

TitleThe Act Governing Bills Finance Business<sup>Ch</sup>Amended

Date2018.01.31CategoryFinancial Supervisory Commission ( 金融監督管理委員會 )

## CHAPTER I GENERAL PRINCIPLES

- Article 1 This Act is enacted to strengthen the supervision and management of Bills Houses, to meet national financial policies, to promote the sound development of the money market, and to protect buyers/sellers rights in the market.
- Article 2 The supervision of Bills Houses and bills finance activities shall be governed by this Act; matters not provided for in this Act shall be governed by other relevant laws.
- Article 3 The term, "Competent Authority", as used in this Act, shall mean the Financial Supervisory Commission.
- Article 4 The following terms as used in this Act shall have the following meanings:
1. "Short-Term Bill" shall mean a debt instrument maturing within one(1) year, being a:
    - (1) Treasury bills;
    - (2) Negotiable certificates of deposit issued by a bank;
    - (3) Commercial papers or bills of exchange issued by a company or a state owned enterprise or institution; or
    - (4) Another debt instrument designated by the Competent Authority.
  2. "Bills Finance Business" shall mean the business of certifying, underwriting, brokering, and trading Short-Term Bills;
  3. "Bills Finance Company" shall mean a company limited by shares established for the purpose of operating, and licensed by the Competent Authority to conduct Bills Finance Business;
  4. "Bills House" shall mean a Bills Finance Company or a financial institution approved by the Competent Authority to operate Bills Finance Business;
  5. "Certification" shall mean the authentication, under the authorization of an issuer, of signatures on the issuer's Short-Term Bills or bonds, review of matters which must be recorded, and issuance of a certificate authenticating a signature;

6. "Underwriting" shall mean underwriting, as agent of an issuer, such issuer's Short-Term Bills or bonds pursuant to an underwriting contract;
7. "Brokering" shall mean acting as an intermediary in the buying and selling of Short-Term Bills or bonds;
8. "Trading" shall mean buying and selling Short-Term Bills or bonds to/from customers for one's own account as a dealer; and
9. "Repo and Reverse Repo" shall mean a transaction where a seller or a buyer agree to buy or sell back the original Short-Term Bills or bonds at a mutually agreed price and date.

Article 5      A Bills House shall not certify, underwrite, broker or trade, an issuer's Short-Term Bills that are not rated by a credit rating agency except for the following which are exempt from this rating requirement;

1. Treasury notes;
2. Commercial papers or bills of exchange endorsed by the recipient as part of the sale of goods or services; and
3. Short-Term Bills guaranteed by a financial institution which institution is rated by a credit rating agency.

Article 6      A firm which is not a Bills House, shall not engage in the business of certifying, underwriting, brokering or trading Short-Term Bills.

Article 7      A firm conducting centralized custody, settlement, and clearing of Short-Term Bills is not allowed to engage in the above business until receiving approval from the competent authority. However, if the transfer or clearing business involves large sums, approval from the Central Bank of China ("CBC") shall also be required.

The conditions and procedures for applying for the approval referred to in the preceding paragraph, the conditions under which such approval will be revoked, and regulations governing the relevant business scope, capital and staff, as well as other relevant matters, shall be prescribed by the Competent Authority after consulting with the CBC.

- Article 8 No firm other than a Bills House may use a name that may lead the public to believe that the firm is a Bills House.  
The name of a Bills Finance Company shall include the words "Bills Finance".
- Article 9 The minimum paid-in capital of a Bills Finance Company shall be as determined or adjusted, as applicable, by the Competent Authority based on economic conditions.  
In the event that a Bills Finance Company's paid-in capital falls below such minimum [as the result of] an adjustment as above, the Competent Authority shall prescribe a period of time within which such Bills Finance Company shall increase its capital [to meet the adjusted requirement]. If a Bills Finance Company fails to increase its capital within this period its operating approval shall be revoked.
- Article 10 If, during any given month, a director, supervisor, manager and/or any person who holds more than ten percent (10%) of the issued voting shares of a Bills Finance Company changes its/his/her shareholding, such person shall notify the company of the change by the fifth (5th) day of the following month and the company shall, prior to the fifteenth (15th) day of such month, report the change to the Competent Authority or the institution designated by the Competent Authority.  
The term "such person" as used in the preceding paragraph shall include a spouse, minor children and any nominee.  
If shares held by persons referred to in Paragraph 1 [of this article], are pledged, the pledgor shall notify the Bills Finance Company thereof immediately and the Bills Finance Company shall report such pledge to the Competent Authority or the institution designated by the Competent Authority within five (5) days after the date of the pledge.
- Article 11 Guidelines for qualifications of the responsible person of a Bills House and other guidelines which responsible persons must follow shall be prescribed by the Competent

Authority.

Neither the responsible person nor any staff member of a Bills House shall accept, under any pretense,

commissions, rebates or any other unwarranted benefit from customers, buyers/sellers, guarantors or others.

Neither the responsible person nor any staff member of a Bills Finance Company may concurrently hold a position in another Bills Finance Company except in the capacity of a director or supervisor of an invested Bills Finance Company or financial institution owing to an investment relationship and then only with the prior approval of the Competent Authority.

- Article 12     The business staff members of a Bills House shall be registered with the Bills Houses Association ("BHA") prior to commencing their work.
- Regulations regarding the qualifications of the business staff of a Bills House, staff registration, training and other management matters [for such staff] shall be as prescribed by the Competent Authority.
- A person who has served on the business staff of a Bills House prior to this Act coming into effect shall register with the BHA within six (6) months for the day this Act comes into effect in order to continue in their position. No one may continue in their position after said (6) months absent registration with the BHA.
- The business staff of a Bills House, who has registered pursuant to the preceding paragraph, shall achieve the qualifications referred to in Paragraph 2 [of this article] within three (3) years from the date this Act comes into effect. If he/she does not achieve such qualifications within said period, the BHA shall revoke his/her registration.

## CHAPTER II ESTABLISHMENT AND AMENDMENT

- Article 13     In order to establish a Bills Finance Company, the applicant shall submit an application containing the following information to the Competent Authority for approval:

1. [Proposed] name of the Bills Finance Company;
2. Total paid-in capital;
3. Business plan;
4. Location of the head offices and branch offices; and
5. The name, curriculum vitae, residence and number of shares subscribed to by each promoter.

Article 14     The requirements and procedures to apply for a Bills Finance Company license in accordance with the preceding paragraph, the minimum capital, the necessary qualifications for promoters, the contents of the business plan and other requirements, shall be as determined by the Competent Authority.

Article 15     After receiving approval from the Competent Authority to operate a Bills Finance Company, a company shall be established in accordance with the Company Act. Such Bills Finance Company shall, after its capital has been fully paid-in and its company registration has been completed, apply for a business license from the Competent Authority by submitting the following documents to the Competent Authority:

1. Its Company registration Certificate;
2. A verification statement of its capital;
3. A verification that the required security deposit has been posted;
4. Its Articles of Incorporation;
5. Its shareholders roster and minutes of its [initial] shareholders meeting;
6. Its directors roster and minutes of the [initial] directors meeting and if there are managing directors, the managing directors roster and minutes of the [initial] managing directors meeting;
7. Its supervisors roster and minutes of the [initial] supervisors meeting; and
8. Other documents as required by the Competent Authority.

Article 16     Neither the head office nor the branch offices of a Bills Finance Company shall commence operations unless and

until the Competent Authority has issued a business license to such Bills Finance Company.

The establishment, relocation, suspension of business, resumption of business and dissolution of a Bill Finance Company' s branch offices shall require the approval of the Competent Authority and the Competent Authority shall promulgate regulations governing such events.

The establishment, relocation or dissolution or closure of a non-operating office of a Bills Company shall require the approval of the Competent Authority and the Competent Authority shall promulgate regulations governing such events.

Article 17 A financial institution wishing to concurrently operate a Bill House shall apply to the Competent Authority for approval to do so. The Competent Authority shall establish application criteria, required documents, business scope and other requirements.

Article 18 From the time that a Bill Finance Company or its branch commences its business, it shall [at all times] display its business license as issued by the Competent Authority at its head office or its branch offices.

Article 19 Changes to the following particulars of a Bills Finance Company shall require the approval of the Competent Authority:

1. Company name;
2. Paid-in capital;
3. General Manager;
4. Location of the head office; and
5. Other matters as designated by the Competent Authority.

Article 20 If the particulars listed on the business license of a Bills Finance Company change, the Bills Finance Company shall apply to the Competent Authority for a new business license.

### CHAPTER III BUSINESS

Article 21 The Competent Authority shall determine the business permitted to be offered by a Bills Finance Company

within the scope set out below. The Competent Authority may establish separate permitted business for a Bills Finance Company's head office and for its branch offices. The permitted business shall be specified on the business license.

1. Certifying and underwriting Short-Term Bills;
  2. Certifying and underwriting financial bonds;
  3. Brokering and trading Short-Term Bills;
  4. Brokering and trading financial bonds;
  5. Brokering and trading government bonds;
  6. Guaranteeing and endorsing Short-Term bills;
  7. Providing financial consulting services to enterprises;
- and
8. Other business as authorized by the Competent Authority.

If the provision of any of the above business involves foreign exchange, then CBC's approval shall also be required. If the provision of the above business involves government or corporate bonds, approval from the Competent Securities Authority shall also be required. A Bills Finance Company may not conduct any business not permitted by the Competent Authority.

Article 22 If a Bills Finance Company certifies, underwrites, brokers or trades in Short-Term Bills or bonds, as referred to in the first paragraph of the preceding article, it shall record the time, type, amount and customer name for each transaction.

A financial institution concurrently engaging in Bills Finance business shall be subject to the preceding paragraph.

Article 23 The minimum trading par value of Short-Term Bills shall be as prescribed by the Competent Authority after consulting with the CBC.

The par value of a Commercial paper underwritten by a Bills House, shall be prescribed by the Competent Authority after consulting with the CBC.

Article 24 A Bills Finance Company trading in Short-Term Bills or

bonds, as referred to in Article 21, Paragraph 1, shall publicly disclose the bid and offer prices pursuant to rules [to be] issued by the Competent Authority.

A Bills Finance Company which has committed to a price and/or quantity shall execute the trade at said price and in said quantity.

The preceding two paragraphs shall also apply to financial institutions concurrently operating a Bill House business and trading in Short-Term Bills.

Article 25 A Bills House that certifies, underwrites, brokers, trades, guarantees or endorses Short-Term Bills or bonds, and conducts other businesses, etc. shall, unless otherwise required by law or by the Competent Authority, keep confidential all information regarding a customer's finances, business, and trading activities.

Article 26 Short-Term Bills may be issued in physical or dematerialized forms. Except for treasury bills, short-term bills issued in physical forms shall be delivered to the central depository custody institution for custody; those issued in dematerialized forms shall be registered by the central depository custody institution for issuance. Settlement for transaction in Short-Term Bills under the custody of or registered with the central depository custody institution as referred to in the preceding paragraph, shall be effected through book-entry transfer. The guidelines governing the book-entry transfer operation and the issuance, registration, and relevant matters for short-term bills issued in dematerialized forms shall be prescribed by the Competent Authority after consulting with the CBC. Short-Term Bills held or registered in the central custody institution may be pledged and the creation of the pledge may be effected through book-entry transfer and Article 908 of the Civil Code shall not be applicable. Transfer, inheritance and pledge of the Short-term Bills registered by the central custody institution for issuance shall not be valid against any third party unless such transfer, inheritance and pledge of the Short-Term Bills



has been registered under the guidelines established by the central competence authority referred to in the Paragraph 2.

In the event that the payment for the dematerialized short-term bills registered by the central custody institution is dishonored upon their maturity, the central custody institution shall issue the certifying documents of debt and non-payment to the holder.

The certifying documents of non-payment received by the aforesaid holder through notification shall be as the protest in the Law of Negotiable Instruments.

In the case that the dematerialized short-term bills issued in the forms of the promissory notes of a company or a state-run business is dishonored by non-payment upon their maturity, and the holder thereof and upon received the aforesaid certifying documents of debt and non-payment, the holder may, in accordance with Article 123 of the Negotiable Instruments Act, petition a competent court for a ruling granting compulsory execution.

Article 27      A Bills House shall conduct its certification business with the care of a good administrator.

The types of Short-Term Bills which [must] be certified by a Bills House shall be as prescribed by the Competent Authority.

Article 28      Transaction terms for Short-Term Bills or bonds traded or held by a Bills House which are issued by a [related] enterprise listed below (Related Party), shall be not more favorable than the terms for similar transactions with similar [non-related] parties and shall be (i) guaranteed or accepted by a financial institution which has been rated at or above a certain rating [level prescribed by the Competent Authority] or (ii) issued by a Related Party issuer which is rated at or above a certain rating [level to be prescribed by a Competent Authority] by a credit rating agency. Except for negotiable time deposit certificates and financial bonds issued by a bank, the total amount [of the above Related Party issued Bills/bonds] a Bills House may

hold shall be restricted. [The following are Related Parties]:

1. An Enterprise that is, itself or through a representative, a director or supervisor of a Bills House; or
2. A shareholder holding more than three percent (3%) of the paid-in capital of a Bills House, or an entity in which the responsible person of a Bills House serves as a director, supervisor, or manager.

The definition of transaction terms, similar [non-related] parties, total holding amount and required minimum ratings shall be prescribed by the competent authority after consulting with the CBC.

Article 29 When a Bills House underwrites, guarantees or, endorses Commercial papers, it shall make a detailed and accurate credit assessment for the issuing company, confirm such company' s issuing plans and sources of repayment, and obtain audited financial statements, to determine the amount of underwriting, guarantee, or endorsement. This requirement shall not apply to Commercial papers guaranteed by other financial institutions.

Article 30 The Competent Authority may prescribe restrictions on a Bills Finance Company that guarantees or endorses [multiple] Short-Term Bills of a single enterprise, single related person or the same related enterprises.

"Related enterprises" as used in the preceding paragraph shall have the meaning ascribed thereto in Articles 369-1 through 369-3, Article 369-9 and Article 369-11, of the Company Act; "same related person" shall mean an enterprise which has received a guarantee from a Bills Finance Company and another enterprise which has one of the following relationships with such enterprise:

1. The chairman or the manager [of the two enterprises] is the same or such persons are husband and wife or lineal relatives by blood;
2. The guarantor or third party security provider [for the two enterprises] is the same person or entity or two (2) or more of such guarantors or third party security providers are the same persons or entities; or

3. Such enterprise is the guarantor or the pledgor for the other enterprise.

The "same person" as used in the preceding paragraph, Item 2, shall mean the same natural person or legal entity; "guarantor" as used in Items 2 and 3 [of the preceding paragraph], shall not include the competent public treasury authority at all levels of government or a credit guarantee institution approved by the government.

Article 31 The total outstanding amount of guaranteed or endorsed Short-Term Bills by a Bills Finance Company shall be determined by the Competent Authority after consulting with the CBC.

In order to improve the operations of a Bills Finance Company, the Competent Authority may, after consulting with the CBC, when necessary, restrict the total outstanding amount of guarantees and endorsements for Short-Term Bills by a Bills Finance Company.

#### CHAPTER IV FINANCE

Article 32 A Bills Finance Company shall establish internal control systems and procedures for evaluating the quality of its assets, creation of loss reserves, clearing of the past due credit extensions and the disposition or transfer of bad debts. Applicable regulations with respect to the above system and procedures shall be established by the Competent Authority.

Article 33 In order to improve the financial condition of Bills Houses, the Competent Authority may, after consulting with the CBC, when necessary, impose restrictions on the business offered by, and the financial ratios of, a Bills House.

If a Bills House fails to comply with the restrictions referred to in the preceding paragraph may have the distribution of dividends restricted or face other punishment as decided by the Competent Authority.

Article 34 A Bills Company shall, at the time it distributes its profits for each fiscal year, set aside thirty percent (30%) of its after-tax profits as a legal reserve.

Unless and until the accumulated legal reserve equals a Bills Company's paid-in capital, the maximum cash dividends which may be distributed [each year] shall not exceed fifteen percent (15%) of a Bills Finance Company's paid-in capital. Once the accumulated legal reserve equals or exceeds a Bills Company's paid-in capital, the foregoing paragraph shall not apply. In addition to the required legal reserve, a Bills Finance Company may set aside a special reserve in accordance with its Articles of Incorporation or a resolution of its shareholders.

- Article 35 At the end of each fiscal year, each Bills Finance Company shall prepare and submit its annual report, business report, balance sheet, property inventory, income statement, statement of shareholder's equity, cash flow statement, the determination of profit distribution or make up of losses and other items designated by the Competent Authority to the Competent Authority for recordation, within fifteen (15) days after such reports are approved by an annual shareholders meeting. The matters to be included in such annual report shall be as prescribed by the Competent Authority.
- A Bills Finance Company shall publish its balance sheet, income statement, statement of shareholders' equity, cash flow statement and other items specified by the Competent Authority in a daily newspaper in the place where such Bills Finance Company is located or in such other manner as may be designated by the Competent Authority; provided, that, if a Bills Finance Company complies with Article 36 of the Securities Exchange Act, the above publication shall not be required.
- The reports and statements required to be published under the preceding paragraph shall be audited and certified by a certified public accountant.

- Article 36 A Bills House shall post with the CBC or in a depository bank designated by the CBC a bond in cash, government bonds, financial bonds, corporate bonds or other bonds or notes acceptable by the CBC. The amount, purpose and

administration related to such bond shall be as prescribed by the Competent Authority after consulting with the CBC.

Article 37 The tenor and total outstandings amount of "inter market" borrowing by a Bills Finance Company from financial institutions shall be prescribed by the Competent Authority after consulting with the CBC.

Article 38 A Bills House engaging in repo and reverse repo transactions shall do so in accordance with a written agreements and on the dates agreed to in such written agreement.

The aggregate transaction amount for the transactions described in the preceding paragraph shall be as determined by the Competent Authority after consulting with the CBC.

Article 39 The total amount of corporate bonds that can be issued by a Bills Finance Company shall be set by the Competent Authority after consulting with the CBC. Article 247 of the Company Act and Article 28-4 of the Securities and Exchange Act shall not apply to such issues.

Article 40 A Bills Finance Company shall not invest in other enterprises. However, in connection with a government economic development plan, or financial policy and with the Competent Authorities approval, a Bills Company may invest in financial related enterprises, enterprises related to its business, or enterprises permitted to be invested in by the Competent Authority prior to the promulgation of this Act. The counterparties, amount, management and other matters related to such investments shall be subject to the regulations promulgated by the Competent Authority. A Bills Finance Company investment in bonds and derivatives shall be subject to restrictions prescribed by the Competent Authority after consulting with the CBC. A Bills Finance Company may invest not more than thirty percent (30%) of its net worth at the time such investment is made in real estate for its own use.

A Bills Company shall not invest in real estate other than

for its own use, unless:

1. A substantial portion of the real estate is for its own use;
2. The real estate will be for its own use in the near future;
- or
3. A substantial portion of the originally owned and later redeveloped real estate is for its own use.

A Bills Finance Company may not invest more than ten percent (10%) of its net worth in real estate not for its own use in accordance with the exceptions in the preceding paragraph. The total amount that a Bills Finance Company may invest in real estate not for its own use plus the total amount a Bills Finance Company invest in real estate for its own use shall not exceed thirty percent (30%) of a Bills Finance Company's net worth at the time of the investment in said real estate.

Should a Bills Finance Company enter into a real estate transaction with an entity in which the Bills Finance Company holds more than three percent (3%) of the paid-in capital, or with the responsible person(s) or staff members or major shareholders of the Bills Finance Company, or with an interested party of the Bills Finance Company's responsible person, the Bills Finance Company shall do so at arms length and obtain the consent of more than three-quarters (3/4) of the Bills Finance Company's directors present at a board meeting where at least two-thirds (2/3) of the directors are present.

Article 41     The ratio between equity capital and risk weighted assets of a Bills Finance Company shall not be less than eight percent (8%). If a Bills Finance Company is required by the Competent Authority to produce consolidated financial statements, such Bills Finance Company shall also meet the above ratio requirement on a consolidated basis. The formula for calculating the aforesaid equity capital and risk assets shall be as prescribed by the Competent Authority. In order to improve the conduct of a Bills Finance Company's management, when necessary, the Competent Authority may set restrictions on a Bills

Finance Company's risk assets.

If the actual ratio of a Bills Finance Company is lower than the required ratio referred to in Paragraph 1, above, the Competent Authority may prohibit such Bills Finance Company from distributing dividends and/or take other necessary actions. Applicable regulations with respect to the above matters shall be as prescribed by the Competent Authority.

- Article 42     The BHA shall establish a [model] accounting system to be used by Bills House pursuant to relevant laws and regulations and submit said system to the Competent Authority.

## CHAPTER V SUPERVISION AND MANAGEMENT OF A BILLS HOUSE

- Article 43     A Bills House shall establish an internal control and audit system. Applicable regulations with respect to such systems shall be as prescribed by the Competent Authority.

- Article 44     A Bills House shall submit statements, reports and other documents related to its business to the Competent Authority within the period(s) of time prescribed by the Competent Authority or the CBC.

When necessary, the Competent Authority may order related parties of a Bills House to submit financial statements, property inventories and other relevant documents within a prescribed period of time.

- Article 45     The Competent Authority may, at any time, appoint a designee or entrust an appropriate institution to examine the business, financial affairs and other activities of a Bills House or its related parties.

When necessary, the Competent Authority may appoint a specialist or technical person to verify, and report to the Competent Authority on the matters set out in the preceding paragraph. Any fees arising there from shall be borne by the relevant Bills House.

- Article 46     A Bill House shall immediately evaluate and implement reform measures when so ordered by the Competent

Authority. Measures which have been or are about to be implemented shall be reported to a directors meeting.

At the meeting referred to in the preceding paragraph the supervisors should be informed of the measures so ordered to be implemented.

The preceding two articles and the preceding two paragraphs [of this article] shall apply to the institutions referred to in Article 7, Paragraph 1, of this Act.

- Article 47 If the accumulated losses of a Bills Finance Company exceed one-fifth (1/5) of its paid-in capital, it shall immediately report its financial situation and the causes of its losses to the Competent Authority and the CBC. In the above-described circumstances, the Competent Authority may require the Bills Company to correct such capital deficit within a prescribed period of time or restrict its business. If the Bills Finance Company fails to correct such capital deficit within such prescribed period of time, it shall be ordered to suspend its business.
- Article 48 With the approval of the Competent Authority, a Bills Finance Company may, during a fiscal year, reduce its capital and outstanding shares to the extent of its losses including losses during such by current fiscal year. If a Bills Finance Company will issue new shares during a period when it is under supervision, taken over by officials appointed by the Competent Authority or had its business suspended by the Competent Authority, the Competent Authority may restrict the percentage of the new shares which may be subscribed to by current shareholders.
- Article 49 Articles 32 through 33-2, and Articles 33-4 through 33-5 of the Banking Act shall apply to a Bills Finance Company which conducts a credit extension business by guaranteeing and endorsing Short-Term Bills.
- Article 50 Unless the conditions of Article 40 [of this Act] applies, Article 76 of the Banking Act shall apply to the period of time within which a Bills Finance Company must dispose of shares or real estate acquired by foreclosure on a pledge



or mortgage.

- Article 51 Article 61-1 of the Banking Act shall apply to where there is a suspicion that a Bills Finance Company has violated laws and regulations or its Articles of Incorporation or has disturbed the sound operation [of the financial system].
- Article 52 Articles 62 through 62-9 of the Banking Act shall apply to a Bills Finance Company which due to obvious adverse changes in its business or financial status, fails to pay its debts when due or risks damage to its customers' interests.
- Article 53 Article 61 and Articles 65 through 69 of the Banking Act shall apply to a Bills Finance Company which is suspended or to be dissolved.

#### CHAPTER VI BILLs FINANCE COMPANIES ASSOCIATION

- Article 54 A Bills House shall apply to join the BHA. The BHA shall not reject an applicant without due cause or impose inappropriate requirements on the applicant.
- Article 55 In order to improve the sound operation, and protect the reputations, of its members the BHA shall:
1. Assist the Competent Authority to research and improve financial policy, laws and regulations;
  2. Prescribe business regulations or self-disciplinary rules and submit to the Competent Authority for reference;
  3. Mediate or resolve member disputes as necessary to meet the business needs of its members;
  4. Handle other matters as designated by the Competent Authority; and
  5. Provide other services necessary to meet the BHA's purposes.
- Article 56 The BHA's activities shall be directed and supervised by the Competent Authority.
- In the event that the directors or supervisor of the BHA violate any Act or regulation, violate the BHA' s Articles of Incorporation, delay carrying out the BHA' s obligations, abuse their authority, or act in bad faith, the Competent Authority shall order the BHA to correct such behavior or shall order the BHA to discharge those

responsible.

Article 57 Amendments to articles of the BHA and minutes of board of directors or supervisors meetings, shall be submitted to the Competent Authority for reference.

## CHAPTER VII PENAL PROVISIONS

Article 58 The responsible person or staff of a Bills Finance Company may be punished to a fixed-term imprisonment of not less than 3 years and not more than 10 years, plus an applicable fine of not less than NT\$10,000,000 and not more than NT\$200,000,000, for causing any damage to the property or other interests owned by the Bills Finance Company by committing any conduct in violation of their job responsibilities with the intent of receiving illegal gains for the interest of such individual or any third party, or to cause any damage to the Bills Finance Company. If the valuables or property interests acquired from such criminal conduct has exceeded NT\$100,000,000, a punishment of fixed-term imprisonment for not less than 7 years, plus an applicable fine of not less than NT\$25,000,000 and not more than NT\$500,000,000 will be imposed.

If the responsible person(s) and two or more staff members jointly commit the acts described in the preceding paragraph, the punishment may be increased by up to one-half of the above specified punishment.

Commencement of the acts described in Paragraph 1, above, without completion thereof shall be [equally] punishable.

Article 58-1 Whoever, with the intent of taking possession for that individual or any third party, causes the Bills Finance Company to deliver any valuable of the Bills Finance Company or any third party by fraud, or produces any record of acquisition or loss, or change of property right by entering false information or wrongful direction into a computer or relevant equipment of the Bills Finance Company, will be punished to a fixed-term imprisonment of not less than 3 years and not more than 10 years, plus

an applicable fine of not less than NT\$10,000,000 and not more than NT\$200,000,000 if the valuables or property interests acquired from such criminal conduct has exceeded NT\$100,000,000.

A person who by the means specified in the preceding paragraphs procures an illegal benefit for himself or for a third person shall be subject to the same punishment.

Commencement of the acts described in the preceding two paragraphs without completion thereof shall be [equally] punishable.

Article 58-2 An offender of Articles 58 or 58-1 who turns himself in after committing the crime and voluntarily submits any or all of the criminal gains shall have a lighter or discharge of punishment imposed; if another offender or an accomplice is discovered, the punishment shall be discharged.

An offender of Articles 58 or 58-1 who confesses during the investigation and voluntarily submits any or all of the criminal gains shall have a lighter punishment imposed; if another offender or an accomplice is discovered, the punishment shall be reduced to one-half of the original penalty.

If the criminal gain of any valuables or property interests acquired by an offender of Articles 58, Paragraph 1 or 58-1 Paragraph 1 and Paragraph 2 has exceeded the maximum fine, the penalty may be increased up to the amount of such criminal gain of any valuables or property interests; the punishment shall be increased for another one-half of the original penalty if the stability of the financial market is harmed thereof.

Article 58-3 Where a gratuitous act done by a responsible person or staff member of a Bills Finance Company under Article 58, Paragraph 1, or by a committer of a violation under

Article 58-1, Paragraph 1, is prejudicial to the rights of a Bills Finance Company, the Bills Finance Company may apply to the court to cancel such act.

Where a non-gratuitous act done by a responsible person or staff member of a Bills Finance Company or a committer of a violation as referred to in the preceding paragraph is done with the knowledge, at the time of commission, that it would be prejudicial to the rights of a Bills Finance Company, and the beneficiary of the act also knows such circumstances at the time the benefit is received, the Bills Finance Company may apply to the court to cancel such act.

When applying to the court for cancellation under either of the preceding two paragraphs, a party may also apply to the court to order the beneficiary or any party to whom the benefit has been transferred to restore the status quo ante; provided, this shall not apply where the party to whom the benefit has been transferred was not aware at the time of transfer that there was any cause for cancellation.

Any disposition of property between a responsible person or staff member of a Bills Finance Company or a committer of a violation as referred to in Paragraph 1, and such person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a gratuitous act.

Any disposition of property between a responsible person or staff member of a Bills Finance Company or a committer of a violation as referred to in Paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a gratuitous act.

The right to cancellation under Paragraphs 1 and 2 shall be extinguished one year after the time the Bills Finance Company is aware of any cause for cancellation if the Bills Finance Company fails to exercise the right, or ten years after the time of the act.

Article 58-4 The crimes set forth in Paragraph 1 of Article 58 and Paragraph 1 of Article 58-1 are serious crimes as defined in Article 3, Paragraph 1, of the Money Laundering

Control Act, and are subject to the application of relevant provisions of the Money Laundering Control Act.

Article 59 In the event of a violation of measures ordered by the Competent Authority pursuant to Article 52, (applying Article 62, Paragraph 1 of the Banking Act), which is sufficient to cause damage to others or the public, the person(s) responsible for the violation shall be punishable by imprisonment for not less than one (1) year and not more than seven (7) years, and [at the discretion of the court] a fine of not more than twenty million New Taiwan Dollars (NT\$20,000,000).

Commission of any of the following acts by a Bills Finance Company's responsible person or staff members in connection with the Competent Authority having sent officials to supervise or take over the business operations of the Bills Finance Company, an order to suspend the business, or resolution measures shall be punishable by imprisonment for not less than one (1) year and not more than seven (7) years and [at the discretion of the court] a fine of not more than twenty million New Taiwan Dollars (NT\$20,000,000):

1. Refusing to deliver the books, documents, chops and assets related to the Bills Finance Company's business or financing to the supervisors, receivers or resolution managers designated by the Competent Authority, refusing to provide information as to necessary matters in connection with the assets and liabilities of the Bills Finance Company to such persons, or refusing such persons' request to carry out necessary acts for supervising, taking over or resolving said Company;
2. Concealing or destroying the books or other documents regarding the Bills Finance Company's business or financial condition;
3. Concealing or destroying the Bills Finance Company's properties, or other acts to the detriment of creditors;
4. Failing to reply, without justification, to inquiries from officials sent by the Competent Authority to supervise or take over or to take steps to resolve the Bills Finance

Company's business operations; or  
5. Fabricating claims or accepting false claims.

Article 60 In the event of a violation of Article 49 [of this Act](applying Articles 32, 33, 33-2 or 33-4 of the Banking Act), the person(s) responsible for the violation shall be punishable by imprisonment for not more than three (3) years, or detention, and/or a fine of not less than five million New Taiwan Dollars (NT\$5,000,000) and not more than twenty-five million New Taiwan Dollars (NT\$25,000,000).

In the event that the amount of credit extended by a Bills Company exceeds the maximum amount prescribed by the Competent Authority under Article 49 [of this Act] (applying Article 33, Paragraph 1, of the Banking Act), without obtaining approval from not less than three-quarters of the directors present at a board meeting at which not less than two-thirds of the directors are present, or a violation of the credit limit or total outstanding credit as prescribed by the Competent Authority under Article 49 [of this Act] (applying Article 33, Paragraph 2, of the Banking Act), the person(s) responsible for the violation shall be punishable by a fine of not less than two million New Taiwan Dollars (NT\$2,000,000) and not more than ten million New Taiwan Dollars (NT\$10,000,000) and the preceding paragraph shall not apply.

Article 61 In the event of a violation of Article 6 or Article 8, Paragraph 1, the person(s) responsible for the violation shall be punishable by imprisonment for not more than three (3) years, or detention, and/or a fine of not more than five million New Taiwan Dollars (NT\$5,000,000).

Article 62 In the event of a violation of Article 11, Paragraph 2 [of this Act], the responsible person or staff members of a Bills House shall be punishable by imprisonment for not more than three (3) years, or detention, and/or a fine of not more than five million New Taiwan Dollars (NT\$5,000,000).

Article 63 If the responsible person(s) or a staff member of a Bills Finance Company violates Article 11, Paragraph 3 of this Act with respect to concurrently holding positions in other Bills Finance Companies or financial institutions, such person shall be punishable by a fine of not less than two million New Taiwan Dollars (NT\$2,000,000) and not more than ten million New Taiwan Dollars (NT\$10,000,000). If the staff member was assigned to such concurrent position by the [employer] Bills Finance Company, the punishment shall be imposed on the Bills Finance Company.

Article 64 Commission of any of the following acts shall be punishable by a fine of not less than two million New Taiwan Dollars (NT\$2,000,000) and not more than ten million New Taiwan Dollars (NT\$10,000,000):

1. Violation of Article 16, Paragraph 1 of this Act;
2. Violation of Article 19 of this Act;
3. Conducting business without the Competent Authority's approval in violation of Article 21, Paragraph 3, of this Act;
4. Violation of Article 28, Paragraph 1, of this Act;
5. Violation of restrictions imposed by the Competent Authority under Article 30, Paragraph 1, of this Act;
6. Violation of the total outstanding amount prescribed by the Competent Authority under Article 31, Paragraph 1 of this Act;
7. Violation of the business or financial ratio restrictions or measures prescribed by the Competent Authority under Article 33 of this Act;
8. Violation of the ratios, restrictions or measures prescribed by the Competent Authority under Article 41 of this Act;
9. Failure to establish an internal control and audit system or diligently maintain such system in accordance with Article 43 of this Act;
10. Failure to submit financial statements and reports in accordance with Article 47, Paragraph 1, of this Act, failure to increase capital within the prescribed period of

time, or failure to follow restriction or suspension orders.

Article 65 If the responsible person(s) or staff member(s) of a Bills House or its related party(ies) commit any of the following acts in the situation where the Competent Authority has ordered him/her/it to submit a financial statement, report or other related documents within a prescribed period of time pursuant to Article 44 of this Act, or dispatches officials, mandates appropriate institutions or designates professional and technical persons to inspect the business, financial condition, and other related matters pursuant to Article 45 of this Act, the Bills House or its related party(ies) shall be punishable by a fine of not less than two million New Taiwan Dollars (NT\$2,000,000) and not more than ten million New Taiwan Dollars (NT\$10,000,000):

1. Refusing to be investigated or refusing to open the vault or other storage facilities;
2. Concealing or destroying books and documents related to business or financial conditions;
3. Refusing to answer without justifiable reasons or falsely answering inquiries of the investigator;
4. Failing to timely, honestly or completely provide financial statements, reports or documents required by the Competent Authority, or to pay investigation fees within the time period(s) specified therefor.

The responsible person and staff member(s) of the Short-Term Bills central custody, account, and settlement institutions who commit any of the acts referred to in the preceding paragraph, Items 1 through 4 shall be punishable in accordance with the preceding paragraph.

Article 66 Commission of any of the following acts shall be punishable by a fine of not less than one million New Taiwan Dollars (NT\$1,000,000) and not more than five million New Taiwan Dollars (NT\$5,000,000):

1. Hiring a person and failing to register said person with the BHA in accordance with Article 12, Paragraph 1 or Paragraph 3;
2. Violation of Article 24, Paragraph 2, of this Act;



3. Violation of Article 26, Paragraph 1, of this Act; the bills house sells short-term bills in physical or dematerialized forms without delivering them to central depository custody institution for custody or issuance registration;
4. Violation of Article 29, of this Act;
5. Violation of the restrictions prescribed by the Competent Authority under Article 31, Paragraph 2, of this Act;
6. Violation of the time periods and the total outstanding amount limits prescribed by the Competent Authority under Article 37 of this Act;
7. Violation of Article 38, Paragraph 1 of this Act or the aggregate transaction amounts prescribed by the Competent Authority under Article 38, Paragraph 2;
8. Violation of the issuance limits prescribed by the Competent Authority under Article 39 of this Act;
9. Violation of the investment restrictions under Article 40, Paragraph 1, of this Act;
10. Violation of the guidelines prescribed by the Competent Authority under Article 40, Paragraph 2, with respect to enforcement or restriction orders or orders to take or not take particular actions;
11. Violation of the investment restrictions under Article 40, Paragraphs 3 through 6 of this Act;
12. Violation of the period of time specified under Article 50 of this Act (applying Article 76 of the Banking Act).

Article 67 Unless otherwise prescribed by this Act, other violations of this Act or the related mandatory or restriction orders authorized by this Act or failure to perform obligations ordered to be performed shall be punishable by a fine of not less than five hundred thousand New Taiwan Dollars (NT\$500,000) and not more than two million five hundred thousand New Taiwan Dollars (NT\$2,500,000).

Article 68 After having been punished pursuant to Articles 64 through 67 of this Act, the person punished shall be entitled to claim compensation from the person(s) actually responsible for the violation.

- Article 69 The amount of the fines prescribed by this Act shall be determined and collected by the Competent Authority. The penalized party may appeal such decision in accordance with the procedures for administrative appeals and administrative proceedings. During the period of administrative appeal and administrative proceedings, the execution of said penalty may be suspended by the posting of a bond in the appropriate amounts.
- Article 70 In the event of failure to pay an administrative fine prescribed in this Act within the prescribed period of time, a surcharge for late payment shall be levied, and calculated at the rate of one percent (1%) of the amount of the fine in arrears for each day of delay, starting from the day following the expiry of the prescribed period of time. If the payment of the fine still has not been made thirty (30) days therefrom, the case shall be referred to the court for compulsory execution and the Central Competent Authority may, in addition, suspend the business of the relevant Bills House or its branch(es).
- Article 71 A Bills House which has been penalized in accordance with this Chapter and which fails to take corrective measures within the period of time specified therefor may be punishable by consecutive penalties imposed daily until the corrective measures are taken. If a Bills House repeatedly violates the provisions of this Act; or where the violations are of a serious nature, the Bills House may be ordered to replace the responsible person within a specified period of time or the license of the Bills House may be cancelled.
- Article 71-1 Any criminal gain received by the actor, or any individual, juridical person, or unincorporated association under Article 38-1(2) of the Criminal Code due to the offenses of the Act shall be returned to the victims, or any person entitled to claim for damages, or shall otherwise be confiscated.
- Article 71-2 If a person commits an offense specified in this Law and fails to pay a fine of over fifty million New Taiwan

Dollars (NT\$50,000,000), the fine shall be commuted to labor for not more than two (2) years and the rate of commutation will be the ratio that the amount of the fine bears to the number of days in two (2) years; in the event of a failure to pay a fine of over one hundred million New Taiwan Dollars (NT\$100,000,000), the fine shall commute to labor for not more than three (3) years, and the rate of commutation to be used will be the ratio that the amount of the fine bears to the number of days in three (3) years.

#### CHAPTER VIII SUPPLEMENTARY PROVISIONS

Article 72 Any Bills Finance Company that has obtained a business license or any bank that has been approved to conduct a Bills Finance Business prior to the enactment of this Act, shall be considered as having obtained the approval referred to in Article 13 or Article 17 of this Act, as applicable.

Article 72-1 For purposes of trying a criminal case of violation of this Act, the court may set up a special tribunal or appoint certain persons to hear the case.

Article 73 Enforcement Rules governing the implementation of this Act shall be prescribed by the Competent Authority.

Article 74 This Act shall become effective from the date of promulgation.  
Articles, which amended on May 5, 2006, shall become effective from July 1, 2006.