

Two local banks failed US financial exams, Koo says

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Financial Supervisory Commission Chairman Wellington Koo, left, answers questions from lawmakers on the Finance Committee at the Legislative Yuan in Taipei yesterday.

Photo: CNA

There is no guarantee that Hua Nan Commercial Bank (華南商業銀行) will be able to avoid being fined by US regulators for the failure of its New York branch to comply with US regulations on money laundering, Financial Supervisory Commission (FSC) Chairman Wellington Koo (柯俊雄) said yesterday.

The New York branch of Mega International Commercial Bank (兆豐銀行) also failed to pass the latest financial examination by the New York Department of Financial Services (NYDFS) for procedural shortcomings, Koo said.

However, while the failure to pass the tests does raise some red flags, it does not mean that the two state-run banks were involved in money laundering, Koo told lawmakers on the Legislative Yuan's Finance Committee.

Hua Nan Bank had received a warning from the NYDFS for shortcomings in its transaction monitoring, filtering and reporting system, and it has been asked to submit an improvement plan, he said.

Mega Bank, which was fined US\$180 million in August last year for contravening US regulations, is expected to complete its improvement plan by the first quarter of next year and achieve compliance, Koo said.

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The FSC chairman said he would ask central bank Governor Perng Fai-nan (彭淮南) for help in mediation efforts so the two banks could avoid being fined by US regulators, as they have both pledged to fully cooperate in cleaning up their practices.

Mega Bank is stepping up its efforts to fully comply with US regulations by the first quarter of next year, while Hua Nan Bank will present an improvement plan to US authorities, Koo said.

However, the commission cannot comment directly on the cases until the NYDFS discloses the findings of its investigation, as any information pertaining to such an investigation would be confidential, Koo said.

The commission said that eight Taiwanese banks with operations in New York have passed their US financial examinations: Bank of Taiwan (台銀), First Commercial Bank (一銀), Chang Hwa Commercial Bank (華銀), Land Bank of Taiwan (地銀), CTBC Bank (中銀), Taiwan Cooperative Bank (台農), Shanghai Commercial & Savings Bank (上銀) and Taiwan Business Bank (台商).

Koo also told lawmakers that the commission has asked Mega Bank to submit a report about an alleged theft of NT\$33 million (US\$1.09 million) by an employee at its branch in Thailand over a four-year period.

The commission is would also look into whether the termination of a SinoPac Financial Holdings Co (中銀金) executive violated a law barring retaliation against whistle-blowers, he said.

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