

**Title :** Regulations Governing Institutions Engaging In Credit Card Business ( 2015.02.09 Modified )

### **Chapter One General Provisions**

Article 1 These Regulations are enacted pursuant to Article 47-1 of the Banking Act.

Article 2 The terms referred to in these Regulations are defined as below:

1. "Credit card" shall mean a payment instrument which is used by a cardholder to obtain in advance, by virtue of the card issuer's credit, products, services, money or other benefits from certain contracted parties, and repay the relevant indebtedness thereafter or in accordance with other arrangements.

2. "Credit card business" shall mean one of the following businesses:

(1) Issuing credit cards and handling matters related thereto.

(2) Businesses relating to revolving credit and cash advances using credit cards.

(3) Entering into a contractual relationship with merchants and handling matters related thereto.

(4) Paying or collecting bills through credit cards on behalf of merchants.

(5) Matters relating to the authorization of the use of trademarks or service mark on credit cards.

(6) Providing services in connection with the authorization or settlement of credit card transactions.

(7) Other credit card businesses as approved by the Competent Authority.

3. "Card issuing business" shall mean businesses specified in Items (1) and (2) of the preceding subparagraph.

4. "Card acquiring business" shall mean businesses specified in Items (3) and (4) of the second subparagraph.

5. "Credit card company" shall mean any institution incorporated as a company limited by shares to specialize in credit card business with the approval of the Competent Authority.

6. "Foreign credit card company" shall mean a Taiwan branch of any foreign company incorporated and engaging in credit card business in accordance with foreign laws which has been approved by the government of the Republic of China to specialize in credit card business within the Republic of China under the Company Act and these Regulations.

7. "Credit card business institution" shall mean any of the following institutions:

(1) A credit card company.

(2) A foreign credit card company.

(3) A bank, credit co-operative or other institution which has been approved by

the Competent Authority to engage in a credit card business as a concurrent business.

(4) Other institutions approved by the Competent Authority to engage in a credit card business.

8. "Specialized credit card business institution" shall mean an institution referred to in Item (1), (2) or (4) of the preceding subparagraph.

9. "Card issuer" shall mean a credit card business institution that engages in card issuing business.

10. "Card acquirer" shall mean a credit card business institution that engages in card acquiring business.

11. "Contracted merchant" shall mean an entity having entered a written contract with a card acquirer, agreeing that a cardholder may use a credit card to pay for products or services. However a written contract does not apply for the contracted merchant that is the same entity as the card acquirer.

12. "Electronic document" shall mean electronic documents referred to in Subparagraph 1, Paragraph 1, Article 2 of the Electronic Signature Act.

## **Chapter Two Establishment and Changes**

Article 3      The minimum paid-in capital, contribution and earnings thereon, or designated operating funds of a specialized credit card business institution for engaging in card issuing business or card acquiring business shall be NT\$200,000,000. Such requirement may be adjusted by the Competent Authority in view of social and economic conditions, and practical needs.

The minimum paid-in capital in the preceding paragraph shall be subscribed in full by the promoters at the time of incorporation.

Article 4      To apply for the establishment of a credit card company, the promoters shall submit two copies of the following information/documents to the Competent Authority for approval:

1. An application;
2. The roster of promoters and related evidentiary documents;
3. The minutes of promoters' meeting;
4. An explanation of the source(s) of the promoters' funds;
5. A business plan describing the scope of business, principles and directions of business operations and actual implementation methods, market prospects and risk/benefit analysis;
6. Personal information of the responsible persons such as the designated president (general manager) and vice president (deputy general manager);
7. Articles of incorporation;
8. Internal credit card business rules and processes;

9. Agreements among relevant parties to such credit card business regarding their respective rights and obligations; and

10. Other documents as required by the Competent Authority.

Article 5 To apply for the establishment of a foreign credit card company, the applicant shall submit two copies of the following information/documents to the Competent Authority for approval:

1. An application;

2. A certified copy of the resolution adopted by its board of directors or an equivalent certified document approving the establishment of a branch in the Republic of China;

3. A business plan of the branch describing the scope of business, principles and directions of business operation and actual implementation methods, market prospects and risk/benefit analysis;

4. Personal resume of the branch manager to be assigned to the branch and relevant evidentiary documents;

5. The branch's internal credit card business rules and processes;

6. Agreements among relevant parties to the branch's credit card business regarding their respective rights and obligations;

7. A certified copy of the articles of incorporation;

8. Documentation proving the due incorporation and existence of the applicant as a legal entity and the business license issued by the regulator in the home country;

9. A power of attorney issued by a responsible officer of the applicant in the home country authorizing a lawyer or certified public accountant to file the application; and

10. Other documents as required by the Competent Authority.

The certification of relevant documents referred to in the preceding paragraph shall be made by a notary public in the home country of the applicant or by a ROC consulate or representative office abroad.

Article 6 A bank, credit cooperative or other institution intending to engage in concurrently credit card business shall submit the following information/documents to the Competent Authority to apply for approval:

1. An application;

2. A photocopy of business license;

3. Articles of incorporation or equivalent documents;

4. A business plan describing the scope of business, principles and directions of business operation and actual implementation methods, market prospects and risk/benefit analysis;

5. Minutes of the board of directors or council members meeting;
6. Internal credit card business rules and processes;
7. Agreements among relevant parties to the credit card business regarding their respective rights and obligations; and
8. Other documents as required by the Competent Authority.

After the application in the preceding paragraph has been approved by the Competent Authority, the applicant shall post or file the related business items in accordance with the provisions prescribed by the Competent Authority.

Article 7 The internal credit business rules referred to in the Regulations shall contain the following particulars:

1. The organization structure and department functions;
2. The allocation, management and training of personnel;
3. The internal control systems (including management of business operations and accounting system);
4. Internal audit system;
5. Principles and policies for business operation;
6. Procedure for handling consumer disputes;
7. Operations manual and division of authorities and duties; and
8. Other matters as required by the Competent Authority.

Article 8 If the application submitted by a credit card business institution for approval to establish or engage in concurrently credit card business has any of the following situations, the Competent Authority may reject such application:

1. The application documents contain false information or misrepresentation;
2. The applicant fails to complete relevant corrective actions for the application as required by the Competent Authority within the given period of time;
3. In the Competent Authority's opinion, the applicant would be unable to soundly and efficiently operate the business; or
4. Any other nonconformity with these Regulations exists.

Article 9 A credit card company or a foreign credit card company shall, within six (6) months after obtaining Competent Authority's approval for establishment, complete the registration of incorporation and submit the following documents to the Competent Authority to apply for the issuance of [credit card] business license:

1. Documents to be submitted by a credit card company are:
  - (1) An application for business license;
  - (2) Documents evidencing registration of incorporation;
  - (3) An accountant's audit report certifying that the [minimum] capital has been paid in full;

- (4) Articles of incorporation;
- (5) Roster of shareholders;
- (6) Roster of the directors and minutes of the meeting of the board of directors (the roster of the managing directors and minutes of meeting of the board of managing directors shall also be submitted if applicable);
- (7) Roster of supervisors and the minutes of the meeting of the supervisors; and
- (8) Other documents as required by the Competent Authority.

2. Documents to be submitted by a foreign credit card company are:

- (1) An application for business license;
- (2) Documents evidencing registration of the branch;
- (3) Documents evidencing that the designated operating fund to be used in the Republic of China has been remitted in; and
- (4) Other documents as required by the Competent Authority.

The time limit referred to in the preceding paragraph may be extended upon application by the credit card company or foreign credit card company submitted prior to the expiration of such time limit if justifiable reasons exist; provided, that such extension may not exceed six (6) months and only one extension is allowed. The Competent Authority may revoke or repeal the approval for establishment if the application for extension is not approved.

Article 10 If it is found after a credit card business institution has been issued a license that its application contains false information, or the credit card business institution in the opinion of the Competent Authority has been grossly ineffective in business operations, or the credit card business institution has not commenced business operations within six (6) months after its incorporation, the Competent Authority may revoke or repeal the approval for establishment, order the return of [credit card] business license and notify the Ministry of Economic Affairs ("MOEA") thereof. However, the time limit for commencing business operations may be extended upon approval by the Competent Authority if justifiable reasons exist; provided, that such extension may not exceed six (6) months and only one extension is allowed.

Article 11 With the exceptions to banks and credit cooperatives engaging in concurrently credit card business, if a credit card business institution wishes to amend its business license, it shall apply to the Competent Authority for approval and for issuance of a new business license.

Article 12 If a specialized credit card business institution wishes to establish an additional branch, it shall apply to the Competent Authority for approval and issuance of business license by submitting an application and a business plan to the Competent Authority. Such specialized credit card business institution shall also

apply to the Competent Authority for approval when it plans to relocate or close a branch.

- Article 13 The Competent Authority may restrict the establishment of new credit card business institutions in view of the economic and financial conditions in the Republic of China.

### **Chapter Three Business and Management**

- Article 14 The clearing of International credit cards issued and used in Taiwan shall be made in Taiwan in New Taiwan Dollars. For international credit cards issued in Taiwan but used in a foreign country, or issued in a foreign country but used in Taiwan, related foreign exchange transactions shall be processed in accordance with the applicable regulations of the Central Bank of the Republic of China (referred to as the "The Central Bank" hereunder).

- Article 15 To apply to the Competent Authority for approval to engage in other credit card businesses, a credit card business institution shall submit a business plan to the Competent Authority. An approval shall be deemed to have been given if, within thirty (30) days from the day following the Competent Authority's receipt of such application, the Competent Authority does not object thereto.

The business plan referred to in the preceding paragraph shall contain the following particulars:

1. Reasons for engaging in such businesses;
2. Agreements among relevant parties to such business regarding their respective rights and obligations;
3. Internal business rules and processes; and
4. Market prospects and risk/benefit analysis.

When the operating rules or processes of credit card business, or rights and obligations of parties relevant to the business operated by a credit card business institution differ from those set out in its business plan originally approved by the Competent Authority, and such difference(s) have a significant impact on consumer interests, the credit card business institution shall take actions according to the preceding two paragraphs.

- Article 16 A credit card business institution that plans to terminate some or all of its credit card businesses shall submit a plan therefor to the Competent Authority to apply for approval.

The plan referred to in the preceding paragraph shall contain the following particulars:

1. Reasons for not being able to continue a credit card business; and
2. A proposal regarding the institution's handling of existing customers'

rights/obligations and any alternative services that may be offered.

A credit card business institution that plans to suspend some of its issuing businesses, shall submit a plan that describes the proposed measures for protecting the rights and interests of cardholders and the planned duration of suspension to the Competent Authority to apply for approval. Before the credit card business institution subsequently resumes the credit card business, it shall first submit a written report to the Competent Authority for reference.

Article 17 Credit card business institutions shall, in compliance with the requirements of the Competent Authority and the Central Bank, periodically report information regarding their credit card business activities to the Competent Authority, the Central Bank, and other institutions designated by the Competent Authority, and disclose relevant material information on their website according to the instructions of the Competent Authority.

The other institutions designated by the Competent Authority under the preceding paragraph shall determine the scope of information to be reported by credit card business institutions and standards for the filing operations, and submit same to the Competent Authority for reference.

The information reported and disclosed by credit card business institutions pursuant to the first paragraph hereof shall not contain false information or misrepresentation to ensure information accuracy.

Article 18 A credit card business institution may not engage in any relevant advertising or promotion activities before it is approved by the Competent Authority to engage in credit card business.

Before a credit card business institution releases information produced for its advertising or other marketing activities to the public, such information should have been reviewed by its chief compliance officer to make sure the content is free of inappropriate or false representation, or statement that misleads the consumers or violates relevant laws and regulations.

Article 19 Card issuers shall observe the following rules in conducting marketing activities:

1. The appeals of "fast card approval", "apply with another card", and "apply with a business card" and other imprudent marketing activities are prohibited.
2. Street marketing (arcade included) is prohibited.
3. A control mechanism for blank credit card application forms and a management mechanism for salespersons and sources of incoming applications shall be established.

Card issuers may not offer gifts, prizes or other benefits to the applicants, cardholders or other third parties in their card application, card approval, card activation, cash advance or revolving credit related activities.

The rights or benefits offered by a card issuer to its new cardholders for an agreed period of time may not be changed during said agreed period without the consent of the cardholder, unless the change is made necessary for reasons not attributable to the fault of the card issuer. If the aforementioned change condition is met, the card issuer shall give the cardholders at least a 60-days notice in writing or by electronic document as agreed with the cardholder in advance.

The offering of credit card bonus points by card issuers and the use of such points shall be carried out in accordance with the requirements set out by the Competent Authority.

Article 20 Regulations governing matters to be disclosed, layout and fonts of print and dynamic advertising made by card issuers shall be stipulated by the Competent Authority.

When card issuers cooperate with third parties in credit card business, they shall make sure that credit card related advertisements produced by such third parties comply with the requirements set out by the Competent Authority.

Where the content of an advertisement made by a card issuer is deemed by a panel composed of relevant agencies, scholars and experts under the invitation of the Competent Authority to mislead consumers by instilling incorrect value and money management concepts, the Competent Authority may order such card issuer to take remedial actions during a prescribed period of time, and in view of the situation, order the card issuer to suspend its credit card advertising or adopt other supervisory measures.

Article 21 When accepting a credit card application, card issuers shall verify that the applicant meets the following criteria:

1. Principal card applicant:

(1) The applicant must be 20 years or older; and

(2) At the time of applicant, the applicant must enclose his or her identity document and income or financial information evidencing his or her repayment capability. However the preceding provision does not apply to applications where the card issuer holds the applicant's income or financial information in the most recent year for other business dealings that could evidence the applicant's repayment capability and the applicant agrees that such information could be used for credit card application as well.

2. Supplemental card applicant:

(1) The applicant must be 15 years or older;

(2) The applicant is the spouse, parent, child, sibling of the principal cardholder or the parent of the principal cardholder's spouse; and

(3) The applicant provides identify document at the time of applicant.



Article 22 Card issuers shall establish a credit card approval process to approve the credit limit for credit cards issued in a prudent manner and comply with the following provisions:

1. A card issuer shall verify the veracity of the applicant's identity, that the principal card applicant has independent and stable financial resources and the ability to pay off debt, and understand the applicant's debt situation.
2. The approved line should be commensurate with the principal card applicant's ability to pay at the time of applicant, and the sum of approved line plus the total balance of the applicant's unsecured debts (including credit card debts) with all financial institutions as a multiple of the average monthly income of the applicant within the most recent year shall comply with the requirements set out by the Competent Authority. Card issuers shall comply with the provisions hereof when raising the credit limit of a cardholder.
3. A card issuer shall draw up management rules for total credit limit granted to the principal card applicant and the multiplier of average monthly income in the past year, and implement the rules after obtaining the approval of its board of directors (council members). The preceding provision applies to any revision of the management rules thereafter. For a foreign bank branch in Taiwan, the duties of the board of directors (council members) described above will be fulfilled by an officer authorized by its head office.
4. A card issuer shall include whether a considerable number of credit inquiries on the principal card applicant has been made with the Joint Credit Information Center ("JCIC") in a short period of time as one of the important review items.
5. Where the principal card applicant has the record of "notation of payoff by others" at JCIC, the card issuer should make sure that the applicant has repayment capability.
6. A card issuer shall not use the applicant's credit information at JCIC as the only basis for approving or rejecting an application.

Article 23 Card issuers shall comply with the following rules with regard to student applications for credit card:

1. A card issuer may not undertake marketing activities targeting to students.
2. A full-time student can hold no more than three credit cards with a credit limit not exceeding NT\$20,000 from each card issuer.
3. If a credit card applicant indicates that he or she is a student on the application form, a card issuer shall notify the applicant's parent(s) or legal guardian of card issuance.
4. The notification mentioned in Subparagraph 3 hereof shall be stated in the application form and contract.

- Article 24 A card issuer should formulate different credit risk levels and assign each cardholder a credit risk level in line with their credit standing, and adopt tiered pricing for the interest rates of revolving credit after taking into account the cost of funding and operating costs, and should periodically review the applicable interest rates to respective cardholders at least on a quarterly basis.
- A card issuer shall specify in the credit card agreement events that will trigger the adjustment of interest rate applicable to a cardholder and that interest rate will be adjusted only if an agreed event has occurred. At the time of rate adjustment, a card issuer shall notify the cardholder of reason for adjustment, the adjusted interest rate, and other relevant information.
- A card issuer shall periodically review credit cards it has issued at least once every six months.
- For credit cardholders who opt for revolving credit facility on a long-term basis, a card issuer shall offer the cardholders options on repayment or interest rate adjustment as required by the Competent Authority.
- Article 25 A card issuer may not raise the credit limit granted to a cardholder or grants a cardholder a separate credit limit for the cash advance service offered. In addition, the cash advance limits, related marketing activities and other matters shall be carried out in accordance with the provisions stipulated by the Competent Authority.
- A card issuer may not allow a cardholder to pay the principal and interest of a loan with the credit card it issues.
- Article 26 A card acquirer shall observe the following rules in conducting the card acquiring business, however the following provision does not apply for a card acquirer approved by the Competent Authority to agree that a cardholder may use a credit card to pay for its other business:
1. A card acquirer may not furnish a merchant Point of Sale terminal machine or accept the payment request from a merchant unless it has entered a contract with the merchant.
  2. A card acquirer should conduct credit checking realistically before signing a contracted merchant.
  3. After signing a contracted merchant, a card acquirer should step up training for the merchant, and establish a monitoring and transaction suspension mechanism for contracted merchants with irregularities in credit card transactions or payment request as well as a risk control mechanism for high-risk contracted merchants or contracted merchants that offer deferred products or services.
  4. A card acquirer should audit its contracted merchants at least once every half a year by examining transaction irregularity and JCIC credit records, and monitor

the transactions of its contracted merchants. If a card acquirer finds a contracted merchant accepting credit card payment for a deferred product or service without the pre-approval of the card acquirer, or being involved in other contract breaching or illegal activities, the card acquirer shall promptly conduct investigation of said merchant's transaction pattern and content of its business, and take necessary actions.

5. The printed credit card payment receipt to be given to a cardholder after a credit card transaction shall indicate at least the name of card acquirer, the name of merchant, card type, card number, authorization code, and date and amount of transaction. The way to disclose the card number shall comply with the provisions stipulated by the Competent Authority.

6. A card acquirer may not sign merchant contract with institutions that do not provide products or services, such as finance companies, or allow such institutions to be involved in credit card transactions.

7. If a contracted merchant of the card acquirer engages in credit card transactions via an Internet trading platform, the card acquirer shall sign contract with such Internet trading platform service provider.

8. The payment of a card acquirer to a contracted merchant may not be disbursed directly to a third person. However for contracted merchants that accept credit card transactions through an Internet trading platform service provider, if the contract performance by merchant is fully guaranteed by a bank or if all credit card payments received by the merchant is totally placed in trust and has been verified as such by the card acquirer, the card acquirer may disburse the transaction payment to the Internet trading platform service provider if so instructed by the contract merchant.

9. A card acquirer shall establish control mechanism for its Point of Sale terminal machines to ensure the security of transaction data.

10. When the deferred product or service of a contracted merchant is no longer provided, the card acquirer shall handle payment dispute arising thereof in accordance with the provisions stipulated by the Competent Authority.

Where the contract performance by merchant is fully guaranteed by a bank under Subparagraph 8 of the preceding paragraph, the bank that signs the performance guarantee must meet the criteria set forth by the Competent Authority.

A card acquirer approved by the Competent Authority to agree that a cardholder may use a credit card to pay for its other business shall establish internal control and audit systems between the card acquiring business department and such other business department, and the card acquiring business department shall demand that such other business department comply with the provisions in Subparagraphs

3 to 5, 9, 10 of Paragraph 1, Paragraph 1 of Article 27, and Article 53 in agreeing a cardholder to use a credit card for payment.

Article 27 The contract entered by and between a card acquirer and a merchant shall contain the following particulars:

1. A merchant should ensure the accuracy of payment request data.
2. Unless with justified reasons, a merchant may not refuse a cardholder's request to use credit card for charges, limit the charge amount or charge additional fees.
3. A merchant shall safekeep the sales drafts and orders or relevant documents that carry the personal information of cardholder and/or credit card information, and keep all information on the cardholder confidential, unless it is otherwise required by law or the Competent Authority.
4. A merchant shall not engage in transactions involving cash advances for financing purpose.
5. A merchant may not accept credit card transactions outside its scope of business.
6. If a merchant offers the service of installment payment by credit card on its own, said merchant shall not transfer the claims receivable thereof to any third person.
7. A merchant may not lend its Point of Sale terminal machine to others.
8. In case a merchant violates the provisions in Subparagraph 4, 5, or 7, the card acquirer will immediately terminate the contract and inform the JCIC.

Where the contract entered by and between a card acquirer and a contracted merchant does not conform to the provisions in the preceding paragraph, the card acquirer shall revise the contract in six (6) months from the date the amendment to these Regulations enters into force.

Article 28 A credit card business institution that outsources its credit card business shall comply with the Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation.

A card issuer that collaborates with another business in the issue of a co-brand card or affinity card shall observe the following provisions:

1. The card issuer shall establish a mechanism for keeping customer information confidential, and establish internal operating systems and procedures with regard to the scope of collaboration, protection of customer's interests, risk management and internal controls.
2. The card issuer shall demand that its partner comply with the provisions in Paragraphs 1 and 2 of Article 19 in conducting marketing activities.

Article 29 When a credit card business institution sells its non-performing credit card loans to an asset management company, it shall handle the sales pursuant to the

following provisions in addition to compliance with the Directions for Disposal of Non-performing Loans by Financial Institutions:

1. The credit card business institution shall look into and confirm that the collection standards of collection agency are consistent with its own standards.
2. The credit card business institution shall establish internal control and audit systems in place to effectively regulate and audit the collection activities of collection agency and shall assume responsibility for the improper collection practices of the collection agency.
3. The public auction of non-performing credit card loans shall be carried out pursuant to the operating procedures stipulated by the Competent Authority.
4. After the sale of a non-performing credit card loan, the credit card business institution shall notify the cardholder of the sale in writing or by electronic document, informing the cardholder of the name of the asset management company, the amount of debt transferred, as well as its complaint hotline.
5. If a credit card business institution learns through customer complaints or other channels that the asset management company resorts to violence, coercion, intimidation, verbal abuse, harassment, misleading or deceptive representation, disclosure of personal information or other illegal practice, and finds the evidence of the act in question to be true, the credit card business institution shall promptly terminate the sales agreement with such company and buy back the non-performing credit card loans and demand penalty from the asset management company.
6. A credit card business institution shall forward relevant information under the preceding subparagraph to the law enforcement agency for investigation, and file the same information with JCIC. In addition, no credit card business institutions may sell their non-performing loans to such an asset management company.
7. Other provisions as stipulated by the Competent Authority.

Article 30

In order to protect the rights and interests of customers, a credit card business institution shall specify at least the following items in the agreement on the sales of non-performing credit card loans entered between it and an asset management company:

1. The asset management company cannot resell the non-performing credit card loans to a third party and shall outsource the collection of debt to the credit card business institution which sells the loans to the company or a debt collection agency designated or approved by the said institution.
2. The asset management company shall comply with the Banking Act, Money Laundering Control Act, Computer Processing Personal Data Protection Act, Consumer Protection Act, Fair Trade Act and other laws and regulations

applicable to credit card business institutions.

3. The collection standards of the asset management company shall be consistent with those of the credit card business institution and the company shall realistically observe the provisions of Article 51 herein.

4. The asset management company shall establish an internal control mechanism and conduct periodical and nonscheduled audits.

5. The asset management company shall not use the information of third parties other than the principal and supplementary cardholders and guarantors revealed in the debt documents of the credit card business institution.

Article 31 The accounting principles for credit card business shall be drafted by The Bankers Association of the Republic of China ("Bankers Association") and submitted to the Competent Authority for approval.

Credit card business institutions shall follow the accounting principles referred to in the preceding paragraph.

Banks, credit co-operatives and other institutions engaging in a credit card business shall maintain independent accounting records for such business.

Article 32 Card issuers shall set aside bad debt reserve for overdue accounts and carry out write-off of bad debt according to the following provisions:

1. Setting aside bad debt reserve: If the monthly minimum payment is delayed for one (1) to three (3) months from the specified deadline, the bad debt reserve to be set aside shall be 2% of total advances made thereto; for a delay of three (3) to six (6) months, the bad debt reserve shall be 50% of the total advances made thereto; and for a delay of more than six (6) months, the bad debt reserve shall be 100% of the total advances made thereto.

2. Write-off of bad debt: If the monthly minimum payment is delayed by more than six (6) months from the specified payment deadline, all advances made thereto shall be written off within three (3) months thereafter.

3. The writing off of overdue accounts shall be handled in compliance with the limits authorized by the board of directors and approved by an authorized person(s), and a report thereof shall be submitted to the board of directors for reference; provided, that a foreign credit card company may handle such write offs according to the procedures authorized by its head office.

Where the overdue account ratio of its credit card business exceeds the limit set forth by the Competent Authority, a card issuer shall make adjustment according to the provisions stipulated by the Competent Authority. In addition, the Competent Authority may, in view of the situation, adopt supervisory measures pursuant to the Banking Act.

Article 33 Credit card business institutions shall establish internal control and audit systems.

The regulations governing the purpose, principles, policy and operating procedures therefor, the qualification requirements for internal auditors and other matters to be complied with shall be set forth by the Competent Authority.

Article 34 A specialized credit card business institution shall submit the following information/documents to the Competent Authority for reference within four (4) months after the end of each fiscal year:

1. A business report;
2. A financial report audited by a certified public accountant and passed by its board of directors (council members) or the responsible officer in the case of a foreign credit card company; and
3. Other information as designated by the Competent Authority.

Article 35 A specialized credit card business institution having any of the following situations shall immediately submit its financial report, reasons for incurring the loss and an improvement plan to the Competent Authority:

1. Its accumulated loss exceeds one third (1/3) of its paid-in capital, or contribution and earnings thereon; or
2. Its net worth falls below two thirds (2/3) of the designated operating funds [for credit card business].

If a credit card business institution has any of the situations described in the preceding paragraph, the Competent Authority may require such institution to make up the shortfall in capital, contribution and earnings thereon or the designated operating funds within a specified time period or limit such institution's business operation. If such credit card business institution fails to make up the shortfall within the specified time period, the Competent Authority may order such credit card business institution to cease business.

Article 36 A specialized credit card business institution shall report to the Competent Authority for prior approval of any of the following matters:

1. Change in articles of incorporation.
2. Change in total capital.
3. Change in business place.
4. Transferring all or an essential part of business or assets to others.
5. Assuming all or an essential part of business or assets of others.
6. Other matters requiring prior approval as provided by the Competent Authority.

For matters described in Subparagraph 4 or 5 of the preceding paragraph, the designated transferor and transferee credit card business institutions shall make joint application to the Competent Authority for approval.

If a specialized credit card business institution has any of the following events, it

shall report such event(s) to the competent authority together with information relating thereto:

1. Transfer of equity involving more than 10 percent of its stocks.
2. The dishonoring of negotiable instruments due to insufficient deposit, being denied service by banks, or other events that result in the loss of good credit standing.
3. Being involved in litigation, non-litigious proceeding, administrative disposition, or administrative lawsuit which has a significant impact on the financial status or business of the company.
4. Entering into, modifying, or terminating any contract for lease of the company's business in whole, or for business outsourcing, or for regular joint operation with others.
5. Major loss has occurred or is foreseeable.
6. Material changes in business policies.
7. Other material events that are sufficient to affect operation of the company or shareholders' interests.

Article 37 A credit card business institution shall apply for membership of the Credit Card Committee of the Bankers Association in accordance with its rules. .  
The Bankers Association shall submit the rules and meeting procedures of its Credit Card Committee and subsequent amendments thereto to the Competent Authority for approval.

Article 38 The Bankers Association shall undertake the following activities to assist members to maintain sound operations and to preserve the reputation of institutions in the same line of business:

1. Assist the Competent Authority to promote and study policies and regulations related to credit card business;
2. Promulgate and periodically review and examine common business rules or self-disciplinary rules and report such rules and subsequent changes thereto to the Competent Authority for reference;
3. Exercise necessary supervision of the business conduct of members or mediate disputes there between; and
4. Undertake other matters as designated by the Competent Authority.

Credit card business institutions shall comply with the business rules and self-disciplinary rules referred to in Subparagraph 2 of the preceding paragraph.

#### **Chapter Four Consumer Protection**

Article 39 A card issuer may not issue a credit card before completing the application and review procedures of the applicant. The preceding provision does not apply for



an applicant who already holds a credit card(s) issued by the card issuer and has any of the situations below:

1. A new card is issued because the cardholder's original card is lost, stolen, counterfeited, or could be counterfeited, or the original card is no longer usable due to damage, demagnetization, scratches or other reasons.
2. A new card is issued upon the expiration of the prior card, in cases where the cardholder has not terminated the contract, provided, that review procedures have been completed.
3. A contract with a merchant for a co-branded card, affinity card or private label card has been terminated and a new card is issued according to the original agreement entered into between the card issuer and the cardholder; provided, that a prior notice is sent to such cardholder in writing or by electronic document as agreed with the cardholder in advance.
4. A new card is issued because a spin-off, merger or other credit card asset transfer occurred to the original card issuer; provided, that prior notice is sent to such cardholder in writing or by electronic document as agreed with the cardholder in advance.
5. A new card is issued because the card issuer has upgraded the cards it issues from magnetic card to IC card; provided, that a prior notice is sent to such cardholder in writing or by electronic document as agreed with the cardholder in advance.
6. Other situations as specified by the Competent Authority.

A cardholder shall be deemed to have given his/her consent if such cardholder does not express an objection to a notice referred to in Subparagraphs 3 through 5 of the preceding paragraph.

A card issuer must obtain the consent of the cardholder before adding new functions to a card it has already issued.

If the entity of the original card issuer changes as a result of spin-off, merger or other credit card asset transfer, the new card issuer shall replace the original cards with new cards in one (1) year from the effective date of change. The aforementioned deadline may be extended if the new card issuer has justified reasons and obtained approval of the Competent Authority.

Article 40 When receiving a written application, a card issuer shall notify the applicant in writing or by electronic document of the following particulars:

1. Annual fees and various handling fees which the credit card holder is required to pay, calculation methods for revolving credit interest rate and interest on revolving credit, penalty fees and other costs/fees which are likely to be borne by a cardholder. The revolving credit interest rate should be expressed as an

annualized rate, and the calculation methods for revolving credit interest and penalty fees should be expressly stated in plain language supplemented with examples and illustrations;

2. The use of credit card and the procedure for handling lost, stolen, or destroyed credit cards;

3. Rights and obligations of cardholder arising out of unauthorized third party use of his or her credit card;

4. The procedures in the event of a discrepancy regarding a credit card transaction and important rules of international credit card organization regarding the rights and obligations of cardholders;

5. The duration and conditions for rights, benefits of, or services provided to, cardholders; and

6. Other matters as determined by the Competent Authority.

The notification as referred to in the preceding paragraph shall be made in clear and plain language, and the important terms contained therein which will affect cardholders' interests should be highlighted.

Card issuers shall state in the credit card agreement the frequency of adjusting matters set out in Subparagraphs 1 through 5 of Paragraph 1 hereof.

Article 41 The contents of a notification given under Paragraph 1 of the preceding paragraph shall be binding to all card issuers. In case of any of the following situations, a card issuer shall give the cardholder at least a 60-day notice in writing or by electronic document as agreed with the cardholder in advance. A cardholder may terminate his or her agreement with the card issuer if he/she does not agree to such change.

1. Possible increase of expenses/costs to cardholder.

2. An increase in the interest rate of revolving credit.

3. Change in the benchmark rates originally chosen by the cardholder in case of floating interest rate.

4. Change to the method of calculating interest on revolving credit.

5. Change to any of the items provided in Subparagraphs 2 to 5, Paragraph 1 of the preceding article.

A card issuer that adopts floating interest rates for the revolving credit may not change the benchmark rates chosen by the cardholder, unless such change is due to causes not attributable to the fault of card issuer.

When a card issuer mentioned in the preceding paragraph adjusts benchmark rates, it shall post an announcement of such an adjustment at its business place and on its website, and in addition, inform the cardholder in writing or in a manner as agreed with the cardholder in advance. When the benchmark rates are

raised, the provision on the 60-day notice mentioned in Paragraph 1 hereof does not apply to the card issuer.

Article 42 A card issuer shall include at least the following items under the section of Applicant's Statement and Consent in the application form and ask the applicant to **confirm by signature or take other methods that can authenticate the applicant identity and confirm the intent expressed by the applicant:**

1. Interest rates and fees to be charged, and detailed description of fees schedule and conditions under which fees are charged.

2. Where the cardholder fails to make payment as agreed when due, the record will be posted with the JCIC and adversely affect the cardholder's rights to obtain other loans.

3. Where the card issuer's collaboration with a third party will involve the use of cardholder's information by the third party, the card issuer shall design a field in the section for the applicant to check whether he or she consents to the use of personal information by such third party and specify the purposes of use.

The information under Subparagraph 1 of the preceding paragraph shall be disclosed on the website of the card issuer.

A card issuer may not state in the credit card application that "The principal card applicant may sign on behalf of the supplementary card applicant for the application of a supplementary card" as a way of accepting supplementary card.

If a card issuer asks a credit card applicant to provide information on a third person other than the principal and supplementary cardholders and the guarantor, the card issuer shall comply with the following provisions:

1. The card issuer shall not make it (the provision of third party's information) compulsory or use it as a basis for approving or rejecting an application.

2. The card issuer shall explain to the applicant the purpose of requesting such personal information.

3. The card issuer shall not use such personal information in credit checking or collection operation.

4. The card issuer shall immediately stop the use of such personal information if so requested by the third party.

Article 43 If a cardholder notifies the relevant card issuer of termination of credit card agreement within seven (7) days after the receipt of the credit card issued by such institution, the card issuer may not charge or claim any fee from such cardholder unless such cardholder has already used the credit card.

Article 44 A card issuer must periodically deliver to each cardholder a statement of credit card transactions in writing or through electronic documents as agreed with the cardholder in advance.

The statement referred to in the preceding paragraph should fully disclose the following information:

1. The credit limit and cash advance limit of the cardholder;
2. Date from which interest accrues, revolving credit interest rate and period of application;
3. Billing date, payment deadline, amount payable increased in the current period, amount of overpayment and minimum payment;
4. Transaction date, posting date, transaction item, transaction amount, country or area at where a transaction took place, type of currency, the equivalent amount in New Taiwan Dollar or a designated foreign currency and the date of conversion into New Taiwan Dollar or a designated foreign currency with each transaction;
5. Fees schedule and conditions under which fees are charged; the respective amount of fees charged shall be listed separately;
6. For cardholders who have drawn on the revolving credit, previous balance, purchases included in the revolving credit, finance charge and late fees.
7. If the cardholder opts to only pay the minimum payment due for the current amount due, the time needed to pay off the amount and total amount due.
8. If the cardholder opts to pay all or part of the amount due in a fixed number of installment, the amount of principal, finance charge, and fees for each installment, amount outstanding and annual percentage rate on total finance charges.
9. Cumulative finance charges and fees already charged by the card issuer in the year up to the month of statement.
10. Other items as required by the Competent Authority.

Where the transaction details provided by a card issuer on its statement do not conform to the provisions in this article, the card issuer shall make adjustment to its statement in one year from the date the amendment to these Regulations enters into force.

Article 45 A card issuer shall disclose information relating to credit cards as follows:

1. The revolving credit interest rates shall be posted at the business place of the card issuer;
2. Information relating to the revolving credit interest rates, annual fees, calculation methods for various fees and charges arising from transactions, procedures for handling lost or stolen cards, cardholders' rights, benefits or services provided shall be published in periodicals or on the website of the card issuer; and
3. Other matters as required by the Competent Authority or the Central Bank.

Article 46 Where a card issuer plans to raise the credit limit of a cardholder, it shall send

the principal cardholder a prior notice and obtain the principal cardholder's written consent before raising the credit limit. Where the cardholder has a guarantor, the card issuer shall also send the guarantor a prior notice and obtain the guarantor's written consent. The card issuer shall also notify the guarantor and the principal cardholder after the increase in credit limit has been approved. When a principal cardholder applies for adjustment of credit limit, a card issuer shall notify the principal cardholder after the adjustment has been approved. If the cardholder has a guarantor, the card issuer shall send the guarantor a prior notice and obtain the guarantor's written consent in case of raising the credit limit of the cardholder. Otherwise, the card issuer only needs to notify the guarantor after the adjustment has been approved.

If the adjustment of credit limit referred to in the preceding two paragraphs also involves change to the credit limit of supplementary cardholder, the card issuer shall also notify the supplementary cardholder of the adjustment.

The methods of obtaining a cardholder's or guarantor's written consent mentioned in Paragraph 1 and Paragraph 2 hereof can also be via digital signature, ATM or automated loan machine. However, the card issuer should step up the verification of the identity of cardholder or guarantor and the agreement entered for issuance of credit card shall specify that the card issuer will be held responsible for the loss of the cardholder resulting from its own failure to perform identity verification.

Article 47 The clauses of the standard contract of credit card drawn up by a card issuer shall comply with the Mandatory and Prohibitory Provisions for Standard Contract of Credit Card , and the standards adopted for protecting consumers' rights and interests in the standard contract shall not be lower than those provided in the Standard Contract of Credit Card published by the Competent Authority.

The texts for the clauses of the standard contract of credit card of a card issuer shall not be smaller than font size 12.

Article 48 A card issuer shall calculate interest on the revolving credit of credit card according to the following provisions:

1. A card issuer may not charge compound interest.
2. The date on which interest starts to accrue shall not be earlier than the date the card issuer actually pays the merchant, and the card issuer shall follow the Mandatory and Prohibitory Provisions in a Standard Credit Card Agreement promulgated by the Competent Authority and relevant provisions in the Standard Credit Card Agreement Template.
3. Fees shall not be included in the amount of principal that incurs interest on revolving credit.

4. New purchases may not be included in the current principal that incurs interest on revolving credit.

5. The inclusion of purchases in the principal that incurs interest on revolving credit shall be handled in accordance with the Mandatory and Prohibitory Provisions in a Standard Credit Card Agreement promulgated by the Competent Authority and relevant provisions in the Standard Credit Card Agreement Template.

When a card issuer charges the cardholder late fees as agreed because the cardholder fails to make minimum amount due by the payment due date, the charge method shall comply with the provisions stipulated by the Competent Authority.

Article 49 A card issuer may not hold the supplementary cardholder liable for principal card charges incurred by the principal cardholder.

Article 50 If a card issuer collaborates with a contracted merchant in offering a credit card installment payment plan, the card issuer shall observe the following provisions:

1. The payment plan shall stay within the original credit limit of the cardholder.
2. The duration of installment payment plan shall not be longer than two years and six months.

3. The merchant shall, at the time of transaction, inform the cardholder in writing that the installment payment plan is offered by the card issuer, and fees schedule and conditions under which fees are charged. If the transaction is not carried out face-to-face but via the Internet or TV shopping, the merchant may inform the cardholder information provided above by other means, but the merchant is required to save relevant records.

4. The card issuer shall not ask the cardholder to pay for related expenses on grounds of warranting the provision of product or service by the merchant.

If a card issuer offers a credit card installment payment plan without collaborating with the merchant, the card issuer shall observe the following provisions:

1. The card issuer shall comply with the provisions in Subparagraphs 1 and 2 of the preceding paragraph.
2. The card issuer shall inform the cardholder of the information provided in Subparagraph 3 of the preceding paragraph in writing or in a manner as agreed with the cardholder in advance.

Where the credit payment installment payment plan offered by a card issuer does not comply with preceding two paragraphs, the card issuer shall make adjustment within six (6) months from the date the amendment to these Regulations enters into force.

- Article 51 When a credit card business institution collects accounts receivable on its own, it shall handle the collection pursuant to the following provisions:
1. The credit card business institution shall not violate public interests or encroach on the rights of others, and shall execute its rights based on the principle of honesty and integrity.
  2. A credit card business institution can collect payment from the cardholder and his/her guarantor only, and shall not bother or demand payment from a third party unrelated to the debt of the cardholder.
  3. When a credit card business institution collects debt by phone, it shall identify the name of the institution and install a recording system. The credit card business institution shall retain related information for at least six months for audit or investigation purpose in the case of a dispute.
  4. A credit card business institution shall not resort to violence, coercion, intimidation, verbal abuse, harassment, misleading or deceptive representation, or engage in other illicit debt collection practices that invade the privacy of the debtor.
  5. When a credit card business institution visits the cardholder or a relevant third party for debt collection purpose, he/she shall identify him-/herself and the name of the financial institution, and show proof documents.
- Article 52 To protect the interests of cardholders, a credit card business institution shall establish a complaint handling procedure and set up a complaint and service hotline. It shall also post the service hotline on the back of the card, and notify the cardholders of such information in writing or by electronic document and post the same on its website.
- Unless the filing of information is waived by the Competent Authority, a card issuer shall, before filing the information on late payment by a cardholder that is more than one month overdue, compulsory suspension or closing of card account, receivable on demand, bad debt and other bad credit record of a cardholder with JCIC, notify the cardholder of the reason for filing the bad credit record with JCIC and possible effects on the cardholder in writing or by electronic document as agreed with the cardholder in advance.
- Article 53 Unless otherwise provided by other laws or the Competent Authority, credit card business institutions and merchants shall keep confidential all information on credit card applicants or holders which comes into their possession in the course of processing an application for, or the use of, credit cards by cardholders.
- The provisions of the proceeding paragraph shall also apply to information which has come into the possession of a credit card business institution or a merchant due to an official or contractual relationship.

## **Chapter Five Penal Provisions and Supplemental Provisions**

Article 54 The Competent Authority may, at any time, dispatch personnel or appoint a suitable agency to examine the business, finance or other related matters of a specialized credit card business institution or other related parties, or order a specialized credit card business institution or other related parties to provide a financial report, inventory of property or other relevant information and reports within a given time period.

If deemed necessary, the Competent Authority may appoint professional and technical personnel to review the examination items, reports or information under the preceding paragraph and submit a report thereof to the Competent Authority, at the expense of the specialized credit card business institution being examined.

Article 55 Violations of these Regulations shall be punished in accordance with the relevant provisions of the Banking Act.

Article 56 These Regulations shall be in force on the date of promulgation.