

Content

Title :	Directions for the Extension of Special Loans and Special Credit Guarantees for Traditional Industries by Financial Institutions <b>Ch</b>
Date :	2004.11.19
Legislative :	<ol style="list-style-type: none"><li>1. Prescribed on October 25, 2000</li><li>2. Article 5 amended on January 16, 2001</li><li>3. Article 5 amended on May 4, 2001</li><li>4. Article 2, Article 3 and Article 5 amended on October 4, 2001</li><li>5. Article 2, Article 3 and Article 5, amended on October 14, 2002</li><li>6. Article 2, Article 3 and Article 5, amended on September 15, 2003</li><li>7. Article 2, Article 3 and Article 5, amended on November 19, 2004</li></ol>
Content :	<p>These Directions are specially prescribed to govern the extension of special loans and special credit guarantees for traditional industries (hereafter referred to as "Special Loans" ) in accordance with the conclusions of the 14 October 2000 Expanded Meeting of the Executive Yuan Finance and Economic Task Force, for the purpose of assisting traditional industries to obtain working capital.</p> <p>Aggregate value of the Special Loans: NT\$1,850 billion.</p> <p>Fund Sources of the Special Loans:</p> <p>(1) NT\$150 billion: Provided by the Central Bank of China (hereafter referred to as "the Bank"), Executive Yuan Development Fund, Medium and Long-Term Fund of the Council for Economic Planning and Development, Executive Yuan, Small and Medium Enterprise Development Fund, and residual funds from the relief loan program for earthquake-damaged enterprises (see attachment 1).</p> <p>(2) NT\$1,700 billion: funds of lending financial institutions; should such funds be insufficient, the Bank shall provide additional funds.</p> <p>The criteria for loan application, the determination of the lending rate, loan and guarantee limit, term to maturity and method of repayment for the NT\$150 billion in loan funds shall be enforced and controlled by relevant existing regulations.</p> <p>The particulars for the NT\$1,700 billion loan fund are set forth below (applicants for loans from the NT\$150 billion fund are also eligible for loans from the NT\$1,250 billion loan fund.):</p> <p>(1) Lending financial institutions and loan allocation: Bank of Taiwan, Land Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank, Chang Hwa Bank, Taiwan Business Bank, Farmers Bank of China, Chiao Tung Bank, Central Trust of China, International Commercial Bank of China, Cathy United Bank, Chinatrust Commercial Bank, Taipei Bank, International Bank of Taipei, Taishin Commercial Bank, Shanghai Commercial &amp; Savings Bank, E.Sun Commercial Bank, Chinese Bank, Bank of Kaohsiung, Taichung Commercial Bank, Fubon Commercial Bank, Bank of Overseas Chinese,</p>

Far Eastern International Bank, Fuhwa Bank, Bank Sinopac, Cosmos Bank, Taiwan, Hwatai Bank, Sunny Bank, Taiwan Business Bank, Enterprise Bank of Hualine, United Bzkn of Taiwan, Entie Bank, Chinfon Bank, Macoto Bank, and Bank of Panhsin. (The total amount of the special loans extended by financial institutions shall be increased by NT\$4,500 billion from October 20,2004. Detail information is shown as see attached table)

(2) Period for processing loans: a provisional four-year period from 20 October 2000 to 19 October 2005.

(3) Conditions for loans from the NT\$1,700 billion fund:

i. Prospective borrowers: Traditional industries (defined in attachment 2).

ii. Lending rate set by financial institutions: Calculated at a floating rate pegged to the Directorate General of Postal Remittances and Savings Banks' interest rate on two-year time savings deposits plus 1.15% to 1.65%.

iii. Types of loans:

(i) Short-term revolving loans.

(ii) Medium-term revolving loans.

(iii) Capital expense loans: to cover capital expenditures (including capitalized repair and maintenance expenses) for the purchase of machinery, equipment, land, and plants.

iv. Maximum loan value per applicant enterprise (enterprises whose responsible persons are spouses shall be calculated in combination):

(i) Short and medium-term revolving loans: The cumulative loan value per enterprise shall not exceed NT\$20 million. Loans may be applied for in several installments and processed in accordance with the regulations of the Small and Medium Enterprise Credit Guarantee Fund (hereinafter, the "Credit Guarantee Fund" and of the lending financial institution.

(ii) Capital expense loans: The maximum loan value per proposal shall be set based on the financial condition of the enterprise and shall not exceed 80 percent of the project cost. The total maximum loan amount per enterprise shall not exceed NT\$60 million and may be applied for in multiple installments.

(iii) An enterprise applying for the above-stated loans shall in principle submit its applications to a single financial institution. The financial institution shall check whether there is any duplication in loan applications when processing a loan.

v. Maturity term to and methods of repayment:

(i) Short-term revolving loans: The maximum term of loans based on promissory notes or letters of credit shall not exceed 180 days; that of other categories of short-term revolving loans shall not exceed one year.

(ii) Medium-term revolving loans: Maximum term of five years. Repayment is in equal monthly or quarterly installments from the drawn down date as stipulated. However, loans based on construction project contracts shall not be limited to the above-stated amortization method.

(iii) Capital expense loans: the term shall be set on the basis of the time needed to complete the proposed project and the financial condition of the applicant enterprise, and shall not exceed seven years, with a maximum grace period of two years. However, the seven-year restriction may be waived for capital expense loans where the applicant enterprise provides real estate such as the plant and its land as collateral, in which case the lending institution shall determine the term of loan on a case-by-case

basis.

(iv) Building construction industry applicants for medium-term revolving loans and capital expense loans may be exempt from the repayment methods set forth in the preceding two sub-subparagraphs. Repayment terms for such applicants shall be decided by the lending financial institution pursuant to the lending regulations prescribed by its head office.

vi. Terms and conditions of collateral: Collateral shall be provided in accordance with the lending regulations of the lending financial institution. Where there is a shortage of collateral in the case of a small or medium-sized enterprise, the application shall be referred for a credit guarantee in accordance with the current guarantee guidelines and related regulations of the Credit Guarantee Fund. In the case of not a small or medium-sized enterprise, the relevant provisions of the Guidelines for the Extension of Loans and Credit Guarantees for Non-Small-or-Medium-Sized Enterprises in Traditional Industries by the Small and Medium-Sized Enterprise Credit Guarantee Fund prescribed by the Credit Guarantee Fund shall apply.

vii. Credit guarantee ratio: The credit guarantee ratio shall not exceed 80 percent of the credit line.

(4) The lending financial institution of Special Loans shall be attentive to the appropriateness of the borrower's fund utilization. The borrower shall provide a letter of undertaking that the funds shall not be moved offshore.

(5) Lending institutions granting Special Loans shall faithfully abide by credit extension regulations. The financial institution and its responsible staff at all levels shall be exempt from administrative liability for losses that are not incurred deliberately, through gross negligence, or through violation of law.

(6) The Sino-American Fund, Credit Guarantee Fund, and the lending financial institution may dispatch personnel to the borrowing enterprise to investigate its utilization of relevant loans; the borrowing enterprise may not refuse.

The lending financial institution should use its own initiative to refer applications that do not comply with the guarantee criteria to the Credit Guarantee Fund to the Small and Medium Business Administration of the Ministry of Economic Affairs or Small Business Integrated Assistance Center for specific guidance, diagnosis and appraisal of the financing proposal.