

Content

Title :	Matters Required to be Included in the Corporate Bylaws of Credit Rating Agencies
Date :	2011.01.31
Legislative :	<ol style="list-style-type: none"><li>1. Prescribed per 31 May 1997 Public Announcement No. (86)-Taiwan-Finance-Securities-(I)-41836 of the Securities and Futures Commission, Ministry of Finance</li><li>2. Name and full text of nine points amended and issued per 31 January 2011 Order No. Financial-Supervisory-Securities-Corporate-1000003093 of the Financial Supervisory Commission, Executive Yuan; for immediate implementation (original name: Content of Key Provisions of Corporate Bylaws of Credit Rating Agencies)</li></ol>
Content :	<p>Article 1</p> <p>These Matters Required to be Included in the Corporate Bylaws of Credit Rating Agencies are adopted pursuant to Article 1paragraph 3 of the Regulations Governing the Administration of Credit Rating Enterprises. The Corporate Bylaws of Credit Rating Agencies shall include the following matters:</p> <ol style="list-style-type: none"><li>1. Organization structure and department functions.</li><li>2. Internal management control system.</li><li>3. Internal accounting control system.</li><li>4. Personnel allocation, management, and training.</li><li>5. Principles and policies guiding business operations.</li><li>6. Procedures, rating scales, standards, and divisions of authority and responsibility applied in assigning ratings.</li><li>7. Organization and operation of the rating committee.</li><li>8. Rating disclosure and related measures to protect confidentiality.</li><li>9. Other matters to be included as required by the Financial Supervisory Commission, Executive Yuan.</li></ol> <p>Article 2</p> <p>Organization structure and department functions:</p> <ol style="list-style-type: none"><li>1. Organization structure:<ol style="list-style-type: none"><li>A. A credit rating agency shall assign one chairman and one president, several vice-presidents, and a certain number of managers.</li><li>B. The powers of shareholders, the board of directors, and supervisors shall be exercised in accordance with the corporate bylaws and internal organization rules, except as otherwise required by law or regulation.</li></ol></li><li>2. Department functions: A credit rating agency shall set up rating and marketing management departments to be in charge of business implementation. There shall be segregation between the operations of the rating department and those of the marketing management department.</li></ol> <p>Article 3</p> <p>Internal management control system:</p> <ol style="list-style-type: none"><li>1. Management of finance, personnel, documents, files, and computer systems.</li><li>2. Policies relating to the independence of credit ratings, prevention of</li></ol>

conflicts of interest, and legal compliance.

3. Risk management policies.

4. The retention of information relating to credit ratings.

#### Article 4

The internal accounting control system shall include accounting operations, financial operations, and receipts and disbursements.

#### Article 5

Personnel allocation, management, and training:

1. Plans for staffing and allocation of personnel.

2. Required qualifications for employees and rules for their appointment.

3. Plans for employee education and training.

4. An employee code of conduct.

5. Personnel rotation policies.

6. Employee compensation policies.

#### Article 6

Principles and policies guiding business operations:

1. Principles for business operations: Shall include the founding purpose of the agency and the objectives and principles to be followed in the course of operations.

2. Business development objectives: Shall include the agency's business goals and the related supporting measures and plans.

#### Article 7

Procedures, rating scales, standards, and divisions of authority and responsibility applied in assigning ratings:

The credit rating operations of a credit rating agency shall be implemented through the following procedures:

1. Data collection:

A. A credit rating agency shall ensure that it uses data of sufficient quantity and reliability in its rating methodologies, models, and assumptions. If the relevant data is limited, the credit rating agency shall note limitations of the analytical data when disclosing the credit rating.

B. When necessary, credit rating agencies may meet with the management of the entity under appraisal or the issuer of an instrument under appraisal.

2. Analysis process:

A. Principal factors to be analyzed include: Industry risk, corporate strategy, business reviews, performance, investment and capitalization, liquidity, and financial flexibility.

B. A credit rating agency shall use rating methodologies that are accurate, systematic, and consistent, and that can also be validated by historical data. The methodologies shall include both quantitative and qualitative analyses. A credit rating agency shall conduct regular reviews of the methodologies and models it employs.

C. Analysis reports shall be submitted to the rating committee after completion.

3. Submissions to the rating committee for deliberation:

A. The report the credit rating agency submits for deliberation by the rating committee shall have been prepared in conformance with its internal analysis methodology.

B. The credit rating agency shall ensure that the rating result, and the

rating report, are consistent with the resolution of the rating committee.

4. Appealing a rating: In the event the entity under appraisal or the issuer of an instrument under appraisal does not agree with the rating results, it shall submit concrete reasons or relevant new information. The rating committee will assess whether to reconvene and undertake a review of its previous resolution.

5. Rating disclosure:

A. The rating results shall be disclosed to the public, except in cases where the rating is not intended for public use.

B. The rating disclosure method and content shall conform with the provisions of Point 9 herein.

6. Surveillance rating:

A. After the rating committee resolves on a rating, the credit rating agency shall continue to review the rating until the rating is withdrawn.

B. A credit rating agency shall ensure that it possesses sufficient resources to monitor the risk characteristics of an entity under appraisal or the assets represented by an instrument under appraisal. When there is a change in a relevant risk characteristic, the credit rating agency shall review the appropriateness of the rating results and make necessary dispositions.

A credit rating agency shall refer to international convention as well as domestic practice when defining credit rating scales and standards (or principles), and shall explain the meaning of each credit rating scale in terms that can be understood by ordinary investors. The credit rating agency shall also establish a work (or operations) manual, to ensure consistency in its operations and for ease of reference.

#### Article 8

Organization and operation of the rating committee:

1. The size and the number of members of the rating committee.

2. Appointment of rating committee members. A credit rating agency shall ensure that all members of the rating committee have sufficient expertise and experience, that all members are in compliance with Article 22 and Article 23 of the Regulations Governing the Administration of Credit Rating Agencies, and that none are involved in any other conflict of interest as assessed by the credit rating agency.

3. Selection and appointment of the rating committee's convener.

4. Convening of the rating committee.

5. Process and deliberation of rating committee meetings.

6. Resolution and disclosure of rating results.

#### Article 9

Rating disclosure and related measures to protect confidentiality:

1. The entity under appraisal or the issuer of an instrument under appraisal may request that terms of confidentiality be granted for any content in a credit rating that involves a trade secret.

2. The utilization and disclosure of rating results and related data shall comply with the relevant provisions of the Personal Information Protection Act.

3. In addition to making a public announcement complying with Article 15 of the Regulations Governing the Administration of Credit Rating Agencies, a credit rating agency may also adopt the following methods to disclose

rating results:

A. Prior to the issuance of rating reports, the entity under appraisal or the issuer of an instrument under appraisal may be notified in order to confirm that rating reports contain no material errors.

B. After a credit rating has been confirmed, the rating results may be delivered to credit rating information subscribers, and domestic and foreign news media may be notified.

C. When a credit rating result has been confirmed, an analysis report, either comprehensive or summarized, may be published and provided to credit rating information subscribers as a research reference with regard to credit risks of individual borrowers.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System