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| Title :       | Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance <b>Ch</b>   |
| Date :        | 2019.09.27   |
| Legislative : | <ol style="list-style-type: none"><li>1. Full text including all 8 articles promulgated by Order Chin-Kuan-Yin (3) No. 09630003720 of Financial Supervisory Commission, Executive Yuan on August 2, 2007</li><li>2. As amended (Article 2-1) by Order Chin-Kuan-Yin (3) No. 09630006190 of Financial Supervisory Commission, Executive Yuan on December 25, 2007</li><li>3. As amended (Article 4) by Order Chin-Kuan-Yin-Fa No. 10110007960 of Financial Supervisory Commission on December 28, 2012</li><li>4. As amended (Article all) by Order Chin-Kuan-Yin-He No. 10802733871 of Financial Supervisory Commission on September 27, 2019</li></ol>  |
| Content :     | <p>Article 1<br/>These Standards are duly enacted in accordance with Paragraph 4 of Article 10 of the Deposit Insurance Act (hereinafter referred to as the "Act").</p> <p>Article 2<br/>All financial institutions that have been duly approved to accept deposits, postal savings or to be consigned to manage trust funds used for the purpose designated by the financial institutions (hereinafter referred to collectively as "deposits") should submit their application for deposit insurance to the Central Deposit Insurance Corporation (hereinafter referred to as "CDIC" ) after obtaining approval of incorporation from the competent authority or the competent authority of the agricultural finance and not later than 2 months of commencement of their business operation. For financial institutions that have not applied to participate in deposit insurance within the prescribed time limit according to the previous Paragraph, the CDIC shall, pursuant to Paragraph 2 of Article 10 of the Act, report to the competent authority or the central competent authority of the agricultural finance to request the replacement of the persons-in-charge or revoke its license.</p> <p>Article 3<br/>Financial institutions that are insured institutions in accordance with the following conditions shall, commencing from the standard date on which the merger or acquisition takes place, sign a deposit insurance agreement with the CDIC:<br/>Insured institutions that merge with other insured or uninsured institutions and that after the merger are either a surviving or newly incorporated institution.<br/>Banks established by local or foreign legal persons and local or foreign financial holding companies with the approval of the competent authority to merge with or acquire the business, assets and liabilities of insured institutions.</p> <p>Article 4<br/>Financial institutions that apply to participate in deposit insurance (hereinafter referred to as "applying institutions") shall submit the following listed documents to the CDIC for review:<br/><ol style="list-style-type: none"><li>1.The application to be insured.</li><li>2. A copy of certificate of incorporation approved by the competent authority or the competent authority of the agricultural finance.</li><li>3. A business plan.</li><li>4.The Board of Director (BOD) Meeting' s minutes where the application for participation in deposit insurance was approved by the BOD.</li></ol></p> |

5. The balance sheet and income statement for the end of the month prior to the date of application (the credit departments of farmers' and fishermen's associations shall also attach information for the whole of the association). If the financial data stated in the Subparagraph 1-4, Paragraph 1 of the Article 5 and the CPA-audited financial statements for the most recent year are available, then these shall also be provided.
6. Internal control system, risk management system (including the control of liquidity and information security) and internal audit system.
7. The corporate (institutional) governance system.
8. Background information on the directors, supervisors, chief executive officers (general manager), and heads of credit departments.
9. The information disclosure plan on participation in deposit insurance and on whether financial products offered are covered under the deposit insurance mechanism.
10. Other documents or information that the CDIC requests to be provided. If the records in relation to the written documentation referred to in the previous Paragraph are incomplete or inadequate, the CDIC shall inform the applicant of the time period within which the insufficient information needs to be submitted.

#### Article 5

In the case where applying institutions encounter one of the following situations as a result of the CDIC's review, i.e., in the case where they do not conform to the insured qualifications, the CDIC shall report this to the competent authority or the central competent authority of agricultural finance to urge them to make improvements:

1. The ratio of the equity capital to risk-weighted assets for banks and credit cooperatives, and the ratio of the net worth to risk-weighted assets for the credit departments of farmers' and fishermen's associations do not conform to the minimum requirement stipulated by the competent authority or the central competent authority of agricultural finance.
2. Adversely classified assets exceed 1% of total assets.
3. The total amount of collateralized loans outstanding to related parties exceeds 10% of net worth.
4. Net worth is less than 90% of paid-in capital (operating capital for foreign banks; shares for credit cooperatives; the sum of enterprise funds and reserves for the credit departments of farmers' and fishermen's associations).
5. In the event that laws and regulations have been violated, or corporate governance, internal control system, risk management system, internal audit system, operational strategy or other business operations are found to be unsound. In these cases, there may be an increase in insured risk as there is danger to the rights of depositors.
6. If there is a concrete evidence that incumbent directors, supervisors, chief executive officers (general manager) and the heads of credit departments are incompetent and may harm the sound operations of financial business.

The applying institution, in the event that none of the above items apply and it receives approval from the CDIC to become an insured institution, shall sign a deposit insurance agreement with the CDIC.

#### Article 6

In addition to reviewing the written documentation submitted by the applying institution, the CDIC shall when necessary dispatch personnel to conduct on-site inspections, or request the person-in-charge of the applying institution or other personnel appointed by the CDIC explaining matters related to application for participation in deposit insurance.

#### Article 7

The CDIC shall notify the applying institution of the results of its review with written document and send a copy to the competent authority or the central competent authority of the agricultural finance.

#### Article 8

These Standards shall become effective from the date of promulgation.

