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Title : Directions Governing the Risks Carried by Bills Houses on a Single Enterprise **Ch**

Date : 2005.01.28

Legislative : 3. Full 7 articles amended and promulgated 28 January 2005 per Order No. Jin-Kuan-Yin-(IV)-0940000106 of the Financial Supervisory Commission, Executive Yuan

Content : These Directions are adopted in accordance with the provisions of Article 33, paragraph 1, of the Act Governing Bills Finance Business ("the Act").

Financial institutions that engage on a concurrent basis in bills finance business are subject to the provisions of the Banking Act or other laws and regulations; these Directions do not apply to such institutions.

The term "risks on a single enterprise" in these Directions includes the following items:

3.1 Guarantees or endorsements for short-term bills of a single enterprise.

3.2 Holdings in short-term bills issued by a single enterprise, but not including either guarantees in the preceding subparagraph or short-term bills that are guaranteed, endorsed, or accepted by another financial institution.

3.3 Holdings in bonds issued by a single enterprise, but not including bonds that are guaranteed by other financial institutions.

3.4 Transactions in derivatives of a single enterprise.

3.5 Holdings in short-term bills or bonds that are guaranteed, endorsed, or accepted by a single bank or bills finance company.

3.6 Deposits in a single bank or investments in discretionary trust funds of a bank which guarantees the principal or interest.

Where reference is made to the amount of short-term bills or bonds outstanding as set out in subparagraphs 2, 3, and 5 of the preceding paragraph, it means proprietary positions held in inventory plus the book cost of short-term bills or bonds sold subject to repurchase.

Risk weightings for the items listed under the preceding point are as follows:

4.1 Where guarantees or endorsements are extended for the short-term bills of a single enterprise, the risk weighting is 100%, provided that the risk weighting is 60% if the enterprise's credit rating meets one of the following conditions:

4.1.1 Standard & Poor's Corporation has given a credit rating of BBB- or higher for its long-term credit, A-3 or higher for its short-term credit.

4.1.2 Moody's Investors Service has given a rating of Baa3 or higher for its long-term credit, P-3 or higher for its short-term credit.

4.1.3 Fitch Inc. has given a rating of BBB- or higher for its long-term

credit, F3 or higher for its short-term credit.

4.1.4 Taiwan Ratings Corporation has given a rating of twBBB- or higher for its long-term credit, twA-3 or higher for its short-term credit.

4.1.5 Fitch Ratings Limited, Taiwan Branch has given a rating of BBB-(twn) or higher for its long-term credit, F3 (twn) or higher for its short-term credit.

4.1.6 Moody's Taiwan Branch has given a rating of Baa3.tw or higher for its long-term credit, TW-3 or higher for its short-term credit.

4.2 For holdings in short-term bills issued by a single enterprise, the risk weighting is 100%, provided that the risk weighting is 60% if the enterprise's short-term credit rating meets one of the conditions set out in the preceding subparagraph.

4.3 For holdings in bonds issued by a single enterprise, the risk weighting is 100%, provided that the risk weighting is 60% if the long-term credit rating for the enterprise or for the debt in question meets one of the conditions set out in subparagraph 1.

4.4 For transactions in derivatives of a single enterprise, where the term of the original contract is one year or less, the risk weighting is 0.5%. Where the term of the original contract is greater than one year, the risk weighting is 0.5% for the first year and increases by one percentage point each year beyond that. Any remainder of less than one year on the contract shall be treated as one full year.

4.5 For holdings in short-term bills that are guaranteed, endorsed, or accepted by a single bank or bills finance company, the risk weighting is 100%, provided that it is 60% if the short-term credit rating of the bank or bills finance company meets one of the conditions set out in subparagraph 1.

4.6 For holdings in bonds that are guaranteed or endorsed by a single bank or bills finance company, the risk weighting is 100%, provided that it is 60% if the long-term credit rating of the bank or bills finance company meets one of the conditions set out in subparagraph 1.

4.7 For deposits in a single bank or investments in discretionary trust funds of a bank which guarantees the principal or interest, the risk weighting is 100%, provided that it is 60% if the credit rating of the bank meets one of the conditions set out in subparagraph 1.

Where reference is made to the total amount of risk carried by a bills finance company on a single enterprise, it means the figure obtained by multiplying the combined total of the outstanding amounts of the various risks on a single enterprise as set out in Point 3, paragraph 1 by the appropriate risk weightings as set out in the previous point.

Transactions in derivatives are computed on the basis of the total notional principal of the contract; for contracts without any notional principal, transactions are computed on the basis of face value or contract amount.

The total amount of risk carried by a bills finance company on a single enterprise may not exceed 20% of the bills finance company's net value, provided that the total amount of risk that such a company carries on a single bank or bills finance company not among the enterprises listed under Article 28, paragraph 1 of the Company Act may not exceed 40% of the bills

finance company's net value.

The outstanding amounts of the various risks carried by a bills finance company on a single enterprise as set out in Point 3, paragraph 1 are subject to the applicable provisions of the Act.

If the total amount of risk carried by a bills finance company on a single enterprise prior to the issuance of this amendment to these Directions does not comply with requirements herein, unless the Competent Authority grants approval to the contrary, the company shall make adjustments to bring itself into compliance within six months from the date of issuance of this amendment to these Directions.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System