

Content

Title :	Guidelines for Financial Institutions in Setting Tiered Interest Rates for Credit Cards and Cash Cards Ch
Date :	2006.03.30
Legislative :	1. From: Financial Supervisory Committee, Executive Yuan Date: 03/30/2006 Ref. No.: Jin-Kuan-Yin-(4)-Zi-No.09540002010
Content :	<p>The Financial Supervisory Commission (FSC) sets forth these Guidelines to strengthen the supervision of credit card and cash card business (referred to as “credit and cash cards” hereunder), ensure the interest of cardholders and put into effect sound risk management. With regard to the interest rates for revolving credit under credit and cash cards, a card issuer should take the initiative to assign each cardholder a credit grade in line with their credit standing based on a credit rating system and adopt tiered pricing for the interest rates of revolving credit after taking into account the costs of funding and operation (including operating profit).</p> <p>Card issuers shall establish the risk management and pricing policies and procedures for the tiered pricing of credit and cash cards, and submit them to the board of directors or personnel authorized by the board of directors (or an officer authorized by the head office in the case of the branch of a foreign bank in Taiwan) for approval. The policies shall contain at minimum the following items:</p> <p>(1) Establishment of credit rating system and regular review of its validity:</p> <p>A. Card issuers shall identify internal and overall credit rating elements for the establishment of a cardholder credit rating system and grade the cardholder risk accordingly:</p> <p>a. Internal credit rating elements (covering at minimum the following items)</p> <p>Cardholder’ s card payment record. Cardholder’ s card use status.</p> <p>b. Overall credit rating elements (covering at minimum the following items)</p> <p>Cardholder’ s credit record, debt outstanding and dealings with other financial institutions on record at the Joint Credit Information Center.</p> <p>B. Card issuers shall review their credit rating system regularly to ensure its validity and accuracy. The risk variation of individual customers shall be reflected in the increase or decrease of interest rates.</p> <p>(2) Tiered pricing policy:</p> <p>A. Card issuers shall consider at least the following factors when setting the pricing policy:</p> <p>a. Cost of funding.</p> <p>b. Cost of operation (including operating profit), e.g. card production and issuance, card maintenance, provision of services, and operating costs.</p>

c. Risk cost established by the credit rating system.

B. Card issuers shall regularly review the tiered rates applied to respective cardholders and make adjustment if necessary.

Card issuers shall regularly examine the interest rates for revolving interest rates of cardholders, adjust such rates based on their risk management and pricing policies and procedures for tiered pricing, and notify the cardholders of any rate change.

Card issuers shall file their tiered revolving interest rates with the Commission in a prescribed format (see the attachment) and post the rates on the websites of the card issuers and the Bankers Association (including media designated by the Bankers Association). Card issuers shall not reject any inquiry of cardholders about their interest rates for credit and cash cards.

Financial institutions' compliance of these Guidelines will be reviewed by the Commission during financial examination. The Commission will, in view of the severity of situation, impose penalty against violator of the Guidelines pursuant to the Banking Act and relevant regulations.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System