



The Bankers Association of The Republic of China

Annual Report 2015

2015

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Annual Report 2015

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I. Chairperson's Preface

The global economy posted moderate growth in 2015, expanding by 3.1% according to an estimate released by the International Monetary Fund (IMF). This would be lower than the growth of 3.4% achieved in 2014, and the lowest since the financial tsunami. In Taiwan, real GDP growth in 2015 came to 0.75%, down from 3.92% in 2014 due to a combination of external and domestic factors. Externally, Taiwan was affected by sluggish growth in international trade and the rise of mainland China's "red supply chain." These factors combined to cause a drop in key goods exports. In addition, gross profits on merchanting trade declined, and growth in services exports dropped significantly. Due to these factors, net exports made a negative contribution to economic growth. Domestically, people began to spend more conservatively and financial markets were volatile, which caused private consumption to grow more slowly than expected. Semiconductor manufacturers continued to expand their high-end processes, but construction investment declined. As a result, private spending only grew moderately.



Chairperson Jih-Chu Lee

The profitability of domestic banks in 2015 was affected by the sluggish pace of economic recovery both at home and abroad, and by a requirement for domestic banks to set aside increased loss reserves against credit and real estate loans extended in mainland China. The pre-tax earnings of domestic banks totaled NT\$319.59 billion in 2015, down 0.15% from NT\$320.08 billion in 2014. This broke a period of uninterrupted growth dating back to the year 2000. Banks' return on assets (ROA) in 2015 came to 0.75% (down from 0.79% in 2014) and return on equity (ROE) was 10.58% (versus 11.65%). Despite the drop in profitability, our domestic banks still benefitted from a gradually improving interest spread, which rose from an average of 1.22 percentage points in 2009 to an average of 1.44 percentage points in 2015. The interest spread is one source of profitability for Taiwan's domestic banks. As for banks' asset quality, the average non-performing loan (NPL) ratio of domestic banks at year-end 2015 was down to 0.23%, setting a new low, while their average NPL coverage ratio set a new high of 555.43% (up by 39.05 percentage points from the figure for year-end 2014). Despite the fact that weak global economic growth has increased the difficulty of banks' business operations, Taiwan's domestic banks only experienced a slight drop in profitability even as they worked hard to control risks. For this, they deserve strong praise.

The Bankers Association of the Republic of China (BAROC) was founded to help the government implement its financial policy, spur economic development, and coordinate relations among peers in the industry so as to bring about the generation of benefits that can be shared among them. We thank the competent authority for its guidance and our member banks for their support and hard work over the past year. With their help, BAROC has been able to devote its full energies to assisting the competent authority in developing and implementing important policies designed to boost financial industry development. To assist the government in its effort to promote the Bank 3.0 initiative and spur the development of e-commerce payment services, for example, BAROC has identified 12 banking services that customers with existing accounts could be allowed to apply for online, and has drafted a set of standard procedures for handling online applications for the opening of new accounts. Related proposals have been submitted to the competent authority and distributed to member banks for their reference. Also, in order to coordinate with implementation of the "Act Governing Electronic Payment Institutions," BAROC has invited network platform operators, electronic stored-value card issuers, and other related entities to draft 13 pieces of secondary legislation that could be issued under the authority of the "Act Governing Electronic Payment Institutions." These draft regulations have been submitted to the competent authority for its reference, and a cross-industry Electronic Payments Committee has been set up to serve as a platform for liaison between banks and e-commerce firms, so that the two sides can learn from each other and accelerate the development of a domestic electronic payments system in Taiwan. And in order to accelerate the cultivation of financial industry professionals in Taiwan, I am doing everything I can to develop open courses for bank employees. These courses will be placed on a special section of the BAROC website, where bank employees can access them free of charge at any time via cell phone, tablet, or personal computer. This system will also make it easy for member banks to understand what sort of ongoing professional training their employees are participating in.

In support of the government's policy of promoting development of cultural and creative industries, BAROC has been offering education and training courses, and holding forums and lectures on the cultural and creative industries. In addition, BAROC has linked up with the Taiwan Venture Capital Association, the ROC Life Insurance Association, and the Taiwan Securities Association to jointly establish an information platform for the support of innovative industries. This platform is a financial planning advisory service that cultural and creative firms can use at no charge.

One of BAROC's key missions is to coordinate relations among peers in the industry so as to bring about the generation of shared benefits among them. With an eye to accomplishing this, BAROC took a number of measures in 2015, including the following: (1) continued to monitor changes in foreign and domestic laws and regulations in order to help member banks respond; (2) continued to track the progress of foreign and domestic legislative action in order to reflect the views of the banking sector and defend its interests;

(3) drafted and researched self-regulatory rules for the banking industry; (4) promoted the shared interests of banks, and worked with them to ensure more convenient services for both corporate and individual customers; and (5) helped member banks resolve problems in management and operation of their businesses.

Over the past year, BAROC has actively sought to be internationally engaged. Steps taken included the following: established communication channels with other supervisory authorities throughout the world; established cooperation mechanisms with banking associations in other countries, including the signing of bilateral cooperation MOUs with Japan, mainland China, and Vietnam; organized a delegation to travel to Japan to study digital banking and senior citizens' banking, and to visit the Japanese Bankers Association; traveled to Singapore to visit DBS Bank and pay courtesy calls at the Monetary Authority of Singapore and the Association of Banks in Singapore; and took part in the 48th Annual Meeting of the Board of Governors of the Asian Development Bank held in Baku, Azerbaijan. In addition, BAROC also actively invited international experts to come to Taiwan. For example, we invited the former governor of the Central Bank of the United Arab Emirates to take part in a Forum on Prospects for Financial Cooperation Between Taiwan and the Middle East. We also invited bank supervisors from various Southeast Asian nations to visit Taiwan and engage in discussions with bankers and local supervisory officials. In addition, in order to coordinate with the government's policy of encouraging banks to expand their Asian presence, we continued to build up the overseas markets database on our website, which now contains information on 12 nations. Also, BAROC continued to provide assistance for the establishment of a database on the mainland Chinese financial industry in order to better help member banks find the information they need when planning to establish a mainland presence.

BAROC worked to fulfill its corporate social responsibility, and continued to support community service activities. For example, BAROC took part in the Financial Services Education Foundation that was established by the Taiwan Financial Services Roundtable (TFSR) by donating NT\$5 million to fund scholarships for children from disadvantaged backgrounds, and by carrying out financial literacy activities. And whenever disasters struck (e.g. the gas explosions in Kaohsiung, the powder explosion incident at a water park, and the earthquake in Tainan), BAROC actively made donations or helped affected persons obtain low-interest loans and various loan-related services.

Looking ahead to 2016, the latest forecasts from international bodies such as the IMF and Global Insight indicate the presence of many uncertainties in the coming year, including an ongoing slump in energy prices, slow economic growth in mainland China, the timing of US interest rate hikes, increased volatility in financial markets, negative interest rates, geopolitical tensions, and unstable growth in emerging markets. Domestically, our Directorate-General of Budget, Accounting and Statistics (DGBAS) has forecast real GDP growth of 1.47% for 2016 in Taiwan, which would be better than the 0.75% growth achieved in 2015. But despite the outlook for a moderate economic recovery, the presence of multiple uncertainties and the slow

pace of economic growth could easily affect the business performance of banks. However, our financial environment is stable. Our banks are on strong financial footing, and are in a very strong position to expand their overseas presence and build up their digital banking business. For Taiwanese banks, the markets of Asia are in the process of opening up, and trends within the industry are leading toward the rise of innovative digital banking services, even as our society ages. In the meantime, the competent authority's deregulatory moves and related policies will help banks take advantage of business opportunities in a developing financial services industry. For these reasons, I think we can expect to see stronger impetus toward growth in banks' operating revenues. Overall, 2016 is shaping up to be a year of both challenges and opportunities for our domestic banks.

BAROC thanks its member banks for their long-standing support and hard work, which have enabled the Association to pool the outstanding expertise of its member banks, build consensus among its membership, and achieve many important tasks in an efficient and professional manner. In 2016, our financial industry will be challenged by many internal and external uncertainties. The question of how to turn challenges into business opportunities is both a test and an opportunity. BAROC is optimistic about the prospects for the development in Taiwan's financial industry, and looks forward to the future with great anticipation. In the year that lies ahead, BAROC will continue to act as a platform for communication among member banks; coordinate with government on policies to formulate measures for the financial industry; and act as a bridge between the government and its member banks, and between its member banks and the general public, so as to create a win-win-win situation for the government, banks, and consumers, thereby making the greatest possible contribution to social well-being and economic development.

Chairperson

Jon - Chu Lin



II. Introduction of the Bankers Association of the Republic of China

A. Membership

The Bankers Association of the Republic of China (hereinafter referred to as BAROC) was founded on August 9, 1983 as the successor to the Bankers Association of Taipei. Most of its members are banks. Within its membership there are 62 financial institutions, including 36 commercial banks, two industrial banks, one export-import bank, one agricultural financial bank, 16 financial holding companies, the Chunghwa Post Co., four bills finance companies, and one securities finance company. As of year-end 2015, the total assets of all BAROC member banks combined stood at NT\$42.66 trillion, their combined loans outstanding stood at NT\$25.65 trillion, they employed roughly 145,000 persons, their pre-tax earnings totaled NT\$320.6 billion, and profitability was at an all-time high.

Proposals regarding important matters arising among BAROC members are discussed and decided upon at monthly joint meetings of the boards of directors and supervisors. According to the Charter of BAROC, the Board of Directors is composed of 33 directors and 6 alternate directors; while the Board of Supervisors is composed of 11 supervisors and 2 alternate supervisors. In addition, to solicit the views of financial selfregulatory organizations and foreign banks, BAROC has retained representatives of foreign banks as well as the heads of the Financial Information Service Corporation, the Joint Credit Information Center, and other such self-regulatory organizations to serve as advisors and observers for the board of directors. The BAROC chairperson is Dr. Jih-Chu Lee, who is the current chairperson of the Taiwan Financial Holding Company and the Bank of Taiwan.

The Chairpersons of BAROC from the first session of the first General Assembly in August 1983 to the eleventh session of the third General Assembly in October 2015 are shown as follows:

Chairperson	Session	Duration
I-Shuan Sun	1, 2	1983-1989
Y. D. Sheu	3, 4	1989-1995
James C. T. Lo	5, 6	1995-2000
Yung-San Lee	7	2000-2002
Mu-Tsai Chen	7	2002-2004
Shen-Chih Cheng	8	2004-2006
Jer-Shyong Tsai	8	2006-2007
Teh-Nan Hsu	8, 9	2007-2008
Susan S. Chang	9,10	2008-2012
Teng-Cheng Liu	10	2012-2013
Jih-Chu Lee	11	2013-

B. Aims, Functions and Organization

1. Aims

- (1) To assist the government in implementing financial policies
- (2) To promote economic development
- (3) To coordinate with its member banks
- (4) To improve its members' mutual benefits

2. Functions

- (1) To help implement economic and financial policies and commercial decrees
- (2) To study the balance of funds in supply and demand among various sectors in line with economic development

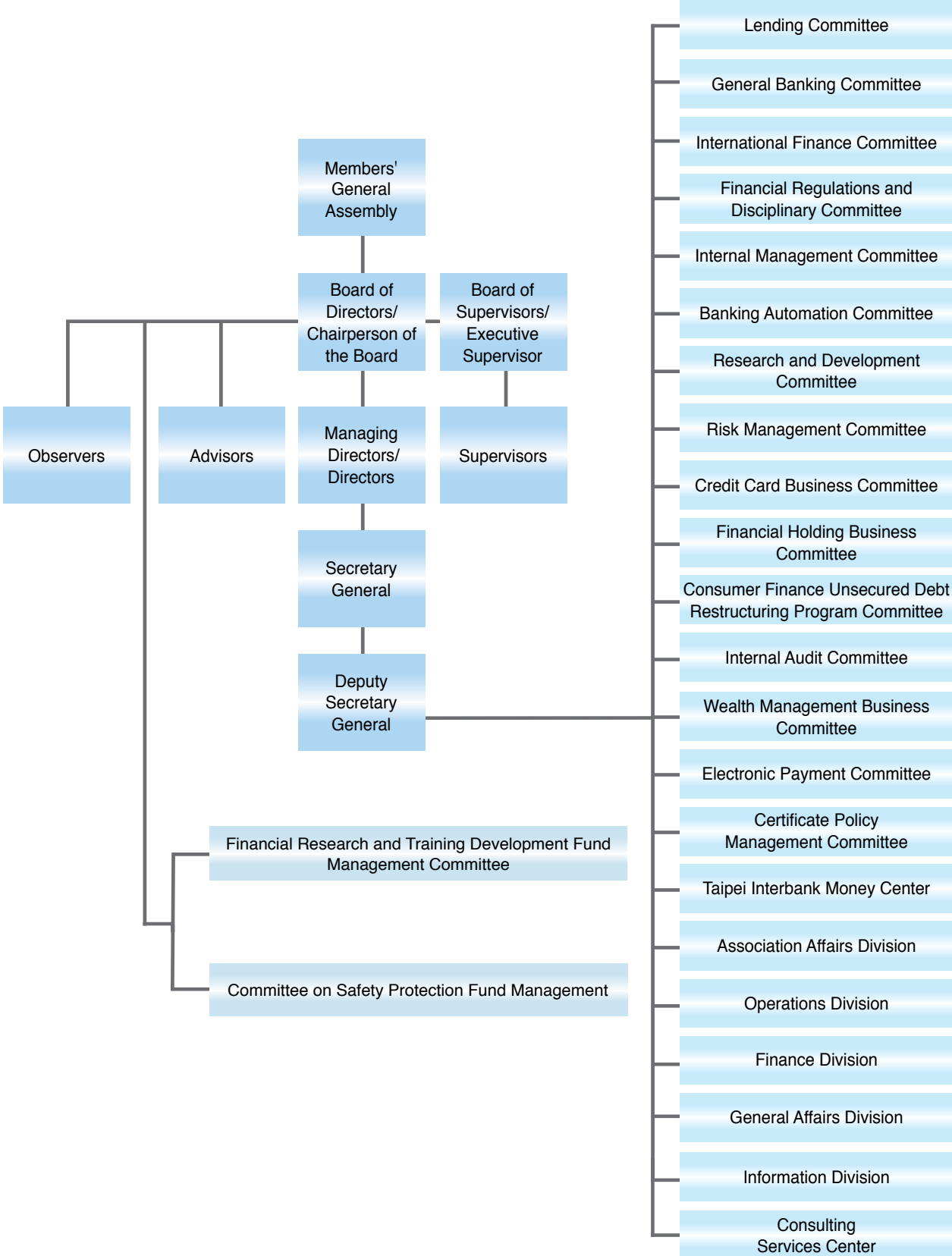
- (3) To formulate and compile common rules and regulations relating to various businesses of its members
- (4) To enhance communications, surveys, statistics, consultations, research, development and publications relating to national and international financial businesses
- (5) To protect the legitimate rights of its members and to help settle disputes among them
- (6) To promote the exchange, analysis and reporting of credit information among its members and to establish the credit files of the major clients of its members
- (7) To consolidate the planning of information systems among its members
- (8) To strengthen mutual support, assistance, education and interaction among the employees of its members, to sponsor activities for public benefit, and to help implement service ethics and self-disciplinary measures
- (9) To participate in international financial organizations and meetings
- (10) To enhance communications and collaborations with overseas bankers associations and to promote national diplomacy
- (11) To conduct research and make recommendations in response to requests from the government or private organizations
- (12) To participate in social charitable activities

3. Organization

BAROC's highest governing body is the Members' General Assembly, which meets once per year. It is the Members' General Assembly which elects the persons who make up the board of directors and the board of supervisors. These boards then elect the chairperson, the managing directors, and the managing supervisors. The chairperson leads and directs the conduct of association affairs. The board of directors retains the heads of self-regulatory organizations and representatives of foreign banks to serve as advisors and observers, and to take part in discussions on agenda items.

The board of directors has one secretary general and one deputy secretary general who are responsible for the daily operations of BAROC under the supervision of the chairperson. BAROC acts as a bridge of communications between the financial authorities, the general public, and member banks. Moreover, it helps the authorities implement financial policies, and drafts legislation, self-regulatory rules, and operational guidelines for the protection of financial consumers. For these reasons, the association has set up 15 banking business committees to study the aforementioned matters. The committees are: the Lending Committee; the General Banking Committee; the International Finance Committee; the Financial Regulations and Disciplinary Committee; the Internal Management Committee; the Banking Automation Committee; the Research and Development Committee; the Risk Management Committee; the Credit Card Business Committee; the Financial Holding Business Committee; the Internal Audit Committee; the Wealth Management Business Committee; the Consumer Finance Unsecured Debt Restructuring Program Committee, the Certificate Policy Management Committee; and the Electronic Payment Committee. In addition, BAROC also has two special affairs committees (Financial Research and Training Development Fund Management Committee and Committee on Safety Protection Fund Management) that operate under the direct oversight of the chairperson, and has established the Taipei Interbank Money Center to handle related matters. The association also has five divisions (Association Affairs Division; Operations Division; Finance Division; General Affairs Division; Information Division) and a Consulting Services Center to handle daily operations and business administration matters, respectively.

Organizational Structure of BAROC



C. Directors, Supervisors, Advisors and Observers

February 2016

Title	Name	Company Affiliation
Chairperson of the Board	Jih-Chu Lee	Chairperson, Taiwan Financial Holding Co., Ltd.
Managing Directors	Kenneth Lo	Chairman, Industrial Bank of Taiwan
	Ching-Nain Tsai	Chairman, First Financial Holding Co., Ltd.
	McKinney Tsai	Chairman, Mega Financial Holding Co., Ltd.
	Cheng-Hsiung Chiu	Chairman, Bank Sinopac
	Daniel Tsai	Chairman, Taipei Fubon Commercial Bank
	Gary Tseng	Chairman, E. Sun Commercial Bank, Ltd.
	Directors	Mu-Tsai Chen
Yi-Jen Chiou		President, The Shanghai Commercial & Savings Bank, Ltd.
Victor Kuan		Chairman, CitiBank Taiwan, Ltd.
Terence Tai		Chairman, King's Town Bank
Jesse Ding		President, EnTie Commercial Bank
King-Ting Chang		President, Cota Commercial Bank
Sheng-Hung Chen		Chairman, Sunny Bank
Richard Chang		President, KGI Bank
Chenli Yang		Chief Operating Officer, DBS Bank (Taiwan) Ltd.
Jwn-Yu Lee		President, Hwatai Bank
Michael Y. J. Ding		President, Waterland Financial Holdings
Chang-Ken Lee		President, Cathay Financial Holding Co., Ltd.
Victor Kung		Senior Advisor, Fubon Financial Holding Co., Ltd.
Terry King		President, ANZ Bank (Taiwan) Limited
Chao-Chin Tung		Chairman, CTBC Bank Co., Ltd
Yu-De Chuang		Director, Yuanta Securities Finance Co., Ltd.
Executive Supervisor	Wen-Long Yen	Chairman, CTBC Financial Holding Co., Ltd.
Supervisors	Shiang-Chang Lee	Chairman, Union Bank of Taiwan
	Tseng-Chang Lee	Chairman, Shin Kong Commercial Bank
	Ping-Hui Liu	Chairman, Bank of Panhsin
	Jin-Tan Huang	Chairman, Jih Sun Financial Holding Co., Ltd.
	Eli Hong	President, Far Eastern International Bank
	Joseph Jao	President, Taishin Financial Holdings Co., Ltd.

Title	Name	Company Affiliation
	Chun-Sheng Lee	Chairman, Taichung Commercial Bank
	Jong-Peir Li	President, HSBC Bank (Taiwan) Limited
Advisors	Fu-Hsiung Hu	Chairman, Joint Credit Information Center
	Yang-Ching Chao	Chairman, Financial Information Service Co., Ltd.
	Thomas Tan	Advisor, The Bankers Association of the Republic of China
	Julie S.M. Chen	Chairperson, Bank of Taipei
	Philip Wen-chyi Ong	Chairman, Changhua Post Co., Ltd.
	Susan S. Chang	Advisor, The Bankers Association of the Republic of China
	Chao-Hui Chen	Chairman, Agricultural Bank of Taiwan
	Chang-Ruey Shiau	President, Bank of Taiwan
	Rong-Jou Wang	Chairman, Yuanta Financial Holding Co., Ltd.
	John Tan	President, Standard Chartered Bank (Taiwan) Limited
	Tsan-Chang Liao	Chairman, Taiwan Cooperative Financial Holding Co., Ltd.
	Mao-Wei Hung	Chairman, Taiwan Academy of Banking and Finance
	Ming-Daw Chang	Chairman, Chang Hwa Commercial Bank
	Feng-Chi Ker	Chairman, Mega Bills Finance Co., Ltd.
	Tong Liang Lin	President, National Credit Card Center of R.O.C
	Joanne Ling	Chairman, The Export-Import Bank of the Republic of China
	Rueen-Fong Chu	Chairman, Taiwan Business Bank
	Chih-Ming Chien	President, China Bills Finance Co.
	Ming-Hsiu Tsai	President, Ta Chong Bank
	Teng-Cheng Liu	Advisor, The Bankers Association of the Republic of China
	Kuang-Si Shiu	Chairman, Hua Nan Financial Holdings Co., Ltd.
	Ruey-Tsang Lee	Chairman, Bank of Kaohsiung
	Sherman H.M. Lin	Chairman, Taiwan Depository & Clearing Corporation
Observers	Nicole Wu	Senior Vice President, BNP Paribas, Taipei Branch
	Natalie Kuo	Director, Credit Agricole Corporate & Investment Bank, Taipei Branch
	Kay Chen	Executive Director, JPMorgan Chase Bank, N.A., Taipei Branch
	Emy Hsieh	Director, Bank of America, N.A., Taipei Branch

D. Major Staff Members of BAROC

February 2016

Title / Position in BAROC	Name	Full-time or Part-time
Chairperson, Financial Research and Training Development Fund Management Committee	Jih-Chu Lee	Chairperson, Bank of Taiwan, Part-time
Chairperson, Committee on Safety Protection Fund Management	Jih-Chu Lee	Chairperson, Bank of Taiwan, Part-time
Secretary General	Nancy Young	Full-time
Deputy Secretary General	Tsong-Ming Wang	Full-time
Secretary	Chuan Wang	Full-time
Chairperson, Lending Committee	Yu-Feng Chu	EVP, Land Bank of Taiwan, Part-time
Chairperson, General Banking Committee	Shih-Tien Chiang	EVP, Bank of Taiwan, Part-time
Chairperson, International Finance Committee	Shang-Shing Chiang	EVP, First Commercial Bank, Part-time
Chairperson, Financial Regulations and Disciplinary Committee	Pi-Chu Wu	EVP & Chief Compliance Officer, Taiwan Cooperative Financial Holdings, Part-time
Chairperson, Internal Management Committee	Tien-Hsia Chang	General Auditor, Fubon Financial Holding Co., Ltd., Part-time
Chairperson, Banking Automation Committee	Hsi-Tai Ku	SVP&GM, Dept. of Information Management, Bank of Taiwan, Part-time
Chairperson, Research and Development Committee	Shing-Shiang Ou	Senior Vice President and General Manager, Bank of Taiwan, Part-time
Chairperson, Risk Management Committee	Chun-jen Hsu	SEVP, CTBC Bank, Part-time
Chairperson, Credit Card Business Committee	Justin Lee	Director, CitiBank, Part-time
Chairperson, Financial Holding Business Committee	Lawrence S.Liu	EVP., China Development Financial Holdings, Part-time
Chairperson, Consumer Finance Unsecured Debt Restructuring Program Committee	Jerry Yang	SVP, Consumer Finance Division, Taishin International Bank, Part-time
Chairperson, Internal Audit Committee	Albert Hu	Concurrent post of Executive Vice President & General Auditor for CTBC Financial Holding Co., Ltd., Part-time
Chairperson, Wealth Management Business Committee	I-Meng Huang	Senior Executive Vice President, Taipei Fubon Commercial Bank, Part-time
Chairperson, Electronic Payment Committee	I-Cheng Liu	CEO, Cards and Payment, CTBC Bank Co., Ltd., Part-time
Chairman, Certificate Policy Management Committee	Jeng-Fang Jang	EVP, Hua Nan Commercial Bank, Part-time
Director, Taipei Interbank Money Center	Chang-Ruey Shiau	President, Bank of Taiwan, Part-time
Chief, Association Affairs Division	Yu-Min Chou	Full-time
Chief, Operations Division	Kuo-En Wen	Full-time
Chief, Finance Division	Huei-Ling Li	Full-time
Chief, General Affairs Division	Hsien-Hwa Kao	Full-time
Chief, Information Division	Mei-Ling Tsai	Full-time
Chief, Consulting Services Center	Yin-Tarng Lee	Full-time

III. An Overview of Banking Operations

A. Macroeconomic Summary

1. Economic Conditions

(1) Sluggish global economic recovery

Global economic recovery was tepid in 2015, and the economic outlook was weak. In addition, declining international crude oil and commodity prices translated into low global inflation rate. As a result, economic growth for countries throughout the world declined significantly. The United States continued to experience an economic recovery, and the employment situation there further improved. In Europe, the European Central Bank expanded its quantitative easing program and the economy posted a moderate recovery, but the specter of deflation remained a threat. In Japan, economic growth remained lackluster, primarily because weak overseas demand adversely impacted exports and industrial output. Additionally, weak business confidence created investment headwinds. Mainland China, meanwhile, is in the midst of economic restructuring. Domestic demand growth there has slowed, and trade performance has not been as good as expected, so overall economic growth remains subject to downward pressure. Slow growth in the world's major economies and sharply declining commodity prices dampened the economic performance of emerging economies, which posted their weakest growth since the financial tsunami. In addition, the refugee crisis and terrorist activity resulting from geopolitical conflict in the Middle East pose new uncertainty regarding the prospects for global economic recovery. Overall, economic performance was not as good in 2015 as the year before, but the situation differed from country to country. Among the world's major economies, official 2015 economic growth figures were 2.4% in the United States, same as the year before; 1.6% in the Eurozone, versus 0.9% the year before; 0.5% in Japan, up from 0%; and 6.9% in mainland China, the lowest figure in 25 years, as economic growth there continued to decline.

(2) Weak economic growth in Taiwan

a. Lowest economic growth rate in last six years

Against the backdrop of a weak global economic recovery, Taiwan's domestic economic performance also declined in 2015. Due to an ongoing contraction in exports, slow growth in domestic demand-driven consumption, and choppy stock markets, annual economic growth for 2015 came to just 0.75%, the lowest figure since 2010 and below the National Development Council's economic growth target of 3.1% to 3.7%. The only relatively bright spot was a growth rate of 4.04% in the first quarter, which dropped to 0.57% in Q2, -0.80% in Q3, and -0.52% in Q4.

External demand: A weak global economic recovery and falling petroleum prices dragged down export figures for gasoline and diesel fuel, chemicals, and plastics and rubbers, while mainland China's so-called "red supply chain" exerted a crowding-out effect on Taiwanese suppliers. As a result, export growth was poor in 2015, down 10.83% from the year before. Taking goods and services exports together, external demand contributed -0.67 percentage points to economic growth.

Domestic demand: In the first half of 2015, sales of small passenger vehicles and mobile devices were quite strong, while declining prices for gasoline and diesel fuel encouraged citizens to travel more. Driven by these positive factors, private consumption posted stable growth. In the latter half of the year, however, the economic outlook grew uncertain, and people began to spend more conservatively. For 2015 as a whole, private consumption rose 2.28% from the year before, and contributed 1.22 percentage points to economic growth. Private fixed investment rose by 3.11% from the preceding year and contributed 0.54 percentage points to economic growth due to fleet expansion by domestic airlines and continued upgrading of high-end processes by semiconductor manufacturers. Government consumption grew by -0.44%, and contributed -0.06 percentage points to economic growth. Altogether, domestic demand contributed 1.41 percentage points to economic growth.

b. Slight drop in consumer prices

Overall, prices dropped slightly in 2015. Persistently low global crude oil prices led to lower domestic gasoline and diesel prices, while a bumper fruit crop depressed fruit prices. The growth in consumer price index (CPI) was negative for each of the first eight months of the year, but storm damage after that reduced the output of fresh produce and caused a sharp spike in food prices, sending the CPI growth into positive territory. CPI growth for 2015 as a whole averaged -0.31%, while core CPI (which excludes fresh produce and energy) rose 0.79%.

The wholesale price index (WPI), meanwhile, fell at an average rate of 8.84% for the year as a whole. This drop was caused by continued low global crude oil prices, flat to falling commodity prices, and plentiful domestic supplies of materials, all of which combined to cause a decline in the prices of imports, exports, and goods produced and consumed domestically.

c. Unemployment drops to 15-year low

Taiwan's unemployment rate basically started low in 2015 and rose over the course of the year. The employment situation improved during the first half of the year, with unemployment falling to an annual low of 3.62% in May. Starting from June, however, graduating students entered the job market and drove the rate upward. From September onward, the seasonal impact of graduation started to play itself out, but the seasonal drop in unemployment was not as notable as in past years, and unemployment in fact hit a year-long peak of 3.91% in November, a clear sign that continued weakness in the domestic economy could very possibly reverse the post-2009 trend toward lower unemployment. The average unemployment rate for 2015 was 3.78%, down 0.18 percentage points from 2014 and a 15-year low. The total number of unemployed persons was 440,000, down by 17,000 persons from the year before.

2. Financial Conditions

(1) Global financial conditions

Many of the major global stock markets performed quite well in the first half of 2015 due to a number of economic stimulus measures, including the European Central Bank's late-January announcement of plans to expand its quantitative easing program, and multiple cuts to reserve requirements and interest rates by the People's Bank of China. US markets, however, remained choppy and range-bound due to market fears that a strong US Dollar might adversely affect American corporate profits. The world's major stock markets started falling in July. One reason for this was a sharp market plunge in mainland China due to that nation's poor economic fundamentals. Another reason was growing anticipation of an interest rate hike in the US. Global stock markets did not begin to rebound until the fourth quarter. Stock markets performed a bit better in developed nations than elsewhere. Germany's DAX finished up 9.56% on the year, France's CAC was up 8.53%, and Japan's Nikkei 225 rose 9.07%, but the US Dow Jones Industrial Average fell 2.23%. In emerging market nations, market performance was weak except in mainland China, where the SSE Composite Index rose 9.41%.

On global foreign exchange markets, the US Dollar continued strong due to a robust economic recovery in the US that has prompted general optimism about the prospects for the US economy. The US Dollar Index rose by 9.26% on the year, while most major currencies fell against the US Dollar. The euro fell 10.27% against the US Dollar, the Japanese Yen fell by 0.32%, and the RMB fell once again in 2015, sliding 4.44% amid that country's economic slowdown.

(2) Financial conditions in Taiwan

a. Central Bank lowers interest rates twice

Policy rates remained unchanged in the first half of 2015, but the Central Bank announced after a 24 September Board Meeting that the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral would be cut by 12.5 basis points each to 1.75%, 2.125%, and 4%, respectively. This step was taken in response to a variety of factors—including a slow global economic recovery, the declining pace of domestic economic growth, subdued inflation expectations, and relatively high real interest rates—to help maintain price and financial stability and foster economic growth.

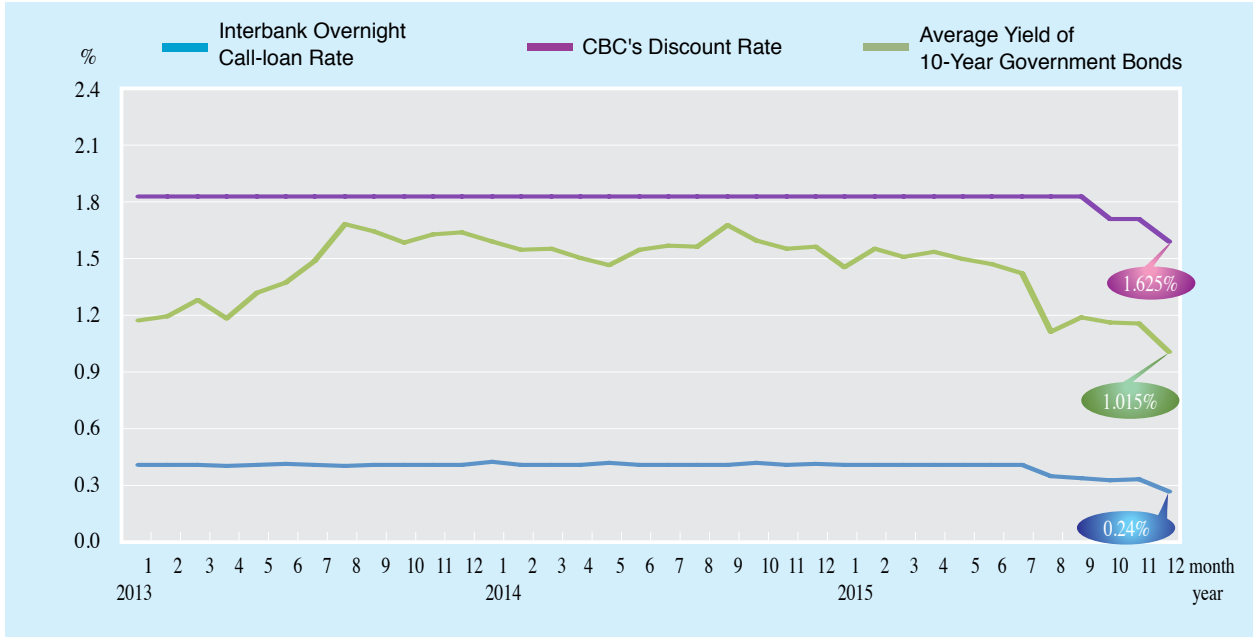
After the September policy rate adjustments, however, the pace of global economic recovery continued to fall short of expectations, and Taiwan's economic growth forecast was revised downward. Against the backdrop of mild inflation expectations, the Central Bank decided that keeping monetary conditions accommodative would help foster economic growth, and therefore announced on 17 December that the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral would be cut by 12.5 basis points each to 1.625%, 2%, and 3.875%, respectively.

b. Short-term interest rates begin dropping in last half-year, long-term rates also on downward trend

Short-term rates: In light of ample market liquidity in Taiwan, the Central Bank continued using open market operations to adjust the money supply and keep excess reserves at a proper level. The overnight call-loan rate generally remained stable at right around 0.388% in the first half of the year, but started falling in August after a sharp drop in the Taiwan Stock Exchange Weighted Index (TAIEX) chased cash out of stocks and into the money market. The Central Bank then cut interest rates by 12.5 basis points in December, which pushed the overnight call-loan rate still lower. For the year, the overnight call-loan rate averaged 0.355%, down by 0.032 percentage points from the 2014 average of 0.387%, which shows that domestic monetary policy is getting increasingly accommodative.

Long-term rates: The yield on 10-year Taiwan government bonds rose in early 2015 due to a rebound in global crude oil prices, but later trended downward in response to international financial instability and strong domestic liquidity. In the latter half of the year, a clear downturn in the domestic economy, a sharp stock market plunge in July, and market expectations of lower interest rates combined to depress the yield on 10-year Taiwan government bonds, which saw particularly big drops in response to a significant fall in the overnight call-loan rate in August, and again in December. Over the year, the yield on 10-year Taiwan government bonds averaged 1.39%, down by 0.22 percentage points from the 2014 average yield of 1.61%.

Changes in Interest Rates

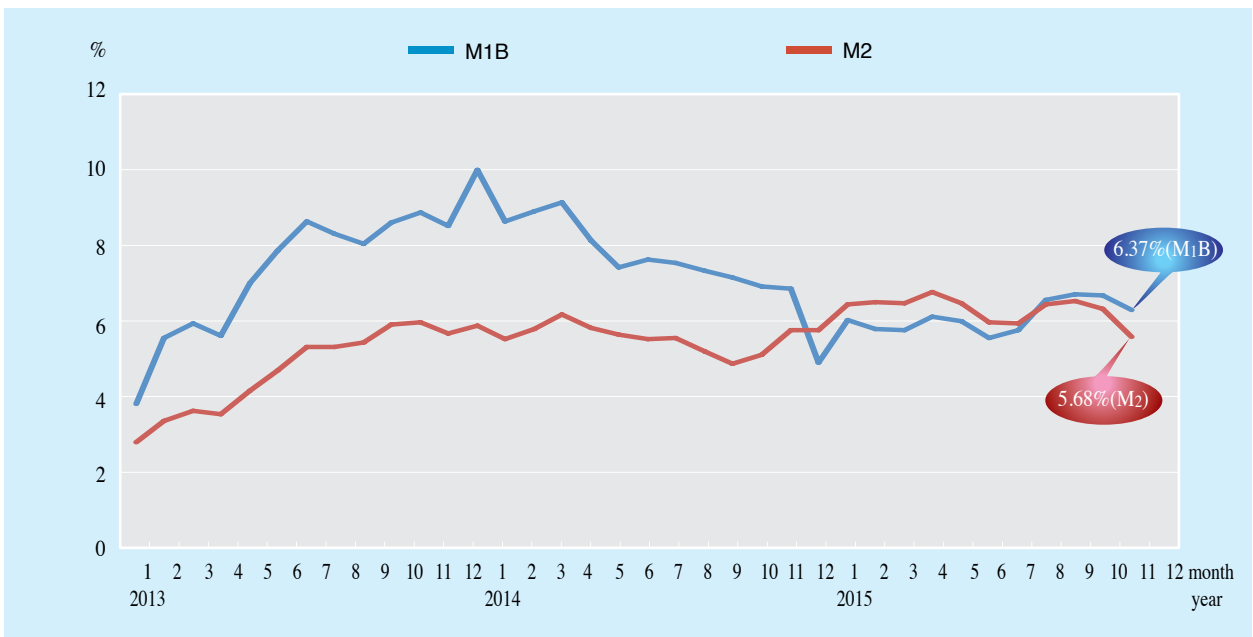


Source: the CBC website、TPEX website

c. M2 money supply growth hits target rate

Average annual growth in the daily average M2 money supply rose at a 6.34% clip in 2015 due to net inward remittances by foreign companies and continued growth in investments and bank lending. This was up from 5.66% in the previous year, and was near the top of the Central Bank's target range of 2.5% to 6.5%. Average annual growth for the more narrowly defined M1B money supply fell to 6.10% from 7.96% in 2014. In November and December, however, the M1B and M2 growth rates declined for two consecutive months due to poor domestic stock market performance, a switch to net outward remittances by foreign companies, and a slowdown in investments and bank lending. Nevertheless, the annual growth rate was higher for M1B than M2.

Annual Growth Rates of Daily Monetary Aggregates



Source: the CBC website

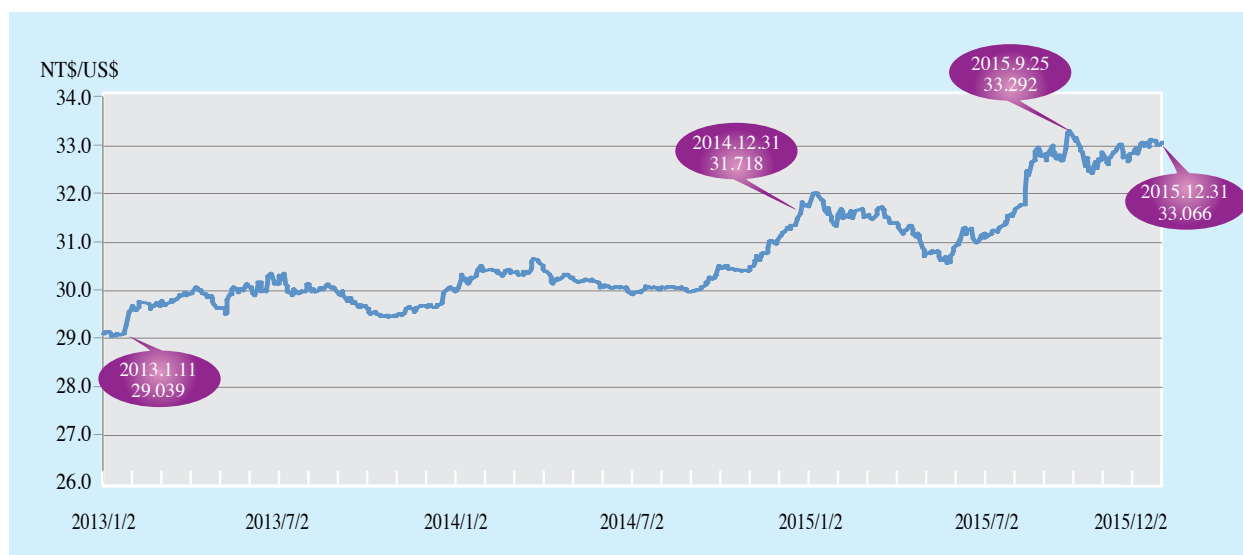
d. Banks' average interest spread expands slightly

The weighted average interest rate on deposits with ordinary domestic banks fell from 0.78% in the first quarter to 0.74% in the fourth quarter, while the weighted average interest rate on loans rose from 2.20% in the first quarter to 2.23% in the third quarter before falling to 2.18% in the fourth quarter due to interest rate cuts by the Central Bank in September. The interest spread widened slightly in 2015, and averaged 1.44 percentage points on the year, versus an average of 1.42 points in 2014.

e. NT Dollar appreciates against US Dollar before weakening

In early 2015, US economic performance fell short of expectations, upward pressure on the US Dollar weakened, Asian currencies rebounded, and foreign companies continued to generate a net capital inflow. As a result, the NT Dollar appreciated versus the US Dollar. Subsequently, however, US Federal Reserve Chairperson Janet Yellen indicated that the Fed could raise interest rates at an appropriate time later in the year, thus strengthening market anticipation of higher US interest rates. As a result, the US Dollar started rising, foreign companies started generating a net capital outflow, and NT Dollar exchange rates began to trend downward. In the latter half of the year, the NT Dollar continued depreciating as mainland Chinese stock markets continued to slide, foreign companies repatriated capital from Asian markets, and the People's Bank of China lowered the exchange rate of the RMB versus the US Dollar on 11 August, triggering depreciation across all Asian currencies. From mid-September forward, weakening of the global economy, poor economic performance in Taiwan, and interest rate cut by the Central Bank of Taiwan all put downward pressure on the NT Dollar, which further depreciated to 33.292 : 1 versus the US Dollar by 25 September before bouncing back. The NT Dollar fell further versus the US Dollar starting in November as the US Federal Reserve's intention to raise interest rates become increasingly clear. Then the Central Bank announced a second round of interest rate cut in December, triggering further depreciation of the NT Dollar to 33.066 : 1 versus the US Dollar at year end. This represented depreciation of 4.08% over the course of the year.

NT Dollar against the US Dollar Exchange Rates

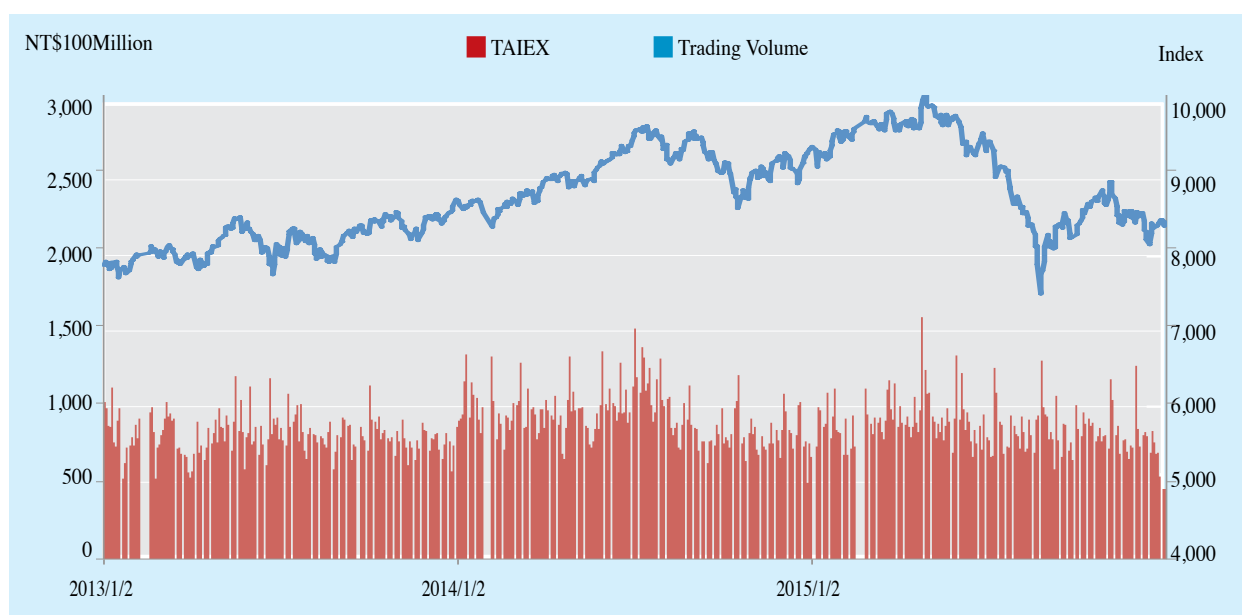


Source: the CBC website

f. Stocks move chopply downward; trading volumes drop

In early 2015, countries around the world cut interest rates and the European Central Bank launched a quantitative easing program, triggering equity market rebounds in North America and Europe. In addition, Taiwan's Financial Supervisory Commission continued implementing stock market stimulus measures. As a result, the TAIEX rose to a year-long high of 9,973 points on 27 April, even topping 10,000 points for a time during trading that day. Starting in June, however, an economic slowdown in mainland China and the People's Bank of China's sudden announcement of a new method of fixing the midpoint for the Yuan's trading band against the US Dollar touched off a drop in global equities, and the TAIEX fell steadily to a year-long low of 7,410 points on 24 August. The TAIEX then rebounded and stabilized as global stock markets recovered and the Taiwan authorities dipped into the National Stabilization Fund to shore up stock prices. Toward the end of the year, the US Federal Reserve's intention to raise interest rates grew clear, and economic fundamentals in countries other than the US remained weak. Commodity prices continued to stay low, and geopolitical conflicts raged. These factors caused global equities indexes, including the TAIEX, to fall. For 2015 as a whole, the TAIEX fell 969.20 points, a 10.41% drop. Daily average turnover by trading value was NT\$82.75 billion, down by 6.28% from NT\$88.3 billion in 2014.

TAIEX and Trading Volume



Source: Taiwan Stock Exchange

3. Economic Outlook for 2016

Looking ahead to 2016, economic expansion is expected to continue in the advanced economies, and growth in emerging markets should also see a slight rebound, but the mainland Chinese economic slowdown will continue, and financial market volatility is expected to worsen. Global economic forecasts call for moderate growth, but the impetus for recovery remains insufficient. International forecasting bodies generally believe that global economic performance in 2016 will probably be better than the previous year. The IMF's April 2016 forecast calls for the global economy to grow 3.2% in 2016, slightly up from its 3.1% forecast for 2015. The World Bank's January 2016 forecast is for global growth of 2.9%, as compared with its 2.4% forecast for 2015. And Global Insight in March 2016 forecast global economic growth of 2.6%, the same as its forecast for the previous year. Global Insight expects growth of 1.9% in developed economies, and 3.9% in emerging market economies. However, global economic growth will still be faced with challenges and threats, including the knock-on effects of the US Federal Reserve's raising of interest rates, the economic slowdown in mainland China, price movements in global markets for energy and commodities, the global spread of a risk-averse mood, the economic stimulus policies of major nations, and geopolitical conflict. The possible impact of such factors merits ongoing attention and assessment.

The April 2016 update of the IMF World Economic Outlook forecasts: growth of 2.4% for 2016 in the US, where continued labor market improvement and an accommodative financial environment there should ensure stable growth, even as a strong US Dollar hurts manufacturing and cuts into export performance; growth of 1.5% in the euro area, where the stimulus impact of monetary easing will be weakened by deflation worries that will continue to depress consumption expenditures and discourage investment; and GDP growth of 0.5% in Japan, where business investment confidence remains weak and inflation is difficult to jump-start but, fortunately, the Bank of Japan continues to ratchet up its policy of easy money. Among emerging market and developing economies, the update indicates expectations that economic growth in mainland China will fall to 6.5% in 2016 as the government continues to eliminate excess production capacity and push for restructuring, all of which should weaken growth impetus; India's economy will grow by 7.5% thanks to economic reforms and abundant, low-cost labor, making India the fastest-growing major economy in 2016; and the economies of Russia and Brazil will shrink by 1.8% and 3.8%, respectively, due to continued low energy and commodity prices.

Forecast on Global Economic Growth Rates

Unit: %

Area \ Institute	IMF		The World Bank		Global Insight Inc.	
	2015	2016	2015	2016	2015	2016
Global	3.1 (3.1)	3.2 (3.4)	2.4 (2.8)	2.9 (3.3)	2.6 (2.6)	2.6 (2.7)
US	2.4 (2.5)	2.4 (2.6)	2.5 (2.7)	2.7 (2.8)	2.4 (2.4)	2.3 (2.4)
Euro Area	1.6 (1.5)	1.5 (1.7)	1.5 (1.5)	1.7 (1.8)	1.5 (1.5)	1.6 (1.6)
Japan	0.5 (0.6)	0.5 (1.0)	0.8 (1.1)	1.3 (1.7)	0.5 (0.6)	0.8 (0.9)
Mainland China	6.9 (6.9)	6.5 (6.3)	6.9 (7.1)	6.7 (7.0)	6.9 (6.9)	6.3 (6.3)

Note: Figures in () refer to the previous forecast

Sources: 12, Apr., 2016, IMF; 6, Jan., 2016, WB; 15, Mar., 2016, Global Insight Inc.

In Taiwan, domestic and external demand are expected to contribute 1.36 and 0.11 percentage points to economic growth, and real GDP growth in 2016 is forecast by the Directorate-General of Budget, Accounting and Statistics (DGBAS) to reach 1.47%, up from the growth of 0.75% achieved in 2015. The forecasts of other institutions at home and abroad for Taiwan's 2016 economic growth fall between 1.42% and 2.24%. The highest estimate is from the Academia Sinica (2.24%), and the lowest is from the Yuanta-Polaris Research Institute (1.42%).

External demand: With global economic growth continuing along at the slow pace of recent years, the IMF expects the volume of world trade to rise to 3.4%, up from a 2.6% increase in 2015. This will be helpful to export-driven Taiwan. In addition, electronics manufacturers are seeing inventories gradually return to normal levels, which will help to maintain export momentum. However, mainland China is experiencing an economic slowdown and doing everything in its power to bring about a self-sufficient supply chain. Taiwan, meanwhile, has been unable to get involved more quickly in the process of regional economic integration. These factors are likely to limit the potential for export growth. The Directorate-General of Budget, Accounting and Statistics expects the annual growth rate for Taiwan's exports of goods and services to rise in 2016 by 2.53%, while imports of goods and services are expected to grow by 2.97%, higher in both cases than in 2015.

Domestic demand: Private consumption is expected to grow by 1.36% in 2016. Various factors are seen contributing to the slow growth; a domestic economic slowdown in the latter half of 2015 is likely to prompt companies give fewer and smaller pay increases; financial market volatility is expected; and private consumption is expected to weaken. Semiconductor makers are expected to continue investing in high-end processes in order to maintain their industry-leading position on this front and to seize upon business opportunities generated by emerging applications such as

the internet of things, Big Data, and intelligent applications. In addition, the aviation industry has been expanding aircraft purchases. These factors will help spur increased domestic investment. However, a cooling down of the housing market and the resulting slump in construction investment is expected to partially offset growth momentum, so private investment is projected to grow by 1.98% this year.

Prices: The global crude oil supply glut should continue, prices for other commodities are expected to stay low, and the prices of ICT products are expected to continue falling, but the low baseline from the previous year will make for continued price stability in Taiwan. The DGBAS has forecast CPI growth of 0.69% for 2016, versus -0.31% in 2015.

Forecast on Taiwan Economic Growth Rates

Unit: %

Institution		2016
Public and domestic institutions	DGBAS (2016.002)	1.47 (2.32)
	TIER (2016.1)	1.57 (1.84)
	CIER (2015.12)	2.24 (2.27)
	Academia Sinica (2015.12)	1.74
	Yuanta-Polaris Research Institute (2016.03)	1.42 (1.93)
	NTU-Cathy (2016.03)	1.60 (2.10)
	Taiwan Research Institute (2015.12)	2.06
Foreign institutions	IMF (2016.04)	1.50 (2.60)
	Global Insight (2016.03)	1.70 (2.00)
	Asian Development Bank (2016.03)	1.60 (2.40)

Note: The date in () for the institutions indicate the forecast date; The figures in () for the 2014 data refer to the previous forecast

Source: DGBAS, TIER, CIER, Academia Sinica, Yuanta-Polaris Research Institute, NTU-Cathy, Taiwan Research Institute, IMF, Global Insight and ADB

B. Major Financial Measures Adopted by the Government

1. Financial Services Business

- (1) In order to afford the holders of electronic stored-value cards another way to pay their taxes, and to make it possible for electronic stored-value cards to be used at more small shops (e.g. street stalls at tourist sites and night markets), the Financial Supervisory Commission (FSC) on 30 April 2015 amended the "Regulations Governing the Security of Electronic Stored Value Cards." Key points of the amendments include the following: (a) a low-risk "Type One Product or Service" transaction category has been added; (b) an alternative mechanism to prevent

improper deductions by small contracted merchants has been established; and (c) a clause has been added to allow small participating merchants that meet certain conditions to be exempted from the previously mentioned alternative mechanism to prevent improper deductions (this exemption fosters business development while also providing due precautions for risk management).

- (2) In order to simplify procedures and tax incentives for financial institution mergers, and to provide financial institutions added inducement to take part in mergers, the FSC delivered a draft amendment to the "Financial Institutions Merger Act" to the Legislative Yuan on 21 May 2015 for deliberations, and the amendment was passed by the Legislative Yuan on 24 November 2015. Key points of the amendments include the following: (a) the act expressly defines the term "banking enterprise" to exclude credit departments of farmers' association and fishermen's association, and a new provision clarifies that the act applies to financial holding companies; (b) in addition to issuing stock to the shareholders of the non-surviving entity of a merger between financial institutions, the surviving entity of a merger or an institution newly established through a merger may also issue any of the following as consideration: another institution's shares, of another class or in a different ratio; cash; or other properties; (c) a financial institution merger must be announced for several days running in newspapers, on the Internet, or in some other manner prescribed by the competent authority; (d) in view of the fact that the "Agricultural Finance Act" has special provisions governing how to deal with the failed credit department of a farmers' or fishermen's association, related provisions were deleted from the "Financial Institutions Merger Act"; (e) in order to return to ordinary reorganization and bankruptcy procedures and generally accepted accounting principles, certain provisions were deleted, and financial institutions are now allowed to hire an impartial third party to administer the auctioning of a company; and (f) related tax incentive measures were revised.
- (3) In order to bring about better management by banks of their derivatives business, and to safeguard customer interests, the FSC issued the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" on 2 June 2015. These regulations govern the scope of financial derivatives business banks engage in, personnel management, protection of customer interests, and risk management.
- (4) In order to coordinate with an amendment to Article 75 of the "Banking Act," the FSC issued the "Regulations Governing Investment in Real Estate by Commercial Banks" on 23 July 2015. The main effect of this action was to elevate the "Clarifications and Compliance

Requirements Relating to Article 75 of the Banking Act" to the level of statutory regulations. Before a commercial bank invests in real estate approved by the competent authority for use by cultural, artistic, or community service organizations/groups, it is required to first apply with the competent authority for approval, and these regulations set out the procedures for such applications.

- (5) In order to help financial holding companies expand their overseas presence, and to allow the responsible person of a financial holding company to concurrently hold a position (in their capacity as an individual or as the representative of another juristic person) at a company in which said financial holding company has invested, the FSC on 16 September 2015 amended the "Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company." Key points of the amendments include the following: (a) the responsible person of a financial holding company may, due to an investment relationship, concurrently hold a position in a company in which his/her company has invested; (b) the concurrent holding by the responsible person of a financial holding company of a position at a company in which his/her company has invested, has been made subject to legal provisions governing the holding of concurrent positions, and the amended regulations provide that a responsible person of a financial holding company may act concurrently as a manager of only one invested enterprise or subsidiary; (c) the restriction against the responsible person of a financial holding company simultaneously holding, in his or her own capacity or in the capacity of a representative of a juristic person other than the financial holding company, a position in an offshore invested enterprise or offshore subsidiary of the financial holding company, has been relaxed; and (d) a provision in Article 16 allowed a certain grace period within which the responsible person of a financial holding company who holds a concurrent position could bring his or her employment situation into compliance with the law, but the grace period has already come to an end, so this provision has been eliminated.
- (6) In order to strengthen management by financial holding companies of overseas investee companies, and to tailor regulations to meet the business needs of financial holding companies seeking to expand their overseas presence, the FSC on 16 September 2015 amended the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks." Key points of the amendments include the following: (a) the responsible person of a financial holding company's bank is now

allowed to act as the responsible person of an overseas investee company of said holding company, or as the responsible person of an overseas company in which another subsidiary of the same holding company has invested; (b) in order to ensure that the holding of a concurrent position by bank's responsible person will not prevent the effective discharge of the principal position or the concurrent position, and will not cause any conflict of interests or any violation of the internal controls of either institution, a new provision—modeled upon the provisions of the "Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company"—has been added to require that banks adopt self-regulatory rules governing the holding of concurrent positions by a bank's responsible person; and (c) a provision in Article 12 allowed a certain grace period within which a bank's responsible person who held a concurrent position could bring his or her employment situation into compliance with the law, but the grace period has already come to an end, so this provision has been eliminated.

- (7) In view of the fact that high-net-worth corporate investors need to engage in high-volume trading in financial products, and they are comparable to professional institutional investors in terms of amount of capital, risk management capability, financial expertise, and investment experience, the FSC amended the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" on 18 September 2015 in order to accommodate the need of high-net-worth corporate investors to engage in a diverse range of derivatives trades via banks, and in order also to enable banks to provide a wider variety of services. Key points of the amendments include the following: (a) new provisions define what a high-net-worth corporate investor is and the qualifications needed to qualify for a designation as such; (b) the trading contracts and related documentation used with a high-net-worth corporate investor are to be modeled upon those used with professional institutional investors; and (c) just as with professional institutional investors, banks shall be free to decide how to treat high-net-worth corporate investors—e.g. the promotional materials they provide, credit limit approvals, and disclosure of important transaction conditions and risks—on the basis of prevailing market practices, standard procedures, and their own internal control requirements. When trading in complex high-risk products with high-net-worth corporate investors, banks are no longer subject to statutory or regulatory requirements governing disclosure of important transaction conditions and risks, nor will they be subject to the requirement that an audio or video recording of the transaction process be kept on file.

- (8) In order to build a favorable financing environment for SMEs, the FSC continued to carry out the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises," and the amount of outstanding loans to SMEs by domestic banks stood at NT\$5,452.4 billion as of year-end 2015 (or 57.87% of total corporate loans, and 61.32% of total loans to private companies), up by NT\$288.5 billion from year-end 2014. This figure represented 80.13% of the NT\$360 billion target for SME loans in 2015 adopted under the Executive Yuan's economic stimulus program, and 120.20% of the original target of NT\$240 billion.

2. Cross-Strait Financial Ties

- (1) In view of the fact that the mainland credit risks of recent years appear likely to continue growing worse, the FSC on 23 April 2015 issued a set of strengthened measures for controlling and managing the exposure and risk bearing capacity of domestic banks with regards to mainland China. The FSC called on banks to scrupulously abide by the new measures, and to appropriately control risk exposures when engaging in financial business with the mainland.
- (2) The 5th Meeting of the Cross-strait Banking Supervisory Cooperation Platform was held in Nantou County on 14 September 2015. Results of the meeting, which is held regularly in order to promote positive interaction between banking firms on the two sides of the Taiwan Strait, include the following:
- (a) Both sides will continue to strengthen their supervisory cooperation relationship: Both sides agreed that exchange of experience as well as the discussion of topics are an important part of financial supervisory cooperation, and confirmed that a second cross-strait conference on financial development and supervisory experience will be held in 2016 in Taipei.
- (b) Both sides will continue to promote cross-strait interaction among banks: Both sides agreed that the cross-strait branches established by banks of the two sides have met supervisory requirements in terms of financial and operating conditions as well as regulatory compliance, and both sides clearly stated their intention to continue promoting cross-strait business dealings between banks in the future.
- (c) Both sides will continue to support the establishment of closer cross-strait business cooperation between banks: Both sides agreed that cross-strait banking business has entered upon a new stage. Taiwanese banks, for example, are converting their mainland branches into subsidiaries, and are getting involved in equity investment cooperation. The two also clearly stated their intention to continue supporting the establishment of closer cross-strait business cooperation between banks, while also observing the principles of prudential regulation.

C. Banking Operations in 2015

1. Changes in the Operating Units of Financial Institutions

Financial institutions in Taiwan include monetary institutions, investment trust companies (prior to December 2008), and life insurance companies. The term "monetary institutions" includes the Central Bank and other monetary institutions. The term "other monetary institutions" includes domestic banks, Taiwan branches of foreign and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, the Department of Savings and Remittances at Chunghwa Post Co., and money market mutual funds. There were 429 financial institutions in Taiwan at the end of December 2015, while the total number of branch banking units in Taiwan at the end of 2015 stood at 6,048.

2. Non-performing Loans (NPLs) and Average NPL Coverage Ratio

Domestic banks continued to strengthen their risk management capabilities in 2015, and NPL ratios fell to historic lows. According to FSC statistics, the aggregate NPLs of domestic banks at the end of December 2015 stood at NT\$59.86 billion, down by NT\$1.89 billion from NT\$61.75 billion at the end of December 2014. The average NPL ratio of domestic banks has fallen steadily from a peak of 11.74% in the first quarter of 2002, and by the end of December 2015 stood at 0.23%, down by 0.02 percentage points from 0.25% at the end of December 2014.

In addition, the average NPL coverage ratio of Taiwan's domestic banks stood at 555.43% at the end of December 2015, up by 39.05 percentage points from 516.38% at the end of December 2014, an indication that the risk management capabilities of our domestic banks are improving.

3. Overview of Bank Profitability

Unsettled economic conditions at home and abroad in 2015 caused sharp volatility in global financial markets, while an economic slowdown in mainland China prompted the FSC to require Taiwanese banks to set aside increased loss reserves against credit and real estate loans extended in the mainland. These factors affected the profitability of Taiwan's domestic banks in 2015. The pre-tax earnings of domestic banks totaled NT\$319.59 billion in 2015, down by 0.15% from NT\$320.08 billion in 2014. Over the same period their return on assets (ROA) came to 0.75% (down from 0.79% in 2014), while return on equity (ROE) fell from 11.65% to 10.58%. But despite the decline in profitability, our domestic banks also benefited from a gradually widening interest spread, which has gone from an average of 1.22 percentage points in 2009 to an average of 1.44 percentage points in 2015. This trend is a boost to banks' profitability.

4. Major Lines of Banking Business

(1) Deposit Business

Deposits at all monetary institutions at the end of 2015 totaled NT\$39.36 trillion, up NT\$2.22 trillion (5.98%) over the previous year. Time deposits accounted for the largest portion of this total (35.00%), followed by demand deposits (34.88%).

Demand deposits posted the strongest growth, finishing up by NT\$878.0 billion (6.83%) from the end of 2014 to NT\$13.73 trillion. Foreign-currency deposits grew at the next fastest pace, finishing up by NT\$535.5 billion (12.87%) to NT\$4.70 trillion.

In addition, time and savings deposits rose from the end of 2014 by NT\$428.0 billion (3.21%) to NT\$13.77 trillion, and postal savings deposits increased by NT\$268.5 billion (4.91%) to NT\$5.74 trillion.

The signing of the cross-strait currency clearing agreement and the decision by the FSC on 6 February 2013 to allow designated forex banking units (DBUs) to conduct RMB business have triggered a sharp increase in foreign exchange deposits. As of end-December 2015, RMB deposits were being handled at 69 DBUs and 59 offshore banking units (OBUs), where a combined total of RMB 318.23 billion were on deposit. This figure was up by 5.28% from RMB 302.27 billion at year-end 2014, and was rising steadily.

Changes in Deposits by Category of All Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2015	End of 2014	Amount change	Percentage change %
Demand deposits		137,272	128,492	8,780	6.83
Time and time savings deposits		137,734	133,454	4,280	3.21
Foreign currency deposits		46,960	41,605	5,355	12.87
Postal savings deposits		57,381	54,696	2,685	4.91
NT Dollar deposits by foreigners		1,778	1,946	-168	-8.63
Repurchase agreements and Money Market Mutual Funds		2,060	2,168	-108	-4.98
Government deposits		10,372	8,979	1,393	15.51
Total		393,557	371,339	22,218	5.98

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2016.

(2) Loans and Investments

The balance of outstanding loans and investments at all monetary institutions stood at NT\$29.49 trillion at the end of 2015, an increase of NT\$1.28 trillion (4.54%) over the end of 2014.

Loans and investments by all monetary institutions rose in all recipient categories—claims on the public sector, claims on state-run enterprises, and claims on the private sector—at the end

of 2015 in comparison with 2014. Claims on the private sector increased by NT\$1.03 trillion (4.53%), claims on the public sector increased by NT\$231.1 billion (5.25%), and claims on state-run enterprises increased by NT\$19.5 billion (1.85%).

Loans and Investments by Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2015	End of 2014	Amount change	Percentage change %
Claims on the government		46,322	44,011	2,311	5.25
Claims on state-owned enterprises		10,725	10,530	195	1.85
Claims on the private sector		237,839	227,535	10,304	4.53
Total		294,886	282,076	12,810	4.54

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2016.

(3) Foreign Exchange Business

The average daily foreign exchange turnover (total of bank-customer and interbank markets) in 2015 was US\$33.35 billion, up by 6.59% from 2014. Average daily turnover in the bank-customer market was US\$8.36 billion, up 4.24%, and average daily turnover in the interbank market was US\$24.99 billion, an increase of 7.40%.

Further breaking down the figures for interbank foreign exchange transactions in 2015, options transactions, swaps transactions, and cross-currency swaps decreased by US\$0.5 billion, US\$0.27 billion, and US\$3 million from 2014 respectively, while all other types of foreign exchange transactions increased in 2015. The largest increase took place in spot transactions, which increased by US\$2.27 billion (29.92%), followed by forward transactions, which finished up by US\$229 million (26.11%).

Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item	Year	2015	2014	Amount change	Percentage change (%)
Spot		9,836	7,571	2,265	29.92
Forward		1,106	877	229	26.11
Swap		10,635	10,904	-269	-2.47
Option		3,341	3,841	-500	-13.02
Cross currency swap		73	76	-3	-3.95
Total		24,991	23,269	1,722	7.40

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, March 2015.

(4) Consumer Finance Business

According to statistics compiled by the FSC Banking Bureau, a total of 38.52 million cards issued by 36 institutions were in circulation at the end of December 2015, up by 3.02% from the 37.39 million in circulation at the end of 2014. The total number of active cards stood at roughly 25.36 million, an increase of 4.06% from the figure of 24.37 million at the end of 2014. The total dollar amount of transactions paid for with these cards in 2015 amounted to NT\$2.23 trillion, up by 7.91% from 2014. The amount of revolving credit outstanding at the end of the year stood at NT\$109.76 billion, down by 4.38% from the end of 2014. Cash advances outstanding totaled NT\$27.23 billion, up by 1.91% from 2014.

There were 27,363 automatic teller machines (ATMs) in Taiwan as of the end of December 2015, up by 0.98% from 27,098 at the end of 2014. The cumulative issuance of bank cards rose by 3.92% from 178.96 million at the end of 2014 to 185.69 million at the end of 2015. The number of ATM transactions during 2015 totaled 824.89 million, an increase of 3.90% over the 2014 figure of 793.96 million, while the value of ATM transactions in 2015 amounted to NT\$10.15 trillion, up 3.03% from NT\$9.85 trillion a year earlier.

(5) Financial Derivatives Business

The nominal amount of open derivatives positions of domestic banks (including headquarters, domestic and overseas branches, and offshore banking units) and foreign banks (general branches in Taiwan plus offshore banking units) at the end of December 2015 stood at NT\$55.97 trillion, up approximately 0.76% from NT\$55.55 trillion a year earlier.

Over-the-counter (OTC) transactions accounted for 99.87% of these positions, while exchange-traded transactions made up only 1.34%. Of the OTC transactions, forward contracts accounted for the largest share (49.93%) of the nominal value of total open positions, followed by swaps at about 29.63%. Put and call options accounted for 10.29% and 10.02%, respectively. Trading derivatives made up 99.62% of the total, while non-trading derivatives accounted for only 0.38%.

Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$ million, %

Item	End of Dec. 2015		End of Dec. 2014		Changes	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts Outstanding	55,973,939	100.00	55,550,224	100.00	423,715	0.76
A. OTC	55,898,779	99.87	55,474,326	99.86	424,453	0.77
1. Forwards	27,946,184	49.93	23,257,108	41.87	4,689,076	20.16
2. Swaps	16,584,172	29.63	17,490,551	31.48	-906,379	-5.18
3. Call option	5,610,104	10.02	7,264,387	13.08	-1,654,283	-22.77
4. Put options	5,758,319	10.29	7,462,280	13.43	-1,703,961	-22.83
B. Exchange-traded	75,160	1.34	75,898	0.14	-738	-0.97
1. Futures- long positions	7,714	10.26	13,685	0.02	-5,971	-43.63
2. Futures- short positions	54,992	0.10	48,061	0.09	6,931	14.42
3. Call options	6,135	0.01	9,585	0.02	-3,450	-35.99
4. Put options	6,319	0.01	4,567	0.01	1,752	38.36
II. Notional Amounts Outstanding	55,973,939	100.00	55,550,224	100.00	423,715	0.76
A. Total contracts held for trading purpose	55,763,571	99.62	55,305,713	99.56	457,858	0.83
B. Total contracts held for non-trading purpose	210,368	0.38	244,511	0.44	-34,143	-13.96

Source: The CBC website, January 2016.

(6) Cross-Strait Remittances Business

In 2015, outward and inward remittances to and from mainland China by all banks came to US\$412.14 billion and US\$277.84 billion, respectively. Under the joint oversight of the FSC and the Central Bank, a new "modern cross-strait money remittance platform" has been launched to facilitate the development of cross-strait RMB business. In support of the new platform, Taiwan's Central Bank oversaw the establishment in September 2012 of a foreign currency settlement platform, and in September of 2013 it began providing domestic and cross-border (including cross-strait) remittances of RMB. Then in February 2014 the platform began providing cross-strait clearing and settlement of US dollars in order to streamline bank operating procedures, facilitate the achievement of economies of scale, and reduce banks' operating costs.

Changes in Cross-strait Remittances

Unit: US\$ million

Item	Year	2015	2014	Amount change	Percentage change %
Outward remittances		412,140	389,206	22,934	5.89
Inward remittances		277,836	218,218	59,618	27.32

Source: Financial Supervisory Commission

(7) Asset Securitization Business

In order to meet the capital adequacy requirements in the Basel III rules, domestic banks have carried out far fewer asset securitizations since 2012. In 2015, there were no issues of securitized assets that involved real estate, and financial asset securitizations also dropped to zero from a total of NT\$8.51 billion in 2014.

Changes in Banks' Issuance of Asset Securitization Products

Unit: NT\$100 million

Item \ Year	2015	2014	Amount change	Percentage change %
Financial asset securitization	0	85.1	-85.1	-100
Real estate asset securitization	0	0	0	0
Total	0	85.1	-85.1	-100

Source: Financial Supervisory Commission

(8) Other Business

Domestic banks' fee income in 2015 came to NT\$194.20 billion, up by 12.28% from NT\$172.96 billion in 2014, accounting for 9.11% of the total income of domestic banks in 2015, down slightly from 9.51% in 2014. These figures show that our domestic banks have achieved positive results in their efforts to increase fee income by developing wealth management, collection and payment services, bank insurance, and other such lines of business. Fee income has been growing steadily. However, there is still room for further improvement in terms of fee income as a percentage of total profits.

Changes in Banks' Fee Income

Unit: NT\$ 100 million

Item \ Year	2015	2014	Amount change	Percentage change %
Fee income	1,941.98	1,729.56	212.42	12.28
Fee income as share of total income of domestic banks (%)	9.11	9.51	-	-

Source: Financial Supervisory Commission

IV. Report on the Work of BAROC

A. Major Achievements in 2015

1. Launched video courses to accelerate human resource development

- (1) With video instruction growing increasingly popular and online courses becoming rapidly more available throughout the world, BAROC studied open courses offered by well-known academic institutions and financial industry associations at home and abroad, and devised a specialized platform to provide video courses for bank employees. The platform was launched on 24 June 2015, and by the end of the year a total of 167 courses had already been posted to the "members only" section of the BAROC website, covering such topics as: emerging applications in mainland China's mobile payment industry; Big Data applications in the financial industry; and valuation practices in Hong Kong. The employees of member banks can access these course videos free of charge.
- (2) Each bank employee is issued a user name and password. He or she can log on at any time of day via cell phone, tablet, or desktop computer, track his or her course participation records, and take online tests. This system is expected to facilitate quicker advancement of professional expertise among employees in Taiwan's banks. In addition, human resources officers can also use the system to track the results of employees' ongoing professional training.

2. Trained international financial professionals and built databases to support the government's "Asia Cup" policy

- (1) In order to strengthen training and build up a deeper pool of talent, BAROC actively carried out training programs designed to equip professionals with skills needed for the conduct of international banking. In 2015, training was provided to 2,282 course attendees to increase the number of trained people available to support the overseas expansion of our banks, help them integrate their overseas operations, expand their business scope, and make them more internationally competitive.
- (2) Built a special website section with a database on overseas markets: BAROC has collected data on the economies of Southeast Asia (including information on each country's overall economic and trade conditions, the current activities of Taiwan-invested enterprises, and approved or pending applications by Taiwanese banks to establish branch units in the region). In 2014, information on India, Cambodia, Myanmar, Thailand, Indonesia, and Laos was loaded into the database, which in 2015 was expanded to cover Malaysia, the Philippines, the United Arab Emirates, South Korea, New Zealand, and Brazil.
- (3) Funded a project by the Taiwan Academy of Banking and Finance (TABF) to build a Mainland China Financial Database: As a special project, BAROC provided funding to the building of the TABF Mainland China Financial Database. The three-year project came to completion at the end of 2015. In the future, BAROC will ask the TABF to evaluate the possibility of further upgrading the Mainland China Financial Database and operating it commercially so that it can better meet the needs of member banks seeking to establish or expand operations in mainland China.

3. Established communications channels with other supervisory authorities throughout the world and cooperation mechanisms with banking associations in other countries

- (1) Dispatched banks' senior management on trips to study overseas markets and visit supervisory authorities and bankers associations:
 - (a) BAROC Chairperson Jih-Chu Lee attended the 48th Annual Meeting of the Board of Governors of the Asian Development Bank in the Azerbaijan capital of Baku on 2-5 May 2015. She took advantage of the occasion to establish friendly relations with principal financial institutions and bankers associations.
 - (b) On 4-8 August 2015, BAROC Chairperson Jih-Chu Lee led an "emerging financial services" delegation to Tokyo. While there, the group paid call on the Japanese Bankers Association and carried out high-level talks on financial issues. They also visited the Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corp., SBI Holdings, and Shinsei Bank to discuss digital banking and senior citizens' banking.
- (2) Actively sought to build cooperative ties with bankers associations from other countries: BAROC signed an MOU for cooperation with the Japanese Bankers Association in Tokyo on 19 October 2015, and further expects to sign MOUs in 2016 with the China Banking Association and the Vietnam Banks Association. In addition, BAROC also continued to liaise with the Association of Banks in Singapore, the Azerbaijan Banks Association, the Korea Federation of Banks, and the Australian Bankers' Association.
- (3) Invited international experts to take part in forums and conferences in Taiwan: BAROC invited Sultan Bin Nasser Al Suwaidi, the former governor of the Central Bank of the United Arab Emirates, to deliver a keynote address on 18 May 2015 at the TABF in a Forum on Prospects for Financial Cooperation Between Taiwan and the Middle East.
- (4) Invited Southeast Asian bank supervisors to Taiwan: BAROC invited senior bank supervisors from Indonesia, Thailand, Malaysia, Cambodia, and Laos to attend the 2015 Asian Financial Supervision Conference on 6 October 2015 at the TABF. The event attracted 168 participants. In addition, BAROC arranged for the competent authority and bankers to meet for discussions with senior supervisory officials from various countries.

4. Helped the government promote the Bank 3.0 initiative and spur the development of e-commerce payment services

- (1) In order to help coordinate the implementation of the "Act Governing Electronic Payment Institutions," which was promulgated by the ROC president on 4 February 2015, BAROC, acting upon the instruction of the FSC, drafted secondary legislation (13 regulations and various related directives) that could be issued under the authority of the "Act Governing Electronic Payment Institutions." These were submitted to the FSC for its reference.

- (2) Established the Electronic Payments Committee: On 25 June 2015, at the 19th Meeting of the 11th Board of Directors and Supervisors, BAROC passed a resolution to establish the Electronic Payments Committee. As of 31 December 2015, this committee had 26 member institutions, including 20 banks concurrently running an electronic payments side business, four specialized electronic stored-value card issuers, and two specialized electronic payments operators.
- (3) BAROC identified 12 banking services that customers with existing accounts could be allowed to apply for online. And in preparation for online applications for the opening of new accounts, BAROC drafted the "Guidelines for the Handling by Banks of Customers' Online Opening of Digital Deposit Accounts," submitted them to the FSC for recordation, and notified member banks before amending related operating rules. Some banks have already implemented the online procedures. Also, to facilitate the launch of online applications for new credit card accounts, BAROC devised an ID verification mechanism and prepared suggestions for legislative amendments, and submitted these to the FSC Banking Bureau.
- (4) In support of the government's policy of facilitating faster emergence of innovative FinTech startups and cultivating the development of FinTech talent, BAROC made a capital contribution of NT\$10 million to help the Taiwan Financial Services Roundtable, financial industry self-regulatory organizations, and financial institutions establish the Financial Technology Development Fund.
- (5) BAROC took various measures in 2015 to raise the percentage of payments in Taiwan that are made electronically, including the following: encouraged credit card institutions to set up a shared platform for business operations that are similar in nature; decided to allow natural persons to contract with credit card acquirers as participating merchants; and coordinated with the above measures by amending the "Self-regulatory Agreement on the Conduct of Credit Card Business by Members of the ROC Bankers Association Credit Card Business Committee," the "Internal Security Audit Guidelines for Card Issuers and Acquirers," and the "Operational Guidelines for Participating Merchant Credit Checks and Management." These amendments were duly filed with the FSC.
- (6) In order to provide the public with a secure cross-border payments environment, BAROC recommended to the FSC that the Financial Information Service Company (FISC) be allowed to build a platform for cross-border cooperation with offshore money transmitters. FISC has now received FSC approval to build such a platform. By joining this platform and cooperating with offshore money transmitters, a bank can reduce costs and achieve enhanced efficiency.
- (7) In response to the trend toward innovative credit card services featuring multifunctional applications, BAROC amended the "Security Control Operating Standards for Credit Card Organizations Conducting Mobile Phone Credit Card Business" to allow for the adoption of Host Card Emulation (HCE) technology. The amended Standards have been approved by the FSC for recordation and disseminated to all credit card institutions with instructions to abide by their provisions.

5. Responded to international trends, helped resolve problems faced by all member banks

(1) Helped member banks adapt to updated International Financial Reporting Standards (IFRS):

To coordinate with the FSC's campaign to promote implementation of IFRS 9: Financial Instruments, BAROC set up a special task force and hired a professional CPA firm to collect information on its implementation overseas, analyze differences in the updated standards, and study impairment models. The information thus obtained has been provided to member banks to help them work through their IFRS calculations and adopt the updated standards.

(2) Helped member banks respond to implementation by the United States of its Foreign Account Tax Compliance Act (FATCA):

At the instruction of the FSC Banking Bureau, BAROC prepared a template "Explanation by Banks to the Public Regarding the Reasons and Legal Basis for Implementation of FATCA" in order to help member banks comply with FATCA. This template has been disseminated to member banks so they can do a better job of educating customers about this matter. To facilitate the efforts of banks to identify the identity of customers, BAROC has provided banks with a bilingual Chinese-English form so that non-US residents can fill it out without undue inconvenience.

(3) Helped banks implement guidelines for anti-money laundering and combating the financing of terrorism (AML/CFT):

(a) In preparation for the Asia/Pacific Group on Money Laundering (APG) 3rd Follow-up Report to the Mutual Evaluation Report of Chinese Taipei, scheduled for the fourth-quarter of 2018, and in order to align with the risk-based approach to AML/CFT put forward by the Financial Action Task Force on Money Laundering (FATF), BAROC has amended the "Points for Attention by Banks on Money Laundering Prevention." BAROC has also incorporated the "Guidelines for a Bank's Evaluation of AML/CFT Risks and Adoption of Prevention Programs" into these Points for Attention. The amended version of which has been disseminated to all member banks with instructions to maintain compliance.

(b) BAROC held a public meeting to on 27 July 2015 in order to help member banks better understand the requirements of international bodies regarding banks' AML/CFT risk assessments, and to familiarize member banks with the details of the recent amendment to the "Points for Attention by Banks on Money Laundering Prevention." The meeting was attended by 239 persons representing the competent authority and member banks.

(c) In order to help the public fully understand banks' anti-money laundering rules, BAROC released public awareness videos, posters, advertisements, and an educational website, and sought exposure in the proper media. The BAROC website has a link to the aforementioned educational website.

(4) Continued to help Taiwanese banks bring practices in line with international risk management rules:

In order to help the competent authority in its work to research risk management requirements for banks as they are issued by the Basel Committee on Banking Supervision (BCBS) and to consider their application in Taiwan, the Basel II Research Task Force (jointly established by BAROC and the FSC Banking Bureau) in 2015 finished translating related legislation and completed drafting of the Operational Risk Qualitative Benchmarks and the Operational Risk Quantitative Benchmarks.

6. Strengthened domestic banks' control of overseas and mainland China lending risks

(1) Coordinated with FSC policies, strengthened domestic banks' control of overseas and mainland China lending risks:

(a) In order to strengthen domestic banks' control of overseas and mainland China lending risks, BAROC instructed member banks to study case histories of overseas loans that have led to NPLs in the past, to review their risk control systems for overseas and mainland lending, and to establish the proper control systems.

(b) In order to prompt banks to strengthen their loan review and post-loan management for lending carried out overseas and in mainland China, BAROC amended Article 22 of the Credit Investigation Standards and Article 20 of the Credit Extension Standards for Members of the ROC Bankers Association by adding provisions governing risk control.

(c) Collected detailed information on member banks' establishment and implementation of internal credit adjustment systems and systems for control of groupwide aggregate exposure to large customers, and furnished concrete recommendations and opinions to the FSC for its reference and feedback, then forwarded everything to member banks with instructions to act accordingly.

(d) Prepared opinions on "the definition of what constitutes a material credit risk event" and "criteria for determining what constitutes a Taiwan-invested enterprise," and submitted them to the FSC for its reference.

(2) Acting at the instruction of the FSC, BAROC developed and submitted an opinion regarding an alert system for the lead arranger or a participant lender in an international syndicated loan, acting in bad faith, conceals material information or deviates from standard international practice in the field of syndicated loans.

(a) In order to ensure that domestic banks do not become unknowingly involved in a syndicated loan for which the lead arranger or a participating lender has engaged in bad-

faith concealment of material information or otherwise has a record of poor conduct, the FSC asked BAROC to devise an alert system that domestic banks, when considering participation in a syndicated loan, can consult to get a timely understanding of the possible risks associated with a particular loan, thereby safeguarding their interests as participant lenders.

- (b) After calling a meeting to consider the matter, BAROC furnished the FSC with concrete recommendations regarding the possible adoption of an alert system for the reporting of syndicated loans involving the participation of Taiwanese banks in which a default has occurred within six months of the initial disbursement of loan funds.

7. Drafted financial institution information security measures

- (1) Acting upon FSC instructions, BAROC formulated a draft set of "Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions" and forwarded them, following approval by the BAROC Board of Directors, to the FSC for its reference.
- (2) Acting upon FSC instructions, BAROC coordinated with an amendment to the "Act Governing Issuance of Electronic Stored Value Cards" (promulgated by the ROC president on 24 June 2015) by drafting an amendment to the "Regulations Governing the Security of Electronic Stored Value Cards." The text of the draft provisions were submitted, along with a general commentary and a comparison table presentation of the existing provisions and proposed amendments, to the FSC for its reference.
- (3) Acting upon FSC instructions, BAROC prepared a draft amendment to the "Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business." During the drafting process, BAROC made reference to international precedent and operating standards, and took note of the government's recent policy decision to allow banks to handle customers' online opening of digital deposit accounts.
- (4) Acting upon instructions from the FSC Banking Bureau, BAROC studied possible responses to an incident in which a blogger revealed the results of a test of SSL-encrypted transmissions by Taiwanese financial institutions. Most bank websites scored an "F" on the test, had not stopped using the RC4 algorithm, and were vulnerable to POODLE and FREAK attacks. BAROC hired information security specialists to: share information on recent important SSL vulnerabilities; provide countermeasures; and coordinate improvement measures by member institutions.
- (5) In order to help member institutions appropriately manage risks that accompany the use of emerging technologies, BAROC prepared a draft set of "Directions Concerning the Use of Emerging Technologies." The Directions were duly filed with the FSC Banking Bureau and disseminated to member institutions with instructions to abide by their provisions.

8. Coordinated with government policy by drafting measures to be taken by financial services providers

- (1) Acting upon FSC instructions, BAROC prepared a draft set of "Principles for Bank Personnel Compensation Systems," and recommended that the competent authority give banks a three-month buffer period in which to achieve compliance. The recommendations were duly filed with the FSC for approval, then disseminated to member institutions to inform them of the matter. Member banks then raised queries about implementation of the principles in actual practice, and BAROC prepared opinions with regard thereto and received a response from the competent authority, which was disseminated to member institutions with instructions to act accordingly.
- (2) Acting upon FSC instructions, BAROC proposed two different sets of 2015 numerical targets for switches to cheaper credit card payment options under the "Mechanism to Allow Cardholders Making Long-term Use of Revolving Credit to Switch Payment Options." The proposals entailed a separate target for each credit card issuer, and were submitted for review by the FSC, which decided that each institution would be expected to achieve at least a 25% switch to cheaper payment options, with the said 25% measured in terms of either number of cardholders or aggregate outstanding balance, whichever is achievable. BAROC informed credit card issuers of the targets and instructed them to achieve compliance.
- (3) Once each quarter, BAROC collected information on barriers encountered by member banks attempting to develop overseas business, and forwarded it to the FSC for policymaking reference.

9. Helped resolve problems faced by all member banks

- (1) On 1 January 2014 the FSC began permitting companies to measure investment property at fair value subsequent to initial recognition, but put restrictions on the types of valuation methods that can be used. However, in light of the fact that a bank that handles real estate-backed loans will have a considerable degree of familiarity with and professional expertise in real estate valuations, BAROC prepared an opinion on the matter along with a set of coordinated measures and submitted these to the FSC with a recommendation that it allow the measurement of bank investment property at fair value.
- (2) In order to ensure that different financial institutions all observe a uniform set of review standards when processing applications by members of the public to take part in a pre-negotiation process, thereby reducing the frequency of disputes, BAROC worked together with member banks to revise the pre-negotiation procedural table.
- (3) After providing the FSC with a BAROC opinion as well as information on practices in the UK, the US, Japan, Singapore, and Malaysia, BAROC helped member banks obtain the FSC's consent to allow the Hong Kong Exchanges and Clearing Limited (HKEx) to be included among the stock exchanges recognized as hosting the trading of eligible collateral as determined in accordance with the standardized approach to credit risk, as referred to in the "Methods for Calculating Banks' Regulatory Capital and Risk-Weighted Assets."

- (4) To coordinate with the promulgation of a recent amendment to Article 43 of the "Financial Holding Company Act," BAROC drafted proposed amendments to its "FAQs on Co-marketing" and prepared a comparison table presentation of the existing provisions and proposed amendments. These were then filed with the FSC for recordation.

10. Continued monitoring the progress of legislative action, and communicated banking industry views to legislators

- (1) In light of the fact that the draft "Principles Governing Reasonable Exceptions to Online Trade Rescission Rights" prepared by the Executive Yuan's Department of Consumer Protection can be expected to have a tremendous impact upon bank operations, BAROC hired a professional law firm to propose revisions, forwarded the proposal to the Department of Consumer Protection and the FSC for their reference, and arranged meetings with scholars to discuss the proposal and get their opinions. A finalized version of the "Principles Governing Reasonable Exceptions to Online Trade Rescission Rights" was approved by the Executive Yuan and issued on 31 December 2015.
- (2) In late 2015, the FSC Securities and Futures Bureau implemented five measures to strengthen regulation of investment fund sales channels and gave firms a six-month buffer period to bring their operations into compliance. However, industry firms felt that the measures would have an adverse impact on the wealth management business of banks. They were particularly concerned about two of the measures: (a) "banks are not allowed to collect a sales incentive fee," and (b) "sales commissions must be calculated on the basis of average sales over a certain period of time." BAROC prepared a position paper asking the FSC to postpone implementation of the five measures.
- (3) After the Ministry of the Interior (MOI) launched a new land registration certificate system on 2 February 2015, member banks reported that both individuals and banks would find it a hindrance when handling real estate-backed loans, so BAROC invited banks and the MOI to discuss the matter. BAROC then prepared an opinion and submitted it to the MOI, which accepted the opinion and eliminated part of the proposed registration certificate in order to better meet the needs of actual practice.
- (4) The National Development Council (NDC) had originally made plans for a complete switch on 1 January 2015 to an online system for registration of transactions involving the use of personal property as security, which would have meant an end to registration by mail or in person at a service counter. However, the FSC Banking Bureau instructed BAROC to survey member banks on their views regarding the proposed system, and most banks reported that the system would be difficult to implement, so BAROC prepared a recommendation on the matter and submitted it to the FSC Banking Bureau. Making reference to this opinion, the FSC recommended to the NDC that it first wait until website functionality was fully in place and users were comfortable with online registration before re-evaluating—in light of existing habits among the general public—the feasibility of a complete switch to online registration of personal property used as security.

- (5) BAROC communicated the views of the banking industry regarding a draft amendment to the "Financial Institutions Merger Act" put forward by the FSC. The amendment—which was later passed by the Legislative Yuan and promulgated on 9 December 2015—relaxes restrictions on tax incentives and procedural simplifications. These revisions will help encourage financial institutions to move forward with consolidation in their industry.
- (6) BAROC continued communicating with the Judicial Yuan regarding provisions in the draft of a proposed "Act Governing Consumer Debt Resolution" that provide insufficient protections for the interests of creditors, and on 29 June 2015 held a round-table discussion where participants from business, government, and academic circles discussed the proposed act with Judicial Yuan officials, judges, scholars, and attorneys. During the proceedings, BAROC provided specific revision proposals to the Judicial Yuan for its reference, with an eye to building a fair and reasonable legislative framework for debt resolution.
- (7) The Control Yuan invited experts and scholars to discuss the use of promissory notes for criminal activity and exploitation of immigrant laborers. Some participants at the meeting recommended that the practice of courts issuing enforcement orders for promissory notes should be discontinued, and that creditors should instead press claims by means of court payment orders or mediation proceedings. Other participants suggested that the system should be changed in such a way that a creditor is only allowed to file for a court payment order for promissory notes that designate a financial institution as the paying agent. BAROC surveyed the views of member banks and found that the majority felt that amending Article 123 of the Negotiable Instruments Act, which allows for the holder of a promissory note to file in court for an enforcement order against the maker, would have an adverse impact on banks and creditors. BAROC then prepared an opinion on the matter and submitted it to the FSC for its reference.

11. Showed concern for physically and mentally disabled persons by providing conveniently accessible financial services

- (1) To make financial services better suited to the needs of persons with disabilities, and to provide them with online access to such services, BAROC (acting upon a request from the FSC) studied the feasibility of establishing barrier-free online ATM services and obtaining barrier-free certification, and instructed member institutions to launch barrier-free financial service websites that comply with the National Communications Commission's Rules for the Development of Barrier-free Websites, and with the AAA barrier-free website standards issued by the Ministry of Health and Welfare's Committee of Rights of Persons with Disabilities.
- (2) Regarding plans for establishment of a barrier-free cardless ATM environment, BAROC prepared an opinion on consumer safeguards and information security, and provided it to the FSC.
- (3) Acting upon an FSC request, BAROC prepared a set of "draft Regulations Governing Friendly Financial Services" and provided it to the FSC for its reference.

12. Carried out special research projects on financial matters of concern to the competent authority and member banks

- (1) In order to cultivate a better-trained workforce to support industrial development, Article 17 of the "Act for Industrial Innovation" requires the FSC to conduct surveys and projections on the supply and demand for human resources in the financial industry. BAROC, acting on the FSC's behalf, conducted surveys and projections for the years 2016–2018 in the banking industry (including financial holding companies), focusing on the availability and quality of eight key types of human resources. The results were submitted to the FSC, which reviewed and forwarded them to the National Development Council. The NDC then finalized the presentation format and forwarded the information to the proper government agencies for their reference.
- (2) BAROC conducted a study on occupational competency standards for key personnel at financial holding companies, banks, and credit card institutions. This study was submitted to the FSC, which reviewed and forwarded it to the Ministry of Labor. The Ministry then finalized the presentation format and posted the study to its Integrated Competency and Application Platform (iCAP) website.
- (3) In response to the American Chamber of Commerce in Taipei's 2015 Taiwan White Paper, which recommended that the Taiwan government "provide banks with greater operational flexibility in line with international best practices," BAROC hired a professional law firm to conduct a comparative study on the application of one-time passwords in the online banking industry.
- (4) In view of the increasing importance of Big Data to the banking industry, BAROC hired the Taiwan Academy of Banking and Finance to conduct a study on how big banks have used Big Data and benefitted thereby. The results of the study were submitted to the FSC Banking Bureau and BAROC member banks for their reference.
- (5) In order to better understand how corporate social responsibility and adoption of the Equator Principles have affected banks, BAROC hired the Taiwan Academy of Banking and Finance to conduct a study on how adoption of the Equator Principles has affected the development of sustainable business practices. The results of the study were submitted to the FSC Banking Bureau, the Central Bank, and BAROC member banks for their reference.
- (6) In order to improve internal audit operations at banks, BAROC established a task force to conduct studies on "promoting differential regulatory treatment and establishing risk-based internal audit systems" and "best-practice principles for the three lines of defense in internal control systems." The resulting reports were provided to the FSC as recommendations.

13. Adopted new self-regulatory rules, amended existing ones

- (1) Acting at the request of the FSC, BAROC studied the possibility of taking provisions in existing legislation and self-regulatory rules regarding the products for which telemarketing conversations must be recorded, and incorporating them into the "Self-Regulatory Rules Governing the Use of Telemarketing by Banks in Connection with Credit Card and Lending Business."

- (2) To coordinate with FSC's recent issuance of the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business," BAROC revised the functions, procedural rules, and registration forms of the system for registration of bank personnel who engage in solicitation of structured products.
- (3) Acting at the request of the FSC, BAROC amended the "Self-regulatory Rules for Credit Card Acquirers that Contract with 'Online Transaction Collection and Payment Services Platform Operators' to Act as Acquiring Merchants" to cover payment for transactions conducted at brick-and-mortar commercial establishments among the types of payment services covered under the rules. The amended self-regulatory rules were submitted to the FSC, which approved them for recordation and forwarded them to the various credit card institutions with instructions to abide by their provisions.

14. Actively organized and participated in international financial conferences and activities, worked to strengthen cross-strait contacts

- (1) On 19–23 October 2015, BAROC Chairperson Jih-Chu Lee led a delegation to Tokyo to sign an MOU with the Japanese Bankers Association, and to Beijing to take part in the 20th Conference on Cross-strait Financial Cooperation.
- (2) Chairman Fulin Shang of the China Banking Regulatory Commission led a delegation to Taiwan on 13–16 September 2015 to take part in the 5th meeting of the Cross-Strait Cooperation Platform for Banking Supervision. On 15 September BAROC hosted an evening banquet with a list of invited attendees that included FSC Chairman Ming-Chung Tseng and representatives of financial holding companies, banks, and the Taiwan branches (or representative offices) of mainland banks.
- (3) BAROC arranged for member institutions to take part in banking-related events organized by the International Chamber of Commerce (ICC), and dispatched representatives to attend the ICC Banking Commission Annual Meeting on 22–23 April 2015 in Singapore. The attendees returned with information collected at the meeting and news on the latest trends in the industry, and prepared a report for the reference of BAROC member banks .
- (4) BAROC dispatched personnel to attend the 16th International Common Criteria Conference on 22–24 September 2015 in London. BAROC closely monitored the development of the universal financial industry message scheme in order to keep fully informed on the future direction of XML standards and other related standards, and conducted studies on topics related to information technology and information security.
- (5) BAROC dispatched personnel to attend the SWIFT International Banking Operations Seminar (Sibos 2015) in Singapore on 12–15 October. The attendees prepared a report on the proceedings and shared it with BAROC member banks.
- (6) BAROC dispatched personnel to attend the "2015 International Conference of the Institute of Internal Auditors" and the "2015 Asian Confederation of Institutes of Internal Auditors Conference," where they updated themselves on the latest internal auditing expertise and engaged in international exchange.

- (7) BAROC met in 2015 with visiting delegations from: the Anhui Province Small Lenders Association; Fudian Bank of Yunnan Province; Jinan City, Shandong Province; the Taipei Office of the Okinawa Industry Promotion Public Corporation; and the US Commercial Service at the American Institute in Taiwan.

15. Other tasks undertaken at the request of the authorities

(1) Consumer Protection

- (a) Acting on a request from the FSC Banking Bureau, BAROC conducted a study on the possibility of simplifying the current "Measures for Helping Consumers Check Whether They Have Accounts at Banks" in order to make it easier for individuals to manage and close out long-dormant accounts. BAROC filed the resulting report with the FSC and forwarded it to member institutions with instructions to act accordingly. BAROC's Consulting Services Center also helped to accept and process applications from consumers.
- (b) Acting on a request from the FSC, in order to prompt financial institutions to take steps to meet the needs of persons with disabilities, BAROC undertook a study to select barrier-free ATM machine locations, determine the number of machines needed, and set a schedule for their replacement. After surveying the views of member banks, BAROC prepared a set of recommendations and submitted them to the FSC for its reference.

(2) Business Operations

- (a) Acting on a request from the FSC Banking Bureau, BAROC conducted a study to develop concrete recommendations on how to spur financial innovation. With regard to suggestions by member institutions that the FSC "allow banks to solicit trust investment products to customers," "ease restrictions on the process for review of applications by fund sub-distributors to launch new products," and "establish an incentives system to encourage financial institutions to engage in innovation," BAROC contacted the members that had made these suggestions, further fleshed out the ideas, and forwarded their concrete suggestions to the Banking Bureau.
- (b) Acting on a request from the FSC, BAROC drafted a set of "Self-regulatory Rules on Offshore Banking Units' Acceptance of Account Openings by Offshore Customers and Handling of Orders to Invest in Trust Products."
- (c) To coordinate with FSC's repeal of the "Directions for the Opening by Domestic Financial Institutions of NT Dollar Accounts for Foreign Nationals not Domiciled in Taiwan," BAROC amended the "Financial Institution Account Opening Due Diligence Procedures and Risk Management Checklist for Irregular Accounts" and filed the amended version with the FSC for review and approval, then forwarded it to member banks with instructions to abide by the amended provisions.

(3) Risk

- (a) Acting at the direction of the FSC, BAROC amended the "Self-regulatory Rules for Banks Dealing in Derivative Products" and the "Self-Regulatory Rules for Risk Management by Banks in the Conduct of Financial Derivatives Business," and issued a set of "Frequently Asked Questions Regarding Complex High-risk Products," and disseminated them to member banks with instructions to maintain compliance. The purpose of these actions was to improve banks' derivatives risk management, business operations, and customer safeguards.
- (b) Acting at the instruction of the FSC, BAROC conducted a study of the measures that would be needed to facilitate incorporation of the "Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest" into the bank credit rating system, prepared concrete recommendations, and submitted them to the FSC for its reference.
- (c) Acting at the request of the FSC Banking Bureau, BAROC prepared an opinion on the National Police Agency's recent amendment of the Simplified Reporting Form for the Watchlisting of Suspected Scam Accounts. After surveying the views of member banks and calling meetings to discuss the matter, BAROC prepared recommendations for further revisions and submitted them to the FSC Banking Bureau for its reference.

16. Held financial seminars and lectures to cultivate professional talent

(1) Financial Seminars and Lectures

- (a) BAROC hired the Taiwan Academy of Banking and Finance to hold awareness and education activities on 3 February 2015 to familiarize industry personnel with the "Required and Prohibited Stipulations in the Standard Form Contract for the Personal Purchase of Real Estate" and the "Required and Prohibited Stipulations in the Standard Form Contract for the Personal Purchase of Automobiles," which were issued by the FSC on 12 August 2014.
- (b) In order to help electronic payments operators better understand and comply with legislation related to the "Act Governing Electronic Payment Institutions," BAROC held an informational meeting on 20 November 2015 that was attended by over 70 persons representing 25 member institutions and other related firms.
- (c) To help member banks better understand key economic and financial issues for the year 2015, BAROC invited Professor Charng Kao, dean of the National Dong Hwa University Department of Public Administration, to deliver an address on 30 June 2015 on economic and financial conditions and policies in mainland China, then invited President Tzeng-Show Lin of Taiwan Business Bank to deliver an address on 10 November 2015 on financing and the development of Taiwan's small and medium enterprises.

- (d) Domestic and international banking industry forums held by BAROC in 2015:
- (i) BAROC held the 2016 Banking Forum Series, featuring domestic events focusing on smart medicine (including wearable devices), the Internet of Things (including smart cities and smart homes), Big Data, automotive electronics, petrochemicals (including the development of high value-added products), and foods. BAROC also held an international forum focusing on the development and use of intelligent robots.
 - (ii) BAROC invited a total of 35 experts to deliver lectures at a series of seven forums held from 14 July through 3 September 2015. The forums attracted a combined attendance of 729 persons from business, government, and academic circles.
- (e) In support of the government's policy of support for the development of creative industries, BAROC in 2015 once again hired the Taiwan Academy of Banking and Finance to offer workshops on the financing of creative enterprises. A total of 20 workshops were held from 2 to 30 July in three locations—one each in northern, central, and southern Taiwan—and attracted a combined attendance of 836 persons.
- (f) In order to help judicial system personnel better understand trends in the development of innovative financial services and measures to prevent fraud, and to learn more about the modus operandi of financial criminals, BAROC joined hands for the first time with the Judges Academy and the Ministry of Justice's Department of Prosecutorial Affairs to hold the 1st Financial and Legal Affairs Workshops at the Judges Academy on 16–17 and 27–28 July. Roughly 100 participants—including judges, prosecutors, and officials from Department of Consumer Protection and BAROC—attended the workshops by invitation.
- (g) BAROC held a Workshop on International Derivatives on 31 July 2015, inviting experts from the Hong Kong office of the International Swaps and Derivatives Association, Deutsche Bank, the Bank of America, and elsewhere to lead the activities. The event attracted a total attendance of 98 persons from the FSC Banking Bureau, the Central Bank, and BAROC member banks.
- (h) BAROC held the 2015 Bank Examiners and Auditors Program on 9–13 September in Beijing, inviting experts, financial regulators, and industry professional from home and abroad to address the attendees. The objective of the program was to promote working-level exchange among financial supervisors from around the world, build up a stronger consensus concerning inter-regional financial market supervision, stay abreast of the latest developments in international financial supervision, and learn about key issues in the field of internal auditing.
- (i) On 4 December 2015, BAROC held a Seminar on Large Transaction Authentications in Electronic Banking, which personnel from member banks were invited to attend.
- (j) BAROC hired the Taiwan Academy of Banking and Finance to invite experts from Hong Kong and Singapore to discuss the appraisal of the value of leasehold housing in those two markets. A total of 42 persons attended.

(2) Personnel Training

(a) BAROC held training courses for international financial professionals and for senior financial services firm management.

(b) January-March 2015

BAROC held the following events (total of three sessions): "Prevention of International Money Laundering," "Training Program for Personnel in Asian Markets–Vietnam," and "Training Program for Personnel in Asian Markets–Indonesia."

(c) April-June 2015

BAROC held the following events (total of 44 sessions): "Training Program for Personnel in Asian Markets–India," "Training Program for Personnel in Asian Markets–Myanmar," "On-the-job Training for Occupational Safety and Health Officers (seven sessions)," "Advanced Courses for Core Personnel—Legal Affairs Personnel (six sessions), Corporate Credit Check Personnel (five sessions), Forex/OBU Personnel (four sessions), Accounting Personnel (three sessions), Financial Product Traders (two sessions), Consumer Finance Personnel (four sessions), Electronic Banking Personnel (two sessions), Personnel for Financial Product Investments and Asset Allocations," "UCP Case Studies," "Online Banking Successes," "Pricing and Hedging of FX Structured Products," "International Syndicated Lending," "Risk Management for Overseas Lending," "Social Media Relationship Marketing–International Successes," "Cross-strait Financial Business—Future Prospects and Challenges for Development by Taiwanese Banks of Cross-strait Trade Financing," and "Overview of Banks' Handling of Mobile Commerce and Use of Digital Creative Solutions for Development of Wealth Management and Trust Services—Hong Kong and mainland China."

(d) July-September 2015

BAROC held the following events (total of 81 sessions): "Workshop for Financial Institutions Seeking to Build up a Stronger ASEAN Presence," "On-the-job Training for Occupational Safety and Health Officers (58 sessions)," "Advanced Courses for Core Personnel—Corporate Credit Check Personnel (three sessions), Forex/OBU Personnel, Financial Product Traders (three sessions), Consumer Finance Personnel (two sessions), Personnel for Financial Product Investments and Asset Allocations (three sessions), Wealth Managers, Designers and Developers of Financial Products and Their Derivatives, and Risk Managers," "Economic Capital Measurement and the Assessment of Risk-adjusted Performance," "Mainland China Credit Risks (including Leasing Enterprises)," "Risk Management and Internal Audits in the Field of e-Banking," "Pricing and Hedging of Interest Rate-linked Structured Notes," "Cross-strait Financial Business—Application Trends and Risk Control With RMB Financial Products," and "Workshop for Taiwan-invested Banks Doing Business in Mainland China—Corporate Finance and Consumer Finance."

(e) October-December 2015

BAROC held the following events (total of 66 sessions): "Building up a Stronger Asian Presence," "On-the-job Training for Occupational Safety and Health Officers (23 sessions)," "Advanced Courses for Core Personnel—Wealth Managers (six sessions), Designers and Developers of Financial Products and Their Derivatives (three sessions), Risk Managers (five sessions), Internal Auditors, Bank Tellers (two sessions), Enterprise Financial Managers, Managers (four sessions), and Information Systems Specialists," "Derivatives Contracts and ISDA Rules—Part 1 (Contract Provisions)," "Derivatives Contracts and ISDA Rules—Part 2 (Negotiating Techniques)," "Legal Compliance and Prevention of International Financial Crime," "International Standard Banking Practice (ISBP) Case Studies," "Counterparty Risk Management," "Establishment, Verification, and Use of VaR Models," "Big Data and the Management of SME Credit Risk," "Latest Developments in Mobile Payments—Successes From Around the World," "Computer Assisted Audit Techniques (CAATs)," "Pricing and Hedging of Offshore RMB Derivatives," "Workshop for Taiwan-invested Banks Doing Business in Mainland China—Financial Markets and Forex Fund Systems, Risk Management and Internal Audits, Debt Litigation and Recovery, and Tax Accounting," "Seminar on Cross-strait Financial Business—Rise of the Internet—Trend and Application of Financial Inclusion," "Seminar on Cross-strait Financial Business—Financial Deregulation in Special Economic and Trade Zones in Taiwan and Mainland China," "Working Conditions in the Banking Industry," "Indoor Air Quality in Banks and Living Environment Chemical Hazards," and "Implementation of the Occupational Safety and Health Act."

17. Provided financial information and consulting services to the public, and donated to charity

- (1) BAROC took part in fairs (Nantou County on 18 July, Taitung County on 14 November 2015) held by the Taiwan Financial Services Roundtable (TFSR) to show concern for society. BAROC set up booths and distributed financial literacy information, taking concrete action in support of the FSC's financial literacy campaign.
- (2) BAROC joined hands with the Taiwan Academy of Banking and Finance, the Taiwan Insurance Institute, and the Financial Ombudsman Institution to conduct the Nationwide "A+ for Financial Literacy" School Lecture Series, holding events throughout Taiwan at government agencies, institutions of higher education, and remote villages. Parents and children attending the event had an opportunity to pick up a proper understanding of financial matters in a fun environment where the atmosphere was enlivened by performances of the Just Apple Children's Theater Troupe. A total of 21 events were held, attracting a combined attendance of 3,218.

- (3) On 16 October 2015, BAROC joined hands with the National Federation of Credit Cooperatives to hold a brush-up seminar at the Chientan Youth Activity Center for instructors taking part in the 2015 School and Community Financial Literacy Campaign. A total of 159 instructors attended the seminar, thus giving a good indication of their intention to continue taking part in the campaign.
- (4) From September 2015 through May 2016, BAROC teamed up with self-regulatory organizations from the banking, securities, and futures industries to hold the 2015 School Year Financial Literacy Assistance Campaign for College and University Students. Launched for the benefit of students from low-income families, the campaign involves a series of expert financial literacy courses designed to enhance the job market competitiveness of attendees, and provide job matching opportunities to help families escape poverty.
- (5) Consumers filed with BAROC for mediation of 26 complaints against BAROC member institutions in 2015, and BAROC also provided consulting services in 894 cases where consumers had questions about banking business operations (including calls referred to BAROC from the FSC's 1998 hotline).
- (6) BAROC mediated 149 credit card-related queries in 2015 via its one-stop credit card information hotline service. Whenever a query was received, the hotline service would contact the proper credit card institution to help the inquirer obtain a satisfactory response.
- (7) BAROC took 12,414 phone calls from consumers seeking to discuss debt restructuring issues in 2015 and processed 14,152 applications for pre-negotiation procedures relating to debts totaling an aggregate NT\$14.63 billion.
- (8) BAROC helped the heirs of member institutions' customers to check on their benefactors' deposits, safe deposit boxes, and other assets in banks. A total of 1,624 such inquiries were handled in 2015. In another 707 cases, BAROC helped bank customers check their own account balances.
- (9) BAROC periodically updated data on fees that are charged by all banks in connection with such services as deposits, loans, trust services, and foreign exchange services. The amount that each bank charges for each type of fee was posted to a special section on the BAROC website.
- (10) The following items of information were posted once each quarter to the BAROC website for public reference: (a) a list of the providers of outsourced debt recovery and outsourced marketing services that have passed review by member banks and subsequently have their contracts renewed; (b) quarterly-updated data on the cash card interest rates and fees for both unsecured and secured loans charged by each member bank; (c) quarterly-updated information on each member bank's personal loan information contact window, descriptions of their main products, URLs, etc.; (d) regularly updated information on each member bank's contact window for the handling of complaints following the sale of problematic assets; and (e) regularly updated information on each member bank's contact window for inquiries about loans to creative enterprises.

- (11) BAROC periodically updated "a List of Outside Credit Card Sales Service Providers With Which BAROC Member Institutions Have Renewed Outsourcing Arrangements After the Providers Have Passed a Performance Review" and posted it to the BAROC website for public perusal.
- (12) BAROC periodically compiled information on the credit card business and posted it to its website. The following six types of information can be found on the website's special section on matters related to credit cards: "revolving interest rates charged by credit card issuers (including the number and share of accounts falling into each interest rate tier, as well as the average, mean, and mode for revolving credit interest rates), and fee schedules for different fees," "service fees for credit card installment payment plans," "expiration periods, restrictions, and scope of use for the bonus points awarded by each credit card issuer," "systems adopted by each credit card institution to prevent credit card theft following their use in online transactions," and "matters that cardholders should be aware of when purchasing goods or services."
- (13) To ensure that consumers with debt problems understand that they can best protect their own interests by going directly to their bank (rather than via a middleman) to apply for a pre-negotiation procedure, BAROC asked member banks to play a public service video at ATM machines from July to December 2015. The video informed consumers that pre-negotiation procedures are free of charge and lead to a successful resolution in a high percentage of cases.
- (14) In order to help students from underprivileged backgrounds obtain scholarships, and to promote financial literacy, BAROC donated NT\$5 million to support scholarships to the Financial Services Education Charity Fund.
- (15) In response to the powder explosion incident at the Formosa Fun Coast water park in New Taipei City, BAROC instructed credit card issuers and acquirers to refrain from collecting interchange reimbursement fees and merchant discount fees from 29 June to 31 December 2015 in instances where consumers used their credit cards to make donations.
- (16) After the powder explosion incident of 27 June 2015 at the Formosa Fun Coast water park, BAROC coordinated with member bankers associations to make a joint donation of NT\$5 million to help pay for rehabilitation and medical care for the victims.
- (17) In order to fulfill its social responsibilities and provide support for charitable groups, BAROC donated funds to the Child Welfare League Foundation, the Little Sisters of the Poor, and Genesis Social Welfare Foundation. BAROC also responded to a Taipei City Government charity fundraiser by donating funds to support underprivileged families, low-income households, and senior citizens living alone.
- (18) Donated national day arch for celebration of National Day 2015.

B. Major Tasks in 2016

No	Tasks
1	Establish communication channels with supervisory authorities around the world, and build up mechanisms for cooperation with foreign bankers associations.
2	Continue working to cultivate professionals with the skills needed for international business, build databases, and help banks expand their overseas presence.
3	Continue studying measures to respond to international rules issued by the Financial Action Task Force on Money Laundering (FATF), and prepare for the Asia/Pacific Group on Money Laundering's 3rd Follow-up Report to the Mutual Evaluation Report of Chinese Taipei in Fourth-quarter 2018.
4	Support the FSC's work to promote implementation of IFRS 9: Financial Instruments by collecting information on its implementation overseas, analyzing differences in the updated standards, and studying impairment models. The information thus obtained will be provided to member banks to help them work through their IFRS calculations and adopt the updated standards.
5	Help member banks take advantage of opportunities in the senior citizens' market by continuing to research reverse mortgages and providing research findings to the competent authority for its reference.
6	Study ways in which members could take advantage of business opportunities connected with mainland Chinese policy undertakings such as the Belt and Road Initiative and the Asian Infrastructure Investment Bank, and provide findings to the competent authority and member banks for their reference.
7	Coordinate with the government's Open Data development policy by organizing research by member institutions regarding further possible opening of systems and databases.
8	Coordinate with the government's policy objective of doubling the amount of domestic electronic payments by making plans to complete work on the integration of domestic terminal equipment by the end of 2016, with an eye to enhancing the efficiency of economic activity and reducing the cost of handling cash payments.
9	In response to the application and development of mobile credit card payments and electronic payments, which feature multi-functionality and make use of new technologies, BAROC will research related topics and collect information on domestic and international trends in creative new lines of credit card business. Research results will be provided to member institutions and the competent authority for their reference.
10	Help members respond to the competent authority's policies by strengthening their management of complex, high-risk products—such as target redemption forwards (TRFs) and discrete knock-outs (DKOs)—in order to reduce the occurrence of transaction disputes.
11	BAROC will continue to monitor pending legislative action and taxation matters (e.g. the draft "Debt Clearance Act" and the business tax on financial services firms) to safeguard member interests.
12	In order to accelerate the training of human resources, BAROC will continue working with the Taiwan Academy of Banking and Finance to jointly develop open courses. An additional 150 courses are scheduled for launch in 2016.
13	To assist with the relief effort following a strong earthquake that struck southern Taiwan in the early morning hours of 6 February 2016, BAROC devised measures to help affected households cope with the crisis.
14	BAROC will invite supervisory officials from Southeast Asia to come and meet for discussions in Taiwan with the competent authorities, financial service firms, and financial supervisory officials.

V. Appendices

A. Chronology of Major Events in 2015

◎2015.01.29 Held the 15th joint meeting of the 11th Boards of Directors and Supervisors.

◎2015.02.26 Held the 16th joint meeting of the 11th Boards of Directors and Supervisors.

◎2015.03.13 Held a "Post-seminar Discussion of Take-aways from the 2014 International Conference of the Institute of Internal Auditors and the 2014 Asian Confederation of Institutes of Internal Auditors."



2015.06.24 BAROC Chairperson Jih-Chu Lee presided over a ceremony marking the launch of BAROC's Open Courses Program.

◎2015.03.24 Held the 17th joint meeting of the 11th Boards of Directors and Supervisors.

◎2015.04.30 Held the 3rd meeting of the 11th Board of Directors.

◎2015.05.28 Held the 18th joint meeting of the 11th Boards of Directors and Supervisors.

◎2015.06.24 Held a ceremony to mark the launch of the BAROC's Open Courses Program.

◎2015.06.25 Held the 19th joint meeting of the 11th Boards of Directors and Supervisors.

◎2015.06.26 Held a meeting to familiarize attendees with RMB cross-border trade settlement.

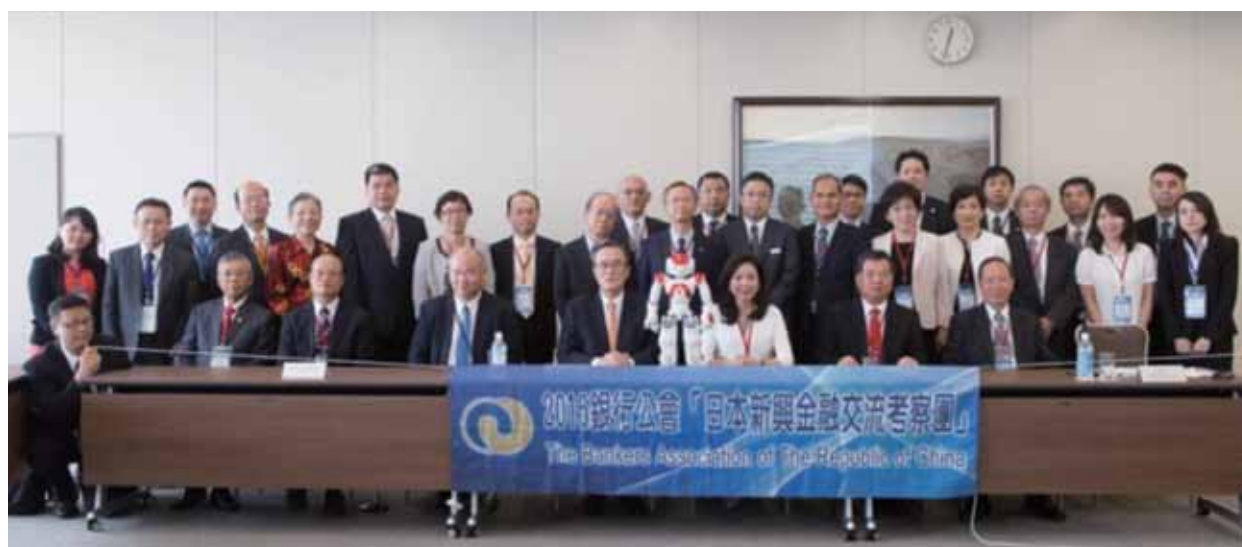
◎2015.06.29 Held a seminar for persons from business, government, and academic circles to discuss the draft "Debt Clearance Act."

◎2015.06.30 BAROC and the Bankers' Association of Taipei jointly held a seminar on economic and financial conditions and policies in mainland China.

◎2015.07.27 Held a meeting to familiarize attendees with the Guidelines for a Bank's Evaluation of International Standards on AML/CFT Risks and Adoption of Prevention Programs.

◎2015.07.30 Held the 20th joint meeting of the 11th Boards of Directors and Supervisors .

◎2015.08.02-04 BAROC Chairperson Jih-Chu Lee led a delegation to visit the Bank of Tokyo-Mitsubishi UFJ.



2015.08.02-04 BAROC Chairperson Jih-Chu Lee led a delegation to visit with Deputy President Takashi Morimura and other senior management of the Bank of Tokyo-Mitsubishi UFJ. They are shown here in a group photo with NAO the robot.



2015.09.18–19 Held the 22nd joint meeting of the 11th Boards of Directors and Supervisors, followed by a series of social activities.

- ◎2015.08.07 Held a meeting to familiarize attendees with the online system for the Property Secured Transactions Online Registration and Public Inquiry Website.
- ◎2015.08.27 Held the 21st joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2015.09.18 Held the 22nd joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2015.10.06 BAROC Chairperson Jih-Chu Lee attended the 2015 Asian Financial Supervision Conference.
- ◎2015.10.14 Held the 3rd session of the 11th General Assembly.
- ◎2015.10.16 Joined with the National Federation of Credit Cooperatives to hold a brush-up seminar for instructors taking part in the 2015 School and Community Financial Literacy Campaign.
- ◎2015.10.19 BAROC Chairperson Jih-Chu Lee signed an MOU for cooperation with the Japanese Bankers Association.



2015.10.06 BAROC Chairperson Jih-Chu Lee poses for a group photo at the 2015 Asian Financial Supervision Conference with FSC Vice Chairperson Tien-Mu Huang, Director Su Dao-min of the Central Bank's Department of Financial Inspection, President Bor-Yi Huang of the Taiwan Academy of Banking and Finance, and senior financial supervisory officials from Indonesia, Thailand, Malaysia, Cambodia, and Laos.



2015.10.21 BAROC Chairperson Jih-Chu Lee is shown here in a group photo at the 20th Conference on Cross-strait Financial Cooperation in Beijing.

- ◎2015.10.21 BAROC Chairperson Jih-Chu Lee traveled to Beijing to take part in the 20th Conference on Cross-strait Financial Cooperation.
- ◎2015.10.21 BAROC Chairperson Jih-Chu Lee exchanged views with senior management from the Silk Road Fund.
- ◎2015.10.28 BAROC Chairperson Jih-Chu Lee attended a Meeting on Globalization in the Construction Industry. The meeting was convened by the Public Construction Commission in cooperation with the Ministry of Economic Affairs, Ministry of the Interior, and Ministry of Transportation and Communications.



2015.10.21 BAROC Chairperson Jih-Chu Lee met for discussions with CEO Jin Qi and other senior management from the Silk Road Fund.



2015.10.28 BAROC Chairperson Jih-Chu Lee attended a Meeting on Globalization in the Construction Industry. The meeting was convened by the Public Construction Commission in cooperation with the Ministry of Economic Affairs, Ministry of the Interior, and Ministry of Transportation and Communications.

- ◎2015.10.29 Held the 2nd extraordinary meeting of the 11th Board of Directors.
- ◎2015.11.10 BAROC and the Bankers' Association of Taipei jointly held a conference on the subject of "Financing and the Development of Taiwan's Small and Medium Enterprises."
- ◎2015.11.12–13 BAROC Chairperson Jih-Chu Lee attended the 32nd Asian Bankers Association General Meeting and Conference, where she delivered an address at the opening ceremony.
- ◎2015.11.20 Held a meeting to familiarize participants with secondary legislation under the "Act Governing Electronic Payment Institutions," and related matters pertaining to banking industry practice.
- ◎2015.12.04 Held a Seminar on Large Transaction Authentications in Electronic Banking.
- ◎2015.12.24 Held the 24th joint meeting of the 11th Boards of Directors and Supervisors.



2015.11.12–13 The 32nd Asian Bankers Association General Meeting and Conference was held at the Grand Hyatt Taipei. BAROC Chairperson Jih-Chu Lee delivered an address at the opening ceremony.

B. List of Member Banks of BAROC

February 2016

Institution	Position	Name	Telephone	Fax	Website
Bank of Taiwan	Chairperson President	Jih-Chu Lee Chang-Ruey Shiau	(02)23493456	(02)23315840	www.bot.com.tw
Land Bank of Taiwan	Chairman President	Tang-Chieh Wu Ming-Hsien Kao	(02)23483456	(02)23757023	www.landbank.com.tw
Taiwan Cooperative Bank	Chairman President	Tsan-Chang Liao Hong-Chen Lin	(02)23118811	(02)23890704	www.tcb-bank.com.tw
First Commercial Bank	Chairman President	Ching-Nain Tsai Po-Chiao Chou	(02)23481111	(02)23892967	www.firstbank.com.tw
Hua Nan Commercial Bank, Ltd.	Chairman President	Kuang-Si Shiu Li-Yen Yang	(02)23713111	(02)87291747	www.hncb.com.tw
Chang Hwa Commercial Bank	Chairman President	Ming-Daw Chang James Shih	(02)25362951	(02)25716871	www.chb.com.tw
The Shanghai Commercial & Savings Bank, Ltd.	Chairman President	Hung-Ching Yung Yi-Jen Chiou	(02)25817111	(02)25318501	www.scsb.com.tw
Taipei Fubon Commercial Bank	Chairman President	Daniel Tsai Jerry Harn	(02)27716699	(02)27736769	www.taipeifubon.com.tw
Cathay United Bank	Chairman President	Tsu-Pei Chen Chang-Ken Lee	(02)87226666	(02)87898789	www.cathaybk.com.tw
The Export- Import Bank of the Republic of China	Chairman President	Joanne Ling Shui-Yung Lin	(02)23210511	(02)23940630	www.eximbank.com.tw
Bank of Kaohsiung	Chairman President	Ruey-Tsang Lee Moan-Sheng Huang	(07)5570535	(07)5580529	www.bok.com.tw
Mega International Commercial Bank Co., Ltd.	Chairman President	McKinney Tsai Hann-Ching Wu	(02)25633156	(02)23569169	www.megabank.com.tw
Agricultural Bank of Taiwan	Chairman President	Chao-Hui Chen Cheng-Mount Cheng	(02)23805100	(02)23805252	www.agribank.com.tw
CitiBank Taiwan, Ltd.	Chairman President	Victor Kuan Christie Chang	(02)87269999	(02)87801300	www.citibank.com.tw
ANZ Bank (Taiwan) Limited	Chairman President	Alistair Bulloch Terry King	(02)87225000	(02)87225222	www.anz.tw
China Development Industrial Bank	Chairman President	Chia-Juch Chang Paul Yang	(02)27638800	(02)27660047	www.cdibank.com
Industrial Bank of Taiwan	Chairman President	Kenneth Lo Ching-Yu Yang	(02)87527000	(02)87519568	www.ibt.com.tw
Taiwan Business Bank	Chairman President	Rueen-Fong Chu Tzeng-Show Lin	(02)25597171	(02)25507942	www.tbb.com.tw
Standard Chartered Bank(Taiwan) Limited	Chairman President	Benjamin Hung John Tan	(03)5245131	(03)5250977	www.standardchartered.com.tw
Taichung Commercial Bank	Chairman President	Chun-Sheng Lee Chin-Yuan Lai	(04)22236021	(04)22240748	www.tccb.com.tw
King's Town Bank	Chairman President	Terence Tai Bruce Chien	(06)2139171	(06)2136885	www.ktb.com.tw
HSBC Bank (Taiwan) Limited	Chairman President	Pik Kuen Helen Wong Jong-Peir Li	(02)27230088	(02)27575150	www.hsbc.com.tw
Bank of Taipei	Chairperson President	Julie S.M. Chen Eric Chen	(02)25575151	(02)25534883	www.bankoftaipei.com.tw
Hwatai Bank	Chairman President	Po-Yi Lin Jwn-Yu Lee	(02)27525252	(02)27775213	www.hwataibank.com.tw
Shin Kong Commercial Bank	Chairman President	Tseng-Chang Lee Chang-Rung Hsieh	(02)87587288	(02)87895600	www.skbank.com.tw
Sunny Bank	Chairman President	Sheng-Hung Chen Wei-Hao Ting	(02)28208166	(02)28233414	www.esunnybank.com.tw
Bank of Panhsin	Chairman President	Ping-Hui Liu Wen-Lung Lin	(02)29629170	(02)29572011	www.bop.com.tw
Cota Commercial Bank	Chairman President	Sung-Yie Liao King-Ting Chang	(04)22245161	(04)22275237	www.cotabank.com.tw
Changhua Post Co., Ltd.	Chairman President	Philip Wen-chyi Ong Shian-Juh Chen	(02)23931260	(02)23911209	www.post.gov.tw
Union Bank of Taiwan	Chairman President	Shiang-Chang Lee Jeff Lin	(02)27180001	(02)27174093	www.ubot.com.tw

Institution	Position	Name	Telephone	Fax	Website
Far Eastern International Bank	Chairperson President	Ching-Ing Hou Eli Hong	(02)23786868	(02)23779000	www.feib.com.tw
Yuanta Bank	Chairman President	Tony Fan Chia-Lin Chin	(02)21736699	(02)27722455	www.yuantabank.com.tw
Bank Sinopac	Chairman President	Cheng-Hsiung Chiu Michael Chang	(02)25063333	(02)81618485	www.banksinopac.com.tw
E.Sun Commercial Bank, Ltd.	Chairman President	Gary Tseng Joseph N.C. Huang	(02)27191313	(02)27138713	www.esunbank.com.tw
KGI Bank	Chairman President	Mark Wei Richard Chang	(02)27011777	(02)27849848	www.kgibank.com
DBS Bank (Taiwan) Ltd.	Chairman President	Jeanette Wong Kai Yuan Jerry Chen	(02)66129889	(02)66129285	www.dbs.com.tw
Taishin International Bank	Chairman President	Thomas T.L. Wu Larry Chung	(02)25683988	(02)25234551	www.taishinbank.com.tw
Ta Chong Bank	Chairman President	Chien-Ping Chen Ming-Hsiu Tsai	(02)87869888	(02)87869800	www.tcbank.com.tw
Jih Sun International Bank	Chairman President	Jin-Tan Huang Mike Wang	(02)25615888	(02)25217698	www.jihsunbank.com.tw
EnTie Commercial Bank	Chairman President	Mark Zoltan Chiba Jesse Ding	(02)27189999	(02)27187843	www.entiebank.com.tw
CTBC Bank Co., Ltd.	Chairman President	Chao-Chin Tung James Chen	(02)33277777	(02)87809122	www.ctcbank.com
Mega Bills Finance Co., Ltd	Chairman President	Feng-Chi Ker Chi-Fu Lin	(02)23831616	(02)23822878	www.megabills.com.tw
China Bills Finance Co.	Chairman President	Hermann Wu Chih-Ming Chien	(02)27991177	(02)26592919	www.cbf.com.tw
International Bills Finance Co., Ltd.	Chairman President	Chi-Lin Wea Norman Tsai	(02)25181688	(02)25158430	www.ibfc.com.tw
Grand Bills Finance Co.	Chairman President	Ho-Sheng Wang Lien-Chung Huang	(02)87802801	(02)87884031	www.grandbill.com.tw
Hua Nan Financial Holdings Co., Ltd.	Chairman President	Kuang-Si Shiu Yun-Peng Chang	(02)23713111	(02)87291943	www.hnfhc.com.tw
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Sinopac Financial Holdings Co., Ltd.	Chairman President	Show-Chung Ho Kuo-Chi Yu	(02)81618888	(02)81618485	www.sinopac.com
E.Sun Financial Holding Co., Ltd.	Chairman President	Yung-Jen Huang Joseph N.C. Huang	(02)21751313	(02)27199313	www.esunbank.com.tw
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Mega Financial Holding Co., Ltd.	Chairman President	McKinney Tsai Hann-Ching Wu	(02)23578888	(02)33938755	www.megaholdings.com.tw
First Financial Holding Co., Ltd.	Chairman President	Ching-Nain Tsai Grace M.L. Jeng	(02)23111111	(02)23119691	www.firstholding.com.tw
Jih Sun Financial Holding Co., Ltd.	Chairman President	Jin-Tan Huang Mike Wang	(02)25048888	(02)25175408	www.jsun.com
Waterland Financial Holding Co., Ltd.	Chairman President	Chi-Lin Wea Michael Y. J. Ding	(02)25154567	(02)25010606	www.waterland-fin.com.tw
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Taiwan Cooperative Financial Holding Co., Ltd.	Chairman President	Tsan-Chang Liao Shyh-Laang Lin	(02)23118811	(02)23113699	www.tcfhc.com.tw
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