

FEDERAL RESERVE SYSTEM

Taiwan Business Bank, Ltd.
Taipei, Taiwan

Order Approving Establishment of a Branch

Taiwan Business Bank, Ltd. (“TBB”), Taipei, Taiwan, a foreign bank within the meaning of the International Banking Act of 1978 (“IBA”), has applied under section 7(d) of the IBA¹ 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*, January 16, 2015). The time for submitting comments has expired, and the Board has considered all comments received.

TBB, with consolidated assets of approximately \$45 billion, is the 14th largest bank in Taiwan.² TBB is a subsidiary of Bank of Taiwan (“BOT”), Taipei.³ Taiwan Financial Holding Company, Ltd. is wholly owned by Taiwan’s Ministry of Finance and owns all of BOT’s shares. TBB offers a variety of traditional banking products and services, including corporate and consumer loans, trade finance, foreign exchange, trust, and credit card services. Outside Taiwan, TBB operates branches in

¹ 12 U.S.C. § 3105(d).

² Asset data are as of June 30, 2015, and are based on the exchange rate as of that date. Ranking data are as of December 31, 2014.

³ BOT owns approximately 17.2 percent of the voting shares of TBB and has three of the 15 seats on TBB’s board of directors.

Hong Kong, Shanghai, Sydney, and Brisbane. In the United States, TBB operates a state-licensed branch in Los Angeles, California. TBB is a qualifying foreign banking organization under Regulation K.⁴

TBB's parent bank, BOT, with consolidated assets of approximately \$151 billion, is the largest commercial bank in Taiwan. The bank offers a range of commercial, investment, and retail banking products. Outside Taiwan, BOT operates branches in Hong Kong, Johannesburg, London, Singapore, Tokyo, and Shanghai, and a representative office in Mumbai. In the United States, BOT operates state-licensed branches in New York, New York, and Los Angeles, California. BOT is a qualifying foreign banking organization under Regulation K.

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.⁵ The Board also considers additional standards as set forth

⁴ 12 CFR 211.23(a).

⁵ 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 supervisors receive sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to any 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 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

in the IBA and Regulation K.⁶

As noted above, TBB and BOT engage directly in the business of banking outside the United States. TBB also has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

The Federal Reserve previously has determined that TBB and BOT are subject to comprehensive supervision on a consolidated basis by their home country supervisor, the Financial Supervisory Commission (“FSC”).⁷ TBB and BOT remain supervised by the FSC on substantially the same terms and conditions. Based on all the facts of record, it has been determined that TBB and BOT continue to be subject to comprehensive supervision on a consolidated basis by their home country supervisor.

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.

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

⁶ 12 U.S.C. § 3105(d)(3)-(4) and 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).

⁷ Taiwan Business Bank, 81 Federal Reserve Bulletin 746 (1995); Bank of Taiwan (order dated June 27, 2011), 97 Federal Reserve Bulletin 56 (2nd Quar. 2011).

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"). TBB'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 TBB are considered consistent with approval, and TBB appears to have the experience and capacity to support the proposed branch. In addition, TBB 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 Financial Action Task Force 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. TBB has policies and procedures to comply with these laws and regulations, and TBB's compliance with applicable laws and regulations is monitored by governmental entities responsible for anti-money-laundering compliance.

TBB 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, TBB 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 TBB 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.⁸ 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 TBB in its home jurisdiction; the scope of TBB'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 TBB in its home jurisdiction. Based on these and other factors, financial stability considerations for 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. TBB's home state is California. Under section 5(a)(2) of the IBA, as amended by section 104 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994,⁹ 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, was amended by section 613 of the Dodd-Frank Act to permit insured state banks to establish interstate de novo branches nationwide.¹⁰ 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.¹¹ In view of all the facts of record, the Board is permitted to

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

⁹ 12 U.S.C. § 3103(a)(2).

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

¹¹ 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 and 12 U.S.C. § 1831u(b)(1), (b)(3), and (b)(4)). It has been determined that TBB is in compliance with state filing requirements. TBB was adequately capitalized as of the date

approve the establishment of an interstate de novo state-chartered branch by TBB under section 5(a) of the IBA.

On the basis of all the facts of record, and subject to the commitments made by TBB as well as the terms and conditions set forth in this order, TBB'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.¹² Should any restrictions on access to information on the operations or activities of TBB and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by TBB or its affiliates with applicable federal statutes, the Board may require termination of any of TBB's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by TBB with the commitments made in connection with this application and with the conditions in this order.¹³

By order, approved pursuant to authority delegated by the Board, effective December 31, 2015.

Robert deV. Frierson (signed)

Robert deV. Frierson
Secretary of the Board

the application was filed, and on consummation of this proposal TBB would be well capitalized and well managed.

¹² 12 CFR 265.7(d)(12).

¹³ 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 TBB in accordance with any terms and conditions that the New York State Department of Financial Services may impose.