1.3bn I-595 toll road reconstruction and lease scheme in the north of the state. Barcelona-based Areas won the \$162m contract to upgrade service

areas on the Florida Turnpike.



The current US Administration's focus on developing a high-speed rail network across the country, including a connection between Tampa and Orlando in Florida, is indicative of the continuing opportunities opening up both within the state and across the country. Although some question whether in the current financial climate any of the fast-rail projects will get built.

Legal connections

In line with the position of Miami as a conduit for investment into the US and across Latin America, the city's legal community is inevitably adept at catering to clients with both domestic and regional interests.

National and now international firm Greenberg Traurig is based in the city, while White & Case is among the out-of-state law firms that utilises Miami as the focus of its Latin American practice, and from where it manages relationships with Iberian businesses including BBVA, Banco Santander and Iberdrola albeit predominantly via their New York bases.

"We see Spanish businesses becoming increasingly prominent locally, across the US and of course through Latin America, and many prefer Miami as a conduit to manage their businesses regionally. But we also see the Spanish banks and constructors increasingly prominent in the infrastructure sectors, where they offer not only the construction know how, but also the full public-private partnership package," says Victor Alvarez, a finance partner in the Miami office.

The firm is increasingly looking at Madrid both as an entry route into the Spanish market and as a base from which it could deepen the Iberian relationships it already holds, he says. White & Case recently acted for BBVA in its \$5.9bn partial acquisition of leading Turkish bank Türkiye Garanti Bankası.

Iberian businesses' expansion to Miami, and regionally has presented firms in Madrid, Barcelona and Lisbon with a strategic challenge, say some. Banco Popular Español may have used its own in-house legal team to manage the TotalBank acquisition, but the majority of businesses entering Florida have preferred to use local firms or the local office of an international firm with which it

already has relationships – the danger for Iberian firms, as with White & Case, is that they then look to gain a stronger client hold back in Spain.

BBVA has also however used firms including Clifford Chance, Sullivan & Cromwell and Cleary Gottlieb Steen & Hamilton in the US. Banco de Sabadell, retained local Miami firm Murai Wald Biondo Moreno & Brochin for its acquisition of TransAtlantic Bank, while Caja Madrid used leading Miami banking firm Avila Rodriguez Hernandez Mena & Ferri in its acquisition of City National Bank of Florida – an offshoot of national firm Holland Knight which acts for a number of Spanish banks on the US regulatory issues.

For Spanish law firms looking to boost their Latin American exposure as well as build US coverage, Miami is an emerging location of choice. Among those that have opened local operations are Garrigues and Madrid-based Ecija. Barcelona-based Bartolome & Briones has an established, albeit small, Miami presence, while Madrid's Cremades & Calvo-Sotelo used Miami as the focus for its US class action litigation on behalf of Latin American and Spanish clients that lost money through Banco Santander's investments in the fraudulent Bernard Madoff Fund.

Miami, say the firms, offers an alternative route into the US and one which is particularly welcoming for Spanish businesses. None however are looking to develop local US capability. Garrigues has established a small presence, managed through its New York office, to service existing clients with operations regionally and to whom it predominantly provides Spanish tax and private client services.

Ecija likewise has followed its clients to Miami, among them Banco Santander and Telefónica. The firm's co- Managing Partner Hugo Ecija initially relocated to Miami full-time to help launch the office but now spends more of his time back in Madrid. Among the other firms in Spain looking at Miami as a potential new location are DLA Piper, while Hogan Lovells now has a Miami-Madrid offering.

Others in Madrid however question the business rationale behind such law firm openings. Florida's local economy is dominated by real estate and international tourism and both have been adversely affected by the global financial downturn – some Spanish banks have already found themselves exposed to losses as a result. In addition, many Spanish firms already operate successful Latin American practices without a Miami presence.

The city is also well placed to capitalise on deals that turn bad. Miami is now considered a preferred Latin American arbitral seat for disputes involving companies investing in the region, or for those keen to retain a link to the US.

Others however subtly suggest that a Miami presence may also yield some longer term results. Florida lies only a few hundred kilometres from the coast of Cuba and those firms with an established local operation may be well-placed to capitalise on any political or economic changes that come to the island.