

Eligible Assets Maintenance Requirements for a Local Subsidiary Bank of a Foreign Financial Institution

(Amendments on 18 January 2016 per Order Jin-Guan-Yin-Wai-Zi No. 10450004760)

1. These Regulations are promulgated in accordance with Paragraph 2, Article 36 of the Banking Act.
2. Whenever a domestic bank whose 50% or more of the outstanding voting shares or capital stock is held directly or indirectly by a foreign financial institution (hereinafter as "subsidiary bank of a foreign financial institution in Taiwan"), the amount of the eligible assets of such subsidiary bank based on its holdings of the following asset items shall be calculated according to the assigned weights, and the total amount of holding of eligible assets of such subsidiary bank shall not be less than 40 percent of the total amount of NTD deposits accepted by it:
 - (1) NTD cash on hand is calculated at 85% of the amount.
 - (2) Certificates of Deposits Issued by the Central Bank of the Republic of China as well as NTD deposits deposited and re-deposited in the Central Bank of the Republic of China combined are calculated at 85% of the amount.
 - (3) NTD bonds and bills issued by the ROC government combined are calculated at 85% of the value.
 - (4) NTD bonds, bills, beneficial securities and asset-backed securities issued by state-run enterprises and private enterprises in the ROC are calculated at 75% of value for investment grade securities and 70% of value for non-investment grade securities.
 - (5) NTD stocks issued by the ROC enterprises are calculated at 55% of the value.
 - (6) Outstanding NTD mortgage loans extended to ROC nationals (excluding non-accrual loans) are calculated at 85%.
 - (7) Outstanding loans extended to state-run and private enterprises, government agencies and individuals in the ROC (excluding outstanding

NTD mortgage loans in the previous subparagraph) are calculated at 70% for secured loans and 60% for unsecured loans.

- (8) Total investment in real estate for own use in the ROC is calculated at 60%.
3. For a foreign financial institution whose juridical person and affiliates together directly or indirectly hold 50% or more of the outstanding voting shares or capital stock of its subsidiary bank in Taiwan, the total net asset amount (i.e., the amount of asset minus the amount of liability for each transaction) of its subsidiary bank and branch bank together shall meet the following requirements:
- (1) The daily average balance of the total net asset amount in each month shall not exceed 50% of subsidiary bank's net worth, as of the end of the preceding fiscal year. The calculation of the daily average balance shall be from the first day to the last day of the month, dividing the sum of daily balance by the number of days in the month; the daily balance of a non-business day shall be deemed as same as on the previous business day.
- (2) The daily total net asset amount shall not exceed 100% of the subsidiary bank's net worth as of the end of the preceding fiscal year.

The cash capital increase made by the subsidiary bank of a foreign financial institution in Taiwan during the year may be included in the calculation of net worth mentioned in the preceding subparagraph, and the base date for calculation shall be the date on which the certificate of capital verification is acquired.

A subsidiary bank of a foreign financial institution in Taiwan that meets the following requirements may apply to the competent authority for raising the ratio of total net asset amount to net worth referred to in the first paragraph hereof. The competent authority may, after consulting the Central Bank of the Republic of China, raise such ratio as deemed fit, which however shall not exceed 250%:

- (1) The ratio of the bank's regulatory capital to its risk-weighted assets for the most recent quarter reached the ratio in the provisions of Article 5 of

Regulations Governing the Capital Adequacy and Capital Category of Banks plus 2 percentage points;

- (2) The bank's latest CPA-audited financial report with “unqualified opinion” or “unqualified opinion subsequent to revision”, and the bank does not report loss or cumulative loss in said financial report;
 - (3) The bank's provision ratio for category 1 credit assets for the last six months is above 1%, and loan loss provision and reserve against liability on guarantees for other classes of credit assets are fully allocated;
 - (4) The bank's non-performing loan ratio is not exceed 1% and its loan loss coverage ratio is above 100% at the end of the last six months; and
 - (5) The bank's liquidity coverage ratio for the last six months is more than twice that provided in Article 3 of Standards Implementing the Liquidity Coverage Ratio of Banks.
4. The term "Investment-grade" mentioned in Point 2 refers to those that meet the criteria set forth in Article 4 of the Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest.
 5. The term "secured" mentioned in Point 2 refers to collateral provided in Article 12 of the Banking Act.