

Content

Title : Jin-Guan-Jian-Kong-Zi-No. 1080602035 

Date : 2019.02.15

Content : Issuing agency: Financial Supervisory Commission

Date: February 15, 2019

Ref. No.: Jin-Guan-Jian-Kong-Zi-No. 1080602035

Subject: Regarding the examination findings issued by the FSC, the way by which the examined institution should submit the examination findings to its board of directors (council) and review to be conducted by its audit unit, please ask the member institutions to follow the instructions below accordingly.

Instructions:

1.Pursuant to the Regulations Governing Implementation of Internal Control and Auditing System for each financial sector, the internal audit unit of a financial institution shall conduct follow-up reviews of improvements on the examination findings or deficiencies listed by the financial examination authority and provide a written improvement report to its board of directors (council).

2.When the FSC finds major deficiencies in the corporate governance, risk management or internal controls of a financial institution during a financial examination, the examined institution should make a special case report to its board of directors (council) and submit an "Examination Findings Improvement Status Report (Form A)" together with relevant supporting documents to the FSC as required within the specified period. However, the FSC finds in recent financial examinations that the ways by which examined institutions present significant examination findings of the FSC to their board of directors (council) are inappropriate that undermine the board's (council's) function of overseeing improvements of deficiencies made by the institution.

3.The board of directors (council) of a financial institution should be aware of its operational risks, oversee its business performance and take the ultimate responsibility for ensuring the establishment and maintenance of appropriate and effective internal control system. To make sure the board of directors (council) heeds the improvement actions taken in response to the examination findings, all financial institutions should follow the directions below with regard to Significant Examination Findings (Form A) issued by the FSC:

(1)Each and every reply to the FSC's Significant Examination Findings (Form A) shall be submitted to the board of directors (council), which may not be replaced by the method of submitting to other management for approval or presentation to the managing board of directors.

(2)Improvements proposed in response to FSC's Significant Examination Findings shall be presented to the meeting of board of directors (council) as a special item for discussion, which may not be presented in manner of a report or incorporated into other discussion items. The board of directors (council) should thoroughly discuss the adequacy and effectiveness of proposed improvement actions.

(3)Pursuant to Article 3 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, directors (council members) should be notified of discussion items at least 7 days before the scheduled board meeting, and no discussion item may be proposed as an extempore motion so that directors (council members) have sufficient time to understand the item to be discussed.

4.When the internal audit unit of a financial institution follows up on the examination findings and face-to-face instructions for improvement given by the examiner, it should conduct a review in the following manners to help the

board (council) and management ensure the effective operation of internal control system.

(1)Vigorously review the examination findings, which may not be replaced by other audit items. The review should cover cases mentioned in the examination findings and whether there are similar situations in other business units so as to ensure the effectiveness of improvement actions.

(2)The review should be conducted by means of on-site sample testing with audit trail saved (e.g. describing details of customers checked in working papers and saving relevant audit information), and the case should not be closed simply based on the reply of business unit regarding improvement actions taken.

(3)When replying to the FSC regarding the status of improvement, the internal audit unit should vigorously review the improvement actions taken by business units and avoid the situation where deficiencies found in the examination have not been corrected after several correspondences with the FSC for it is adverse to the timely rectification of deficiencies.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System