

The Directions Governing Application Documents and Review Criteria for the Approval of Financial Holding Company

I. These Points are especially enacted for detailing applications documents of the establishment of a financial holding company mentioned in Article 8 of the “Financial Holding Company Act” (hereinafter called the “Act”) and conditions to be considered for approval of the establishment of the same type of company, as mentioned in Paragraph 1, Article 9 of the same Act.

II. For the purpose of receiving the approval of the establishment of a financial holding company from the competent authority, three (3) copies of each of the following documents shall be submitted to the said authority:

(1) An application form for approval of establishment of a financial holding company decided to be established in the future (please refer to Appendix 1 for the format of the application form). The name of the company; the total amount of capital; the business location; the name of each subsidiary, which has been decided and is to be used once the application for the establishment of the financial holding company is approved; the type of business; business location (of each subsidiary) and shareholding are to be specified in the application form.

(2) The constitution of the financial holding company, which is determined to be enforced (once the financial holding company is established).

(3) A name list of substantial shareholders of the financial holding company decided to be established in the future.

(4) A name list of promoters of the financial holding company to be

established by these promoters and evidential qualification documents of the promoters.

(5) A business plan, a financial plan and an investment plan of the financial holding company decided to be established in the future: These plans include the items, the method of establishment; the share structure; an adjustment plan of the organization; an evaluation of economic benefits; business operation policies after the establishment of the financial holding company, and balance sheets and profit and loss statements for the next three (3) years; the ratio of the total amount of equity investments of non-financial enterprises held by the financial conglomerate decided to be established in the future to the total amount of capital, and future development plan; risk management mechanisms; and how to meet the requirement that the financial holding company is to be competitive, and reach operation synergy and with sound operations.

(6) A name list of directors and of supervisors of the financial holding company and that of directors and of supervisors of each of the subsidiary of the said financial holding company. In the future, the financial holding company is decided to be established and the aforesaid subsidiaries are decided to be formed.

(7) Qualification evidential documents of a designated president, a senior executive vice president and an assistant vice president of the financial holding company and the same set of documents of a designated president, a senior executive vice president and an assistant vice president of each of the subsidiaries of the financial holding company. In the future, the financial holding company is decided to be established and the aforesaid subsidiaries are decided to be formed.

(8) A special resolution reached at the shareholders' meeting of the

financial holding company and of each of the subsidiaries of the financial holding company, or minutes of the promoters' meeting of those aforesaid entities. In the future, the financial holding company is decided to be established and the subsidiaries are decided to be formed.

(9) An assignment agreement or assignment resolution that processes an assignment of business; a convertible contract or convertible resolution for processing a share conversion.

(10) A plan on processing an assignment of business or a share conversion: The plan shall include material items, the protection of creditors and of consumers' rights and interests, and the handling of employees' rights and interests.

(11) A consultation paper on the reasonableness of the certified public accountants' evaluation of the share conversion ratio.

(12) Documents that show that the same person or same interested person holds more than 10% of the total number of the voting shares of the financial holding company, and that are, pursuant to Paragraph 1 of Article 16 of the Act, declared by the financial institution which has decided to convert itself into a financial holding company.

(13) Conjectural consolidated financial statements (including types of debt instruments which are issued currently, dates of maturity, and asset evaluation), and financial statements of the most recent three (3) years and the financial statement of the most recent (accounting) period. These financial statements were certified by certified public accountants. These statements are of the financial institution which has decided to convert itself into a financial holding company.

(14) An explanation of the capital adequacy of the financial institution which has decided to convert itself into a financial holding company. Such a capital adequacy is of the most recent six (6) months before the date of application (submitted) by the financial

institution.

(15) A review form on the establishment of a financial holding company decided to be established in the future – the review was proceeded by a lawyer or certified public accountant. (Please refer to Appendix 2 for the format)

(16) A financial institution which needs a newly established institution for an assignment of business shall enclose a “Table of Submissions of Application Form and Appendixes for Establishment of a Newly Established Institution for Assignment of Business.”

(Please refer to Appendix 3 for the format)

(17) Other documents as prescribed by the competent authority.

A state-owned financial institution to which the government puts up fifty percent (50%) capital, and which applies (to the competent authority) pursuant to the preceding Paragraph, may submit the financial statements of the most recent three (3) years that have been certified by the Ministry of Audit, R.O.C. (Taiwan) instead of the financial statements that have been certified by certified public accountants and were mentioned in Subparagraph 13 of the preceding Paragraph. The review on the establishment of a financial holding company decided to be established in the future, that is to be proceeded by a lawyer or certified public accountant before the review form is formed, as mentioned in Subparagraph 15 of the preceding Paragraph, may be proceeded by the legal office or audit unit of the state-owned financial institution instead.

If the items recorded in the documents provided in the preceding two paragraphs are incomplete or insufficient, the competent authority shall reject the submitted application on the establishment of a financial holding company. In the event that there are parts of the items that can be supplemented or rectified, the applicant shall

supplement or rectify the application within the period prescribed by the competent authority. The competent authority shall reject the applicant's application if the application is not supplemented or rectified prior to the expiry of the prescribed period.

III. Before the competent authority approves the establishment of the financial holding company, it shall not only review the content of the documents mentioned in the preceding Paragraph, but also consider the following elements:

- (1) The soundness of financial business and the ability of operation and management.
- (2) Capital adequacy.
- (3) Impact on competitiveness of the financial market and enhancement of public interests.

IV. The competent authority shall consider each of the following paragraphs when it considers the soundness of financial business and the ability of operation and management (of the financial holding company decided to be established in the future) pursuant to Subparagraph 1 of Point 3:

- (1) After a financial institution has converted itself to a financial holding company, the minimum total amount of the asset of the financial holding company is to be NT\$ 750 billion.
- (2) An evaluation report that was provided by a certified public account within the most recent three (3) years and shows that the certified public accountant had no opinions on (the accounting of) the financial institution which decides to convert itself into a financial holding company, or that the aforesaid certified public accountant had opinions on (the accounting of) the financial

institution and the parts (of the accounting) where the certified public accountant had opinions had been rectified specifically, or the financial institution had proposed improvement plans in the business plan, the financial plan and the investment plan mentioned in Subparagraph 5, Paragraph 1, Point 2.

(3) A financial institution which decides to convert itself into a financial holding company does not have any of the following circumstances within the most recent three (3) years, or has any of the following circumstances within the said period but it has rectified and such rectification is sanctioned by the competent authority:

1. The financial institution violated laws related to finance and its entire businesses or a part or more parts of its main businesses were suspended upon the order of the competent authority.

2. A single institution violated laws and regulations related to finance and has been imposed with administrative punishments for more than three (3) times.

3. The financial institution violated laws and regulations related to finance and has been imposed with an administrative punishment; in the same way, the amount of the single fine imposed on the financial institution reached the amount that was two (2) times the minimum amount of fine provided by the provision on punishments – while the imposition of the fine was based on the said provision.

4. Other major events that will impair sound operations of the businesses (of the financial holding company that is decided to be established in the future).

(4) The responsible person, the designated president, a senior executive vice president and an assistant vice president of the financial holding company decided to be established in the future shall conform to “the qualification requirements of the responsible persons of a Financial Holding Company and the regulations

governing holding a position in a Subsidiary(ies) of the Financial Holding Company concurrently by the same responsible person” provided in Article 17 of the Act.

(5) The most recent inspection report of the competent authority or inspection institution does not show that, the businesses and the finance of the financial institution having decided to convert itself into a financial holding company had significantly deteriorated and the financial institution shall immediately improve the deteriorated parts but it did not; or the businesses of the financial institution were majorly abnormal or negligence occurred in the internal control – either of the said events resulted major financial loss or deterioration and the financial institution did not improve (its situation).

V. When the competent authority considers capital adequacy mentioned in Subparagraph 2 of Point 3, it shall consider each of the following paragraphs:

(1) The conjectural capital adequacy ratio of the financial holding company of the financial institution having decided to convert itself into the said financial holding company shall reach one hundred percent (100%) or up. The capital adequacy ratios of each subsidiary are as follows:

1.The capital adequacy ratio of a bank subsidiary of the financial holding company shall reach twelve point five percent (12.5%) or up, the Tier 1 capital adequacy ratio shall reach ten point five percent (10.5%) or up, and the common equity tier 1 ratio shall reach nine percent (9%) or up.

2. The capital adequacy ratio of a securities subsidiary of the financial holding company two hundred percent (200%) or up.

3.The capital adequacy ratio of an insurance subsidiary is not less

than 150% of the statutory requirement as prescribed in Article 143-4, Paragraph 2, Subparagraph 1 of the Insurance Act. However, this shall not apply if there is concrete evidence demonstrating sound capital and approval has been obtained from the competent authority.

(2) When a financial institution is to convert itself into a financial holding company through the method of assignment of business, its assigned entire businesses and the main asset debts may not impair rights and interests of depositors, insureds, investors or other creditors.

When two financial institutions of the same trade have decided to convert themselves into financial holding companies, Subparagraph 1 of the preceding Paragraph may not apply to one of these two financial institutions whose capital adequacy has not reached the standard mentioned in Subparagraph 1 of the preceding Paragraph. The application of this rule is subject to the condition that the financial institution can make the operations of the businesses of the bank subsidiary(ies), the insurance subsidiary(ies) and the securities subsidiary(ies) sound within the responsible period of time specified in the business plan, the financial plan and the investment plan mentioned in Subparagraph 5, Paragraph 1 of Point 2.

VI. The competent authority shall consider the following factors with respect to the impact on competitiveness of the financial market and enhancement of public interests as mentioned in Subparagraph 3 of Point 3:

(1) Expand the economic scale of the financial institution, promote operation efficiency and increase competitiveness.

(2) Promote financial stability, enhance the quality of financial services and provide convenience.

The prerequisites of the factors of the preceding Paragraph that are to be considered include but are not limited to the items, corporate governance (including details of the establishment of independent directors, pledged shares ratio of substantial shareholders), social responsibilities, details of handling loans for small and medium enterprises.

If the establishment of the financial holding company decided to be established in the future constitutes an act of enterprise merger mentioned in Article 6 of the Fair Trade Act, the applicant who/which submits the application for establishment of a financial holding company to the competent authority shall, at the same time, apply to the Fair Trade Commission, Executive Yuan for approval of the merger.