

FEDERAL RESERVE SYSTEM

Taiwan Cooperative Bank, Ltd.  
Taipei, Taiwan

Order Approving Establishment of a Branch

Taiwan Cooperative Bank, Ltd., Taipei, Taiwan (“Taiwan Cooperative”), a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA<sup>1</sup> to establish a state-licensed 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 in New York, New York (*New York Post*, August 27, 2014). The time for submitting comments has expired, and the Board has considered all comments received.

Taiwan Cooperative, with consolidated assets of approximately \$92.0 billion, is the second largest bank in Taiwan.<sup>2</sup> Taiwan Cooperative Financial Holding Co., Ltd., Taipei, owns all of Taiwan Cooperative’s shares. Taiwan Cooperative offers a range of commercial, wealth management, and retail banking products. Outside Taiwan, Taiwan Cooperative operates branches in Manila, Sydney, Hong Kong, Suzhou, Tianjin, and Phnom Penh; a representative office in Beijing; and a subsidiary bank, United Taiwan Bank S.A., Brussels, Belgium. In the United States, Taiwan Cooperative

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<sup>1</sup> 12 U.S.C. § 3105(d).

<sup>2</sup> Asset and ranking data are as of December 31, 2014, and are based on the exchange rate as of that date.

operates a limited state-licensed branch in Los Angeles, California, and a state-licensed branch in Seattle, Washington.<sup>3</sup> Taiwan Cooperative is a qualifying foreign banking organization under Regulation K.<sup>4</sup>

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether (1) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, (2) the foreign bank has furnished to the Board the information it needs to assess the application adequately, and (3) the foreign bank and any foreign bank parent are subject to comprehensive supervision on a consolidated basis by their home country supervisor.<sup>5</sup> The Board also considers additional standards as set forth in the IBA and

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<sup>3</sup> As a limited branch, the Los Angeles branch is prohibited from accepting deposits from sources other than those permitted by section 25A of the Federal Reserve Act. Pursuant to section 25A of the Federal Reserve Act, a limited branch may receive deposits outside the United States and only such deposits within the United States that are incidental to or for the purpose of carrying out transactions in foreign countries. 12 U.S.C. § 615(a). Regulation K defines the extent of permissible deposit-taking activities of entities under section 25A of the Federal Reserve Act. See 12 CFR 211.6(a)(1).

<sup>4</sup> 12 CFR 211.23(a).

<sup>5</sup> 12 U.S.C. § 3105(d)(2); 12 CFR 211.24. Regulation K provides that a foreign bank is subject to consolidated home country supervision if the foreign bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to an affiliate) to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 CFR 211.24(c)(1)(ii). In assessing this standard, the Board considers, among other indicia of comprehensive, consolidated supervision, 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; and (v) evaluate prudential standards, such as capital adequacy and

Regulation K.<sup>6</sup>

As noted above, Taiwan Cooperative engages directly in the business of banking outside the United States. Taiwan Cooperative 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 Federal Reserve previously has determined that Taiwan Cooperative is subject to comprehensive supervision on a consolidated basis by its home country supervisor, the Financial Supervisory Commission (“FSC”).<sup>7</sup> Taiwan Cooperative remains supervised by the FSC on substantially the same terms and conditions. Based on all the facts of record, it has been determined that Taiwan Cooperative continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board’s determination.

<sup>6</sup> 12 U.S.C. § 3105(d)(3)-(4), 12 CFR 211.24(c)(2)-(3). The additional standards set forth in section 7 of the IBA and Regulation K include the following: (i) whether the bank’s home country supervisor has consented to the establishment of the office; (ii) the financial and managerial resources of the bank; (iii) 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; (iv) whether the appropriate supervisors in the home country may share information on the bank’s operations with the Board; (v) whether the bank has provided the Board with adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA and other applicable federal banking statutes; (vi) whether the bank and its U.S. affiliates are in compliance with U.S. law; (vii) the needs of the community; and (viii) the bank’s record of operation. The Board also considers, in the case of a foreign bank that presents a risk to the stability of the United States, whether the home country of the bank has adopted, or is making demonstrable progress toward 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).

<sup>7</sup> Taiwan Cooperative Bank, 92 Federal Reserve Bulletin C201 (2006).

The additional standards set forth in section 7 of the IBA and Regulation K have also been taken into account. The FSC has no objection to the establishment of the proposed branch.

The Board has also considered the financial and managerial factors in the case. Taiwan's risk-based capital standards are consistent with those established by the Basel Capital Accord ("Basel Accord"). Taiwan Cooperative's capital is in excess of the minimum levels that would be required by the Basel Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Taiwan Cooperative are considered consistent with approval, and Taiwan Cooperative appears to have the experience and capacity to support the proposed branch. In addition, Taiwan Cooperative has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its operations in general.

Taiwan has enacted laws and regulations to deter money laundering that are consistent with the Financial Action Task Force's recommendations. Money laundering is a criminal offense in Taiwan, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Taiwan Cooperative has policies and procedures to comply with these laws and regulations, and its compliance is monitored by governmental entities responsible for anti-money-laundering compliance.

With respect to access to information on Taiwan Cooperative's operations, the restrictions on disclosure in relevant jurisdictions in which Taiwan Cooperative operates have been reviewed. Taiwan Cooperative has committed to make available to the Board such information on its operations and on those of any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Taiwan Cooperative 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 light of these commitments and other facts of record, it has been

determined that Taiwan Cooperative has provided adequate assurances of access to any necessary information that the Board may request.

Section 173 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) amended the IBA to provide that the Board may consider, for a foreign bank that presents a risk to the stability of the United States financial system, whether the home country of the foreign bank has adopted, or is making demonstrable progress toward adopting, an appropriate system of financial regulation for the financial system of such home country to mitigate such risk.<sup>8</sup> Information relevant to the standard regarding risk to the stability of the United States financial system has also been reviewed. In particular, consideration has been given to the absolute and relative size of Taiwan Cooperative in its home jurisdiction; the scope of Taiwan Cooperative’s activities, including the type 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 Taiwan Cooperative in its home jurisdiction. Based on these and other factors, financial stability considerations in this proposal are consistent with approval.

The IBA establishes criteria that must be met before the Board can approve the establishment of a branch outside a foreign bank’s home state. Taiwan Cooperative’s home state is Washington. Under section 5(a)(2) of the IBA, as amended by section 104 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994,<sup>9</sup> a foreign bank, with the approval of the Board and the appropriate state supervisory agency, may establish and operate a state-licensed branch in any state outside its home state to the extent that a state-chartered bank with the same home state as the foreign bank could do so under section 18(d)(4) of the Federal Deposit Insurance Act (“FDI Act”). Section 18(d)(4), which previously authorized states to “opt-in” to interstate de novo branching,

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<sup>8</sup> Pub. L. No. 111-203, 124 Stat. 1376, 1440 (2010), codified at 12 U.S.C. § 3105(d)(3)(E).

<sup>9</sup> 12 U.S.C. § 3103(a)(2).

was amended by section 613 of the Dodd-Frank Act to permit insured state banks to establish interstate de novo branches nationwide.<sup>10</sup> It has been determined that all the other criteria referred to in section 5(a)(1) and 5(a)(3) of the IBA, including the criteria in section 7(d) of the IBA, have been met.<sup>11</sup> In view of all the facts of record, the Board is permitted to approve the establishment of an interstate de novo state-chartered branch by Taiwan Cooperative under section 5(a) of the IBA.

On the basis of all the facts of record, and subject to the commitments made by Taiwan Cooperative, as well as the terms and conditions set forth in this order, Taiwan Cooperative's application to establish a branch in New York is hereby 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.<sup>12</sup> Should any restrictions on access to information on the operations or activities of Taiwan Cooperative and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Taiwan Cooperative or its affiliates with applicable federal statutes, the Board may require termination of any of Taiwan Cooperative's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Taiwan Cooperative with

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<sup>10</sup> Pub. L. No. 111-203, 124 Stat. 1376, 1614 (2010), codified at 12 U.S.C. § 1828(d)(4)(A)(i).

<sup>11</sup> Section 18(d)(4) of the FDI Act and section 5(a) of the IBA require that certain conditions of section 44 of the FDI Act be met in order for the Board to approve a de novo interstate state-chartered branch. See 12 U.S.C. § 1848(d)(4)(B) and 12 U.S.C. § 1303(a)(3)(C) (referring to sections 44(b)(1), 44(b)(3), and 44(b)(4) of the FDI Act, 12 U.S.C. § 1831u(b)(1), (b)(3), and (b)(4)). It has been determined that Taiwan Cooperative is in compliance with state filing requirements. Taiwan Cooperative was well capitalized as of the date the application was filed, and on consummation of this proposal, Taiwan Cooperative would continue to be well capitalized and well managed.

<sup>12</sup> 12 CFR 265.7(d)(12).

the commitments made in connection with this application and with the conditions in this order.<sup>13</sup>

By order, approved pursuant to authority delegated by the Board, effective February 20, 2015.

*Margaret McCloskey Shanks (signed)*

Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>13</sup> The Board's authority to approve the establishment of branches parallels the continuing authority of the State of New York 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 and its agent, the New York State Department of Financial Services, to license the proposed branch of Taiwan Cooperative in accordance with any terms and conditions that the New York State Department of Financial Services may impose.