

## Regulations Governing the Establishment and Compliance Matters of Offshore Banking Branches

Article 1     These Regulations are enacted pursuant to Article 3, paragraph 2 and Article 5, paragraph 3 of the Offshore Banking Act (hereinafter referred to as "the Act").

Article 2     A foreign bank under Article 3, paragraph 1, subparagraphs 2 and 3 of the Act applying to establish an offshore banking branch within the territory of the Republic of China (ROC) shall meet the following conditions:

1. A foreign bank has no record of any material regulatory violation or serious misconduct within the most recent 5 years.

2. A foreign bank has been ranked, in terms of capital or assets, among the world's top 500 banks during the 1 year before application, or it has conducted transactions with banks and major enterprises of the ROC amounting to at least US\$1 billion during the 3 calendar years before application, in which the medium or long term credit provided by it has reached US\$180 million. Where there are special provisions in an economic and trade agreement signed by the ROC and the home country of the foreign bank, such special provisions shall prevail.

3. A foreign bank's ratio of equity capital to risk-weighted assets is in compliance with the standards set by the competent banking authority.

4. A foreign bank has obtained the approval from the competent banking authority in its home country for the establishment of an offshore banking branch within the territory of the ROC, and the competent banking authority in the home country has agreed to cooperate with the ROC in supervision of the bank on a consolidated basis.

5. The competent banking authority and the head office in the home country of the foreign bank have the capability to supervise all of its overseas

branches on a consolidated basis.

Article 3 A bank applying to establish an offshore banking branch shall submit the following documents to the Financial Supervisory Commission (hereinafter referred to as “FSC” ):

1. An application letter, a list of business items to be approved, a brief history, the balance sheet and the statement of comprehensive income of the bank.
2. Certified copies of the banking business license issued by the competent banking authority in the home country of the bank and the currently effective articles of incorporation of the bank's head office (accompanied by a Chinese translation of each).
3. A certified copy of the resolution of the bank's board of directors in favor of the application for the special concession (accompanied by a Chinese translation).
4. A list of the bank's directors, other responsible persons, and the designated responsible persons within the territory of the ROC (accompanied by a Chinese translation of each).
5. An authenticated copy of the power of attorney issued by the bank to designate its responsible person in the ROC (accompanied by a Chinese translation).
6. A self-assessment analysis of the compliance and soundness of the bank's business operations, including an explanation of any regulatory violations, fraud, or sanctions imposed within the past 5 years.
7. A certified copy of the calculation of the bank's ratio of equity capital to risk-weighted assets at the end of the preceding fiscal year, issued by the competent banking authority in the bank's home country or by a certified

public accountant.

8. A letter issued by the competent banking authority in the home country of the foreign bank, confirming (1) its approval for the bank to establish an offshore banking branch in the ROC, (2) its willingness to cooperate with the ROC in supervision of the bank on a consolidated basis, and (3) the soundness of the bank's financial conditions and business operations.

9. Documents evidencing the nationality of the responsible person of the foreign bank that files the application or does so through an attorney or a certified public accountant, and if the person is not a statutory representative of the bank, an authenticated copy of power of attorney issued by the bank shall be additionally submitted.

10. A power of attorney issued by the responsible person of the bank if the application is filed by an authorized attorney or a certified public accountant.

11. If the foreign bank did not rank among the world's top 500 banks in terms of capital or assets during the 1 year before application, it shall submit the business statistics showing the transactions between the foreign bank and the banks and major enterprises in the ROC during the 3 calendar years before application.

12. A business plan, the content of which shall contain the following:

(1) Organizational structure, division of responsibilities, and deployment of hardware and software resources.

(2) Business items for operation.

(3) Operating procedures or rules for major businesses.

(4) Authorized ceilings for business operations and the design of risk management system.

(5) Accounting system and internal audit system.

(6) Documents evidencing the academic and experiential qualifications of

the designated offshore banking branch manager.

(7) Assessment of business operations and forecast business volume for the next 3 years.

(8) Systems and procedures for the handling of asset quality evaluations, loss reserve provisions, clear-up of non-performing loans, and loan loss write-offs.

After the FSC accepts the application documents, it shall review the application in conjunction with the Central Bank of the Republic of China (Taiwan) (CBC).

After the bank's application is approved in accordance with the preceding paragraph, the FSC shall issue a license for the establishment of the offshore banking branch and the CBC shall issue a license for the operation of offshore banking business.

An offshore banking branch applying to operate the business set forth in Article 4, paragraph 1, subparagraph 4 of the Act shall submit the photocopies of the approval letter and the permission license of securities business.

Article 4     After a foreign bank under Article 3, paragraph 1, subparagraphs 2 and 3 of the Act has been granted a special concession to establish an offshore banking branch, it shall complete branch office registration.

Article 5     After a foreign bank under Article 3, paragraph 1, subparagraphs 2 and 3 of the Act has been granted a special concession to establish an offshore banking branch, it shall allocate working capital for its operation at the minimum amount of US\$2 million.

The FSC may adjust the minimum amount of the working capital referred to in the preceding paragraph depending on domestic economic and financial

circumstances.

Article 6     These Regulations shall come into force as of the date of promulgation.