

Regulations Governing Cooperating with or Assisting Foreign Institutions in Engaging in Activities Associated with Electronic Payment Business within the Territory of the Republic of China

Chapter 1 General Provisions

Article 1 These Regulations are adopted pursuant to Paragraph 3, Article 14 of the Act Governing Electronic Payment Institutions (referred to as the “Act” hereunder).

Article 2 The terms as used in these Regulations are defined as follows:

1. "Foreign institution" shall mean an institution that is organized and registered in another country or region (including Mainland Area) and engages in business equivalent to the electronic payment business under the Act.
2. "Approved institution" shall mean an institution approved by the competent authority to cooperate with or assist foreign institutions in engaging in activities associated with electronic payment business within the territory of the Republic of China ("ROC").
3. "Electronic payment institution" shall mean specialized electronic payment institutions as well as banks, Chunghwa Post Co., Ltd. (referred to as "Chunghwa Post" hereunder) and electronic stored value card issuers engaging concurrently in electronic payment business.
4. "Electronic payment business" shall mean businesses under the subparagraphs of Paragraph 1, Article 3 of the Act.
5. "Financial information service enterprise" shall mean financial information service enterprises engaging in inter-bank funds transfer and settlement services mentioned in Article 47-3 of the Banking Act.
6. "Data processing service provider" shall mean data processing service providers that provide the services of collecting and making payments for cross-border online real transactions as an agent and have obtained a certificate of qualification issued by the Ministry of Economic Affairs before the Act become effective or obtained a recommendation from the Ministry of Economic Affairs after the Act becomes effective.
7. "Foreign natural persons without residence in Taiwan" shall mean foreign natural persons without an alien resident certificate and natural persons from the Mainland Area without holding a resident certificate for Taiwan Area.
8. "Foreign institution's payment account" shall mean an online account of a foreign institution provided to its users that is equivalent to the electronic payment account set out in the Act.
9. "Customer" shall mean payment recipients or payors in the ROC that accept the services of an approved institution.

Article 3 The following institutions may apply for approval to cooperate with or assist foreign institutions in engaging in activities associated with electronic payment business within the territory of the ROC:

1. Electronic payment institutions.
2. Banks not engaging concurrently in electronic payment business.
3. Financial information service enterprises.
4. Data processing service providers.

Article 4 The scope and modes of an approved institution cooperating with or assisting foreign institutions in engaging in activities associated with electronic payment business within the territory of the ROC are as follows:

1. Provide customers with the service of collection and payment of funds to be remitted in or out for cross-border online real transactions.
2. Provide recipient customers with the service of collecting funds paid by foreign individuals without residence in Taiwan through a foreign institution's payment account for real transactions conducted at physical channels.
3. Provide the service of collecting/paying funds withdrawn by a customer from a foreign institution's payment account and remitted into a deposit account at a bank in Taiwan under the name of the customer.
4. Provide customers with or accept customer's request to provide the service of foreign exchange settlement and foreign currency remittance for funds remitted in or out in association with services in the preceding three subparagraphs.
5. Provide financial institutions with the services of carrying out centralized payment process as well as system interfacing, data transmission and exchange with the interbank financial information network for inward or outward remittance of funds associated with services in Subparagraphs 1 ~ 3 hereof.
6. Other related activities approved by the competent authority.

Only electronic payment institutions may apply for approval to provide services under Subparagraph 2 of the preceding paragraph.

Only electronic payment institutions and banks not engaging concurrently in electronic payment business may apply for approval to provide services under Subparagraph 3 of Paragraph 1 hereof.

Only financial information service enterprises may apply for approval to provide services under Subparagraph 5 of Paragraph 1 hereof, whereas financial information service enterprises are not allowed to apply for approval to provide services under Subparagraphs 1 ~ 4 of Paragraph 1 hereof.

Where services under the subparagraphs of Paragraph 1 hereof provided by an approved institution involve foreign exchange, rules and regulations of the Central Bank of the ROC (Taiwan) ("Central Bank") shall be followed.

Article 5 Any institution without approval shall not cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC.

Chapter 2 Application and Approval

Article 6 To cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC, an institution shall apply to the competent authority for approval and obtain an approval letter therefrom before commencing the business.

The competent authority should consult the opinion of the Central Bank before granting approval pursuant to these Regulations.

Article 7 An electronic payment institution that applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC shall meet the following requirements:

1. Having obtained the business license for electronic payment institution or the permit to engage concurrently in electronic payment business issued by the competent authority; and
2. Having not had any sanction or correction imposed by the competent authority due to violation of financial regulations or improper handling of a consumer financial dispute in the past year, or if there has been any sanction or correction, having made concrete improvements recognized by the competent authority.

A bank not engaging concurrently in electronic payment business or a financial information service enterprise that applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC shall meet the following requirements:

1. Having no accumulated deficit as audited and certified by a certified public accountant in the year preceding the application; and
2. Having not had any sanction or correction imposed by the competent authority due to violation of financial regulations or improper handling of a consumer financial dispute in the past year, or if there has been any sanction or correction, having made concrete improvements recognized by the

competent authority.

A data processing service provider that applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC shall meet the following requirements:

1. Having provided the service of collection or payment of funds as an agent for online real transactions or third-party payment service for more than one year;
2. Having no accumulated deficit as audited and certified by a certified public accountant in the year preceding the application; and
3. Having not had any sanction imposed by the Ministry of Economic Affairs (MOEA) due to violation of MOEA related regulations or having not had any sanction imposed by the competent authority due to violation of financial regulations in the past year, or if there has been any sanction, having made concrete improvements over the violation recognized by MOEA or the competent authority.

Financial regulations referred to in Subparagraph 2 of Paragraph 1, Subparagraph 2 of Paragraph 2 and Subparagraph 3 of the preceding paragraph mean the Act, Act Governing Issuance of Electronic Stored Value Cards, Banking Act, Financial Holding Company Act, Trust Enterprise Act, Act Governing Bills Finance Business, Financial Assets Securitization Act, Real Estate Securitization Act, Insurance Act, Securities and Exchange Act, Futures Trading Act, Securities Investment Trust and Consulting Act, Foreign Exchange Regulation Act, Credit Cooperatives Act, Agricultural Finance Act, Farmers Association Act, Fishermen Association Act, and Money Laundering Control Act.

MOEA related regulations referred to in Subparagraph 3 of Paragraph 3 hereof mean the Company Act and Business Entity Accounting Act.

Article 8 The foreign institution that an approved institution intends to cooperate with or assist must meet the following requirements:

1. Having minimum paid-in capital equivalent to NT\$50 million, unless it is otherwise approved by the competent authority;
2. Having engaging in business comparable to the electronic payment business under the Act for more than one year;
3. Free of any material violation of the relevant regulations of local government; and
4. Other requirements prescribed by the competent authority.

Article 9 To apply for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the

territory of the ROC, the promoters or responsible persons shall submit the following documents with two copies each to the competent authority:

1. An application form;
2. The minutes of promoters' meeting or board of directors meeting of a company limited by shares or the written consent of directors of a limited company;
3. A business plan describing the scope and modes of related activities applied for, principles and direction of business operations and actual implementation methods, market prospects, risk and benefit analysis;
4. Internal business rules and description of business processes;
5. Agreements or templates therefor among relevant parties involved in related activities regarding their respective rights and obligations;
6. Description of information system and security management operations to be adopted for related business activities;
7. Description of CPA-certified clearing and settlement mechanism for business transactions;
8. Description of CPA-certified safeguard mechanism for funds collected/paid as an agent and trust agreement, performance guarantee agreement or templates therefor;
9. Documents evidencing that the foreign institution meets the requirements set forth in the preceding article; and
10. Other documents as required by the competent authority.

When a bank engaging concurrently in electronic payment business, Chunghwa Post or a bank not engaging concurrently in electronic payment business applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC, documents under Subparagraph 8 of the preceding paragraph are not required.

When a financial information service enterprise applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC, documents under Subparagraphs 5 ~ 8 of Paragraph 1 hereof are not required.

When a data processing service provider applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC, the applicant shall submit a valid certificate of qualification or a recommendation letter issued by the Ministry of Economic Affairs in addition to documents set out in Paragraph 1 hereof.

The internal business guidelines referred to in Subparagraph 4 of Paragraph 1

hereof shall contain the following items:

1. Operational manual and division of responsibilities;
2. Anti-money laundering procedures;
3. Customer identity verification mechanism;
4. Accounting methods;
5. Measures for protecting customer interests and dispute handling procedure;
6. Internal control system and internal audit system; and
7. Other items as required by the competent authority.

When a financial information service enterprise applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC, the internal business guidelines referred to in Subparagraph 4 of Paragraph 1 hereof are not required to include items set out in Subparagraphs 2 ~ 5 of the preceding paragraph.

The supporting documents referred to in Subparagraph 9 of Paragraph 1 hereof mean the following documents:

1. The foreign institution has a license or permit issued by the local competent authority, and a certification letter;
2. A statement from the foreign institution undertaking that it is free of any major violation of the local rules or regulations in the past three years; and
3. Other documents as required by the competent authority.

The certification letter provided by Subparagraph 1 of the preceding paragraph shall be notarized by a notary public appointed by the local government at where the foreign institution is located and authenticated by a ROC consulate, representative office, or liaison office abroad or other institutions authorized by the Ministry of Foreign Affairs.

Article 10 When an approved institution intends to cooperate with or assist an additional foreign institution in engaging in related activities set out in Paragraph 1 of Article 4 herein already approved by the competent authority, the approved institution only needs to submit documents set out in Subparagraphs 1 ~ 3 and Subparagraph 9, Paragraph 1 of the preceding article to the competent authority to apply for approval.

Article 11 Where an applicant that applies for approval to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC has any of the following situations, the competent authority may reject such an application:

1. The applicant does not meet the requirements set out in Article 7 and Article

8 herein.

2. The application documents contain false or untruthful information.
3. The applicant fails to provide supplemental documents or complete corrective actions required within the time period specified by the competent authority.
4. The proposed business plan lacks specifics or its implementation is apparently difficult.
5. The applicant lacks the professional expertise for managing the business that will make business operations difficult.
6. There is a national security concern.
7. There are other concerns that the applicant will not be able to operate its business soundly.

Article 12 If it is found after an approved institution has obtained approval that its application contains false information of a serious nature, the competent authority should revoke the granted approval.

Article 13 The effective period of approval received by a data processing service provider shall be the same as that of certificate of qualification or recommendation letter issued by the MOEA.

A data processing service provider shall, three months before the effective period of its approval expires, reapply for approval before continuing to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business in the ROC.

Chapter 3 Operations Management

Article 14 An approved institution may not cooperate with or assist any foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC that is not yet approved by the competent authority.

An electronic payment institution that has been approved to cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC shall be deemed as engaging in other businesses approved by the competent authority provided in Subparagraph 4, Paragraph 1, Article 3 of the Act and shall undertake operations management in accordance with these Regulations.

Article 15 An approved institution that cooperates with or assists a foreign institution in

engaging in activities associated with electronic payment business within the territory of the ROC shall comply with the following provisions:

1. Carry out transfer of funds collected/paid as an agent according to the agreement with the customer or the foreign institution without any delay.
2. Funds received from or paid to customers may be settled and cleared in NTD or foreign currency, whereas offshore funds received or paid shall be settled and cleared in foreign currency. When the settlement involves foreign exchange receipts and disbursement or transactions, an approved institution other than a banking enterprise shall mandate a banking enterprise to declare exchange settlement in the name of the mandatory.
3. When paying a customer funds collected on his/her behalf, the funds should be transferred into said customer's bank account in the same currency instead of paying the customer cash.
4. Establish a customer identity verification mechanism and retain the data obtained in the customer identification process. The preceding procedure shall apply when a customer changes his/her identity information.
5. Retain necessary customer transaction records, including transaction items, dates, amounts and currencies, as well as records on any uncompleted transactions.
6. Establish a mechanism for handling customer complaints and dispute settlement.
7. File reports on data and information relating to cooperating with or assisting a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC in accordance with the requirements of the competent authority and the Central Bank.

The retention period for data obtained in customer identification process referred to in Subparagraph 4 of the preceding paragraph shall be at least 5 years after the contractual relationship with the customer ceases to exist.

The necessary transaction records referred to in Subparagraph 5 of the preceding paragraph shall be retained for at least 5 years after the termination or completion of transaction, or longer, provided longer period of retention is required according to other regulations.

Regulations prescribed pursuant to Paragraph 3, Article 24 and Paragraph 3, Article 25 of the Act apply *mutatis mutandis* to approved institutions with respect to manner of establishment and process for customer identity verification mechanism as well as management and scope of data to be obtained in the customer identity verification process provided in Subparagraph 4 of Paragraph 1 hereof, and the scope and method of retaining necessary transaction records provided in Subparagraph 5 of Paragraph 1 hereof.

Regulations prescribed pursuant to Paragraph 4, Article 15 of the Act apply *mutatis mutandis* to approved institutions with respect to limits of transaction amount in association with services provided by approved institutions under Subparagraphs 1 and 2, Paragraph 1 of Article 4 herein.

Article 16 Specialized electronic payment institutions, and electronic stored value card issuers, data processing service providers and data processing service providers engaging concurrently in electronic payment business that cooperate with or assist a foreign institution in engaging in activities associated with electronic payment business within the territory of the ROC shall comply with the following provisions:

1. Deposit funds received as an agent into a dedicated deposit account they open with a bank and accurately record the amounts of funds received and transfer of funds.
2. Declare trust in full or obtain full guarantee from a bank for funds received as an agent.
3. Deposit and safekeep funds received as an agent in a dedicated deposit account without making use of it by any other means or instructing the bank at which they open their dedicated deposit account to make use of it by any other means.
4. Post on their website the exchange rates offered by the bank which they use as reference and the names of banks they work with.

Regulations prescribed pursuant to Paragraph 3, Article 16 of the Act apply *mutatis mutandis* to specialized electronic payment institutions as well as electronic stored value card issuers, data processing service providers and data processing service providers engaging concurrently in electronic payment business with respect to restrictions on the opening of dedicated deposit account provided in Subparagraph 1 of the preceding paragraph, its management, operating mode and other compliance matters.

Article 17 When an electronic payment institution provides services under Subparagraph 2, Paragraph 1 of Article 4 herein, it should ask the foreign institution to establish identity control mechanism for its users who are foreign individuals without residence in Taiwan.

Article 17-1 When an approved institution engages in the service of collection and payment of funds remitted in for real transactions as an agent as provided in Subparagraphs 1 and 2, Paragraph 1 of Article 4 herein, the approved institution may make advances to customers before receiving such funds transferred by

foreign institutions, provided the approved institution complies with the following conditions:

1. Not using funds of customers received as an agent as funds for the advances;
2. Confirmed that the customer has delivered or provided the product or service; and
3. Making advances without violating the terms and conditions agreed with the customer on transfer of collected/paid funds.

An approved institution shall comply with the following provisions when making an advance according to the preceding paragraph:

1. The advance shall be made in NTD only.
2. The total balance of advances made shall not exceed the amount of funds already collected and pending transfer as notified and confirmed by the foreign institutions, which, however, shall be no more than NT\$10 million.
3. The term of an advance shall last from the date on which such advance is made to the date on which the approved institution receives the collected fund transferred by a foreign institution, which, however, shall not be longer than 15 days.
4. An approved institution shall control the maximum advance amount and ratio made to the same customer, and establish risk control procedure to properly assess the advance limit to individual customers and control the risk of making advances.
5. An approved institution shall enter into a contract with the customer to agree on the rights, obligations and responsibilities of the parties relating to the fund advance business.

If a customer or foreign institution has any of the situations below, an approved institution shall stop making advances to the customer before the situation is settled:

1. The customer did not pay back the advances that are due.
2. The foreign institution did not transfer the collected funds that should have been transferred.

Specialized electronic payment institutions, and electronic stored value card issuers and data processing service providers engaging concurrently in electronic payment business that make advances to customers shall deposit the advance funds into a dedicated deposit account they open with a bank and treat the funds as funds collected/paid as an agent to carry out related operations. For the aforementioned collected funds transferred by foreign institutions and received by an approved institution, the approved institution may instruct the bank at where its dedicated deposit account is opened to transfer the funds out of the dedicated deposit account without being subject to the provisions in Subparagraphs 2 and 3 of Paragraph 1

and Paragraph 2 of Article 16 herein, provided the bank has confirmed that an advance has been made to the customer.

Paragraphs 1 and 2 hereof do not apply if the approved institution is a bank and extends credit to customers in accordance with the Banking Act.

Article 18 When a specialized electronic payment institution or data processing service provider outsources part of its services under Paragraph 1 of Article 4 herein, it shall first report to the competent authority for approval.

When a specialized electronic payment institution or data processing service provider outsources part of its services under Paragraph 1 of Article 4 herein, the outsourced operations shall be limited to the following:

1. Accepting cash payments for cross-border online real transactions.
2. Safekeeping and transporting proceeds from cross-border online real transactions.
3. Data processing, including data entry, processing, and export of information system, development, monitoring and maintenance of information system, and logistic support for data processing in connection with the business conducted.
4. Safekeeping of documents such as forms, statements and certificates.
5. Customer service operations, including automated voice system, reply to and processing of customer e-mails, and counseling and assistance relating to services under Paragraph 1 of Article 4 herein.
6. Other operations that may be outsourced as approved by the competent authority.

A specialized electronic payment institution or data processing service provider that outsources its operations shall comply with the following provisions:

1. Drawing up internal operating systems and procedures for scope of outsourcing, protection of customer interests, risk management and internal control principles which are adopted by resolution of the board of directors in case of a company limited by shares or the written consent of directors in case of a limited company; the same provision applies to any amendment to the aforementioned systems and procedures.
2. Assuring that the outsourced service provider meets the requirements of the approved institution for operational security and risk management.
3. Requiring that the outsourced service provider does not violate any mandatory or prohibitive provisions.
4. Requiring the outsourced service provider to agree that the competent authority and the Central Bank may access relevant data or reports and conduct financial examination with respect to the outsourced items.

5. The specialized electronic payment institution or data processing service provider shall be held equally responsible for its customers as provided by law if an intentional act or negligence of its outsourced service provider or the employee of the service provider results in damage to customer interests.

When a dual-status electronic payment institution or a bank not engaging concurrently in electronic payment business outsources operations in connection with services under Paragraph 1 of Article 4 herein, the provisions of Paragraph 2 hereof apply to the scope of its outsourcing, and in addition, the applicable regulations governing outsourcing of operations for its core business shall be followed.

Article 19 The competent authority may at any time dispatch officers or appoint a suitable agency to examine the business, finance or other relevant items of a data processing service provider in connection with its services under Paragraph 1 of Article 4 herein, or order the data processing service provider to submit financial report, inventory of property, or other relevant information and reports within a specified time period.

If deemed necessary, the competent authority may designate a professional expert or technical personnel to inspect the items, reports or information subject to examination according to the preceding paragraph, and submit an inspection report to the competent authority. The expenses thus incurred shall be borne by the data processing service provider.

Article 20 When a financial information service enterprise provides services under Subparagraph 5, Paragraph 1 of Article 4 herein, its operations management shall be governed by the Regulations Governing Approval and Administration of Financial Information Service Enterprises Engaging in Interbank Funds Transfer and Settlement, where the provisions in this chapter, except for Paragraph 1 of Article 14 and Subparagraph 7, Paragraph 1 of Article 15, do not apply.

Article 21 Where an approved institution or an approved institution becomes aware that the foreign institution it cooperates with or assists has any of the following situations, the approved institution shall promptly propose a relevant response plan and report the matter to the competent authority:

1. Accumulated loss exceeds one half (1/2) of its paid-in capital.
2. Merger or transferring all or an essential part of business or assets to others.
3. Enter into, amend, or terminate any contract for lease of the company's business.
4. Having the incidence of bounced check due to insufficient funds, being

denied services by banks, or having other events that cause loss of good credit standings.

5. Having a litigious or non-litigious event, or an administrative disposition or administrative lawsuit that has material impact on the finance or business of the institution.
6. Having a fraud or material deficiency in internal controls.
7. Having an information security breach that results in damage to the interests of customers or affects the sound operation of the institution.
8. Other significant events that are sufficient to affect the operation or the interests of shareholders.

Article 22 Where an approved institution plans to terminate part or all of related activities set out in Paragraph 1 of Article 4 herein, it shall apply to the competent authority for approval by submitting a plan.

An approved institution that plans to suspend part of related activities set out in Paragraph 1 of Article 4 herein shall apply to the competent authority for approval by submitting a plan, information on the duration of planned suspension and other necessary information. When the approved institution plans to resume business, it shall report in writing to the competent authority for reference in advance.

The plans mentioned in the preceding two paragraphs shall state the following:

1. The reason for the planned termination or suspension; and
2. A concrete description of the handling of existing customers' rights and obligations or alternative methods for providing services.

Chapter 4 Supplemental Provisions

Article 23 If an approved institution's operations do not meet the requirements set out in these Regulations when the competent authority grants approval pursuant to Article 56 of the Act, the competent authority shall order the approved institution to make adjustment within a specified period of time.

Article 24 These Regulations shall be in force on May 3, 2015.

The amended articles of these Regulations shall be in force on the date of promulgation.