

Regulations Governing Cash Distributions to Shareholders from Legal Reserve or Capital Reserve by Financial Holding Companies

- I. These Regulations are enacted pursuant to Paragraph 1, Article 41 of the Financial Holding Company Act.
- II. Any cash distribution made by a financial holding company to its shareholders shall be based on cumulative undistributed earnings to assure the soundness of its financial structure. Where the cash distribution is made to its common shareholders from legal reserve and capital reserve, the financial holding company shall meet the capital requirements in this paragraph, the necessity and appropriateness of the cash distribution shall be rigorously reviewed by its board of directors, and the prior approval of the FSC shall be obtained before its shareholders' meeting. The FSC, based on the overall capital planning and the soundness of the financial and operational status of the financial holding company group, shall prudently consider the following matters:
 - (I) Cash distributions to common shareholders from legal reserve:
 1. The legal reserve after the proposed cash distribution must at least be equal to 50 percent of the financial holding company's total paid-in capital;
 2. The financial holding company's group capital adequacy ratio which is calculated based on the most recent year's group capital adequacy ratio reviewed by a certified public accountant minus the proposed cash distribution (including distributions from legal reserve and capital reserve), must be equal to or greater than 120 percent. In addition, each of the following types of subsidiaries of the financial holding company must meet the following ratio requirements:
 - (1) The capital adequacy ratio of its bank subsidiary, reviewed by a certified public accountant, must meet the criteria in Article 5 of the "Regulations Governing the Capital Adequacy and Capital Category of Banks" plus 2 percentage points. If the bank subsidiary is designated as a domestic systemically important bank, it also must meet the requirements in Point 2 of the "Directions Governing the Identifying Indicators and Requirements for Domestic Systemically Important Banks." In addition, the liquidity reserve ratio, liquidity coverage ratio, and net stable funding ratio of its bank subsidiary must be no less than the statutory ratio.
 - (2) The capital adequacy ratio of its bills finance subsidiary, reviewed by a certified public accountant, must be equal to or greater than 10.5 percent.
 - (3) The capital adequacy ratio of its securities subsidiary, calculated based on the most recent audited financial report by a certified public

accountant, must be equal to or greater than 200 percent.

(4) The capital adequacy ratio of its insurance subsidiary must be equal to or greater than 125 percent of the regulatory standard, and the net worth ratio must be no less than 3 percent. Both those ratios shall be calculated based on the most recent audited financial report by a certified public accountant.

3. The loss provision, doubtful debt provision, and various reserves of the financial holding company and its subsidiaries, as verified in the most recent financial examination and audited in the most recent year's financial reports by a certified public accountant, must be equal to or greater than at least 100 percent of the regulatory standard for the loss reserve pursuant to the relevant regulations for each industry; and

4. The double leverage ratio of the financial holding company in the most recent year must not exceed 115 percent.

(II) Cash distributions to common shareholders from capital reserve: The basis of the distribution shall be the capital reserve specified in Paragraph 1, Article 241 of the Company Act. In addition, the capital adequacy ratio of the financial holding company and the subsidiaries must meet the criteria under paragraph(I)2.

III. When a financial holding company files an application to the FSC, it shall submit the board meeting minutes and any documentation pursuant to the criteria under Point 2.

IV. These Regulations shall enter into force from the date of promulgation.