


Content

Title :	Regulations Governing Disclosure of Total Finance Charges In Consumer Credit Transaction Advertisements and Calculation of Annual Percentage Rate by Banks and Insurance Enterprises 
Date :	2005.08.15
Legislative :	1.Jin-Guan-Yin (3)-Zi-No. 0943000999 dated August 15, 2005
Content :	<p>Article 1 These Regulations are enacted pursuant to Paragraph 2, Article 22-1 of Consumer Protection Law.</p> <p>Article 2 Banks and insurance enterprises that engage in credit related transactions with consumers shall disclose in their marketing advertisement the annual percentage rate of all charges payable, and calculate the annual percentage rate in compliance with these Regulations.</p> <p>Article 3 The term "advertisement" as used in these Regulations means the act of disseminating promotional or publicity messages via television, radio, film, slides, newspaper, magazine, flyer, poster, signboard, placard, computer, telephone, fax, Internet, electronic video, electronic voice or other means and making the messages known to a large number of unspecified people.</p> <p>Article 4 The term "bank" as used in these Regulations means banks, credit cooperatives, trust investment companies, and credit card companies. The term "insurance enterprise" as used in these Regulations means insurance companies and the simple life insurance business of postal establishments.</p> <p>Article 5 The term "consumer credit transaction" as used in these Regulations means a transaction where a bank or an insurance enterprise enters a contract with an individual consumer, and according to which, provides the consumer with the service of deferred payment, loan or credit commitment, overdraft credit, and financing instruments with credit option that are akin to financing assistance. The consumer credit transactions mentioned in the preceding paragraph include loan transactions for home purchase, home repair, durable consumer goods (including houses and cars), tuition and other personal loan transactions, and revolving credit transactions such as credit card and cash card transactions.</p> <p>Article 6 The term "annual percentage rate" as used in these Regulations means the total finance charges payable by the consumer calculated according to the standards for lending rates and related fees and expenses expressed as an annual percentage of the principal of credit line borrowed. Where credit commitment, overdraft credit, and financing instruments with</p>

credit option (credit card or cash card) that are akin to financing assistance involve revolving credit line, the revolving interest rate (or lending rate) may be used in lieu of the annual percentage rate.

Article 7

The total finance charges payable mentioned in Paragraph 1 of the preceding paragraph exclude the following fees and expenses:

1. Fees arising from consumers' failure to perform their contractual obligations (e.g. penalty for late payment).
2. Fees that are not required by the bank or the insurance enterprise but are incurred at the free choice of the consumer (e.g. escrow fees).
3. Expenses relating to the repayment of loan and incurred for the direct benefit of the consumer (e.g. fire insurance premium and earthquake insurance premium for the collateral or filing fees for the creation of lien on the collateral).
4. Expenses not necessary for the acquisition or repayment of loan by the consumer (e.g. fees of credit insurance not required by the bank, interbank remittance fees when using ATM for repayment, and card reissuance fees in the case of lost card).

Article 8

The annual percentage rate referred to in these Regulations is calculated by the following formula:

1. The annual percentage rate is calculated by means of internal rate of return.

$$\sum_{k=1}^m \frac{AK}{(1+i)^{tk}} = \sum_{k'=1}^{m'} \frac{A'K'}{(1+i)^{t'k'}}$$

This formula is presented with loan amount on one side and installed repayment and fees or expenses on the other side.

where:

K is the sequence number for drawdown

K' is the sequence number for payment of interest expenses

AK is the amount of drawdown of period K

A'K' is the amount of installed repayment or payment of expenses of period K'

Σ is the symbol of summation

m is the sequence number for final drawdown of loan or partial loan

m' is the sequence number for final installed repayment or payment of expenses

tk is the interval, expressed in years and fractions of a year between the date of the first drawdown and the date of second drawdown to the date of drawdown m (t1 = 0).

t'k' is the interval, expressed in years and fractions of a year between the date of the first drawdown and the date of first installed repayment or payment of expenses to the date of repayment / payment m'.

i is the annual percentage rate.

2. The annual percentage rate should be rounded to two digits after the decimal point.
3. The repayment by installment shall offset loan expenses, interest incurred, and the principal, in such order.

4. The number of repayment periods is calculated by one year (365 days), 52 weeks or 12 months.
5. For credit transactions where the principal is not repaid by installments, the lump-sum repayment of principal on due date should be used as the basis for annual percentage rate calculation.
6. For calculation purpose, if the credit line under a transaction contract includes other existing credit lines, it shall still be regarded as a new credit transaction.
7. If there are other pricing factors for change of annual percentage rate, the bank or the insurance enterprise shall also illustrate the probable change scenarios.
8. If there is no agreed repayment timetable and a repayment timetable cannot be learned from the contractual agreement or the method of payment, the credit period shall be taken as one year.
9. If there is no agreed loan amount or credit limit, the credit line is taken as NT\$100,000.
10. If there are several options of terms available for drawdown or repayment of credit line or funds borrowed, the shortest term shall be used for calculation purpose, unless it is otherwise agreed.

Article 9

For promoting or publicizing their credit transaction products by advertisement, banks and insurance enterprises shall respectively produce examples for calculating the annual percentage rate of the total finance charges for the credit transaction (in case of products involving revolving line of credit, the revolving interest rate or lending rate may be used in lieu of the annual percentage rate) for their industry and submit the same to the competent authority for reference.

Article 10

These Regulations shall take effect on January 1, 2006.