

The Banking Act of The Republic of China

Chapter I General Provisions

Article 1 (Purpose)

This Act is enacted to improve the conduct of the banking business, to protect the rights of depositors, to coordinate with the development of productive enterprises and to keep Bank credit abreast of national financial policy.

Article 2 (Definition of Bank)

The term, "Bank", as used in this Act shall mean an organization formed and registered in accordance with the provisions of this Act for purposes of transacting a banking business.

Article 3 (Scope of Business of Banks)

Businesses which may be conducted by a Bank are as follows:

- 1.To accept Checking Deposits;
- 2.To accept various kinds of other Deposits;
- 3.To manage Trust Funds under mandate;
- 4.To issue Bank Debentures;
- 5.To extend loans;
- 6.To discount bills and notes;
- 7.To invest in securities;
- 8.To invest in productive enterprises;
- 9.To invest in residential construction and construction for business purposes;
- 10.To handle domestic and foreign remittances;
- 11.To accept commercial drafts;
- 12.To issue Letters of Credit;
- 13.To guarantee domestic and foreign transactions;
- 14.To act as collecting and paying agent;
- 15.To underwrite and trade in securities for its own account or for customers;
- 16.To manage issuance of bonds and debentures and to provide advisory services with respect thereto;
- 17.To act as attesor for the issuance of stocks, bonds and debentures;

18.To manage various kinds of property under mandate;
19.To conduct businesses related to investment and trusts regarding securities;
20.To buy and sell gold bars/coins and/or silver bars/coins and foreign currencies;
21.To conduct warehousing, custody and agency businesses in relation to the businesses itemized above;
and
22.To conduct other relevant businesses which may be authorized by the Central Competent Authority.

Article 4 (Authority Over Scope of Business Issues)
The scope of business of each Bank shall be determined individually by the Central Competent Authority in accordance with the classification of the Bank and the items of business specified in this Act, and shall be indicated on the Business License of each such Bank. However, transactions relating to foreign exchange must be approved by the Central Bank of China.

Article 5 (Term of Credit)
Credit extended by a Bank under this Act shall be called short-term credit if such credit matures within not more than one (1) year; medium-term credit if such credit matures in more than one (1) year and not more than seven (7) years; and long-term credit if such credit matures in more than seven (7) years.

Article 5-1 (Definition of Accepting Deposits)
The term, "Accept(ing) Deposits", as used in this Act shall mean the act of accepting Deposits or other funds from the general public², and agreeing to return the principal or to pay an amount equal to or greater than the principal.

Article 5-2 (Definition of Extend(ing) Credit)
The term, "Extend(ing) Credit", as used in this Act shall mean the following business conducted by a Bank:
1.Extending loans;
2.Extending overdraft facilities;
3.Discounting bills and notes;
4.Extending guarantees;

5. Accepting drafts; and
6. Other business as specified by the Central Competent Authority.

- Article 6 (Definition of Checking Deposit)
The term, "Checking Deposit", as used in this Act shall mean a Deposit which, as agreed, may be drawn at any time without interest by use of a check signed by the depositor or by use of automatic equipment under mandate.
- Article 7 (Definition of Demand Deposit)
The term, "Demand Deposit", as used in this Act shall mean a Deposit which can be drawn by the depositor at any time by use of a passbook or by other agreed means.
- Article 8 (Definition of Time Deposit)
The term, "Time Deposit", as used in this Act shall mean a Deposit of a fixed term which can be drawn by the depositor upon maturity by presentation of a Deposit certificate or by other agreed means.
- Article 8-1 (Termination and Pledge of Time Deposits)
Time Deposits shall not be withdrawn before maturity, provided, that the depositor may pledge a time deposit or terminate a time deposit by giving seven (7) days prior notice to the Bank.
Rules governing the pledge and early-termination of time deposits shall be prescribed by the Competent Authority after consulting with Central Bank of China.
- Article 9 (Definition of Savings Deposit)
Deleted
- Article 10 (Definition of Trust Funds)
The term, "Trust Funds", as used in this Act shall mean funds which are received by a Bank in the position of trustee and managed in accordance with the terms of a trust agreement for the interest of a beneficiary named by the trustor.
- Article 11 (Definition of Bank Debentures)
The term, "Bank Debentures", as used in this Act shall

mean bonds/debentures issued by a Bank in accordance with the relevant provisions of this Act after having obtained the approval of the Competent Authority.

Article 12

(Definition of Secured Credit)

The term, "Secured Credit", as used in this Act shall mean the following collateral has been furnished to secure such credit:

1. Mortgage over immovables or movables;
2. Pledge over movables or rights;
3. Bills/Notes receivable from business transactions of a borrower; and/or
4. Guarantees extended by a government agency in charge of the public treasury, a Bank or a government authorized credit agency.

Article 12-1

(Limitation on Guarantees)

In extending self-use residence loans or consumer loans, the Bank shall not require provision of joint and several guarantor(s) for whatsoever reasons. In extending self-use residence loans or consumer loans, if the Bank has obtained sufficient collateral in accordance with the preceding Article, the Bank shall not require provision of guarantor(s) for whatsoever reasons. Subject to the preceding paragraph, if a guarantor is required by the Bank in connection with a credit extension, the guarantee shall be in a specific amount.

In seeking recovery, the Bank should first pursue the borrower and then pursue the guarantor(s) for the remaining portion on a pro-rata basis; provided, that such shall not apply to applications for execution title or in the provisional proceedings.

Article 12-2

In terms of guaranty for a self-use residence loan or consumer loan, the duration of the contract of guaranty shall not exceed fifteen years from the date of formation of the contract, unless written consent of the guarantor has been obtained.

Article 13

(Definition of Unsecured Credit)

The term, "Unsecured Credit", as used in this Act shall

mean a credit extended without having obtained any of the collateral listed in the preceding Article.

Article 14 (Definition of Medium-or Long-term Loan Repayable in Installments)

The term, "Medium-or Long-term Loan Repayable in Installments", as used in this Act shall mean a loan extended by a Bank, the principal and interest on which shall be repayable and payable in installments in accordance with the terms of a loan agreement and other relevant terms to be observed by the borrower determined based on negotiations between the parties and the financial ability of the borrower to make repayment.

Article 15 (Definition of Commercial Negotiable Instrument)

The term, "Commercial Negotiable Instrument", as used in this Act shall mean a bill of exchange or promissory note issued in connection with domestic or foreign trade in goods or services.

An aforesaid bill of exchange on which the recipient of the goods sold or services provided is named as payor and which has been accepted by such recipient, shall be called a trade or commercial acceptance.

In cases where the aforesaid recipient mandates a Bank as the payor and the bill of exchange is accepted by the Bank, such bill of exchange shall become a banker's acceptance. In cases where a person, who sells goods or provides services, signs and issues a bill of exchange in an amount based on transaction documents and on which a Bank is mandated as the payor and such bill of exchange is accepted by such Bank, such bill of exchange shall also be called a banker's acceptance.

Purchase of a post-dated bill of exchange or promissory note by a Bank by means of deducting non-accrued interest in advance shall be called a discount.

Article 16 (Definition of Letter of Credit)

The term, "Letter of Credit", as used in this Act shall mean an instrument which a Bank issues upon the request of a customer to notify and authorize a beneficiary named by

the customer to issue a draft or other certificate in accordance with a prescribed form and in an amount not to exceed a certain limit, such draft to be accepted or paid by the Bank or its designated correspondent upon the beneficiary performing certain agreed upon terms and conditions.

- Article 17 (Definition of Deposit Reserve)
Deleted.
- Article 18 (Definition of Responsible Person of a Bank)
The term, "Responsible Person of a Bank", as used in this Act shall mean the person designated to be responsible in accordance with the provisions of the Company Law, other laws or the organic regulations and rules of the relevant Bank.
- Article 19 The term "Competent Authority" as used in this Act shall mean the Financial Supervisory Commission.
- Article 20 (Definition of Bank)
The term, "Bank", as used in this Act shall include:
1. Commercial Banks;
2. Banks for a Special Business Purpose; and;
3. Investment and Trust Companies.
Except for those Banks established by the Government, the type and special business purpose of a Bank shall be indicated in the Bank's name.
A non-Bank may not use a name specified in Paragraph 1 or any other name that would likely cause people to mistake it for a bank.
- Article 21 (Requirement of Formation Procedures)
A Bank or a branch office thereof shall not commence business operations before having completed the formation procedures prescribed in Chapter II of this Act.
- Article 22 (Restrictions on Business Activity)
A Bank shall not conduct any business other than as approved by the Central Competent Authority.
- Article 22-1 To facilitate the development of general finance and financial technology, without limitation to the banks, an innovative banking business experiment may be applied

for pursuant to the Act of Financial Technology Development and Innovative Experiment.

The foregoing innovative experiment may be exempt from the requirements of the Act within the period and scope approved by the competent authority.

The competent authority shall take account of the outcomes of the innovative experiment specified in Paragraph 1, and review the appropriateness of the Act and relevant financial laws.

Article 23 (Minimum Capital Requirements)

The minimum capital requirements for different types of Banks shall be determined or adjusted, as applicable, by the Central Competent Authority based on the population and economic conditions in each of the geographic areas established by the Central Competent Authority and the type of Bank, respectively.

In the event that a Bank's capital falls below such minimum requirements after the aforesaid adjustment, the Central Competent Authority shall prescribe a period of time within which such Bank to increase its capital and shall revoke such Bank's Permit³ if the Bank fails to comply within such period of time.

Article 24 (Currency of Capital)

The capital of a Bank shall be established in terms of the national currency.

Article 25 The shares issued by a Bank shall be registered shares.

The same person or same concerned party who singly, jointly or collectively acquires more than five percent (5%) of a Bank's outstanding voting shares shall report such fact to the Competent Authority within ten (10) days from the day of acquisition; the preceding provision applies to each cumulative increase or decrease in the shares of the same person or same concerned party by more than one percent (1%) thereafter.

The same person or same concerned party who intends to singly, jointly or collectively acquire more than ten percent (10%), twenty-five percent (25%) or fifty percent (50%) of

a Bank's outstanding voting shares shall apply for prior approval of the Competent Authority.

A third party who holds shares of the Bank on behalf of the same person or same concerned party in trust, by mandate or through other types of contract, agreement or authorization shall fall within the purview of a concerned party.

The same person or same concerned party who singly, jointly or collectively holds shares of the Bank representing more than five percent (5%) but less than fifteen percent (15%) of a Bank's outstanding voting shares prior to the implementation of the amendment to the Act on December 9, 2008 shall report such fact to the Competent Authority within six (6) months from the implementation date of the said amendment. Those who report to the Competent Authority within the said prescribed period may maintain their shareholding at the time of reporting. However, those whose original shareholding exceeds ten percent (10%) shall apply for the prior approval of the Competent Authority when they intend to increase their shareholding for the first time thereafter.

The regulations governing the qualifications and requirements for the same person or same concerned party who applies for approval pursuant to Paragraph 3 hereof or the proviso of the preceding paragraph, required documentation, shares to be acquired, purpose of acquisition, sources of funding, and other matters to be complied with shall be prescribed by the Competent Authority.

Where the same person or same concerned party who holds voting shares issued by a Bank without filing a report with the Competent Authority or obtaining approval from the Competent Authority in accordance with the provisions set forth in Paragraphs 2, 3 or 5 hereof, the excess shares held by such same person or same concerned party shall not have voting rights and shall be disposed of within the given period prescribed by the

Competent Authority.

If the total number of a Bank's shares held by the same person or by the principal, his/her spouse and children under twenty (20) years of age exceeds one percent (1%) of the Bank's outstanding voting shares, such principal shall notify the Bank thereof.

Article 25-1

The term "same person" as used in the preceding article shall mean the same natural or juristic person.

The term "same concerned party" as used in the preceding article shall mean parties related to the same natural or juristic person, including:

1. Parties related to the same natural person:

(1) The principal, his/her spouse and relatives by blood within the second degree of kinship.

(2) An enterprise in which the persons referred to in the preceding subparagraph hold more than one third (1/3) of its outstanding voting shares or more than one third of its capital.

(3) An enterprise or a foundation in which the persons referred to in subparagraph (1) hereof act as its chairman, president or directors representing the majority of directors.

2. Parties related to the same juristic person:

(1) The same juristic person and its chairman and president as well as the spouse and relatives by blood within second degree of kinship of the chairman and president.

(2) Enterprises in which the same juristic person and natural persons referred to in the preceding subparagraph hold more than one third (1/3) of their outstanding voting shares or more than one third of their capital, or enterprises or foundations in which the same juristic person and natural persons referred to in the preceding subparagraph act as their chairman, president or directors representing the majority of directors.

(3) The affiliates of the same juristic person. The term "affiliate" shall be defined under Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Law.

The calculation of shares of a Bank held by the same person or same concerned party under the preceding two paragraphs shall exclude shares held under the following circumstances

1. Shares acquired by a securities firm during the underwriting period of the securities and disposed of during the period prescribed by the Competent Authority.
2. Shares acquired by a financial institution under a collateral pledge or security agreement and four years have not elapsed since the date of acquisition.
3. Shares acquired by inheritance or bequest and two years have not elapsed since the date of inheritance or bequest.

Article 26 The Central Competent Authority may impose restrictions on the establishment of new Banks or additional branches in specific geographic areas depending on local financial and economic conditions.

Article 27 The establishment of Overseas branch(es) by a Bank shall require the approval of the Central Competent Authority after consultation with the Central Bank of China.

Article 28 If a commercial bank or a bank for a special business purposes conducts a trust or securities business, the business and accounting [for the trust or securities business] must be independent; rules related to the business scope and risk management [of such businesses] may be prescribed by the Competent Authority.

A Bank conducting a trust or securities business shall appropriate funds exclusively for such business operations. The amount of such exclusive business operation funds shall be as approved by the Competent Authority. Unless otherwise provided by other laws, a Bank conducting a trust business shall be subject to the provisions of Chapter Six of this Act.

Unless otherwise provided by other laws or rules prescribed by the Competent Authority, a Bank's staff

members conducting trust or securities business shall keep customer information and transaction materials confidential; such confidentiality obligations shall apply to dealings between such staff members and the staff members of other departments of the Bank.

Article 29

Unless otherwise provided by law, any person other than a Bank shall not Accept Deposits, manage Trust Funds or public property under mandate or handle domestic or foreign remittances.

Upon a violation of Paragraph 1 of this Article, remedial action shall be taken by the Competent Authority or the competent authority in charge of the particular enterprise, together with the juridical police authority, and the case shall be referred to the court for action.

If the person concerned is a juristic person, the responsible person shall be jointly and severally liable for repayment of the relevant obligations. In performing the duties stipulated above, a suspected party's accounting books and documents may be searched and detained in accordance with the law, facilities including signs may be torn down and/or other necessary actions may be taken.

Article 29-1

Using borrowed money, accepting investments, making the depositor a shareholder or using other classifications in order to accept deposits or obtain capital from the general public⁴ by agreeing to pay or paying a bonus, interest, share dividend interest or other reward in an excessive amount, shall be deemed the act of Accepting Deposits.

Article 30

If, in connection with extension of loans, issuance of Letters of Credit or issuance of guarantees, the borrower, mandator or the party on behalf of which the guarantee is issued is a company limited by shares and, under the authority of a board of directors resolution, makes a written commitment to the Bank offering certain property as collateral and agreeing not to encumber the same by mortgage or pledge to a third party, the Bank may permanently or temporarily waive the registration of real

estate mortgages or chattel mortgages or the delivery of the items pledged. However, the Bank may request subsequent registration or delivery thereof within a period of time prescribed by the Bank if and when necessary.

In the case of a breach of the aforesaid commitment by the borrower, mandator or guarantor, such borrower, mandator or guarantor's directors who participated in making such decision and the wrongdoer shall be jointly and severally liable for compensation.

Article 31 Regarding the issuance of Letters of Credit and undertakings to accept Commercial Negotiable Instruments by a Bank, the rights and obligations between the Bank and its customer shall be governed by an agreement. If security is required of a customer in connection with the aforesaid business, such security shall comply with Article 12 of this Act.

Article 32 No unsecured credit shall be extended by a Bank to enterprises in which the Bank holds three percent (3%) or more of the total paid-in capital, to its staff members, to its Major Shareholders, to any interested party of its own responsible person or of a staff member in charge of credit extensions. However, the foregoing prohibition on unsecured credit shall not apply to consumer loans and loans extended to the government.

The credit amount of the aforesaid consumer loans shall be as prescribed by the Central Competent Authority.

The term, "Major Shareholder", as set forth in this Act shall mean a shareholder who holds at least one percent (1%) of the total number of issued and outstanding shares of the Bank. Where a Major Shareholder is a natural person, the shares of his/her spouse and the shares of his/her minor children shall be counted in the total number of shares held by such Major Shareholder.

Article 33 For any secured credit extended by a Bank to enterprises in which the Bank holds at least five percent (5%) of the total paid-in capital of said enterprises, to its own responsible person, to its staff members, to its Major

Shareholders, to any interested party of its own responsible person or of a staff member in charge of credit extensions, the terms of such extended credit shall not be more favorable than those terms offered to other same category customers. If the credit amount to be extended by a Bank exceeds the amount prescribed by the Central Competent Authority, a Bank needs the concurrence of at least three-quarters of all of such Bank's directors present at a meeting attended by at least two-thirds of the directors, to extend such credit.

[In addition to the foregoing], the amount of the aforesaid connected credit extension to each related party, the aggregate amount of such credit extensions thereof, the terms and conditions of such credit extension and the same category customers referred to under this preceding Paragraph shall be prescribed by the Central Competent Authority after consultation with the Central Bank of China.

Article 33-1

The definition of interested parties as used in the preceding two articles shall mean:

1. Spouse, relatives by blood within the third degree of relationship or relatives by marriage within the second degree of relationship of the responsible person of a Bank or of a staff member in charge of credit extensions by such Bank.

2. An enterprise solely invested in, by or a partnership invested in by the responsible person of a Bank, by a staff member in charge of credit extensions of such Bank or by an interested party stipulated in Subparagraph 1 of this Article.

3. An enterprise of which more than ten percent (10%) of the total issued and outstanding shares or paid-in capital is solely or totally held by the responsible person of a Bank, by a staff member in charge of credit extensions of such Bank or by an interested party stipulated in Subparagraph 1 of this Article.

4. An enterprise invested in by a Bank in which a director, supervisor or manager of such invested enterprise is the

responsible person, a staff member in charge of credit extensions of such Bank or an interested party stipulated in Subparagraph 1 of this Article; provided, that such investment and the holding of such concurrent positions has been approved by the Central Competent Authority.

5.A juristic person or other organization in which the representative or administrator is the responsible person of a Bank, a staff member in charge of credit extensions of a Bank or an interested party stipulated in Subparagraph 1 of this Article.

Article 33-2 A Bank shall not "cross" extend unsecured credit to the responsible person or a Major Shareholder of such Bank's correspondent bank or to an enterprise whose responsible person is also the responsible person of the correspondent bank. Any secured [cross] credit extension thereof shall be handled in accordance with Article 33 of this Act.

Article 33-3 The Competent Authority may impose restrictions on credit extensions or other transactions by a Bank with the same person, the same concerned party or the same affiliate, and issue regulations with respect to the limits on such credit extensions, the scope of other transactions, and other matters to be complied with.

The same person, same concerned party or the same affiliate with which a Bank may extend credit or engage in other transactions as referred to in the preceding paragraph shall be defined as follows:

1. The same person shall mean the same natural or juristic person.
2. The same concerned party shall mean the principal, his/her spouse and relatives by blood within the second degree of kinship, as well as enterprises in which the principal or his/her spouse is the responsible person.
3. The same affiliates shall be defined under Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Law.

Article 33-4 The foregoing shall apply to persons falling under Articles

32, 33 or 33-2 who use other persons' names to apply for credit extensions.

The amount of credit extensions obtained by persons who obtained such extensions by using other persons' names and the amount of loan proceeds transferred to such persons by using other persons' names shall be deemed as credit extensions to such persons for purposes of the preceding paragraph.

Article 33-5 In determining whether the amount invested by a Bank is more than three percent (3%) or five percent (5%), as applicable, of the paid-in capital of an entity for purposes of Article 32-1, Paragraph 1 and Article 33, Paragraph 1 the following investments shall be included:

1.The amount invested by one or more of the Bank's subsidiary(ies);

2.The amount invested by a third party acting for the Bank; and

3.The amount invested by a third party acting for the Bank's subsidiary(ies). The term, "Bank's subsidiary", as used in the preceding Paragraph, shall have the meaning set out in Article 369-2, Paragraph 1, of the Company Law.

Article 34 A Bank shall not offer allowances, gifts or other payments in addition to regular interest in order to solicit Deposits. This provision shall not apply to Trust Funds for which dividends may be declared pursuant to the relevant trust agreement(s).

Article 34-1 A Bank that extends credit should set reasonable prices in consideration of factors such as market rates, its own funding costs, operating costs, expected credit losses and customer's overall contribution, and may not solicit or conduct credit extension business by offering unreasonable prices.

Article 35 Neither the responsible person nor any staff member of a Bank shall accept, under any pretense, commissions, rebates and the amount of other unwarranted benefits from depositors, borrowers or other customers.

- Article 35-1 Neither the responsible person nor any staff member of a Bank may concurrently hold a position(s) in another Bank(s) unless in the capacity of a director or supervisor of an invested Bank arising from an investment relationship and then only with the approval of the Central Competent Authority.
- Article 35-2 The guidelines for qualifications and requirements for the responsible person of a Bank, restrictions on concurrent posts thereof and other matters to be complied with shall be prescribed by the Competent Authority.
A person not meeting the qualifications and requirements set forth in the guidelines referred to in the preceding paragraph shall not act as the responsible person of a Bank; any such person who currently acts as the responsible person of a Bank shall be ipso facto discharged.
- Article 36 The Central Competent Authority may, when necessary, impose appropriate restrictions on the extension of unsecured Loans or Guarantees by Banks after consultation with the Central Bank of China.
The Central Competent Authority may, when necessary, set the standard for the ratio of a Bank's major assets to major liabilities and major liabilities to net worth after consultation with the Central Bank of China. Any Bank, which ratio does not meet the above prescribed standard, in addition to being punished pursuant to the relevant provisions, may be restricted by the Central Competent Authority in distributing its profits.
The terms "major asset" and "major liability", as used in the preceding Paragraph shall be as defined by the Central Competent Authority taking into consideration the business nature of the different kinds of Banks.
- Article 37 The value of items to be pledged or properties to be mortgaged by a borrower shall accurately be determined by Banks based on current price, rate of depreciation and saleability.
Whenever necessary, the Central Bank of China, in order

to control credit, may impose a maximum lending rate on loans secured by selected types of items for pledge or properties for mortgage.

- Article 38 Banks may extend medium-or long-term loans for the purchase or construction of residential buildings or buildings for business purposes. However, the term of such loans may not exceed thirty (30) years.
- Article 39 A Bank may extend medium-term loans to individuals for purchase of durable consumer goods or may discount notes issued by a buyer and endorsed by a distributor/seller.
- Article 40 In extending the loans referred to in the preceding two Articles, the procedure for repayment in instalments used in medium-or long-term loans shall be applicable. The Central Bank of China may, when necessary, regulate and control the terms and duration of repayment.
- Article 41 A Bank's interest rates shall be based on an annual rate and shall be posted in the Bank's place of business⁵.
- Article 42 A Bank shall provide reserves for different types of deposits and other types of liabilities incurred by such Bank in accordance with the rates established by the Central Bank of China.
- The scope of the "other types of liabilities" under the preceding paragraph shall be determined by the Central Bank of China in consultation with the Competent Authority.
- Article 42-1 Deleted.
- Article 43 In order to assure that a Bank maintains adequate liquidity, the Central Bank of China, after consultation with the Central Competent Authority, may from time to time prescribe a minimum ratio between the current assets of the Bank and the Bank's various liabilities. Upon a Bank's failure to comply with said minimum ratio, the Central Competent Authority shall notify the Bank to make due adjustment within a specified period of time.
- Article 44 A Bank's equity capital to its risk assets shall not be less

than a certain ratio. For Banks which are required by the Competent Authority to produce consolidated financial statements, the equity capital to risk assets on such consolidated basis shall also meet a certain ratio.

Banks shall be graded by capital as follows based on the ratio of its equity capital to risk assets:

1. Adequate capital.
2. Inadequate capital.
3. Significantly inadequate capital.
4. Seriously inadequate capital.

The term "seriously inadequate capital" mentioned in subparagraph 4 of the preceding paragraph shall mean the ratio of equity capital to risk assets being less than two percent (2%). A Bank whose net-worth to total assets is less than two percent (2%) shall be deemed as having seriously inadequate capital.

The regulations governing the definition of "certain ratio" as referred to in Paragraph 1 hereof, the scope of a Bank's equity capital and risk assets, method of calculation, and measures for grading in Paragraph hereof, and reviews shall be prescribed by the Competent Authority.

Article 44-1

Banks having any of the following situations are prohibited from distributing cash profits or buying back shares thereof:

1. The Bank is graded as having inadequate capital, significantly inadequate capital or seriously inadequate capital.
2. The Bank is graded as having adequate capital, but the Bank might be downgraded to any of the grades stipulated in the preceding subparagraph if it distributes cash profits or buys back shares thereof.

Banks stipulated in Subparagraph 1 of the preceding paragraph shall not make payments to their responsible persons other than remunerations, unless it is otherwise approved by the Competent Authority.

Article 44-2

The Competent Authority shall take the following actions in part or in whole based on the grading of a Bank's

capital:

1. Banks having inadequate capital:

(1) Order the Bank or its responsible person to propose a capital restructuring or other finance and business improvement plans. For Banks that fail to propose a capital restructuring or other finance and business improvement plans as ordered, or fail to carry out the said plan accordingly, supervisory actions for the next capital grade may be adopted.

(2) Restrict the new acquisition of risk assets or take other necessary actions.

2. Banks having significantly inadequate capital:

(1) Apply the provisions in the preceding paragraph.

(2) Remove the responsible person from his/her position and notify the competent authority in charge of company registration to take note thereof on the registered items.

(3) Order the Bank to obtain the prior approval of the Competent Authority before acquiring or disposing of specific assets.

(4) Order the Bank to dispose of specific assets.

(5) Restrict or prohibit credit extension or other transactions with interested parties.

(6) Restrict the investment activities or some businesses of the Bank, or order the Bank to close a branch or department within a prescribed period.

(7) Limit the interest rate the Bank pays on deposits to a level not exceeding the interest rate other banks pay on comparable deposits or deposits of the same nature.

(8) Order the reduction in remuneration of responsible persons, and the reduced remuneration shall not exceed 70% of the average remuneration paid out to the said responsible person within twelve (12) months before the Bank's capital becomes significantly inadequate.

(9) Assign officials to take conservatorship over the Bank's operations or take other necessary actions.

3. Banks having seriously inadequate capital: The Competent Authority shall take actions set out in Paragraph 2 of Article 62 of this Act in addition to the

actions prescribed in the preceding subparagraph.

The Competent Authority may examine at any time the implementation status of the Bank's capital restructuring or finance and business improvement plan, if deemed necessary, consult with relevant authorities or institutions and entrust a professional institution to provide assistance at the cost of the Bank.

Where a Bank is under the conservatorship of an official assigned by the Competent Authority, Paragraph 3 of Article 62-2 of this Act shall apply *mutatis mutandis*.

Where a Bank's business operation is seriously inadequate or its capital might be downgraded, the Competent Authority may adopt supervisory actions for the next capital grade. Where there is a concern of imminent danger of the Bank's continuing operation or adverse effect on the financial stability, the Competent Authority should renew the review or adjustment of the Bank's capital grade.

The regulations related to the procedure for conservatorship mentioned in Paragraph 1 hereof, the responsibility and authority of the conservator, assumption of related expenses and other matters to be complied with shall be prescribed by the Competent Authority.

Article 45

The Central Competent Authority may, at any time, appoint a designee, entrust an appropriate institution or direct a local Competent Authority to appoint a designee to examine the business, financial affairs and other relevant affairs of a Bank or related parties, or direct a Bank or related parties to prepare and submit, within a prescribed period of time, balance sheets, property inventories or other relevant documents for examination. The Central Competent Authority may, when necessary, appoint professionals to verify statements, materials or affairs which are subject to examination pursuant to the preceding Paragraph, and such professionals shall, in turn, present a report to the Central Competent Authority. Any fees arising therefrom shall be borne by the relevant

Bank(s).

Article 45-1

A Bank shall establish an internal control system and audit system; regulations governing the objectives, principles, policies, operating procedures, qualifications and conditions for internal auditors, scope of internal control audits that a certified public accountant shall be engaged to undertake, and other matters requiring compliance, shall be prescribed by the Competent Authority.

A Bank shall establish an internal processing system and procedures with respect to the evaluation of asset quality, the creation of loan loss provision, the clearing of and writing off of non-performing and non-accrual loans.

Applicable regulations with respect to the above system and procedures shall be prescribed by the Competent Authority.

Where any Bank operations are entrusted to another person to handle, the Bank shall adopt an internal operation system and procedures covering the scope of the matters entrusted, protection of customer rights and interests, risk management, and internal control principles. Applicable regulations with respect thereto shall be prescribed by the Competent Authority.

Where a Bank engages in financial derivatives business, the Bank shall establish internal operating systems and procedures for the scope of business, personnel management, customer protection and risk management. Applicable regulations with respect thereto shall be prescribed by the Competent Authority.

Article 45-2

Banks shall reinforce security protections for their business premises, vaults, rental safe deposit boxes (rooms), automated teller machines, and cash transport operations. Applicable regulations with respect thereto shall be prescribed by the Competent Authority.

A Bank shall exercise the due care of a good-faith administrator with respect to deposit accounts. Where a deposit account is suspected of illegality or an obviously irregular transaction, a Bank may temporarily suspend deposits, withdrawals, or outward remittances of funds.

Standards for determining suspected illegality or obviously irregular transactions of accounts under the preceding paragraph and operational procedures and regulations for temporary account suspension shall be prescribed by the Competent Authority.

Article 46 In order to safeguard the interests of depositors, a Deposit insurance organization may be formed by the Government or by one or more Banks.

Article 47 In order to make reserves mutually available and to increase the availability and efficiency of credit, Banks may prescribe rules and regulations regarding the formation of an interbank organization to provide mutual support.

Article 47-1 Institutions wishing to engage in a money market or credit card business shall first obtain the approval of the Central Competent Authority. Administrative rules governing such institutions shall be promulgated by the Central Competent Authority after consultation with the Central Bank of China.

Starting September 1, 2015, the interest rate charged by Banks on cash card or the interest rate charged by institutions engaging in credit card business on revolving credit shall not exceed fifteen percent (15%) per annum.

Article 47-2 Article 4, Article 32 through Article 33-4, Article 35 through Article 35-2, Article 36, Article 45, Article 45-1, Article 49 through Article 51, Article 58 through Article 62-9, Article 64 through Article 69 and Article 76 shall apply to institutions conducting a money market business.

Article 47-3 A financial information service business which intends to engage in an inter-bank funds transfer clearing services shall obtain the Competent Authority's approval to do so. If such business also involves large amount funds transfer clearing, the approval of the Central Bank of China is also required. Regulations with respect to the approval and management of such business shall be prescribed by the Competent Authority after consulting with the Central Bank of China.

To engage in an inter-bank credit information business shall require prior approval from the Competent Authority. Regulations with respect to the approval and management of such business shall be prescribed by the Competent Authority.

Article 48

A Bank may not accept requests from a third party to stop payment on deposits or remittances, to detain collateral or articles in such Bank's custody, or other similar requests, unless such requests are made under a judgment of a court or under relevant provisions of other laws.

A Bank shall keep confidential all related information on deposits, loans or remittances of its customers unless under any of the following circumstances:

1. Otherwise provided for by law.
2. The write-off data related to the same customer whose delinquent debt has been written off and the cumulative amount of write-off exceeds NT\$50 million, or the cumulative amount of delinquent debt of the same customer written off in half a year after the loan was made exceeds NT\$30 million, .
3. The information on non-performing loan or non-accrual loan in cases prosecuted by prosecutors pursuant to Articles 125-2, 125-3, or 127-1.
4. Other circumstances as prescribed by the Competent Authority.

Article 49

At the end of each business year, each Bank shall prepare and submit its annual report and business report, financial statements, determination as to distribution of profits or make up of losses and other items designated by the Competent Authority to the Competent Authority and the Central Bank of China respectively, for recordation, within fifteen (15) days after such reports are approved by such Bank's annual shareholders' meeting or if there is no shareholders' meeting, within fifteen (15) days after such reports are approved by such Bank's board of directors, as applicable. The matters to be included in the annual report shall be as prescribed by the Competent Authority.

In addition to publishing its financial statements and other items specified by the Competent Authority in a daily newspaper in the place where such Bank is located or in such other manner as may be designated by the Competent Authority, a Bank shall also post one copy thereof in a conspicuous place in each of its business premises for [public] review; provided, that if Bank complies with Article 36 of the Securities and Exchange Act, the above publication shall not be required.

The reports and items required to be published under the preceding Paragraph shall be audited and certified by a certified public accountant.

Article 50

A Bank, at the time of distributing its earnings for each fiscal year, shall set aside thirty percent (30%) of its after-tax earnings as a legal reserve. However, unless and until the accumulated legal reserve equals the Bank's paid-in capital, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid-in capital.

In the event that the accumulated legal reserve equals or exceeds a Bank's paid-in capital or the Bank is sound in both its finance and business operations and have set aside legal reserve in compliance with the Company Law, the restrictions stipulated in the preceding paragraph shall not apply.

In addition to the required legal reserve, a Bank may set aside a special surplus reserve in accordance with its Articles of Incorporation or a resolution of its shareholders meeting.

The regulations governing the criteria of capital adequacy ratio for being sound in finance and business operations as stipulated in Paragraph 2 hereof, asset quality and compliance shall be prescribed by the Competent Authority.

Article 51

The business hours and holidays of Banks shall be prescribed and publicly announced by the Central Competent Authority.

Article 51-1 So as to educate its professional staff, a Bank shall set aside funds exclusively for use in the development of financial study and training programs. Related methods and principals shall be established by the Bankers Association of the Republic of China and approved by the Competent Authority.

Chapter II Formation, Amendment, Suspension And Dissolution Of Banks

Article 52 A Bank is a juristic person and, unless otherwise provided by law, shall only be in the form of a company limited by shares or have been established with special approval obtained prior to the amendment and enforcement of this Act.

The stock of a Bank shall be publicly issued unless otherwise approved by the Competent Authority.

The requirements for establishment of Banks or other financial institutions to be established in accordance with this Act or other laws shall be as prescribed by the Central Competent Authority.

Article 53 In order to establish a Bank, the applicant(s) shall submit the following information to the Central Competent Authority for approval:

- 1.Type of Bank, name and type of company organization;
- 2.Total capital;
- 3.Business plan;
- 4.Locations of head office and branch offices; and
- 5.Names, native places, home addresses and curriculum vitae of each promoter and the amount of shares subscribed by each promoter.

Article 54 A company which has been approved by the Competent Authority to be established in accordance with the Company Law may apply for a banking business license from the Competent Authority by submitting the following supporting documents to the Competent Authority after its capital has been fully paid-in and its company registration has been completed:

- 1.Certificate of company registration;
- 2.Statement for verification of capital;

3. Articles of Incorporation of the Bank;
4. Shareholders' roster and minutes of shareholders' meeting;
5. Directors' roster and minutes of board of directors' meeting;
6. Managing directors' roster and minutes of managing director's meeting; and
7. Supervisors' roster and minutes of supervisors' meeting.

A Bank which is not organized as a company may directly submit an application for a business license, in accordance with the preceding Paragraph, after its application for establishment is approved.

Article 55 To commence business operations, a Bank shall, at its head office and branch offices, publicly announce the particulars of its business license as issued by the Central Competent Authority.

Article 56 After a business license has been issued to a Bank, the Central Competent Authority may revoke the Bank's Permit if the particulars in the original application are discovered to have been materially untrue.

Article 57 If a Bank wishes to establish a branch office, it shall apply to the Central Competent Authority for approval and for a business license for such branch office by submitting a business plan and specifying the proposed location of such branch office. If a Bank wishes to relocate or close a branch office, such Bank shall apply to the Central Competent Authority for approval.

A Bank wishing to establish, relocate, or close a non-business operation office or a automated service facility outside a place its business shall file an application in advance, and may establish, relocate or close such place or facility if the Central Competent Authority does not expressly reject such application within a specified period of time from the date of application. However, the Bank shall not engage in any actions applied for prior to the expiry of such specified period.

Administrative rules governing the preceding 2

paragraphs shall be as stipulated by the Central Competent Authority.

Article 58 Mergers of Banks or any proposed amendments to the particulars set forth in Article 53, paragraphs 1), 2) or 4) of this Act shall require the approval of the Central Competent Authority, followed by an amendment to the Bank's company registration and application for issuance of a new business license.

Public announcement of the aforesaid mergers and amendments shall be made at the Bank's head office and branch offices within fifteen (15) days after issuance of the new business license.

Article 59 If a Bank violates the first Paragraph of the preceding Article, the Competent Authority may order the Bank to take corrective measures within a prescribed period of time. If such Bank fails to take such measures and the violation is serious, the Competent Authority may order the Bank to suspend operations.

Article 60 (deleted)

Article 61 A Bank, in adopting a resolution for dissolution at a shareholders' meeting, shall state the reason for dissolution in the minutes of the said shareholders' meeting, provide a plan for the repayment of liabilities and apply to the Competent Authority, by submitting such minutes and plan, for approval before the liquidation procedure may be commenced.

The Competent Authority, in approving dissolution under the preceding paragraph, shall revoke the Permit granted to the Bank.

Article 61-1 If there is a possibility that a Bank has violated laws and regulations, its Articles of Incorporation or disturbed the sound operation [of the financial system], the Competent Authority may, depending on the situation, take any of the following actions in addition to ordering correction or improvement by the Bank within a specified period of time:

- 1.Revoke resolutions of statutory meetings;
- 2.Suspend part of the Bank's business;

3. Order the Bank to discharge managers or staff members;
4. Discharge directors and supervisors or suspend them from performance of their duties for a specified period of time; and/or
5. Other necessary measures.

In the event that a Bank's directors or supervisors are discharged in accordance with Subparagraph 4 of the preceding Paragraph, the Competent Authority shall notify the Ministry of Economic Affairs to cancel the registration of such directors or supervisors.

If business assistance is needed in order to improve a Bank's operation defects, the Competent Authority may designate institutions to provide such assistance.

Article 62

When there is a concern that a Bank is unable to pay its debts when due or there might detriment to the depositors' interests due to obvious deterioration in the Bank's business or financial status, the Competent Authority shall assign officials to take receivership over the Bank, order such a Bank to suspend and wind up business, or take other necessary measures. If deemed necessary, the Competent Authority may notify relevant authorities or institutions to prohibit the Bank's responsible person from transferring, delivering or creating other rights in his/her properties, and/or request the immigration agency to prohibit the responsible person from departing the country.

When a Bank's capital is graded as being seriously inadequate, the Competent Authority shall assign officials to take receivership over the Bank within ninety (90) days from the date the Bank is listed as having seriously inadequate capital. Notwithstanding the foregoing, for Banks that are ordered by the Competent Authority to undertake capital restructuring or merger within a prescribed period but have failed to comply therewith accordingly, the Competent Authority shall assign officials to take receivership over the Bank within ninety (90) days from the next day following the expiration of the

prescribed period.

The regulations governing the procedure for receivership mentioned in the preceding two paragraphs hereof, the responsibilities and powers of the receiver, assumption of related expenses and other matters to be complied with shall be prescribed by the Competent Authority.

For Banks that are ordered to suspend business under Paragraph 1 hereof, the winding-up procedure for such Banks shall be deemed as liquidation under the Company Law.

A court that receives a Bank's filing for bankruptcy shall promptly forward a copy of the petition to the Competent Authority and consult the specific opinions of the Competent Authority on whether bankruptcy declaration should be allowed.

Article 62-1

In the event a Bank is placed under receivership or is ordered to suspend and wind up business, the duties and powers of the Bank's shareholders' meeting, board of directors, directors, supervisors or audit committee are ipso facto suspended. The Competent Authority may notify relevant authorities or institutions to prohibit the transfer, delivery or creation of rights in the properties owned by the Bank or its responsible persons or staff members who are suspected of violating laws, and may request the immigration agency to prohibit said persons from departing the country.

Article 62-2

Where the Competent Authority has assigned officials to take receivership over a Bank, the Bank's operation and management and disposal of the Bank's properties shall be handled by the receiver.

The receiver in the preceding paragraph has the authority to represent the Bank under receivership in litigation and non-litigation matters and may designate a natural person to discharge duties on his/her behalf. A receiver is not subject to Article 17 of the Administrative Execution Act in the performance of duties.

Upon receiving the order of receivership, the responsible person and staff members of a Bank shall deliver all

books, documents, seals and properties together with an inventory thereof to the receiver and shall disclose all necessary information relating to the assets and liabilities of the Bank to the receiver and take other necessary actions to comply with such receivership as per the receiver's request; the Bank's responsible person or staff members shall not refuse to answer relevant inquiries or make false representations.

A Bank is not subject to Article 35 of Civil Code, Articles 208-1, 211, 245, and 282 ~ 314 of Company Law, or the Bankruptcy Act during receivership.

The duration of receivership over a Bank shall last two hundred and seventy (270) days from the date the Competent Authority assigns officials to take over. If deemed necessary and with the approval of the Competent Authority, the duration of receivership may be extended once for a period of no longer than one hundred and eighty (180) days.

A receiver is not required to furnish security when requesting the court for provisional seizure or provisional disposition in the performance of his or her duties.

Article 62-3

With regards to the following actions toward a Bank under receivership, the receiver shall formulate a feasibility action plan with the approval of the Competent Authority:

1. Mandating other Banks, financial institutions or the Central Depository Insurance Company to operate all or part of the business.
2. Increasing capital, reducing capital or increasing capital after reducing capital.
3. Sale of all or part of the business, assets or liabilities.
4. Merger with another bank or another financial institution.
5. Other important actions as determined by the Competent Authority.

All necessary expenses and debts incurred by the receiver for maintaining the operations and in the performance of duties shall be borne by the Bank under receivership and repaid by the Bank's properties at any

time; the types of necessary expenses and debts shall be prescribed by the Competent Authority.

Where the expenses and debts referred to in the preceding paragraph are not paid off, they shall have priorities over other debts of the Bank when the Bank under receivership is ordered by the Competent Authority to suspend and wind up business , and may be repaid at any time by the assets of the winding-up Bank .

Article 62-4

In the event that a bank or financial institution receives the transfer of business, assets and liabilities pursuant to Subparagraph 3, Paragraph 1 of the preceding article, the following provisions shall apply:

1. For a company limited by shares, a resolution of consent to the transfer must be adopted by at least a majority of the votes of shareholders present at a shareholders' meeting attended by shareholders representing a majority of the outstanding shares of the company, whereas dissenting shareholders may not request buy back of their shares, and Articles 185 through 188 of the Company Law do not apply.
2. Notifications of the transfer of debt may be done by a public announcement and Article 297 of the Civil Code does not apply.
3. The assumption of debt does not require the acknowledgment of creditors as provided in Article 301 of the Civil Code.
4. If the Competent Authority determines that there is a need for exigent measures , which will not have materially adverse effect on financial market competition, approval of the Fair Trade Commission under Paragraph 1, Article 11 of the Fair Trade Law is not required.

In case a Bank transfers its business, assets and liabilities pursuant to Subparagraph 3, Paragraph 1 of the preceding article, Paragraph 2, Article 5 of The Protective Act for Mass Dismissal of Employees does not apply.

In addition to Subparagraph 4 of Paragraph 1 hereof, the following provisions shall also apply when a Bank or another financial institution is merged with a Bank under

receivership in accordance with Subparagraph 4 of Paragraph 1 of the preceding article:

1. For a company limited by shares, a resolution of consent to merger must be adopted by at least a majority of the votes of shareholders present at a shareholders' meeting attended by shareholders representing a majority of outstanding shares of the company, whereas dissenting shareholders may not request buy back of their shares. For a credit cooperative, a resolution of consent to merger must be adopted by at least a majority of members (representatives) present in a members (representatives) meeting attended by at least a majority of all members (representatives), whereas dissenting members may not request refund of the amount of their shares, and Paragraphs 1 through 3 of Article 316 and Article 317 of the Company Law, and Paragraph 1 of Article 29 of the Credit Association Act shall not apply.

2. Notifications of dissolution or merger may be done by a public announcement and Paragraph 4, Article 316 of the Company Law does not apply.

Subparagraph 4 of Paragraph 1 hereof shall apply where another Bank, financial institution or the Central Depository Insurance Company is mandated to operate a Bank's business pursuant to Subparagraph 1 of Paragraph 1 of the preceding article.

Article 62-5

For the winding-up of a Bank, the Competent Authority shall designate a liquidator to handle such proceedings and may dispatch officials to supervise the winding-up process; Paragraphs 1-3 and 6 of Article 62-2 herein shall apply to the liquidator in the performance of duties.

The duties of a liquidator shall be to:

1. To wind up all pending business.
2. To collect all outstanding debts and to pay off all claims .

When a liquidator discharges his or her duty pursuant to the preceding paragraph to transfer the business, assets and liabilities of a winding-up Bank to another bank or financial institution, or proposes the merger of the Bank

with another bank or financial institution, the liquidator shall acquire the prior approval of the Competent Authority.

Paragraphs 1 and 3 of the preceding article shall apply where a winding-up Bank transfers its business, assets, and/or liabilities to or merges with another bank or financial institution.

Article 62-6

After appointment of a rehabilitator, a public announcement shall be made in the daily newspapers where the Bank's head office is located requesting creditors to declare their claims within thirty (30) days and stating that claims, other than claims otherwise known to the rehabilitator, which are not declared within such specified period of time shall be excluded from the rehabilitation.

The rehabilitator shall investigate the Bank's financial conditions and prepare balance sheet and property inventories within three (3) months after the above declaration period expires, and prepare a rehabilitation plan, report same to the Competent Authority for acknowledgment and publish the Bank's balance sheet in daily newspapers where the Bank's head office is located. During the period specified in the first paragraph, the rehabilitator shall not pay any claims other than release of trust asset or assets held as custodian and payment of staff salaries and payments made in accordance with the Deposit Insurance Act.

Article 62-7

If a Bank is ordered by the Competent Authority to suspend and wind up business, creditors' rights shall not be exercised by any third party against the Bank other than through the winding-up proceeding set forth in Paragraph 1 of the preceding article, except for rights that have been ascertained through litigation procedures.

If the distribution of payment of creditors' rights referred to in the preceding paragraph is likely to be delayed due to litigation, the liquidator may set aside an amount based on the winding-up distribution ratio and distribute the residue assets to other creditors.

The proceedings for corporate reorganization, bankruptcy, settlement, and compulsory execution shall automatically stay during a Bank's winding-up period.

The liquidator may terminate or void any contract or agreement already entered into by the winding-up Bank but not yet being performed or fully performed. The counterparties to such contracts or agreements that sustain damages thereof may exercise their rights as creditors under the winding-up proceedings.

The following creditors' rights shall be excluded from the winding-up :

1. Interest accrued after the Bank's suspension of business.
2. Expenses incurred by creditors for personal benefit in participating in the winding-up .
3. Damages and penalties owed by the Bank due to non-performance of obligations after the Bank's suspension of business.
4. Criminal fines , administrative fines and arrears fees .

Those who hold pledges, mortgages or liens on the Bank's properties prior to the date of suspension of business shall have the right of exclusion; creditors with the right of exclusion may exercise their rights independently of the winding-up procedure; provided that for debts that remain unsettled after the exercise of right of exclusion, such creditors may file a claim in accordance with the winding-up proceeding.

Expenses and debts incurred from the performance of winding-up duties by the liquidator shall have priority over winding-up claims and may be reimbursed at any time by the assets of the Bank undergoing rehabilitation. The statute of limitations on claims in accordance with Paragraph 1 of the preceding article or known to the liquidator and included as winding-up claims shall be interrupted and shall be reinstated from the conclusion of the winding-up proceedings.

The rights of creditors who have been repaid in the winding-up proceeding to request payment of the unpaid

part of their claims shall be deemed extinguished. After completion of winding-up, if distributable property is discovered, supplemental distribution shall be carried out. If there is any residue property after paying those creditors who are listed in the winding-up proceeding, the creditors referred to in paragraph 5 shall be entitled to claim it.

After a Bank has repaid its debts according to the preceding paragraph, the remaining assets, if any, shall be distributed among the Bank's shareholders pursuant to the Company Law.

Article 62-8 The rehabilitator shall prepare an revenue and expense statement and income statement and other relevant records for the rehabilitation period within fifteen (15) days after the rehabilitation is completed, and shall publish same in the daily newspapers where the Bank's head office is located and report same to the Competent Authority to cancel the Bank's licenses.

Article 62-9 The expenses and debt incurred by an institution designated by the Competent Authority or its dispatched officials to provide guidance or carry out the work of conservatorship shall be borne by the Bank receiving the guidance or undergoing conservatorship.

Article 63 (Deleted)

Article 63-1 Article 61-1 and Article 62-1 through Article 62-9 shall apply to Banks or financial institutions established under other laws.

Article 64 If the losses of a Bank exceed one third (1/3) of the Bank's capital, the Bank's directors or supervisors shall immediately report such information to the Central Competent Authority.

In the above-described circumstances, the Central Competent Authority shall require the Bank to make up such a deficit within three (3) months. If the Bank fails to do so within such a prescribed period of time, the Central Competent Authority shall send officials to take receivership over the Bank or the Bank shall be ordered to suspend its business.

- Article 64-1 If a bank or a financial organization is run poorly and there is a need to cease its operation and liquidate its debts, deposit debts shall precede non-deposit debts.
The above-mentioned deposit debts shall mean deposits stipulated in Article 12 of the Deposit Insurance Act. As for non-deposit debts, it shall mean debts other than deposit debts of the insured unit.
- Article 65 If a Bank is ordered to suspend its business and is instructed to take corrective measures on certain matters within a prescribed period of time, but fails to correct the matters within such prescribed period of time, the Central Competent Authority shall revoke such Bank's Permit.
- Article 66 If a Bank's Permit is revoked by the Central Competent Authority, such Bank shall be dissolved and liquidation procedures shall commence immediately.
- Article 67 If a Bank is approved for dissolution or has its Permit revoked, such Bank shall surrender and cancel its business license within a prescribed period of time. Upon failure to do so, the Central Competent Authority shall cancel the business license of such Bank by public announcement.
- Article 68 In supervising a special liquidation of a Bank, the court shall consult with the Competent Authority for advice and, when necessary, request the Competent Authority to recommend a liquidator or to delegate a representative to assist the liquidator in carrying out the liquidator's functions.
- Article 69 After a Bank has commenced liquidation, no distribution of capital or dividends shall be made under any pretense unless all of the Bank's liabilities have been settled. In the course of liquidation of a Bank, the handling of the Bank's Trust Funds and trust properties shall be dealt with in accordance with the terms of the relevant trust agreements.

Chapter III Commercial Banks

- Article 70 The term, "Commercial Bank", as used in this Act shall

mean a Bank the principal function of which is to accept Checking Deposits and Demand Deposits and Time Deposits and extend short-term and medium-term loans.

Article 71

Businesses which may be conducted by a Commercial Bank are as follows:

- 1.To accept Checking Deposits;
- 2.To accept Demand Deposits;
- 3.To accept Time Deposits;
- 4.To issue Bank Debentures;
- 5.To extend short-term, medium-term and long-term loans;
- 6.To discount bills and notes;
- 7.To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and corporate stocks;
- 8.To handle domestic and foreign remittances;
- 9.To accept commercial drafts;
- 10.To issue foreign and domestic Letters of Credit;
- 11.To guarantee the issuance of corporate bonds;
- 12.To guarantee domestic and foreign transactions;
- 13.To act as collecting and paying agent;
- 14.To act as agent to sell government bonds, treasury notes, corporate bonds and stocks;
- 15.To conduct warehousing, custody and agency businesses in relation to the businesses in the preceding fourteen items subparagraphs; and
- 16.To conduct other relevant business which may be authorized by the Competent Authority.

Article 72

The total amount of medium-term loans extended by a Commercial Bank shall not exceed the balance of its Time Deposits received.

Article 72-1

A Commercial Bank may issue Bank Debentures and may agree with the holders that such debentures may enjoy the priority over other creditors of the Bank; applicable regulations with respect to issuance and maximum amounts shall be prescribed by the Competent Authority after consulting with the Central Bank of China.

Article 72-2

The total amount of loans extended for residential

construction and construction for business purposes by a Commercial Bank shall not exceed thirty percent (30%) of the aggregate of such Commercial Bank's deposits and Bank Debentures issued at the time such loans is extended; provided, that the following shall not be subject to such limitation;

- 1.Housing loans approved by the Competent Authority for the encouragement of savings to purchase private homes;
- 2.Housing loans which are extended using postal savings deposits which are allocated by the Central Bank of China and redeposited with the bank;
- 3.Loans extended for purposes of financing purchase of residential construction by use of medium-and long-term funds from the National Development Council;
- 4.Loans extended for construction for business purposes using medium-and long-term funds from the Development Fund and/or the National Development Council;
- 5.Loans for purposes of encouraging investment in construction of public housing, loans for purchase of public housing and loans for purchase of residential houses by government employees and teachers.

A maximum amount of the loans under the provisos to the preceding Paragraph may, when necessary, be prescribed by the Competent Authority.

Article 73 With respect to issuing, buying and selling stocks, a Commercial Bank may extend financing to stock brokers and stock investment companies.

The rules governing such financing shall be as prescribed by the Central Bank of China.

Article 74 Commercial Banks may apply to the Competent Authority for approval to invest in financial related businesses. The application shall be deemed approved if the Competent Authority does not object thereto within fifteen (15) days after the application is submitted to the Competent Authority; provided, that, until such fifteen (15) day period has elapsed, the Bank shall not proceed with the relevant investment.

Commercial Banks which obtain approval from the

Competent Authority to do so, may invest in non-financial related businesses in cooperation with a Government's economic development project; provided, that such Banks shall not be involved in the management of such businesses. An application for approval to make such investments shall be deemed approved if the Competent Authority does not object thereto within thirty (30) days after the application is submitted to the Competent Authority; provided, that until such thirty (30) day period has elapsed, such Bank shall not proceed with the relevant investment.

Investment made pursuant to the two preceding paragraphs shall be subject to the following requirements:

1.The total investment amount shall not exceed forty percent (40%) of the Bank's net worth, and the total amount invested in non-financial related businesses shall not exceed ten percent (10%) of the Bank's net worth.

2.Unless such is in cooperation with a government policy and is approved by the Competent Authority, a Commercial Bank shall not invest in more than one entity engaging in the same line of business; and

3.In the event that a Commercial bank invests in a non-financial related business, the investment shall not exceed five percent (5%) of the total paid-in capital or the total issued shares of such business.

The term, "financial related business", as used in Paragraph 1 and Subparagraph 2 of the preceding Paragraph, shall mean Banks, Bills Houses, Securities Companies, Futures Companies, Credit Card Companies, Financial Leasing Companies, Insurance Companies, Trust Companies and other financial related businesses designated by the MOF. The Competent Authority shall prescribe rules to facilitate the supervision and management of mergers between Banks and invested businesses and prevent conflicts of interest between Banks and invested businesses.

If it becomes obvious that the operation of an invested business could affect the soundness of a Bank's

operations, the Competent Authority may order the Bank to dispose of its shares in such invested business within a prescribed period of time.

If, prior to the amendment dated November 1, 2000 becoming effective, the total amount invested in non-financial related businesses exceeds the ratio stipulated in Paragraph 3, Subparagraph 3, a Bank may maintain the original investment amount, provided the Bank has obtained approval of the Competent Authority before complying with the stipulated ratio. For investments in the same business respectively made by two or more Banks prior to their merger, the Banks may maintain their respective original investment amount, provided they have obtained approval of the Competent Authority at the time of applying for merger.

Article 74-1

(Securities)

Commercial Banks may invest in securities; the types and limits with respect to the securities which may be invested in shall be prescribed by the Competent Authority.

Article 75

With the exception of warehousing for business use, a Commercial Bank shall not invest in real estate for self use in an amount in excess of the net worth of such Commercial Bank at the time such investment is made. The amount of a Commercial Bank's investment in warehousing for business use shall not exceed five percent (5%) of the total amount of such Commercial Bank's Deposits at the time the investment in such warehousing is made.

A Commercial Bank shall not invest in real estate other than for self use, unless:

1. A substantial portion of the real estate is for self use;
2. The real estate will be used for self-use in the near future; or
3. A substantial portion of rebuilt original real estate is for self-use.
4. The real estate will be provided for use by a cultural, art or public interest institution or organization established with approval from the competent authority in charge of

the institution or organization concerned and the use has obtained approval of the Competent Authority in consultation with the competent authority in charge of the institution or organization concerned. The total amount of a Commercial Bank's investment in real estate not for self use made in accordance with the exceptions in the preceding Paragraph shall not exceed twenty percent (20%) of a Bank's net worth.

The total amount of the Bank's investment in real estate not for self use plus the total amount of Bank's investment in real estate for self use shall not exceed the Bank's net worth at the time of the investment in such real estate.

In the event a Commercial Bank conducts real estate transactions with an entity in which the Bank 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 Bank, or with an interested party of the Bank's responsible person as defined in Article 33-1, the Bank shall do so at arm's length and obtain the consent of more than three-quarters of its directors present at a board meeting at which at least two-thirds of the directors are present.

The scopes of real estate for self use referred to in Paragraph 1, real estate other than for self use, real estate with substantial portion for self-use, for self-use in the near future, or to be rebuilt for self-use referred to in Paragraph 2, the procedure for approval mentioned in Paragraph 2, Subparagraph 4, and regulations governing other compliance matters with respect to bank's investment, holding and disposal of real estate shall be prescribed by the Competent Authority.

Article 76

Save as permitted by Articles 74 and 75 of this Act, real estate and stocks acquired by a Commercial Bank through the foreclosure of mortgages or pledges shall be disposed of within four (4) years from the date of acquisition.

Chapter IV Saving Banks

Article 77	Deleted.
Article 78	Deleted.
Article 79	Deleted.
Article 80	Deleted.
Article 81	Deleted.
Article 82	Deleted.
Article 83	Deleted.
Article 84	Deleted.
Article 85	Deleted.
Article 86	Deleted.

Chapter V Banks For A Special Business Purpose

Article 87	To facilitate extension of specialized credit, the Central Competent Authority may approve the establishment of a Bank(s) for a Special Business Purpose or designate an existing Bank(s) to perform such functions.
Article 88	The term, "specialized credit", as used in the preceding article shall be classified in the following categories: <ol style="list-style-type: none"> 1. Industrial credits; 2. Agricultural credits; 3. Export-import credits; 4. Credits for medium and small sized enterprises; 5. Real estate credits; and 6. Local credits.
Article 89	The scope of business of a Bank for a Special Business Purposes shall be as prescribed by the Competent Authority in accordance with Article 3 of this Act, taking into consideration the principal functions of such Bank for a Special Business Purpose and the requirements for economic development. Unless otherwise prescribed by law or the Competent Authority's regulations, Article 73 through Article 76 shall apply to Banks for a Special Business Purpose.
Article 90	Unless otherwise prescribed by the Competent Authority, a Bank for a Special Business Purpose the principal function of which is to extend medium-term and long-term

loans may issue Bank Debentures in accordance with Article 72-1 of this Act.

The funds acquired by a Bank for a Special Business Purpose, from the issuance of Bank Debentures in accordance with the preceding Paragraph, shall be utilized exclusively for investment in specialized enterprises and for extending medium-term and long-term loans.

Article 91

A Bank for a Special Business Purpose which purpose is to extend credit for industrial purposes is classified as an Industrial Bank. The principal functions of an Industrial Bank shall be to extend medium-term and long-term credit to industrial, mining, transportation and other public utilities enterprises.

An Industrial Bank may invest in the manufactory industry; the scope of manufacturing business in which investments may be made shall be prescribed by the Competent Authority.

An Industrial Bank may accept deposits; provided, that such business shall be limited to customers which are companies in which the Bank invests or to which the Bank extends credit, insurance enterprises established in accordance with applicable law, foundations and the Government.

The establishment criteria, credit extensions, securities investment, enterprise investments, deposit taking and the scope of, limits on and administration rules for issuance of Bank Debentures by an industrial bank shall be as prescribed by the Competent Authority.

Article 91-1

If an Industrial Bank directly invests in manufacturing businesses in the following circumstances, such Bank shall obtain the approval of more than three-quarters of its directors present at a Board meeting at which two-thirds of the directors are present; and its total investment amount shall not exceed five percent (5%) of the Bank's net worth as of the end of the preceding fiscal year:

1. The invested business is the Bank's major shareholder, responsible person(s) or an affiliate of such shareholder

or person;

2.The invested business is the Bank's shareholder, the Bank's responsible person or a partnership or sole proprietorship managed by a related person of such shareholder person or responsible person;

3.The major shareholder or responsible person of the Bank and their related persons jointly or severally hold more than ten percent (10%) of the total amount of issued shares or paid-in capital of the invested business; or

4.The Bank's major shareholder, responsible person(s) and/or their related persons are directors, supervisors or managers of the invested business except in cases where they act as directors, supervisors or managers due to the Bank's investment relationship with such business.

The term, "affiliate", as used in Subparagraph 1 of the preceding Paragraph shall have the meaning set out in Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Law.

The term, "related persons", as used in Subparagraphs 2 through 4 of Paragraph 1, shall include the spouse, blood relatives within three degree and marriage relatives within two degree of the Bank's major shareholder(s) and the Bank's responsible person.

Article 92 A Bank for a Special Business Purpose which purpose is to extend credit for agricultural purposes is classified as an Agricultural Bank.

The principal functions of an Agricultural Bank shall be to improve the financial situation in rural areas and to extend credit necessary for production to agricultural, forestry, fishing, animal husbandry and related enterprises.

Article 93 In order to strengthen the availability and efficiency of agricultural credit, an Agricultural Bank may absorb funds in rural areas through the assistance of farmers' associations and use such funds to extend agricultural credit and to provide banking services related to farmers' livelihood.

Article 94 A Bank for a Special Business Purpose which purpose is

to extend credit to export-import enterprises is classified as an Export-Import Bank.

The principal functions of an Export-Import Bank shall be to extend medium-term and long-term credit with a view to expanding overseas markets, and to facilitating the import of equipment and raw materials needed domestically by industrial enterprises.

Article 95 To facilitate the supply of important raw materials needed domestically by industrial enterprises, an Export-Import Bank, with the approval of the Central Competent Authority, may extend credit to enterprises for investment in obtaining important raw materials in foreign countries.

Article 96 A Bank for a Special Business Purpose which purpose is to extend credit to medium and small sized enterprises is classified as a Medium and Small Sized Enterprise Bank. The principal functions of a Medium and Small Sized Enterprise Bank shall be to extend medium-and long-term credit to medium and small sized enterprises in order to assist them in improving their productive equipment and financial structure and strengthening their management and operations. The scope of business of a Medium and Small Sized Enterprise Bank shall be as prescribed by the central competent authority in charge of economic affairs and submitted to the Executive Yuan for approval.

Article 97 A Bank for a Special Business Purpose which purpose is to extend credit to real estate enterprises is classified as a Real Estate Credit Bank. The principal functions of a Real Estate Credit Bank shall be to extend medium-and long-term credit for the purposes of land development, city improvement, urban development, road construction, tourist facilities and housing construction projects.

Article 98 A Bank for a Special Business Purpose which purpose is to extend credit in local areas is classified as a Citizens' Bank. The principal functions of a Citizens' Bank shall be to

extend medium-and long-term credit for the purposes of assisting in area development and in meeting the needs of local residents.

Article 99 Citizens' Banks shall be operated by district. In principle, there shall be only one such Bank in each district. The total amount of loans extended by a Citizens' Bank to any one customer shall not exceed a prescribed amount. Districts where Citizens' Banks may be established and the amount of loans to be extended to any one customer shall be as prescribed by the Central Competent Authority.

Chapter VI Investment And Trust Companies

Article 100 The term, "Investment and Trust Company", as used in this Act shall mean a financial institution which, for a specific purpose and in the capacity of trustee, accepts, operates, manages and employs Trust Funds and manages trust properties or, as an investment broker, invests funds relating to capital markets for specific purposes. The operations and administration of an Investment and Trust Company shall be governed by this Act; matters with no applicable provisions in this Act shall be governed by other relevant laws; the administrative rules for Investment and Trust Companies shall be as stipulated by the Central Competent Authority.

Article 101 Businesses which may be conducted by an Investment and Trust Company are as follows:

- 1.To extend medium-term and long-term loans;
- 2.To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and listed stocks;
- 3.To guarantee issuance of corporate bonds;
- 4.To guarantee domestic and foreign transactions;
- 5.To underwrite and trade in securities for its own account or for customers;
- 6.To accept, manage and employ various Trust Funds;
- 7.To publicly raise mutual Trust Funds;
- 8.To manage various kinds of property under mandate;

- 9.To act as trustee for issuance of bonds;
- 10.To act as attester for the issuance of bonds and stocks;
- 11.To act as agent for issuance, registration and transfer of securities and distribution of interest and dividends thereon;
- 12.To act as executor of wills and administrator of estates of deceased persons;
- 13.To act as supervisor for the reorganization of companies;
- 14.To provide consulting services in connection with the issuance and raising of securities and to engage in agency services related to the aforesaid business; and
- 15.To conduct other relevant businesses which may be authorized by the Central Competent Authority.

With the approval of the Central Competent Authority, an Investment and Trust Company may use its non-trust funds to invest directly in productive enterprises or in residential construction and construction for business purposes.

Article 102 For Investment and Trust Companies which engage in the underwriting and trading of securities, a special fund equivalent to at least ten percent (10%) of the net worth of the Investment and Trust Company in the preceding year shall be allocated for purposes of the operation thereof. Such special fund shall, prior to any appropriation thereof, be deposited in cash with other financial institutions or shall be used for the purchase of government bonds.

Article 103 An Investment and Trust Company shall deposit a trust fund reserve with the Central Bank of China in cash or valuable securities acceptable to the Central Bank of China. Such reserve shall be within the range of fifteen percent (15%) to twenty percent (20%) of the total value of the various trust agreements, as determined by the Central Bank of China. However, the minimum reserve amount shall not be less than twenty percent (20%) of the Trust and Investment Company's total paid-in capital. At the commencement of operations of an Investment and

Trust Company, the aforesaid reserve shall temporarily be based on twenty percent (20%) of paid-in capital of such Investment and Trust Company, and, commencing one (1) year from such commencement of operations, such reserve shall be adjusted at the end of each month in accordance with the foregoing standard.

- Article 104 In accepting, managing or employing Trust Funds and managing properties under a trust mandate, trust agreements between Investment and Trust Companies and trustors shall contain the following terms:
- 1.Means and scope of employing the funds;
 - 2.Method of management of properties;
 - 3.Allocation of income;
 - 4.Responsibility of the Investment and Trust Company;'
 - 5.Submission of accounting reports;
 - 6.Standards for payment and calculation of fees of the Investment and Trust Company; and
 - 7.Other relevant agreed upon terms.
- Article 105 An Investment and Trust Company shall in good faith exert its utmost care in managing Trust Funds or trust assets in its custody.
- Article 106 The operation and administration of an Investment and Trust Company shall be handled by financial personnel with special knowledge and experience, assisted by qualified legal, accounting and other technical personnel necessary for the various businesses involved.
- Article 107 If an Investment and Trust Company violates laws, ordinances or trust agreements or, for other reasons for which the Investment and Trust Company is responsible, causes loss to trustors, the Investment and Trust Company's responsible director, officer-in-charge, and the Investment and Trust Company itself shall be jointly and severally liable to make compensation for the damages incurred.
- The aforesaid liability imposed on the responsible director or officer-in-charge shall terminate if no lawsuit has been brought against such person within two (2) years after the

date of his resignation registration.

Article 108

Unless otherwise authorized by court order, by the written agreement of trustors (for purchase at market price) or, without consent of the trustors (for purchases at market price by open bid), an Investment and Trust Company shall not engage in the following transactions:

- 1.Acquisition of ownership of trust properties;
- 2.Creation or obtaining of any rights or privileges over trust properties;
- 3.Sale of its own properties or rights to trustors;
- 4.Other transactions related to the aforesaid three Subparagraphs; and
- 5.Any transactions employing Trust Funds and properties with the Investment and Trust Company's directors, staff members or third parties who have an interest in the Trust Funds operated by the Investment and Trust Company.

If an Investment and Trust Company makes the decision to engage in transactions proscribed in the aforesaid proviso, in addition to first applying to the Central Competent Authority for approval, the following restrictions shall apply:

1. If the Investment and Trust Company makes the decision to engage in a transaction, any director or staff member who has a direct or indirect interest in the trust accounts, trust properties or securities in connection with the such transaction shall not participate in such decision.
2. If the Investment and Trust Company engages in the underwriting or trading of securities, or directly invests for its own account or for the account of investors, the company's directors or staff members who are concurrently directors or staff members of the company issuing such securities or who have direct or indirect interests in the said securities shall not participate in any decisions relating to such transaction.

Article 109

Prior to the investment of Trust Funds by an Investment and Trust Company pursuant to the terms of the relevant trust agreements, or prior to continuing investment of the said Trust Funds after retrieval of the Trust Funds by the

Investment and Trust Company, such Trust Funds shall be deposited with Commercial Banks or Banks for a Special Business Purpose.

Article 110 An Investment and Trust Company may operate the following Trust Funds:

1. Trust Funds for uses designated by the trustors; and
2. Trust Funds for uses determined by the Investment and Trust Company. For Trust Funds, the uses of which are determined by the Investment and Trust Company, it may be specified in the trust agreement that the Investment and Trust Company shall be responsible for compensation for losses of principal.

For compensation for losses of principal, the Investment and Trust Company shall, at the end of each fiscal year, make a precise assessment of such principal losses and shall compensate such losses by allocating funds from the Investment and Trust Company's special reserve as stipulated in the relevant trust agreement(s).

The aforesaid special reserve shall be appropriated from the annual income derived from trust properties pursuant to standards approved by the Competent Authority.

Surpluses in the special reserve account, after full compensation for principal losses, shall be credited to the Investment and Trust Company's income; any deficit in the special reserve shall be covered by the Investment and Trust Company's own funds.

Article 111 An Investment and Trust Company shall individually establish a special account for each trustor and each type of Trust Fund. The Investment and Trust Company's own properties and trustors' properties shall be kept in separate accounts and shall not be commingled.

An Investment and Trust Company shall not borrow funds for the account of its Trust Funds.

Article 112 The creditors of an Investment and Trust Company may not apply for seizure or exercise other such rights over trust properties.

Article 113 An Investment and Trust Company shall set up a trust

property assessment committee to assess, every three (3) months, the value of the trust properties provided by each trustor. The result of the assessment of each such trust account shall be reported to the Board of Directors of the Investment and Trust Company.

Article 114 An Investment and Trust Company shall submit to each trustor and to the Central Competent Authority, periodic accounting reports in accordance with the trust agreements and the regulations of the Central Competent Authority.

Article 115 An Investment and Trust Company, in offering public common Trust Funds, shall prepare a plan for such issuance and shall submit the same to the Central Competent Authority for approval.
Administrative rules governing the aforesaid public common Trust Funds shall be as prescribed by the Central Competent Authority.

Article 115-1 Except as regards businesses approved by the Competent Authority in accordance with Article 101, Paragraph 2, above Article 74, Article 75 and Article 76 shall apply to Investment and Trust Companies.

Chapter VII Foreign Banks

Article 116 The term, "Foreign Bank", as used in this Act, shall mean a Bank organized and incorporated in accordance with the laws of a foreign country, which Bank has been recognized by the government of the Republic of China and registered for business as a branch office within the territory of the Republic of China, in accordance with the Company Law and this Act.

Article 117 A Foreign Bank, which establishes a branch office within the territory of the Republic of China, must obtain approval from the Competent Authority, and be recognized and registered in accordance with the Company Law. A Foreign Bank branch shall commence operations only after obtaining a business license pursuant to the procedures set out in Article 54 of this Act; a Foreign Bank which establishes a representative office in the Republic

of China shall obtain the approval of the Competent Authority.

The rules for establishment and operations of foreign banks under the preceding paragraph shall be prescribed by the Competent Authority.

Article 118 The Central Competent Authority may, in consideration of the need for international trade and industrial development, designate areas where Foreign Banks may be allowed to establish branches.

Article 119 (deleted)

Article 120 A Foreign Bank shall appropriate funds exclusively for its operation of business within the territory of the Republic of China and Articles 23 and 24 of this Act shall apply *mutatis mutandis*.

Article 121 Businesses which may be conducted by a Foreign Bank shall be as prescribed by the Competent Authority, after consultation with the Central Bank of China, within the business scope stipulated in Articles 71 and Article 101, Paragraph 1, of this Act. Matters pertaining to foreign exchange shall be as permitted by the Central Bank of China.

Article 122 Any receipts and disbursements of funds made by a Foreign Bank branch shall be in the Chinese national currency, with the exception of foreign currency Deposits with respect to which special permission has been granted by the Central Bank of China.

Article 123 Chapter 1 through Chapter 3 and Chapter 6 of this Act shall also apply to Foreign Banks.

Article 124 (deleted)

Chapter VIII Penalties

Article 125 Those who violate Article 29, Paragraph 1, of this Act shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT\$10,000,000) and not more than Two Hundred Million New Taiwan Dollars (NT\$200,000,000). Those

who thereby obtain any property or property interests from such crimes of One Hundred Million New Taiwan Dollars (NT\$100,000,000) or more shall be punished by imprisonment for more than seven (7) years, and may also be fined a criminal fine of not less than Twenty Five Million New Taiwan Dollars (NT\$25,000,000) and not more than Five Hundred Million New Taiwan Dollars (NT\$500,000,000).

A financial information service business which operates inter-bank funds transfer and account clearing without obtaining the approval of the Competent Authority shall be punished in accordance with the preceding Paragraph.

Should a juristic person commit the offenses prescribed in the preceding two paragraphs, its responsible person shall be punished.

Article 125-1

A person who damages the credit of a Bank, a Foreign Bank, a money market business's or a financial information service business which operates inter-bank funds transfer and bills clearing by spreading rumors or by fraud shall be punished by imprisonment for less than five (5) years and a criminal fine of less than Ten Million New Taiwan Dollars (NT\$10,000,000).

Article 125-2

A Bank's responsible person or staff member who violates his/her duty with the intent to gain illegal benefit for himself/herself or a third party and damages the Bank's assets or other interests shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT \$ 10,000000) and not more than Two Hundred Million New Taiwan Dollars (NT\$200,000,000). Those who thereby obtain any property or property interests from such crimes of One Hundred Million New Taiwan Dollars (NT\$100,000,000) or more shall be punished by imprisonment for more than seven (7) years, and may also be fined a criminal fine of not less than Twenty Five Million New Taiwan Dollars (NT\$25,000,000) and not more than Five Hundred Million New Taiwan Dollars

(NT\$500,000,000).

When two or more responsible persons or staff members of a Bank jointly commit the offenses prescribed in the preceding Paragraph, their punishment may be increased by up to one-half of the specified punishment. Attempts to commit the acts described in the preceding two paragraphs shall be punishable.

The preceding three paragraphs shall apply to the responsible person or staff members of Foreign Banks or institutions conducting money market businesses.

Article 125-3

Those who, with the intent to gain illegal benefit for themselves or a third party, use fraudulent methods to cause the Bank to deliver the assets of the Bank or a third party, or use unjustified methods to enter fictitious data or unjustified commands into the Bank computer or relevant equipment, or make records of acquisition, loss or alteration of the assets so as to obtain any property or property interests from such crimes of which amount to One Hundred Million New Taiwan Dollars (NT\$100,000,000) or more, shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may also be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT\$10,000,000) and not more than Two Hundred Million New Taiwan Dollars (NT\$200,000,000).

Those who use methods described in the foregoing paragraph to obtain the illegal benefit of assets or cause a third party to do so shall likewise be subject to the specified punishments.

Attempts to commit the acts described in the preceding two paragraphs shall be punishable.

Article 125-4

For those who have turned themselves in after committing crimes stipulated in Article 125, Article 125-2 or Article 125-3, they have delivered all criminal gains, if any, out at their free will, their sentences can be reduced or exempted. If their acts of turning themselves in have led to the capture of other principal criminals or accomplices, their sentences shall be exempted.

For those who have committed crimes stipulated in Article 125, Article 125-2 or Article 125-3 and confessed during investigation, they have delivered all criminal gains, if any, out at their free will, their sentences can be reduced. If their acts of confession have led to the capture of other principal criminals or accomplices, their sentences shall be reduced by one-half.

For those who have committed crimes stipulated in Paragraph 1 of Article 125-1, Paragraph 1 of Article 125-2 or Paragraphs 1 and 2 of Article 125-3, any property or property interests obtained from such crimes has exceeded the highest level of fines, more fines can be added within the range of their illegal gains. Should their criminal acts have jeopardized the stability of the financial market, their sentences shall be increased by one-half.

Article 125-5

Where a gratuitous act done by a responsible person or staff member of a Bank under Article 125-2, Paragraph 1, or by a committer of a violation under Article 125-3, Paragraph 1, is prejudicial to the rights of a Bank, the Bank may apply to the court to cancel such act.

Where a non-gratuitous act done by a responsible person or staff member of a Bank 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 Bank, and the beneficiary of the act also knows such circumstances at the time the benefit is received, the Bank 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 Bank 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 Bank 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 Bank is aware of any cause for cancellation if the Bank fails to exercise the right, or ten years after the time of the act.

The preceding six paragraphs shall apply to the responsible person or staff members of Foreign Banks under Article 125-2, Paragraph 4.

Article 125-6 The crimes set forth in Article 125-2, Paragraph 1, Article 125-2, Paragraph 1, as applied under Article 125-2, Paragraph 4, and Article 125-3, Paragraph 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 126 In the event that a company limited by shares violates its commitment made pursuant to Article 30 of this Act, its directors and those who participated in the decision that led to the violation of said commitment shall be punished by imprisonment for not more than three (3) years, detention, and/or a criminal fine of not more than one million and eight hundred thousand New Taiwan Dollars (NT\$1,800,000).

Article 127 In the event of a violation of Article 35 of this Act, punishment by imprisonment for not more than three (3) years, detention, and/or a criminal fine of not more than Five Million New Taiwan Dollars (NT\$ 5,000,000) shall be imposed. However, if a more severe punishment is stipulated in other laws, such more severe punishment shall be imposed.

In the event of a violation of Article 47-2 or Article 123 (which applies Article 35), punishment shall be imposed in accordance with the preceding Paragraph.

Article 127-1

In the event of a violation of Article 32, Article 33, or Article 33-2 of this Act or in the event of a violation which is punishable under the preceding three articles, or Article 91-1, through the acts described in Article 33-4, Paragraph 1, the responsible person shall be punished by imprisonment for not more than three (3) years, detention, and/or a criminal 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 a loan extended by the Bank exceeds the amount prescribed by the Competent Authority under Article 33, or a direct investment in a manufacturing business is made under Article 91-1 without obtaining approval from not less than three quarters of the directors present in the board meeting at which not less than two-thirds directors are present, or violation of the credit limit or total balance of loans extended prescribed by the Competent Authority under Article 33, Paragraph 2 or violation of Article 91-1 with respect to total investment exceeding five percent (5%) of the Bank's net worth in the preceding fiscal year, the responsible person shall be punished by an administrative 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.

In the event that an entity operating a money market business violates Article 47-2 by application of Article 32, Article 33, Article 33-2 or Article 33-4, or a Foreign Banks violates Article 123 by application of Article 32, Article 33, Article 33-2 or Article 33-4, the responsible person shall be punished in accordance with the preceding two paragraphs.

The preceding three paragraphs shall apply to responsible

persons who commit such offenses outside the territory of Republic of China.

Article 127-2

In the event of a violation of a disposition ordered by the Competent Authority pursuant to Article 62, Paragraph 1, of this Act, if the said violation is sufficient to cause damage to others or the public, the person(s) responsible for the violation shall be punished by imprisonment for not less than one (1) year and not more than seven (7) years, and a criminal fine of not more than Twenty Million New Taiwan Dollars (NT\$20,000,000). Commission of any of the following acts by a Bank's responsible person or staff members in connection with the Competent Authority sending officials to take conservatorship or receivership over the business operations or order of suspension of the business and rehabilitation measures shall be punished by imprisonment for not less than one (1) year and not more than seven (7) years and a criminal 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 banking business or finance to the conservators, receivers or rehabilitators designated by the Competent Authority, refusing to provide information as to the necessary matters in connection with assets and liabilities of the Bank to such persons, or refusing such persons' requests to carry out necessary acts for conservatorship, receivership, or rehabilitation.
2. Concealing or damaging the books or other documents regarding a Bank's business or financial condition;
3. Concealing or destroying a Bank's properties, or making other decisions to the detriment of creditors;
4. Failing to reply, without justification, to inquiries from conservators, receivers, or rehabilitators appointed by the Competent Authority to ; or
5. Fabricating claims or accepting false claims.

With respect to violation of the measures imposed by the Competent Authority pursuant to Article 47-2, Article 123 applying Article 62, Paragraph 1, Article 62-2 or Article

62-5 and the occurrence of any of the events prescribed in the preceding two paragraphs, the preceding two paragraphs shall apply.

Article 127-3 If the responsible person(s) or a staff member of a Bank violates Article 35-1 of this Act with respect to concurrently holding positions in other Banks, such person shall be punished by an administrative 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 Bank, the punishment shall be imposed on the Bank.

If the responsible person(s) or a staff member(s) of a money market business violate Article 47-2 applying Article 35-1 of this Act with respect to holding concurrent positions, or if the responsible person(s) or a staff member(s) of a Foreign Bank violate Article 123 applying Article 35-1 of this Act with respect to holding concurrent positions such shall be punished in accordance with the preceding Paragraph.

Article 127-4 Although punishment is to be imposed on the responsible person(s) in accordance with other provisions, in the event that the responsible person(s), agent, employee(s) or a staff member(s) of a legal entity commit any of punishable under Article 125 through Article 127-2 of this Act, the legal entity shall also be punished by the administrative fine or criminal fine described in each such article.

The preceding Paragraph shall apply to Foreign Banks.

Article 127-5 A violation of Article 20, Paragraph 3, shall be punished by imprisonment for not more than three years, detention, and/or a criminal fine of not more than NT\$5 million.
Should a juristic person commit the offense in the preceding paragraph, its person responsible for the act shall be punished.

Article 128 The directors or supervisors of a Bank who violate Paragraph 1 of Article 64 herein by delaying filing reports

to the Competent Authority, or the directors or staff members of an Investment and Trust Company who violate Article 108 herein by participating in such decision, shall, respectively, be punished by an administrative 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).

In the event that the responsible person or staff member(s) of a foreign bank violate Article 123 herein to which Article 108 of the Act applies mutatis mutandis by participating in the decision, the penalties prescribed in the preceding paragraph shall apply.

In the event that a shareholder of a Bank violates Paragraphs 2, 3 or 5 of Article 25 herein by failing to file a report with the Competent Authority with respect to his/her shareholding, or failing to acquire the approval of the Competent Authority to hold shares of the Bank, such shareholder shall be imposed of an administrative 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).

A financial information business which handles inter-bank funds transfers and bills clearing, or a service business which handles the inter-bank credit data processing and exchange commits one of the following acts shall be imposed of an administrative 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 examined or concealing or damaging related data, or refusing to respond to or making false representation in response to the inquiries of the investigators without justifications, missing the deadline for submission of data or making false or incomplete representations the Competent Authority dispatches officials or appoints an appropriate institution to examine its business, financial condition and other related matters, or orders submission of financial reports or other related data.

2. Suspending all or part of its business without obtaining the approval of the Competent Authority.

3. Unless otherwise provided for in other laws or regulations prescribed by the Competent Authority, disclosing without cause a third party's data learned or held through their position.

A service business which conducts inter-bank credit data processing and exchange without obtaining the approval of the Competent Authority shall be punished pursuant to the preceding paragraph.

Article 129

Commission of any of the following acts shall be imposed of an administrative 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 Articles 21, 22 or 57 or violation of Article 123 to which Articles 21, 22 or 57 of the Act applies *mutatis mutandis*.

2. Issuing share certificates in violation of Paragraph 1 of Article 25 herein;

3. Violation of Paragraphs 1 through 3, Article 28 or violation of Article 123 to which Paragraphs 1 through 3 of Article 28 of the Act apply *mutatis mutandis*;

4. Violation of restrictions imposed by the Competent Authority under Article 33-3 or Article 36 or Article 123 herein to which Article 33-3 or Article 36 of the Act applies *mutatis mutandis*;

5. Violation of the notice given by the Competent Authority in accordance with Article 43 or Article 123 to which Article 43 of the Act applies *mutatis mutandis* by failing to make the adjustment required thereby within the prescribed period;

6. Violation of Article 44-1 of the Act or the actions taken by the Competent Authority in accordance with Paragraph 1 of Article 44-2 herein;

7. Failure to establish or diligently conduct the internal control and audit systems, internal processing system and procedures, and internal operation system and procedures in accordance with Article 45-1 or Article 123

herein to which Article 45-1 of the Act applies mutatis mutandis;

8. Failure to apply for approval in accordance with Paragraph 2 of Article 108, or violation of Article 123 herein to which Paragraph 2 of Article 108 of the Act applies mutatis mutandis;

9. Violation of Paragraph 4 of Article 110, or violation of Article 123 herein to which Paragraph 4 of Article 110 of the Act applies mutatis mutandis by failing to set aside sufficient special reserve;

10. Violation of Paragraph 1 of Article 115, or violation of Article 123 herein to which Paragraph 1, Article 115 of the Act applies mutatis mutandis in publicly offering mutual trust fund; or

11. Violation of Article 48 of the Act.

Article 129-1

The responsible person(s) or staff member(s) of a Bank or other concerned persons committing any of the following acts when the Competent Authority dispatches officials or mandates appropriate institutions or orders local Competent Authorities to dispatch officials or designates professional and technical persons to check the business, financial condition and other related matters, or orders the Bank or other concerned persons to submit financial reports, property inventories or other related documents and reports in accordance with Article 45 of this Act shall be punished by an administrative fine of not less than Two Million New Taiwan Dollars (NT\$2,000,000) and not more than Ten Million Dollars (NT\$10,000,000):

1. Refusing to be investigated or refusing to open the vault or other storage facilities;

2. Concealing or damaging books and documents related to business or financial conditions;

3. Refusing to reply or misrepresenting responses to inquiries of the investigator without justifiable reasons.

4. Failure to timely, honestly or completely provide financial reports, property inventories or other related data or reports, or to pay investigation fees within the specified period(s) of time.

The responsible person(s) or staff member(s) or other concerned person(s) of a money market business or a Foreign Bank committing the acts listed in the preceding Paragraph when the Competent Authority dispatches officials or mandates appropriate institutions or orders local Competent Authorities to dispatch officials or designates professional and technical persons to check the business, financial condition and other related matters, or orders the Bank or other concerned person(s) to provide financial reports, property inventories or other related documents and reports in accordance with Article 47-2 or Article 123 applying Article 45 of this Act shall be punished pursuant to the preceding Paragraph.

Article 129-2 The responsible person of a Bank who violates Paragraph 1 of Article 44-2 of the Act by failing to propose or to diligently undertake capital restructuring, or other finance and business improvement plan shall be imposed of an administrative fine of not less than Two Million New Taiwan Dollars (NT\$2,000,000) and not more than Ten Million Dollars (NT\$10,000,000).

Article 130 Commission of any of the following acts shall be punished by an administrative 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. Violations of regulations regarding the extension of loans prescribed by the Central Bank of China in accordance with Article 40 or Article 123 applying Article 40 of this Act.

2. Violations of Article 72 or Article 123 applying Article 72 or regulations prescribed by the Competent Authority in accordance with Article 99, Paragraph 3, of this Act in extending loans;

3. Violations of Article 74, Article 89, Paragraph 2, Article 115-1 or Article 123 applying Article 74 of this Act in making investments;

4. Violations of Article 74-1, Article 75 or of Article 89, Paragraph 2, applying Article 74-1 or of Article 89, Article 115-1 or Article 123 applying Article 75 of this Act in

making investments;

5. Violations of Article 76, Article 47-2, of Article 89, Paragraph 2, Article 115-1 or Article 123 applying Article 76.

6. Violations of Article 91 or the scope, restrictions or management rules prescribed by the Competent Authority for credit extensions, investments, acceptance of deposits and issuance of Bank Debentures in accordance with Article 91.

7. Violations of Article 109 or Article 123 applying Article 109 of this Act in employing Trust Funds; or

8. Violations of Article 111 or Article 123 applying Article 111 of this Act.

Article 131

Commission of any of the following acts shall be imposed of an administrative fine of not less than Five Hundred Thousand New Taiwan Dollars (NT\$ 500,000) and not more than Two Million and Five Hundred Thousand New Taiwan Dollars (NT\$2,500,000):

1. Violation of Paragraph 8 of Article 25 herein by failing to give notice;

2. Violations of Article 34 or Article 123 to which Article 34 of the Act applies *mutatis mutandis* by accepting deposits;

3. Appointing a person not meeting the qualification requirements set forth in the guidelines stipulated in Paragraph 1 of Article 35-2 herein or the appointed responsible person violating the restrictions on concurrent posts prescribed in said guidelines;

4. Violation of Article 49 or Article 123 herein to which Article 49 of the Act applies *mutatis mutandis*;

5. Violation of Article 114 or Article 123 herein to which Article 114 of the Act applies *mutatis mutandis*;

6. Violation of Paragraph 1 of Article 50 herein by failing to set aside legal surplus reserve;

7. Violation of the rules set forth by the Competent Authority in accordance with Article 51 or Article 123 herein to which Article 51 of the Act applies *mutatis mutandis*; or

8. Violation of rules set forth by the Competent Authority in

accordance with Article 51-1 herein by refusing to make payment.

When a Bank violates Article 34-1 or Article 123 to which Article 34-1 applies *mutatis mutandis*, the Competent Authority may order correction or improvement by the Bank within a specified period of time. Where the violation is of a serious nature, or the Bank fails to take corrective measures within the specified period of time, or violates the same provisions after taking corrective measures, the Bank shall be punished by an administrative 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 132 Unless otherwise prescribed by this Act with respect to punishment by an administrative fine, violation of this Act or the related mandatory or prohibiting regulations authorized by this Act or failure to perform obligations to be performed shall be punished by an administrative 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 133 The administrative fines set forth in Articles 129, 129-1, 130, Subparagraphs 2 through 8 of Article 131, and Article 132 herein shall be imposed against the Bank or its branch.

The Bank or its branch may seek recourse from the responsible person after paying the administrative fines in accordance with the preceding paragraph.

Article 134 The amount of the administrative fines prescribed by this Act shall be determined and punished by the Competent Authority.

With respect to administrative fines prescribed by Article 130, Subparagraph 1 as violating Article 40, and the administrative fines prescribed by Article 132 as violating Article 37, Paragraph 2, Article 42 or Article 73, Paragraph 2 which authorize the Central Bank of China to prescribe mandatory or prohibiting regulations shall be punished by

the Central Bank of China with notice to the Competent Authority.

In the event that a party penalized by an administrative fine under the preceding two paragraphs disagrees with the decision, such 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 the penalty may be suspended by the provision of bonds in the appropriate amounts.

Article 135 In the event of failure to pay an administrative fine 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 Bank or Bank branch.

Article 136 A Bank that has been penalized in accordance with this Chapter and which fails to take corrective measures within the specified period of time may be punished by consecutive imposition of penalties imposed daily based on the amount of the originally imposed administrative fine until the corrective measures are taken. If a Bank repeatedly violates the provisions of this Act, or where the violations are of a serious nature, the Bank may be ordered to replace the responsible person within a specified period of time or the Permit of the Bank may be cancelled.

Article 136-1 Proceeds of the crime that belong to the offender in violation of this Act, or obtained by any other natural persons, legal persons, or unincorporated bodies pursuant to paragraph 2, Article 38-1 of the Criminal Code

shall be confiscated, with the exception of compensations due to those victims or parties eligible for claims against damages.

Article 136-2 Those who violate this Act and are fined Fifty Million New Taiwan Dollars (NT\$50,000,000) or more, but are unable to pay their fine in full, shall perform not more than two (2) years of labor service; the length of their labor service shall be calculated as the number of days in a two-year period proportional to the amount of the fine. Those who are fined One Hundred Million New Taiwan Dollars (NT\$100,000,000) or more, but are unable to pay their fine in full, shall perform not more than three (3) years of labor service; the length of their labor service shall be calculated as the number of days in a three-year period proportional to the amount of the fine.

Chapter IX Supplementary Provisions

Article 137 Prior to the enforcement of this Act, any Bank that has not applied for or obtained a business license or any institution that has been conducting deposit and lending activities in a manner similar to a Bank, shall complete the establishment procedures in accordance with the provisions of this Act within the period of time prescribed by the Central Competent Authority.

Article 138 Subsequent to the promulgation and enforcement of this Act, if classifications or functions of any existing Banks or institutions with operations similar to a Bank are not in conformity with this Act, such shall be adjusted within the period of time prescribed by the Central Competent Authority, in accordance with the relevant provisions of this Act.

Article 138-1 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 139 The provisions of this Act shall also apply to those Banks or financial institutions established under other laws, unless such laws provide otherwise.
Administrative rules governing the aforesaid financial

institutions shall be as stipulated by the Executive Yuan.

Article 139-1 Regulations governing the application of this Act shall be as stipulated by the Central Competent Authority.

Article 140 This Act shall become effective from the date of promulgation.

The effective date of Article 42 shall be the date as determined by the Executive Yuan; articles, which amended on May 5, 2006, shall become effective from July 1, 2006.