

Content

Title :	Regulatory Principles for Investments in Mainland Area Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises Ch
Date :	2012.11.29
Legislative :	<ol style="list-style-type: none">1. The full text of 5 paragraphs promulgated by the the Financial Supervisory Commission, Executive Yuan Order No. Jin-Guan-Yin-Kun-Zi - 09960006700 on December 16, 2010.2. Paragraph 2 and 5 amended and promulgated by Financial Supervisory Commission, Executive Yuan Order No. Jin-Guan-Yin-Kun-Zi -10060001040 on 16 March 2011.3. Paragraph 2 ,5 amended and paragraph 6 added and promulgated by Financial Supervisory Commission, Executive Yuan Order No. Jin-Guan-Yin-Kun-Zi - 10160004750 on 29 November 2012.
Content :	<ol style="list-style-type: none">1. Investments in Financial Institution in Mainland ChinaArea<ol style="list-style-type: none">(1) When a Taiwan bank, a third-area subsidiary bank, a financial holding company intends to make equity investment in a financial institution in Mainland Area, it should attend to relating affairs following Article 47 to 49 of Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area.(2) Except in the case where a financial enterprise makes investment in accordance with the laws and regulations governing the industry the financial enterprise belongs to, it is not allowed for a subsidiary company with more than 50 percent of total outstanding voting shares or capital owned by a Taiwan bank or an affiliated enterprises directly or indirectly controlled by a financial holding company to invest in a financial institution in Mainland ChinaArea.2. Investments in Finance Related Enterprises or Venture Capital Enterprises other than Financial Institution in Mainland ChinaArea<ol style="list-style-type: none">(1) A subsidiary company with 100 percent of total outstanding voting shares or capital directly or indirectly owned by a bank or a financial holding company in Taiwan area may invest in a financial leasing company or a finance related enterprise ratified by the competent authorities other than financial institution in Mainland Area, and the shareholding should not be less than 25 percent of the total outstanding voting shares of the investee enterprise.(2) A subsidiary company with 100 percent of total outstanding voting shares or capital directly or indirectly owned by an industrial bank in Taiwan area also may invest in a venture capital enterprise in Mainland Area, and the shareholding should not be less than 25 percent of the total outstanding voting shares of the investee enterprise.3. Investments in Other Business in Mainland ChinaArea<ol style="list-style-type: none">(1) A Taiwan bank, financial holding company is not allowed to make investments in business other than financial institution in Mainland ChinaArea.(2) When a subsidiary company with over 50 percent of total outstanding

voting shares or capital owned by a Taiwan bank attempts to invest in businesses other than financial institution, finance relating enterprises, venture capital enterprises in Mainland, the investment amount in each business should not exceed its paid capital or 5 percent of the total issued shares of the investee business.

(3) The shareholding rate of a subsidiary company belonging to a financial holding company which makes investments in a business other than a financial institution, finance relating enterprises, venture capital enterprises in Mainland ChinaArea shall be governed by paragraphs 5 and 6 of Article 37 of Financial Holding Company Act.

(4)

A Taiwan industrial bank makes indirect investments in a Mainland producing business through a third-area, or makes investments in a Mainland producing business through an affiliated company directly or indirectly owned by the industrial bank shall be governed by Article 9 of Regulations Governing The Establishment Criteria and Administration of The Industrial Bank, Article 35 of Act Governing Relations Between People Of The Taiwan Area And The Mainland Area, and Regulations Governing Investment or Technical Cooperation in Mainland Area of the Ministry of Economic Affairs.

The direct investment balance of a Taiwan industrial bank which makes investments in any producing business in Mainland ChinaArea through a third-area indirect investment or an affiliated enterprise directly or indirectly controlled by the industrial bank shall not exceed 5 percent of net value after the final settlements in last accounting year and 20 percent of issued shares or total capital of the producing business.

4. The Maximum of Total Investment Amount in Mainland ChinaArea

(1) When a Taiwan bank or its third-area subsidiary bank applies to establish a branch or subsidiary bank, or make equity investment in Mainland Area, or a subsidiary company with over 50 percent of total outstanding voting shares or capital owned by Taiwan bank makes investments in Mainland Area, the cumulative allocated operating capital and total amount of investment therefore combined shall not exceed 15 percent of the bank's net worth at the time of application.

(2) When a Taiwan financial holding company applies to make equity investment in Mainland Area, or affiliated companies directly or indirectly controlled by the financial holding company (excluding a Taiwan bank, a subsidiary company with over 50 percent of total outstanding voting shares and capital owned by the bank, and a third-area subsidiary bank) intend to make investment in Mainland Area, their total investment amount shall not exceed 10 percent of the financial holding company's net worth at the time of application.

5. Application Procedure

(1) A bank in Taiwan area should represent a subsidiary company, with 100 percent of total outstanding voting shares or capital owned by it, to apply for investments in finance related enterprise other than financial institution to the Financial Supervisory Commission (hereinafter referred to as "FSC") following the regulations in Conditions to Be Met and Documents to Be Submitted by Commercial Banks Investing in Other Enterprises (the bank should also attach the documents concerning management mechanisms, the group's total risk tolerance control on Mainland

investments regulated in paragraph 1 of Point 6). The bank shall make the application to the Investment Commission, MOEA (hereinafter referred to as "MOEAIC") only after obtaining the permission from the Financial Supervisory Commission.

(2) If a subsidiary company with over 50 percent of total outstanding voting shares or capital owned by a bank in Taiwan area makes investments in other enterprises in Mainland Area, it is not necessary to submit the application to the FSC and should apply at the Investment Commission following the Regulations Governing Investment or Technical Cooperation in Mainland Area of the Ministry of Economic Affairs. When the MOEAIC asks for comments from the FSC, the latter will make examination based on these regulatory principles.

(3) A financial holding company should represent a subsidiary company, with 100 percent of total outstanding voting shares or capital owned by it, to apply for investments in finance related enterprise other than financial institution to the FSC following the regulations in Paragraph 4, Article 36 of Financial Holding Company Act and Regulations Governing the Investing Activities of a Financial Holding Company (the company should also attach the documents concerning management mechanism, the group's total risk tolerance control on Mainland investments regulated in paragraph 1 of Point 6). The company shall make the application to the MOEAIC only after obtaining the permission from the FSC.

(4) If a subsidiary company of financial holding company makes investments in other enterprises in Mainland Area, it is not necessary to submit the application to the FSC and should apply at the Investment Commission following the Regulations Governing Investment or Technical Cooperation in Mainland Area of the Ministry of Economic Affairs. When the MOEAIC asks for comments from the FSC, the latter will make examination based on these regulatory principles.

6. Management of Finance Related Enterprises other than Financial Institution in Mainland ChinaArea

(1) The banks or financial holding companies in Taiwan area shall draft or supervise their subsidiary companies engaged in the investment in Mainland Area to draft the management mechanism for investment in finance related enterprises. The mechanism should be incorporated into the bank or the financial holding group to control and manage the total risk tolerance in Mainland and also submitted to the board of the bank or the financial holding company for support.

(2) The management mechanisms shall be established by the banks, financial holding companies in Taiwan area, or their subsidiary companies engaged in the investment in Mainland Area (hereinafter referred to as "parent company group") which invest in finance related businesses with characteristics of operational lever in Mainland Area (hereinafter referred to as "finance business in Mainland Area") in accordance with the previous paragraph, and shall at least include the following issues:

A. Business Subject and Asset Object

The finance businesses in Mainland Area shall carefully evaluate the credit or the capability of operational risk management of their business subjects, and shall avoid obtaining the valuable properties which are not equivalent to their risk bearing capacity, or lack of marketability through

transactions.

B. Transactions with Interested Party

A parent company group shall establish regulations for managing credit transactions, or transactions other than credit between financial business in Mainland Area and interested party in accordance with Bank Law, Financial Holding Company Act, and Securities and Exchange Commission regarding the range of interested party, the transaction conditions, and the procedures, and automatically incorporate other substantive stakeholders into the management.

C. Large Exposures

A parent company group shall establish, and periodically review regulations for managing large exposures for financial businesses in Mainland Area to control the credit risk concentration of group on the same person, the same concerned party, or the same affiliated enterprises.

D. Leverage and Debt Ceiling

The finance businesses in Mainland Area shall set appropriate upper limits for loans and debts (upper limits for loans from financial institutions in Taiwan Area are included). The financial institutions or other businesses in a parent company group shall set amount limits, and establish internal management procedures to provide implied warranties or support consent forms (such as Letter of Comfort) of loan or debt.

E. Standards for Property Assessment and Loss Allowance Practice

The finance businesses in Mainland Area shall set appropriate management regulations for property assessment and loss allowance practice in compliance with the requirements for the products of parent company group, and shall periodically review and verify allowances for bad debts and various reserves.

F. Internal Control and Internal Audit System

The finance businesses in Mainland Area shall establish operating regulations, internal controls, and international audit systems based on all operating activities, and the parent company group shall periodically examine the efficiencies of the relevant regulations.

G. Recruitment or Cultivation of Professionals

The workforces for management and business recruited or cultivated by the finance businesses in Mainland Area shall be equipped with good moral virtues, professional skills or experiences, and comply with the same behavioral requirements or equivalent standards as those of parent company.