


## Content

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| Title :       | Regulations Governing The Establishment Criteria and Administration of The Industrial Bank    |
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| Legislative : | 1.Promulgated on January,26, 1998<br>2.Amended on December,30, 2000<br>3.Amended on November,30, 2005<br>4.Amended by Order Jin-Kuan-Yin-(4)-Zi-09640006011 dated November 29, 2007<br>5.Amended on December 27, 2012  |
| Content :     | <p>Article 1</p> <p>These Regulations are enacted pursuant to Paragraph 5, Article 91 of the Banking Act of the Republic of China (hereafter called the 'Act').</p> <p>Article 2</p> <p>In order to make business operations of industrial banks sound, the Financial Supervisory Commission (hereafter called the 'Commission') may provide appendixes within the scope of necessity to regulate the permit or approval granted pursuant to these Regulations.</p> <p>Article 3</p> <p>The minimum amount of actual capital of an industrial bank is NT\$ 20 billion.</p> <p>Article 4</p> <p>As regards the business items which may be operated by an industrial bank, the Commission shall review the scope of each business listed below respectively pursuant to Articles 4 and 89 of the Act and specify it in the business license:</p> <ol style="list-style-type: none"><li>1.Accept checking deposits and various kinds of other deposits.</li><li>2.Issue bank debentures.</li><li>3.Extend loans.</li><li>4.Invest in securities.</li><li>5.Process investment of productive enterprises, finance-related enterprises and venture capital enterprises.</li><li>6.Handle domestic and foreign remittances.</li><li>7.Guarantee domestic and foreign transactions.</li><li>8.Issue domestic and foreign letters of credit</li><li>9.Act as a collecting and paying agent.</li><li>10.Underwrite securities.</li><li>11.Handle proprietary business of government bonds.</li><li>12.Act as an attestor for the issuance of stocks, bonds and debentures.</li><li>13.Conduct warehousing, custody and various kinds of agency businesses in relation to the businesses itemized above.</li><li>14.Conduct other relevant businesses which may be authorized by the Commission.</li></ol> <p>An industrial bank cannot receive the transfer deposit of a financial institution.</p> <p>The subjects for whom/which an industrial bank handles deposits and foreign</p> |

exchange are limited to investors and borrowers of a company organization, insurance enterprises and judicial persons established pursuant to the law and government organizations.

#### Article 5

An industrial bank can apply to establish domestic branches pursuant to Article 57 of the Act; and the total number of its domestic branches cannot exceed 10.

#### Article 6

Bank debentures which are issued by an industrial bank shall receive credit rating from a credit rating agency recognized by the Commission and the total number of bank debentures issued cannot exceed the net worth, after the adjustment of the bank, by six times.

The 'net worth after adjustment' mentioned in the preceding Paragraph means the balance of the bank's net worth as of the end of the preceding fiscal year less the net book value of any direct investments in productive enterprises, finance-related enterprises or venture capital enterprises at the end of the preceding fiscal year and the balance of the original cost of any new direct investments in productive enterprises, finance related enterprises, or venture capital enterprises from the current year.

#### Article 7

The overall balance of the mid-term credit and the long-term credit extension to productive enterprises by an industrial bank cannot be less than 60% of the overall balance of the credit extension by the said bank.

#### Article 8

The overall balance of an industrial bank's direct investments in productive enterprises, finance-related enterprises, venture capital enterprises and the bank's investments in real estate cannot exceed the bank's net worth as of the end of the preceding fiscal year.

When an industrial bank computes the ratio between equity capital and risk assets, the overall balance of the direct investments in productive enterprises, finance-related enterprises and venture capital enterprise mentioned in the preceding Paragraphs shall be deducted from equity capital.

After the industrial bank deducts the overall balance of the direct investments mentioned in the preceding Paragraph from equity capital, "Bank's regulatory capital to its risk weighted assets" shall not be less than the ratios in compliance with the Article 5 of Regulations Governing the Capital Adequacy and Capital Category of Banks and the capital adequacy ratio shall not be less than the minimum requirement stated in the previous regulation plus 2 percent.

#### Article 9

The balance of an industrial bank's direct investments in any of productive enterprises cannot exceed 5% of the bank's net worth as of the end of the preceding fiscal year; it also cannot exceed 20% of the total number of shares issued by the productive enterprise or of the total amount of capital of the enterprise. However, to cooperate with the major economic plans of the government, this Paragraph does not apply to an industrial bank whose overall balance of the direct investments in a productive enterprise is approved after the investigation. .

When the total number of issued voting shares or the total amount of the

capital held by an industrial bank exceeds 50%, or more than a half of the total number of the enterprise's directors are directly or indirectly elected, or appointed by the bank, the balance of the industrial bank's direct investments in any of productive enterprises and the ratio of shareholding shall be incorporated into the computation of the caps mentioned in the preceding Paragraph.

The balance of an industrial bank's direct investments in any of venture capital enterprises cannot exceed 5% of the bank's net worth as of the end of the preceding fiscal year. This rule does not apply to a venture capital enterprise that the bank holds 100% shareholding. If the bank's direct investments in the venture capital enterprise exceed 20% of the total number of shares issued by the invested enterprise or 20% of the total amount of the enterprise's capital, they shall be approved by the Commission.

#### Article 10

Industrial banks may make the following types of investments in the securities beyond and within the boundaries :

1. Government bonds.
2. Short-term transactions instruments.
3. Bank debentures and corporate bonds.
4. Stocks traded on the Taiwan Stock Exchange or the GreTai Securities Market (among these stocks, domestic stocks include listed stocks, stocks listed on the GreTai Securities Market, emerging stocks issued by an issuing entity which meets a certain rating or above from a rating agency recognized by the Commission, and capital increase stocks which the original shareholders and staff of a listed enterprise and/or over-the-counter enterprise give up subscribing and then are subscribed by the said issuing entity as a particular person at the time of handling commissioned underwriting cases, as well as underwriting stocks of a company which is approved for listing on Taiwan Stock Exchange or GreTai Securities Market), certificates of entitlement to new shares and certificates of entitlement to new share from convertible bond.
5. Fund beneficiary certificates, warrant certificates and call (put) warrants which are privately placed, and collected and issued pursuant to laws and regulations of each country.
6. Certificates of deposit and savings bonds issued by the Central Bank of the Republic of China (Taiwan).
7. Beneficiary securities and asset-backed securities.
8. Debentures issued by an international or a regional financial organization.
9. Common trust funds issued pursuant to the Trust Enterprise Act.
10. Other securities approved by the Commission.

The stocks mentioned in Subparagraph 4 of the preceding Paragraph do not include securities which transaction method is changed pursuant to the Operating Rules of the Taiwan Stock Exchange Corporation and the GreTai Securities Market Rules Governing Securities Trading on Over-the-Counter Markets, or securities which are listed as managed stocks of over-the-counter pursuant to the GreTai Securities Market Rules Governing Review of Securities Traded on Over-the-Counter Markets.

#### Article 11

An industrial bank cannot invest in securities of Subparagraphs 2 to 5, and Subparagraphs 9 and 10 of Paragraph 1 of the preceding Article, which are issued by the company where the bank's responsible person serves as a director, supervisor or manager. This Paragraph however does not apply to the following circumstances:

- 1.Bank debentures (including subordinated bank debentures).
- 2.Corporate bonds guaranteed by other banks.
- 3.Short-term transactions instruments which are guaranteed or accepted by other banks, and are underwritten or traded by other bills houses.
- 4.Convertible deposits issued by banks.
- 5.Beneficiary securities or asset-backed securities - the maximum period of one year is given to the issuance of these securities
- 6.Stocks, certificates of entitlement to new shares and certificates of entitlement to new share from convertible bond issued by a company where, due to the industrial bank's investment relationship mentioned in Article 8, the Commission approved to appoint the industrial bank's responsible person to service as a director, supervisor or manager.
- 7.Exchange-traded funds issued pursuant to the Regulations Governing Securities Investment Trust Funds.

#### Article 12

As regards an industrial bank which serves as an originator (a trustor), a trustee or a shareholder of a special purpose company pursuant to the Financial Assets Securitization Act and the Real Estate Securitization Act, the bank's investments shall be restricted by each of the following subparagraphs:

- 1.When the bank serves as an originator (a trustor), it cannot invest in beneficiary securities or asset-backed securities issued on the basis of its financial assets, real estate or the rights relevant to its real estate.
- 2.When the bank serves as a trustee, it cannot invest in beneficiary securities issued by itself.
- 3.When the bank serves as a shareholder of a special purpose company, it cannot invest in asset-backed securities issued by the company established by it.

As regards an industrial bank which serves as an originator (a trustor) pursuant to the Financial Assets Securitization Act, or as a trustor pursuant to the Real Estate Securitization Act, and holds beneficiary securities or asset-backed securities which were/are issued on the basis of its financial assets, real estate or the rights relevant to its real estate due to the purpose of credit enhancement, the matter shall be separately handled pursuant to relevant provisions of the Commission.

An industrial bank cannot invest in beneficiary securities or asset-backed securities which were/are issued on the basis of the financial assets or real estate of the bank's associate or the rights relevant to the said real estate. This Paragraph does not apply to any of the following circumstances:

- 1.The industrial bank participates in a securitization plan of its associate; it also holds beneficiary securities or asset-backed securities due to the purpose of credit enhancement and such a method of credit enhancement is necessary for the said plan. In the same way, the bank's

participation and holding of the said securities have been applied to the competent authority and the competent authority approves the application after the investigation.

2.The industrial bank's associate and other originators jointly participate in a securitization plan, and the ratio between the associate's assets being brought into the asset pool and the asset pool is less than 20%.

#### Article 13

The limits on the amount of the securities beyond and within the boundaries in which an industrial bank may invest are as follows:

1.The overall balance of each kind of securities mentioned in Paragraph 1 of Article 10 and invested by the industrial bank cannot exceed 50% of the total amount of the overall balance of the deposits collected by the bank and the sales amount of the bank debentures. If, however, the amount of 50% of the total amount of the overall balance of the said deposits and the sales amount of the bank debentures is less than four times of the said bank's calculation base, the investment cap should be the calculation base multiplied by four. The foresaid securities do not include government bonds issued by the domestic government, treasury bills, and certificates of deposit and savings bonds issued by the Central Bank of the Republic of China (Taiwan).

2.The overall balance of the original cost of the industrial bank's investments in the stocks and equity-type securities mentioned in Paragraph 1 of Article 10 cannot exceed 25% of the calculation base. Among the said investments, the balance of the bank's investments in the stocks traded in the GreTai Securities Market cannot exceed 5% of the said bank's calculation base.

3.The overall balance of the original cost of the industrial bank's investments in the short-term transactions instruments (excluding treasury bills and convertible certificates of deposit), bank debentures, corporate bonds, beneficiary securities and asset-backed securities which do not reach certain ratings from the rating agencies recognized by the Commission respectively or have no credit ratings, cannot exceed 30% of the bank's calculation base. This provision does not apply to any of the three circumstances, which are that 1. the short-term transactions instruments, bank debentures and corporate bonds have no credit ratings and their issuers, guarantors or acceptors reach the abovementioned ratings or above; 2. beneficiary securities and asset-backed securities have no credit ratings and their guarantors meet the above-mentioned ratings or above; 3. due to the purpose of long-term investment, the industrial bank invests in convertible corporate bonds issued by non-listed productive enterprises and/or non-over-the-counter productive enterprises.

4.If the securities that, pursuant to Article 71 of the Securities and Exchange Act, were/are subscribed by the industrial bank operating itself as a underwriter concurrently, have not been sold after one year from the date of the bank's subscription, they shall be computed into the investment of the securities which were mentioned in the preceding three subparagraphs.

5.The balance of the industrial bank's purchases of the short-term transactions instruments and debentures through reverse repo transactions is not to be computed into the investment mentioned in Subparagraphs 1 to

3. The balance of the sales of the short-term transactions instruments and debentures through reverse repo transactions shall be computed into the investment mentioned in the said subparagraphs.

6. The total number of shares of each company's stocks, certificates of entitlement to new shares and certificates of entitlement to new share from convertible bond, which are/were invested by the industrial bank, cannot exceed 5% of the total number of shares issued by the said company.

7. The total amount of the industrial bank's investments in the convertible corporate bonds issued by every non-listed productive enterprise and/or non-over-the-counter productive enterprise shall be computed on the basis of the minimum conversion price and it cannot exceed 5% of the said bank's net worth as of the end of the preceding fiscal year; it also cannot exceed 20% of the total number of shares issued by the productive enterprise or the total amount of the said enterprise's capital. The foresaid investments are/were for the purpose of long-term investment. When the industrial bank converts the convertible corporate bonds into shares or capital, the number of shares or the amount of capital shall be computed into the investment mentioned in Article 8 and Paragraph 1 of Article 9 and it shall be handled pursuant to the said provisions.

When an offshore banking branch of an industrial bank invests in foreign currency negotiable securities, it shall process the investments pursuant to Article 9 of the Rules Governing Offshore Banking Branches, and calculate the number of the securities into the investment mentioned in the preceding Paragraph.

The number of stocks invested by an industrial bank pursuant to Article 8 is not to be computed into the investment mentioned in the Paragraph 1 of this Article.

#### Article 14

The calculation base mentioned in Subparagraphs 1 to 3, Paragraph 1 of the preceding Article means the balance after deducting the following items from the industrial bank's net worth as of the end of the preceding fiscal year. If, however, there is a cash capital increase in the industrial bank during the year, the amount of the cash capital increase is allowed to be included in the calculation base and the base date of the computation shall be the date of acquiring the capital attestation certificate. In the same way, the amount of the cash dividends issued by the industrial bank during the year shall be deducted from the calculation base on the date of cash dividend distribution.

1. For an industrial bank which possesses a long-term investment in other banks or holds shares of other banks for one year or above, the items for deduction mentioned in Paragraph 1 are the net book amount of the industrial bank's investments at the end of the preceding fiscal year and the original cost of the newly added long-term investment in other banks in the current year. This provision does not apply to the amount of money of the industrial bank's investment in an overseas subsidiary bank.

2. For any of other enterprises, other than a bank, which are invested by an industrial bank pursuant to Article 8, the items for deduction mentioned in Paragraph 1 are the net book amount of the enterprise's investments at the end of the preceding fiscal year and the original cost of the newly added investment in the said enterprises in the current year.

Reaching a certain rating or above granted by a rating agency recognized by the Commission, as mentioned in Subparagraph 3, Paragraph 1 of the preceding Article means that the said rating meets any of the following requirements:

- 1.A short-term credit rating from Standard & Poor's of A-3 or above, or a long-term rating from the said company of BBB- or above.
- 2.A short-term rating from Moody's Investors Service of P-3 or above, or a long-term credit rating from the said company of Baa3 or above.
- 3.A short-term rating from Fitch, Inc. of F3 or above, or a long-term rating from the said company of BBB- or above.
- 4.A short-term rating from Taiwan Ratings Corp. of twA-3 or above, or a long-term rating from the said company of twBBB- or above.
- 5.A short-term rating from Fitch Ratings Limited, Taiwan Branch of F3 (tw) or above, or a long-term rating from the said branch of the company of BBB- (tw) or above.
- 6.A short-term rating from Moody's Taiwan Corporation of TW-3 or above, or a long-term rating from the said company of Baa3.tw or above.

#### Article 15

A director, supervisor or manager of an industrial bank shall conform to the provisions of the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks. Any person who has one of the circumstances listed in Article 3 of the abovementioned Regulations cannot serve as a promoter of the industrial bank.

When the person mentioned in the preceding Paragraph serves as a director, supervisor or manager of an industrial bank other than a general manager of the said bank, and had had similar working experiences at a venture capital enterprise or of an underwriter, he/she can be regarded as a person possessing working experiences in a bank. However, the number of persons having such qualifications shall not exceed one third of the total number of directors, supervisors or managers working in the industrial bank.

#### Article 16

An industrial bank may, due to an investment relationship between the said bank and a productive enterprise, appoint its responsible person or staff to serve concurrently as a director or supervisor of the productive enterprise. The responsible person or staff, however, cannot service as a president of the productive enterprise concurrently.

#### Article 17

The capital offered by a promoter and shareholders for the application of the establishment of an industrial bank shall be limited to cash.

#### Article 18

A promoter(s) of an industrial bank shall, on the basis of the bank's actual capital, subscribe 90% of the total number of issued shares at the time of originating the bank; the remaining number of issued shares shall be offered for public subscription. If, after the offer for public subscription of the issued shares, there are the issued shares which have not been subscribed, or have been subscribed but the subscribers have not paid for the shares, the promoter shall, within the period regulated by Paragraph 2 of Article 25, be jointly liable for the subscription of these shares - this rule also applies to the promoter when the shares have been

subscribed but are withdrawn.

Among the promoter's sources of capital for the payment of the shares mentioned in the preceding Paragraph, the amount of the borrowed funds cannot exceed 30% of the overall amount of the promoter's capital.

The issuance conditions for the shares subscribed by the promoter, as mentioned in Paragraph 1, and those for the shares offered for public subscription shall be identical and the price per each of the said shares shall be uniform.

As regards shares being offered for public subscription pursuant to Paragraph 1, the quantity of these shares subscribed by each person cannot exceed 10,000 shares.

#### Article 19

A person who is permitted to establish an industrial bank shall complete establishing network operation facilities for the bank's deposit business and loan services before the bank starts to operate. The Commission or its designated institution shall also confirm the eligibility of the facilities.

#### Article 20

With respect to the establishment of an industrial bank, a promoter(s) shall, within the period prescribed by the Commission, submit four copies of each of the following documents to the Commission for an application for establishment permit of the bank. The Commission will not accept the application after the prescribed period expires.

- 1.Application form for establishment permit of an industrial bank.
- 2.Business plan: It shall specify the scope of the business, the principles and the policies of the business, the methods of performing the business specifically (including facilities, division of labor in an internal organization, solicitation and training of staff, business development plan and financial forecast for the next three years).
- 3.Name list of promoters and evidential documents.
- 4.Minutes of promoters' meetings.
- 5.Promoters' written declaration, declaring that the promoters do not have any of the circumstances listed in Article 3 of the Regulations Governing Qualification Requirements for Responsible Persons of Banks.
- 6.Evidence as regards the situation that a promoter(s) has, pursuant to Paragraph 1 of Article 22, deposited at least NT\$ 4 billion for the payment of shares.
- 7.Description of promoters' fund source.
- 8.Articles of public offering.
- 9.Evidence of professional qualification of a general manager, a deputy general manager and an assistant vice president.
- 10.Constitution of the industrial bank.
- 11.Review comments from certified public accountants and lawyers.
- 12.Other documents required by the Commission.

The items that are to be specified in the documents mentioned in the preceding Paragraph are to be handled pursuant to the provision of the Commission. If the items submitted to the Commission are incomplete or are not fully disclosed, and such a circumstance can be corrected, the Commission will order the documents to be corrected within the period prescribed by it; if the correction of these documents is not handled



within the said period of time, the Commission will reject the application for establishment permit of an industrial bank. However, in the event that the foresaid circumstance cannot be corrected, the application will be rejected straight away.

#### Article 21

The constitution of an industrial bank shall record the following items:

- 1.Name of industrial bank.
- 2.Business items.
- 3.Total number of shares and price per share.
- 4.Locations of headquarters and of branch offices.
- 5.Methods of public announcements.
- 6.Number of directors, number of supervisors, a director's and a supervisor's terms of office, and employment and discharge of a director and a supervisor.
- 7.Functions of board of directors, and division of powers and responsibilities of department of managers.
- 8.Date (year/month/day) of enactment of constitution.

#### Article 22

Prior to the establishment of an industrial bank, a bank shall be commissioned to collect payment for shares being subscribed and open a segregated account for the to-be industrial bank in the name of Preparation Office.

The amount of payment which was mentioned in the preceding Paragraph and is deposited in the segregated account shall not be drawn. This provision does not apply to a to-be industrial bank which has acquired a permit for its establishment and has any of the following circumstances:

- 1.A full consensus with respect to the agreement that, within the scope of the amount of money paid for the subscription of shares by promoters of the to-be industrial bank, the to-be industrial bank buys fixed assets which are necessary for its operation and pays start-up costs, is reached by promoters, or directors and supervisors elected by the promoters of the said bank or through the founders' meeting.
- 2.A to-be industrial bank makes use on liquid reserve assets regulated by the Central Bank of the Republic of China (Taiwan) after it acquires a company license.

#### Article 23

The Commission may annul the establishment permit of an industrial bank if a promoter is replaced by another person before the registration of the bank. If, however, any of the following circumstances occurs and the bank reports to the Commission for approval of replacement of a promoter(s) within two weeks after the date of the occurrence of the facts (mentioned as follows), this provision does not apply:

- 1.A promoter is missing or passed away.
- 2.A promoter who is subject to the commencement of guardianship or assistantship and has not yet revoked those orders.
- 3.After a promoter(s) files an application for establishment of an industrial bank with the Commission, the Commission finds that any of the circumstances listed in Paragraph 3 of the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks does/did occur.

4.A promoter is a company. It is restructured after the decision of the court, or it has other major events with respect to losing credit. For any change other than to a promoter, proper reasons shall be specified and they shall be reported to the Commission for approval in advance. However, if a circumstance, due to its nature, cannot be reported to the Commission for approval in advance, it shall be reported to the Commission for approval within two weeks after the date of the occurrence of the facts.

Upon the approval by the Commission, the above-mentioned two circumstances shall be posted in the daily newspaper located in the area of the headquarters and the branch of the industrial bank and also be published in the notable column.

#### Article 24

As regards the establishment of an industrial bank, a promoter(s) shall, within two months from the date when the bank is permitted to be established, pay for shares subscribed by him/her/it in full, submit each of the following documents in three copies, apply to the Commission for approval of the public subscription of shares and at the same time, forward a notification on application for public subscription of shares to the Banking Bureau of the Commission:

- 1.Application form for the establishment of public offering.
- 2.Permit letter which states that the Commission approves the establishment of the industrial bank.
- 3.Business plan.
- 4.Name list of promoters.
- 5.Minutes of promoters' meetings.
- 6.Name and address of a bank which collects payment for shares being subscribed for a to-be industrial bank, and evidence as regards the situation that a promoter(s) has, pursuant to the provisions, paid for shares in full.
- 7.Description of promoters' fund source.
- 8.Articles of public offering.
- 9.Public offering memorandum stipulated in Article 30 of the Securities and Exchange Act.
- 10.Evaluation opinions with respect to business plan, as provided by an underwriter.
- 11.Draft of underwriting agreement.
- 12.Declaration that the application and the items stated herein are not false and concealed.
- 13.Other documents required by the Commission.

Within thirty days from the date of the arrival of the notification on the Commission's approval of public subscription of shares, the industrial bank shall publicly announce each Subparagraph of the receding Paragraph other than Subparagraph 7, together with the date (year/month/day) of the Commission's approval of public subscription of the bank's shares and the reference number of the foresaid notification. After the public announcement, the bank can offer shares for public subscription.

If an industrial bank does not apply to the Commission for approval of the public subscription of the bank's shares pursuant to Paragraph 1, or the bank does apply but the Commission does not approve the application, then

the Commission may annul the establishment permit of the bank. If, however, the bank has proper reasons for its failure to apply to the Commission pursuant to the said provision, it can apply to the said authority to extend the prescribed period mentioned in Paragraph 1 for one month before the expiration of the said prescribed period.

#### Article 25

A person who/which establishes an industrial bank shall, within three months after the completion of the registration of the bank, submit each of the following documents in three copies to the Commission for an application for business license:

- 1.Application for business license.
- 2.Papers required for the registration of the bank.
- 3.Capital attestation certificate.
- 4.Constitution of the industrial bank.
- 5.Minutes of founders' meetings
- 6.Name list of shareholders and minutes of shareholders' meetings.
- 7.Name list of directors and minutes of board of directors' meetings.
- 8.Name list of managing directors and minutes of board of managing directors' meetings.
- 9.Name list of supervisors and minutes of board of supervisors' meetings.
- 10.Name list of managers.
- 11.Terms and conditions, and business procedures of the industrial bank.
- 12.Evidence of professional qualification of a director, a supervisor and a manager.
- 13.Records of trial operations of the industrial bank for two weeks or above.

If the person has proper reasons for its failure to apply to the Commission within the prescribed period mentioned in the preceding Paragraph, he/she can apply to the said authority to extend the said prescribed period before the expiration of the prescribed period. The extended period cannot exceed three months and such extension is granted to the applicant once only. If the Commission does not approve the application for extension of the prescribed period, it may annul the establishment permit of the industrial bank in question.

#### Article 26

Terms and conditions of an industrial bank shall include the following items:

- 1.Organizational structure and department functions.
- 2.Disposition, management and training of staff.
- 3.Internal control system (including business management and accounting system).
- 4.Internal audit system.
- 5.Principles and policies of business operations.
- 6.Operations manual, and division of powers and responsibilities.
- 7.Other items.

#### Article 27

After a to-be industrial bank obtains an establishment permit and has any of the following circumstances prior to the issuance of a business license, the Commission shall not issue a business license to the bank:

- 1.The bank's shareholder's holding of shares dose not comply with Paragraph

2 of Article 25.

2.A director, supervisor or manager of the bank does not comply with Article 15.

3.The bank does not comply with Article 19.

4.The bank does not submit documents that it should have provided.

5.The total amount of the borrowed funds of the bank's promoter exceeds 30% of the promoter's sources of capital mentioned in Subparagraph 7, Paragraph 1 of Article 20 and Subparagraph 7, Paragraph 1 of Article 24.

Other circumstances, in the opinion of the Commission, are not likely to make the effective operation of the bank's businesses sound.

#### Article 28

If an industrial bank has not started operating its businesses after six months from the date when a business license was issued to it, the Commission shall annul its establishment permit, order it to hand in the business license for cancellation and notify the Ministry of Economic Affairs of such a matter. If the bank has proper reasons for its failure to operate its businesses within the prescribed period time and the Commission approves such reasons, the said prescribed period of time can be extended. The extended period cannot exceed six months and such an extension is granted to the bank once only.

#### Article 29

An application for establishment of two branches of a to-be industrial bank can, pursuant to the provisions of the Act, be filed to the Commission together with the application for establishment permit of an industrial bank.

#### Article 30

The bank which was mentioned in Article 20 of the Act solely applies to or files an incorporate application with the Commission for change of registration from the bank to an industrial bank, it shall meet the following requirements, submit the application form and each document within the period prescribed by the Commission and file with the Commission for an application for permit to change the registration data:

1.The bank shall have the minimum amount of actual capital, NT\$ 20 billion and the structure of shares of the bank shall comply with the following provisions:

(1) The shareholders' shareholding ratio of the bank shall comply with Paragraph 2 of Article 25 of the Act.

(2) The total number of shares held by the shareholders who hold 10,000 shares or below shall reach 10% of the total amount of the actual capital, before the bank is permitted to change the registration from the bank to an industrial bank and the business license is issued to it. This provision does not apply to a bank whose stocks are over the counter or listed.

2.The bank's ratio of self-owned capital to risk-weighted assets cannot be less than 10%.

3.The bank's ratio of net worth to total assets cannot be less than 12%.

4.The bank shall be subject to Articles 33 and 33-3 of the Act concerning limits of credit extension.

5.When the bank applies to the Commission for change of registration from the bank to an industrial bank, the entire amount of money invested in real estate other than for self use shall be decayed to zero. This provision

does not apply to the situation that the foresaid procedure cannot be handled due to special reasons, and the Commission approved these reasons.

6.The bank's illegal business operations are checked and are truly corrected.

7.The bank shall submit documents required by the regulations of the Commission.

With respect to the minimum amount of actual capital mentioned in Subparagraph 1 of the preceding Paragraph, the Commission may increase the amount if it deems necessary.

The Commission shall determine the content and the format of the application form and of each document mentioned in Paragraph 1.

When an industrial bank which merges with another financial institution pursuant to the Financial Institutions Merger Act and dies out, the preceding three paragraphs shall apply mutatis mutandis to its surviving institution or newly incorporated institution which applies to change the registration from the institution to an industrial bank.

#### Article 31

An entity which applies to the Commission for change of registration from the entity to an industrial bank and whose business operations have not conformed to Articles 5 to 9 shall draft a plan related to business adjustments; in addition, within five years after the Commission permitted the entity's change of registration and the entity started to operate as an industrial bank, the entity shall adjust its business to the extent that the business operations conform to the provisions. If an entity does not adjust its business pursuant to the plan related to business adjustments, the Commission may restrict its business operations.

#### Article 32

An entity which conducts its businesses as an industrial bank after it is permitted to change the registration from the entity to an industrial bank shall submit each necessary document within six months after completing the said change of registration. After it applies to the Commission for reissuance of a business license, it can begin to operate businesses of an industrial bank. However, if the entity has proper reasons for its failure to conform to the prescribed period and the Commission approves the reasons, the said prescribed period can be extended - the extended period cannot exceed six months and such extension is granted to the applicant once only.

#### Article 33

An entity which is permitted to change the registration from the entity to an industrial bank and has completed the change of the registration shall, within fifteen days after the reissuance of a business license, publicly announce the date for change of registration and the date for commencement of operations in the location of the entity's headquarters and the locations of its branch offices. In addition, it shall, within fifteen days after the base date, provide the financial statement, which is audited and certified by a certified public accountant, as of the date for commencement of operations and the preceding date.

#### Article 34

The Commission may, at any time, dispatch the staff to check matters relevant to the establishment of an industrial bank or change of

registration from an entity to an industrial bank, and it may order a person who/which establishes an industrial bank or an entity which changes the registration from the entity to an industrial bank shall, within the prescribed period of time, submit necessary documents and/or information or appoint a staff to provide explanations in the Commission.

#### Article 35

These Regulations shall be in force from the date of promulgation with the exception of Article 8, paragraph 3 amended on 27 December 2012, which is in force from 1 January 2013.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System