


Content

Title :	Regulations Governing Investment of Postal Savings in Bonds, Bills and Notes 
Date :	2012.01.04
Legislative :	<ol style="list-style-type: none"><li>1. Promulgated on December 31,2002.</li><li>2. Amendment to Article 7,9 on May 17,2004.</li><li>3. Amendment to Article 10 per Ministry of Transportation and Communications Decree No. Jiiiao-Iu-Zi-0950085071、Financial Supervisory Commission, Executive Yuan Decree No.Jiin-Guan-Ien (2) -Zi-09620000546、Central Bank Decree No.Tai-Iang-Ie-Zi-0960008533 dated February 5,2007; and implemented from announcement date.</li><li>4. Amendment to Article 4 per Ministry of Transportation and Communications Decree No.Jiiiao-Iu-Zi-1000011361、Financial Supervisory Commission, Executive Yuan Decree No.Jiin-Guan-Guo-Zi-10000421601、Central Bank Decree No.Tai-Iang-Ie-Zi-1000056828 dated January 4,2012.</li></ol>
Content :	<p>Article 1</p> <p>The regulations hereof are being established as mandated by paragraph 2, Article 18 of the Postal Remittances and Savings Act.</p> <p>Article 2</p> <p>Postal savings may be invested in the following domestic and foreign bonds:</p> <ol style="list-style-type: none"><li>1. Government bonds.</li><li>2. Corporate bonds issued by public enterprises, exchange-listed and over-the-counter companies.</li><li>3. Financial debentures.</li></ol> <p>When investing in corporate bonds as mentioned in subparagraph 2 of the preceding paragraph, the company Chunghwa Post invests in has to obtain a guarantee from a financial institute that has a credit rating of a certain grade or above from a credit rating agency that is either recognized by the Financial Supervisory Commission of the Executive Yuan (FSC); or the company has to be considered as being able to meet its financial obligations regarding its long-term debt or be rated a certain grade or above by the above-mentioned credit rating company.</p> <p>When investing in bonds as mentioned in the first paragraph, if the bonds are overseas securities, the investment shall be carried out in accordance with relevant regulations of the FSC and the Central Bank of China (CBC).</p> <p>Article 3</p> <p>Postal savings may be invested in the following domestic and foreign short-term bills and notes (hereinafter called bills and notes):</p> <ol style="list-style-type: none"><li>1. Treasury bills and Central Bank of China certificates of deposit.</li><li>2. Negotiable certificates of deposit.</li><li>3. Commercial paper or bills of exchange issued by corporations and public enterprises.</li><li>4. Beneficial securities or asset-backed securities categorized as short-term bills and notes in accordance with the Financial Asset Securitization Act.</li></ol> <p>The commercial paper or bills of exchange as mentioned in subparagraph 3 of the preceding paragraph must be guaranteed or accepted by a financial</p>

institute; or the issuer is considered as being able to meet its financial obligations regarding its short-term debt or be rated a certain grade or above by a credit rating agency that is either recognized by the FSC. Investments made before the implementation of the regulations hereof with the approval of the Executive Yuan are exceptions.

When investing in bills and notes as mentioned in the first paragraph, if the bills and notes are overseas securities, the investment shall be handled in accordance with the relevant regulations of the FSC and the CBC.

#### Article 4

The upper limit of investments on domestic and foreign bonds, bills and notes made by Postal savings are as follows:

1. Investment made on bonds, bills and notes other than government bonds, treasury bills and certificates of deposit by the Central Bank of China may not exceed 20% of postal savings.
2. Investment made on bonds, bills and notes issued, accepted or guaranteed by an individual financial institute may not exceed 30% of the net value of the said financial institute.
3. Investment made on bonds issued by an individual company may not exceed 10% of the actual capitalization of the said company, whereas investment made on bonds issued by a public enterprise may not exceed 30% of the actual capitalization of the said public enterprise.

#### Article 5

Postal savings may not be invested in corporate bonds, bills or notes issued by a company where the person-in-charge of Chunghwa Post Co., Ltd. (hereinafter called Chunghwa Post) serves as a board director, corporate supervisor or manager, with the exception of the following cases:

1. Corporate bonds guaranteed by banks.
2. Bills and notes guaranteed or accepted by banks.
3. Negotiable certificates of deposit issued by banks.

#### Article 6

When trading bonds, bills and notes, Chunghwa Post shall draw up related internal operational procedures regarding transaction control procedures and principles, authorized amounts, and the execution risk department and the risk control department. These shall be submitted for approval to the board of directors before implementation.

The execution risk department and risk control department as mentioned in the preceding paragraph hereof shall be set up independently.

#### Article 7

When engaging in repo trade of bonds, bills and notes, Chunghwa Post shall make out and confirm with its counterparts the names of the bonds, bills or notes, interest rates, the dates of repurchasing or reverse repurchasing and at what prices. All these shall be noted on the sales slips or transaction receipts.

In the case that the objectives of the preceding paragraph hereof are bonds, a repurchase agreement on bonds shall be signed before the transaction has taken place.

When participating in the open market operations of the CBC, Chunghwa Post shall proceed in accordance with the regulations of the CBC.

When borrowing book entry government bonds, the relevant FSC regulations over banks, investment trust companies and bills finance corporations shall

apply.

The regulations governing the loaning of foreign bonds, bills and notes shall be set separately by Chunghwa Post.

#### Article 8

Chunghwa Post may commission or entrust a financial institution or securities firm that is approved of by the FSC, or it may commission a foreign asset management company to invest in bonds, bills and notes.

The standards for selecting a financial institution, securities firm or foreign asset management company commissioned or entrusted by Chunghwa Post as mentioned in the preceding paragraph and regulations governing these kinds of investments shall be set separately by Chunghwa Post.

#### Article 9

When engaging in the trading of bonds, bills and notes, Chunghwa Post shall make out sales slips or transaction receipts and vouchers.

With regard to the domestic bonds, bills and notes mentioned in the preceding paragraph hereof: apart from the ones that are settled by the CBC or a central securities depository, the bonds, bills and notes bought shall be delivered to the company' s custodian department on the day of settlement; whereas the bonds, bills and notes sold shall be taken out from the company' s custodian department and delivered to the buyers on the day of settlement.

The delivery and deposit of foreign bonds, bills and notes as mentioned in the first paragraph shall be handled by the company' s custodian department or a central securities depository.

#### Article 10

The regulations hereof shall become effective on the day of proclamation.