

FEDERAL RESERVE SYSTEM

Chang Hwa Commercial Bank, Ltd.  
Taipei, Taiwan

Order Approving Establishment of a Branch

Chang Hwa Commercial Bank, Ltd. (“Chang Hwa”), Taipei, Taiwan, 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 upgrade its existing limited state-licensed branch in Los Angeles, California, to a full-service branch.<sup>2</sup> The Foreign Bank Supervision Enhancement Act, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.<sup>3</sup>

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Los Angeles, California (*Los Angeles Daily News*, July 6, 2024). The time for submitting comments has expired, and the Board did not receive any comments.

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<sup>1</sup> 12 U.S.C. § 3105(d).

<sup>2</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. Under section 25A of the Federal Reserve Act, an Edge corporation 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 Edge corporations. See 12 CFR 211.6(a)(1). Upgrading the limited branch to a full-service branch would permit the branch to accept wholesale domestic deposits.

<sup>3</sup> Under the Board’s Regulation K, upgrading a limited branch to a full-service branch requires Board approval. 12 CFR 211.21(f) and (l)(4); 12 CFR 211.24(a)(1)(A).

Chang Hwa, with total assets of approximately \$96.1 billion, is the eleventh largest bank in Taiwan by asset size.<sup>4</sup> Chang Hwa engages primarily in retail and commercial banking and trust and wealth management services. It has one nonbank subsidiary that provides funds to small- and medium-sized enterprises, along with operational, management, and consulting services. The Ministry of Finance of Taiwan owns approximately 12.19 percent of Chang Hwa's total outstanding common stock. Chunghwa Post Co., Ltd., owns approximately 7.50 percent of total outstanding common stock.<sup>5</sup> Taishin Financial Holding Co., Ltd., owns approximately 5.58 percent of total outstanding common stock. The National Development Fund, Executive Yuan, owns approximately 5.42 percent of total outstanding common stock.<sup>6</sup> No other shareholder owns more than 5 percent of Chang Hwa's shares.<sup>7</sup>

Chang Hwa has two wholly owned subsidiaries: (1) Chang Hua Commercial Bank, Ltd., Nanjing City, People's Republic of China, and (2) CHB Venture Co., Ltd., Taipei City, Taiwan. Chang Hwa also has branches in Tokyo, Osaka, London, Hong Kong, Singapore, and Manila. In the United States, Chang Hwa operates two branches, one in New York City and the other in Los Angeles. Chang Hwa is a qualifying foreign banking organization under Regulation K.<sup>8</sup>

Chang Hwa's home state is New York. Chang Hwa proposes to establish a branch outside of its home state by upgrading its Los Angeles limited branch to a full-service branch pursuant to section 5(a)(7)(B) of the IBA.<sup>9</sup>

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<sup>4</sup> Asset data are as of December 31, 2024, and ranking data are as of March 31, 2024, both provided by Chang Hwa.

<sup>5</sup> Chungwa Post Co., Ltd., is wholly owned by the Ministry of Transportation and Communications of Taiwan.

<sup>6</sup> The National Development Fund, Executive Yuan, is wholly owned by Taiwan.

<sup>7</sup> Ownership data are as of April 23, 2024, as provided by Chang Hwa.

<sup>8</sup> 12 CFR 211.23(a).

<sup>9</sup> 12 U.S.C. § 3103(a)(7)(B). That section permits a foreign bank, with the approval of the Board and the relevant licensing authority, to upgrade a limited branch to a full-

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 has furnished to the Board the information it needs to assess the application adequately, (2) the foreign bank and any foreign bank parent engage directly in the business of banking outside of the United States, 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>10</sup> The Board also considers additional standards as set forth in the IBA and Regulation K.<sup>11</sup>

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service branch outside the foreign bank's home state if (i) the establishment and operation of the full-service branch is permitted by the host state and (ii) either the limited branch was in operation in the host state prior to September 29, 1994, or the limited branch meets the host state's minimum age requirement permitted under 12 U.S.C. § 1831u(a)(5). The proposed upgrade meets the requirements of that section.

<sup>10</sup> 12 U.S.C. § 3105(d)(2); 12 CFR 211.24(c)(1). Regulation K provides that a foreign bank is subject to comprehensive 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 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 supervisory standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which 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 relationships 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 risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board's determination.

<sup>11</sup> See 12 U.S.C. § 3105(d)(3)–(4); 12 CFR 211.24(c)(2)–(3). These standards include the following: whether the bank's home country supervisor has consented to the establishment of the office; the financial and managerial resources of the bank, including the bank's experience and capacity to engage in international banking; 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

As noted above, Chang Hwa engages directly in the business of banking outside of the United States. Through its submissions, Chang Hwa has provided the Board with the information needed to assess the application.

Chang Hwa is supervised by the Financial Supervisory Commission (“FSC”), which has primary responsibility for the regulation of financial institutions in Taiwan. The FSC supervises Taiwanese banking groups on a consolidated basis, which includes an evaluation of factors related to financial soundness, regulatory compliance, consumer protection, and risk management. The FSC supervises and regulates banking groups; establishes rules and regulations governing bank lending, investments, and other practices; and takes disciplinary action against banks that fail to comply with laws and regulations or that engage in unsound banking practices. With respect to supervision by home authorities, the Board previously has determined that other banks in Taiwan are subject to supervision on a consolidated basis by the FSC.<sup>12</sup> The supervisory framework in Taiwan has not changed materially since it was last considered by the Board. Based on all the facts of record, it has been determined that Chang Hwa is subject to comprehensive supervision on a consolidated basis by the FSC.

The Board has also considered the financial and managerial and other applicable factors in this case. The FSC has no objection to the establishment of the proposed full-service branch. Taiwan’s risk-based capital standards are consistent with those established by the Basel Capital Accord (“Basel Accord”). Chang Hwa’s capital exceeds

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participating in multilateral efforts to combat money laundering; whether the appropriate supervisors in the home country may share information on the bank’s operations with the Board; whether the bank and its U.S. affiliates are in compliance with U.S. law; the needs of the community; and the bank’s record of operation. In the case of a foreign bank that presents a risk to the stability of the U.S. financial system, the Board also may take into account, to the extent appropriate, 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. 12 U.S.C. § 3105(d)(3)(E).

<sup>12</sup> See Taiwan Business Bank, FRB Order No. 2015-37 (December 31, 2015); Taiwan Cooperative Bank, Ltd., FRB Order No. 2015-08 (February 20, 2015).

the minimum levels that would be required by the Basel Accord and is considered equivalent to the capital that would be required of a U.S. banking organization.

Managerial and other financial resources of Chang Hwa are considered consistent with approval, and Chang Hwa appears to have the experience and capacity to support the proposed branch. In addition, Chang Hwa has established controls and procedures for the proposed branch to ensure compliance with U.S. law and for its overall operations.

Taiwan is a member of the Asia/Pacific Group on Money Laundering, which is an associate member of the Financial Action Task Force, and the Egmont Group of Financial Intelligence Units. Taiwan has enacted laws to deter money laundering, terrorist financing, and other illicit activities. Money laundering is a criminal offense in Taiwan, and financial institutions are required to establish internal policies, procedures, and systems to detect and prevent money laundering across their worldwide operations, including foreign branches. Chang Hwa has policies and procedures to comply with these laws and regulations, and its compliance with applicable laws and regulations is monitored by authorities responsible for anti-money-laundering compliance.

Chang Hwa has committed to make available to the Board information on its operations, and those of any of its affiliates, that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that providing such information to the Board may be prohibited by law or otherwise, Chang Hwa has committed to cooperate with the Board to obtain any necessary exemptions or waivers that might be required from third parties for the disclosure of such information. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that Chang Hwa has provided adequate assurances of access to any necessary information that the Board may request.

Whether Chang Hwa's proposal would present a risk to the stability of the U.S. financial system has also been considered. The proposal would not appear to affect financial stability in the United States. In particular, the scope of Chang Hwa'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 existing supervisory framework that applies to Chang Hwa in Taiwan do not appear to create significant risk to the financial stability of the United States. Based on these and other factors, financial stability considerations for this proposal are consistent with approval.

On the basis of all the facts of record and subject to the commitments made by Chang Hwa, Chang Hwa's application to upgrade its limited branch in Los Angeles to a full-service branch is hereby approved by the Director of the Division of Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.<sup>13</sup> Should any restrictions on access to information on the operations or activities of Chang Hwa and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Chang Hwa or its affiliates with applicable federal statutes, the Board may require termination of any of Chang Hwa's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Chang Hwa with the conditions imposed in this order and the commitments made to the Board in connection with this application.<sup>14</sup>

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<sup>13</sup> 12 CFR 265.7(d)(3).

<sup>14</sup> The Board's authority to approve the upgrade of the limited branch parallels the continuing authority of the State of California to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of California or its agent, the Department of Financial Protection and Innovation, to license the proposed branch of Chang Hwa in accordance with any terms or conditions that they may impose.

For purposes of this action, these commitments and conditions are deemed to be conditions imposed by the Board in writing in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

By order, approved pursuant to authority delegated by the Board, effective June 26, 2025.

*(signed) Michele Taylor Fennell*

Michele Taylor Fennell  
Associate Secretary of the Board