

# FEDERAL RESERVE press release



For immediate release

March 28, 1997

The Federal Reserve Board today announced the issuance of an Order against The International Commercial Bank of China, Taipei, Taiwan.

The International Commercial Bank of China, without admitting to any allegations, consented to the issuance of the Order in connection with allegations that it failed to file a complete application when it acquired the Chinese American Bank, New York, N.Y., and that it failed to fully and correctly file accurate reports with the Federal Reserve.

The Order requires The International Commercial Bank of China to submit a plan to sell its interests in the Chinese American Bank. The Order also requires The International Commercial Bank of China to pay a civil money penalty in the amount of \$5 million and its profit of \$17,320,000 from its acquisition and control of the Chinese American Bank.

The issuance of the Order by the Board does not relate in any manner to the condition or activities of the Chinese American Bank, and the divestiture of the bank by The International Commercial Bank of China should not affect the bank's operations.

A copy of the Order is attached.

Attachment

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

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In the Matter of

The International Commercial Bank  
of China  
Taipei, Taiwan

Docket Nos. 95-025-B-FB  
95-025-CMP-FB

Order Issued Upon Consent  
Pursuant to the Federal  
Deposit Insurance Act,  
as Amended, and the Bank  
Holding Company Act  
of 1956, as Amended

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WHEREAS, as of the date of this Order, The International Commercial Bank of China, Taipei, Taiwan ("ICBC"), is a foreign bank subject to the jurisdiction of the Board of Governors of the Federal Reserve System (the "Board of Governors") under the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.) (the "BHC Act") and section 8 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1818) (the "FDI Act");

WHEREAS, ICBC owns and controls the Chinese American Bank, New York, New York, a state-chartered, non-member bank (the "Bank");

WHEREAS, the Board of Governors issues this Order pursuant to section 8 of the BHC Act (12 U.S.C. § 1847) and sections 8(b) and 8(i) of the FDI Act (12 U.S.C. §§ 1818(b) and (i)) in settlement of certain proceedings relating to ICBC's alleged violations of the BHC Act as a result of its failure to file a complete application when it acquired the Bank,

and its failure to fully and correctly file accurate reports with the Federal Reserve; and

WHEREAS, on March 19, 1997, the board of directors of ICBC adopted a resolution (1) authorizing and directing Mr. Theodore S.S. Cheng to enter into this Order and consenting to compliance with each and every provision of this Order by ICBC and its institution-affiliated parties, as such term is defined in sections 3(u) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(4)); and (2) waiving, on behalf of ICBC, any and all rights that ICBC might have pursuant to 12 U.S.C. §§ 1818 and 1847 and 12 C.F.R. Part 263 or otherwise (a) to the issuance of a notice of charges and of hearing and a notice of assessment of a civil money penalty, (b) to a hearing for the purpose of taking evidence on any matter implied or set forth in this Order, (c) to obtain judicial review of this Order or any provision thereof, and (d) to challenge or contest in any manner the basis, issuance, validity, terms, effectiveness, collectibility or enforceability of this Order or any provision thereof.

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors in connection with this proceeding and solely for the purpose of

settlement of this proceeding without protracted or extended hearings or testimony:

IT IS HEREBY ORDERED, pursuant to section 8 of the BHC Act and sections 8(b) and 8(i) of the FDI Act, that ICBC shall directly and through its institution-affiliated parties, in their capacities as such, take affirmative action and pay an assessed civil penalty as follows:

1. (a) Within 30 days of this Order, ICBC shall submit to the Federal Reserve Bank of New York (the "Reserve Bank") an acceptable written plan to divest itself of the Bank within 300 days of this Order. The written plan shall, at a minimum, ensure full compliance with the provisions of the BHC Act and all other applicable federal and state laws by ICBC, the Bank, and their subsidiaries.

(b) During the term of this Order, ICBC shall comply fully with the plan and shall not amend or rescind it without the prior written approval of the Reserve Bank.

2. ICBC shall furnish the Reserve Bank with written progress reports every 60 days from the date of this Order until ICBC has completed its divestiture of the Bank. Such reports shall detail, at a minimum, the efforts ICBC has made to sell the Bank, the identity of prospective buyers, the status of any ongoing proposals or negotiations, and the nature of any problems or concerns that have arisen in connection with selling the Bank

in the manner and within the time requirements set forth in this Order.

3. ICBC is assessed and has agreed to pay to the Board of Governors (a) a civil money penalty in the amount of \$5,000,000, and (b) ICBC's estimated profit, as of September 30, 1995, from its acquisition and control of the Bank. For the purposes of this Order, ICBC's estimated profit from its acquisition and control of the Bank means the amount calculated by (i) subtracting \$18.57 million, ICBC's cost of acquiring the Bank's shares in 1984, from the difference between the Bank's total assets and the Bank's total liabilities as shown on the Bank's September 30, 1995 Call Report; (ii) multiplying the resulting amount in subsection (i) by 93%, the percentage of ICBC's ownership in the Bank; and (iii) multiplying the resulting product in subsection (ii) by 32%, the percentage of the Bank's business that is deemed to be not attributable to ICBC's pre-existing agency operations.

4. The payment required by this Order shall be remitted in full, at the time of ICBC's execution of this Order, payable to the "Board of Governors of the Federal Reserve System" and forwarded to William W. Wiles, Secretary of the Board, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, who shall make remittance of the same to the Treasury of the United States as required by statute.

5. The Reserve Bank, within its sole discretion, may grant written extensions of time to comply with the provisions of this Order.

6. All communications regarding this Order shall be sent to:

- (a) Nancy Bercovici  
Senior Vice President  
Federal Reserve Bank  
of New York  
33 Liberty Street  
New York, N.Y. 10045

with a copy to:

J. Virgil Mattingly, Esq.  
Board of Governors of the Federal  
Reserve System  
Washington, D.C. 20551

- (b) Theodore S.S. Cheng, President  
International Commercial Bank of China  
100 Chi Lin Road  
Taipei, Taiwan

with a copy to:

Robert D. Webster, Esq.  
Winthrop, Stimson, Putnam & Roberts  
One Battery Park Plaza  
New York, N.Y. 10004-1490

7. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors.

8. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors or any other agency or department of the U.S. government or any state government from taking any other action affecting ICBC or any of its

subsidiaries, affiliates or institution-affiliated parties, which they would otherwise be entitled to take in the absence of this Order; provided, however, that neither the Board of Governors nor the Reserve Bank shall take any further action against ICBC or any of its subsidiaries, affiliates, or institution-affiliated parties based on any information currently know to the Board of Governors or the Reserve Bank concerning the matters set forth in this Order.

9. No third party is intended to be a beneficiary of this Order or to have any rights hereunder, except as provided in paragraph 8 herein.

10. Nothing in this Order is intended to prevent ICBC from complying with applicable foreign law or with valid, binding, and lawful contractual obligations.

By order of the Board of Governors of the Federal Reserve System, effective this 27<sup>th</sup> day of March, 1997.

The International Commercial Bank  
of China

By   
Theodore S.S. Cheng  
President

Board of Governors of the  
Federal Reserve System

BY   
Jennifer J. Johnson  
Deputy Secretary of the Board