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Title : Jin-Guan-Jian-Kong-Zi-No.1050152063 

Date : 2016.03.29

Content : Reference No.: Financial Supervisory Commission Letter No. Jin-Guan-Jian-Kong-Zi-No.1050152063

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Subject: For the sake of improving the internal control and management system of banks and ensuring the effective operation of the internal control mechanism branches, please ask the member institutions to follow the instructions below accordingly.

Instructions: Recently there have been several incidents of external fraud or internal negligence reported by banks. For the sake of strengthening the internal control and management of branches, banks should dutifully follow the instructions below:

The bank head office should review whether the business processes of the branches conform to the principle of internal control and internal check. The head office should in particular re-examine the control points for operating procedures such as customer due diligence, money laundering prevention (including the acceptance foreign currency cash deposits), credit check and post-loan management to determine whether they conform to the design of internal control system, and conduct such review periodically. The head office should also implement branch management and surveillance mechanism to prevent the occurrence of negligence in internal control.

Bank branches should observe various internal operating rules and managers/ supervisors should supervise and review business handling procedures, raise the risk awareness of personnel at all levels, and enhance personnel training and education to make sure all branch operations meet the internal control requirements. Branches shall also vigorously implement self-inspection that should not be done as a mere formality.

The internal audit unit should conduct internal audit effectively and step up the supervision of self-inspection conducted by respective business units to make sure the effective execution of internal control system.