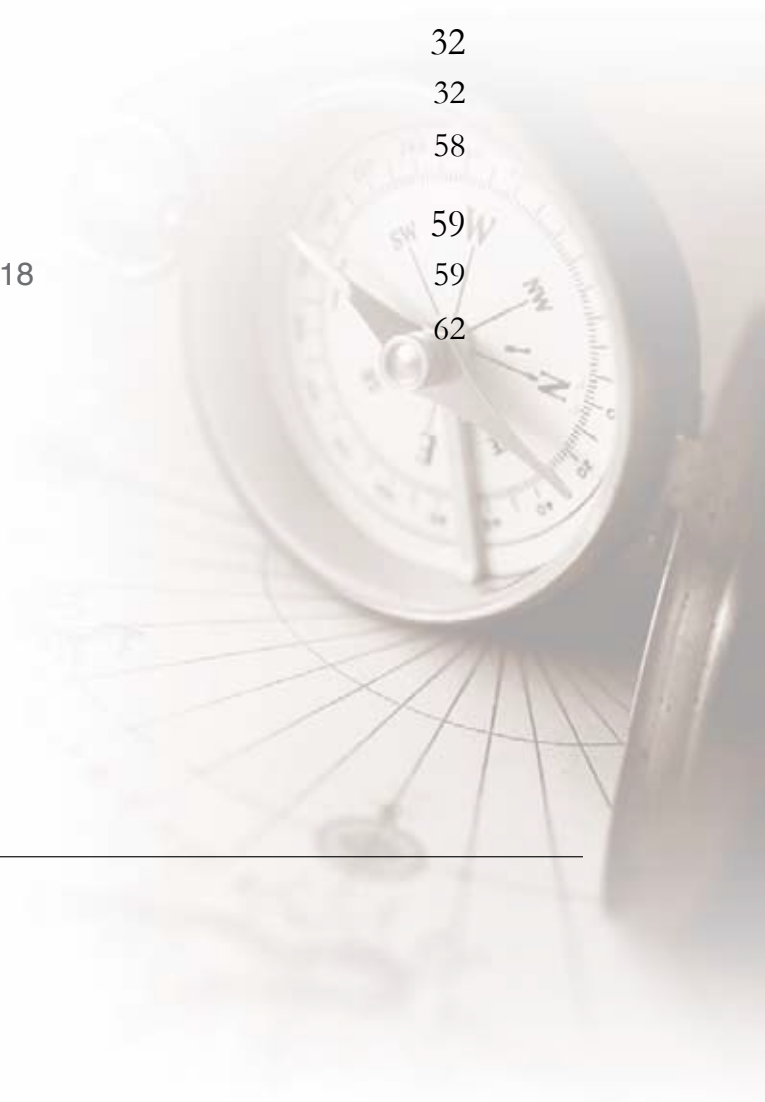


Annual Report 2018

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I. Chairman's Preface

Global economic growth was stable in the first half of 2018 but decelerated in the latter half of the year due to US-China trade friction. The International Monetary Fund (IMF) estimates that the global economy grew at a rate of 3.6% in 2018, down slightly from 3.8% in 2017. In Taiwan, despite a slump in international market demand beginning in the third quarter of



Chairman Joseph Jye-Cherng Lyu

2018 that affected Taiwan's trade performance, the government stepped in with timely economic stimulus measures that stabilized the slowing economy. The result was year-on-year GDP growth of 2.63%, down from 3.08% in 2017.

The average interest spread of Taiwan's domestic banks fell from 1.36 percentage points in 2017 to 1.34 percentage points in 2018. However, thanks to a steady global economic recovery, the overseas branches of Taiwan's domestic banks earned outstanding profits in 2018. This pushed total pre-tax earnings for domestic banks in 2018 to NT\$334.2 billion, up by 9.25% from the 2017 figure of NT\$305.9 billion, making the total pre-tax earnings for domestic banks exceed NT\$300 billion for 5 consecutive years. Over the same period, their return on assets (ROA) came to 0.70% while return on equity (ROE) was 9.31%, up from figures of 0.67% and 8.97%, respectively, for 2017. As for banks' asset quality, the average non-performing loan (NPL) ratio of domestic banks at year-end 2018 stood at 0.24%, down by 0.04 percentage points from 0.28% in 2017, and the second-lowest figure in recent years. Their average NPL coverage ratio in 2018 came to 575.44% (up by 82.52 percentage points from 492.92% at year-end 2017). These figures show that our domestic banks have steadily improving risk-bearing capacity, and they remain on strong financial footing.

The Bankers Association of the Republic of China (BAROC) was founded to help the government implement its financial policies, spur economic development, and coordinate relations among peers in the industry so as to bring about benefits that can be shared among them. In 2018, BAROC continued to promote the shared interests of banks by: helping member banks respond to legislative developments at home and abroad; monitoring the progress of legislative action and taking proactive steps to safeguard the interests of member banks; drafting self-regulatory rules for the banking industry; and helping member banks to resolve problems in the management and operation of their businesses.

In addition, BAROC took steps to help the competent authorities adopt and implement their financial policies. Working under the guidance of the authorities and with the support of member banks, BAROC completed the following important undertakings: (1) Helped the competent authorities and member banks run mock training exercises and workshops to prepare for the Asia/Pacific Group on Money Laundering's third round of the mutual evaluation in November 2018; (2) Helped member banks implement AML/CFT measures and comply with related legal requirements; (3) Strengthened measures pertaining to the information security mechanisms of financial institutions and studied related regulations; (4) Coordinated with the government's policies on green energy by amending the "Credit Standards for Members of the ROC Bankers Association" and holding workshops and courses designed to help member banks provide financing to renewable energy firms; and (5) Coordinated with government policy by drafting measures to be taken by financial services providers.

To help banks effectively develop overseas markets and strengthen their legal compliance capabilities, BAROC has been actively engaged throughout the world. In order to continue highlighting the determination of our government and banks to strengthen legal compliance, internal controls, and internal audits, BAROC held the "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Organizations" in March 2018 in New York, and visited the supervisory authorities. BAROC also held a "Conference on Collective Self-Discipline Among Overseas Branches of Taiwanese Banks" in August, October, and December of 2018 in Tokyo, New York, Los Angeles, and Hong Kong.

In addition, BAROC attended the 51st Annual Meeting of the Board of Governors of the Asian Development Bank in May 2018. During the proceedings, BAROC officials met for discussions with the Central Bank of the Philippines and several other banks to promote cooperation and exchange between Taiwanese banks and their counterparts from around the world. The Association also collaborated for the first time with the Israel Economic and Cultural Office in Taipei in organizing an "Israel FinTech and Cybersecurity Mission," which traveled to Israel in June 2018 to learn about Israel's experience in FinTech and cybersecurity development. In August 2018, BAROC officials visited the Japanese Bankers Association to promote bilateral financial exchange, and in October 2018 BAROC organized a "Study Trip for Asian Financial Supervisory Officials," inviting senior supervisory officials from Indonesia, Vietnam, and the Philippines to Taiwan to discuss supervisory legislation in their respective countries and help BAROC's member banks better understand conditions in the countries targeted by the Taiwanese government's New Southbound Policy.

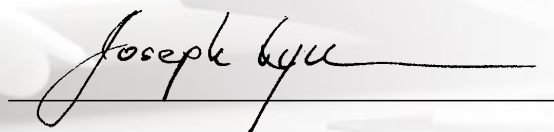
To ensure the fulfillment of corporate social responsibility, in addition to helping banks provide conveniently accessible financial services, BAROC donated to a number of charity organizations in 2018, including the Financial Services Education Charity Fund. Also, in the run-up to the 2018 Chinese New Year holidays, to ensure that people in debt could spend the holidays in a happy state of mind, BAROC communicated with member banks to urge them to declare a moratorium on all debt collection operations during the holidays.

Looking ahead, institutions such as the IMF, the World Bank, and IHS Markit expect the global economy to grow more slowly in 2019 than in 2018. We need to be alert to the possible global economic impact of various factors, including the course of developments in the US-China trade war and Brexit, the direction of monetary policy at the world's major central banks, the slowing pace of economic growth in mainland China, and geopolitical conditions.

BAROC thanks its member banks for their support and hard work over the past year, and the competent authorities for their guidance, which have enabled the Association to achieve many important tasks in an efficient and professional manner. Over the coming year, our banks will be challenged by many internal and external uncertainties, but the government is taking a variety of economic and financial policies that should be helpful, including the Forward-looking Infrastructure Development Program, the New Southbound Policy, the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan", support for the long-term care industry, social housing, and assistance for loans to small and medium business as well as development of key innovative industries. BAROC is therefore optimistic about prospects for Taiwan's banking industry.

In 2019, besides continuing to coordinate with government policies by adopting financial measures designed to spur financial industry support for the development of the real economy, BAROC will also serve as a platform for communication among member banks, and act as a bridge between the government and its member banks, and between 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.

Chairman



Joseph Yu

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

A. History

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, which joined with the Bankers Association of Taiwan and the Bankers Association of Kaohsiung to form BAROC in accordance with the regulations of the Commercial Group Act. The merger was approved by the Ministry of the Interior. The Association was located on the eighth floor of No. 46, Kuan Chien Road, Taipei at the time. In January 1984, the Bankers Association of Taipei transferred the national aspects of its operations to BAROC. After Taipei County and Taoyuan County were upgraded to special municipalities of New Taipei City and Taoyuan City, the Bankers Association of Taipei County and the Bankers Association of Taoyuan County withdrew from the Bankers Association of Taiwan in May of 2010 and in May of 2013, respectively, and joined BAROC. At the same time, the Bankers Association of Taipei County changed its name to Bankers Association of New Taipei City, and the Bankers Association of Taoyuan County was renamed The Bankers Association of Taoyuan. Later, the special municipalities of Taichung, Tainan, and Kaohsiung were established. In response, the Bankers Association of Taichung, the Bankers Association of Taichung City (the former Bankers Association of Taichung County), the Bankers Association of Tainan, the Bankers Association of Tainan City (the former Bankers Association of Tainan County), and the Bankers Association of Kaohsiung City (the former Bankers Association of Kaohsiung County) withdrew from the Bankers Association of Taiwan and joined BAROC in May of 2016. As a result, BAROC membership now includes 10 local bankers associations.

The Chairmen of BAROC from the first session of the first General Assembly in August 1983 to the twelfth session of the third General Assembly in September 2018 are shown as follows:

Chairman	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	2013-2016
Jye-Cherng Lyu	12	2016-

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

The 10 local bankers associations that have joined as BAROC members are the following: The Bankers' Association of Taipei; Bankers Association of Taiwan; The Bankers Association of Kaohsiung; Bankers Association of New Taipei City; The Bankers Association of Taoyuan; The Bankers Association of Taichung; The Bankers Association of Taichung City; The Bankers Association of Tainan; The Bankers Association of Tainan City; and The Bankers Association of Kaohsiung City. As of the end of 2018, the head offices of member banks totaled 60, of which 55 belong to The Bankers Association of Taipei, 1 belongs to the Bankers Association of New Taipei City, 1 belongs to The Bankers Association of Kaohsiung, 2 belong to The Bankers Association of Taichung, and 1 belongs to The Bankers Association of Tainan. The branches of member banks located in the six special municipalities (Taipei City, New Taipei City, Taoyuan City, Taichung City, Tainan City, and Kaohsiung City) and each county join their respective local bankers associations and participate in local association activities.

Number of Member Banks of the Bankers Associations

Dec. 31, 2018

Member Banks	Headquarters	Branches
The Bankers Association of the Republic of China	< 60 >	
The Bankers Association of Taipei	< 55 >	(892)
Bankers Association of Taiwan		(581)
The Bankers Association of Kaohsiung	< 1 >	(305)
Bankers Association of New Taipei City	< 1 >	(506)
The Bankers Association of Taoyuan		(250)
The Bankers Association of Taichung	< 2 >	(227)
The Bankers Association of Taichung City		(145)
The Bankers Association of Tainan	< 1 >	(134)
The Bankers Association of Tainan City		(97)
The Bankers Association of Kaohsiung City		(90)
Bankers Association of Hsinchu County		(54)
Bankers Association of Miaoli County		(44)
Bankers Association of Changhwa County		(99)
Bankers Association of Nantou County		(36)
Bankers Association of Yunlin County		(46)
Bankers Association of Chiayi County		(19)
Bankers Association of Pingtung County		(48)
Bankers Association of Ilan County		(40)
Bankers Association of Hualien County		(22)
Bankers Association of Taitung County		(14)
Bankers Association of Penghu County		(5)
Bankers Association of Keelung City		(26)
Bankers Association of Hsinchu City		(83)
Bankers Association of Chiayi City		(45)

C. Directors, Supervisors, Advisors and Observers

May 2019

Title	Name	Company Affiliation
Chairman of the Board	Jye-Cherng Lyu	Chairman, Taiwan Financial Holding Co., Ltd.
Managing Directors	Chao-Shun Chang	Chairman, Mega Financial Holdings Co., Ltd.
	Rong-Jou Wang	Chairman, Yuanta Financial Holdings Co., Ltd.
Directors	Chung-Dar Lei	Chairman, Taiwan Cooperative Financial Holdings
	Gary Tseng	Chairman, E. Sun Commercial Bank, Ltd.
	Kenneth Lo	Chairman, O-Bank Co., Ltd.
	Jesse Ding	Chairman, EnTie Commercial Bank
	Sheng-Hung Chen	Chairman, Sunny Bank
	Wen-Long Yen	Chairman, CTBC Financial Holding Co., Ltd.
	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.
	Shui-Yung Lin	Chairman, The Export-Import Bank of the Republic of China
	Chia-Juch Chang	Chairman, China Development Financial Holding Co., Ltd.
	Thomas Chou	President, Far Eastern International Bank
	Richard Chang	President, KGI Bank
	Chih-Ming Chien	President, China Bills Finance Co., Ltd.
	Chao-Chin Tung	Chairman, CTBC Bank Co., Ltd.
	Eugene T.C. Wu	Chairman, Shin Kong Financial Holding Co., Ltd.
	Bor-Yi Huang	Chairman, Taiwan Business Bank
	Shian-Juh Chen	President, Changhua Post Co., Ltd.
Ming-Ming Wu	Chairman, Agricultural Bank of Taiwan	
Wen-Chyi Ong	Chairman, Sinopac Financial Holding Co., Ltd.	
Paulus Mok	Chairman, Citi Bank Taiwan, Ltd.	
Shan-Chung Chen	President, The Shanghai Commercial & Savings Bank, Ltd.	
Executive Supervisor	Chang-Ken Lee	President, Cathay Financial Holding Co., Ltd.
Supervisors	Chenli Yang	Chief Operating Officer, DBS Bank (Taiwan) Ltd.
	Michael Y. J. Ding	President, Waterland Financial Holdings
	Terence Tai	Chairman, King's Town Bank
	Sung-Yie Liao	Chairman, Cota Commercial Bank

Title	Name	Company Affiliation
	Leo Kuo	Chairman, Taipei Star Bank
	Welch Lin	President, Taishin Financial Holding Co., Ltd.
	Adam Chen	President, HSBC Bank (Taiwan) Limited
	Anthony Lin	President, Standard Chartered Bank(Taiwan) Limited
Advisors	Sherman H.M.Lin	Chairman, Taiwan Depository & Clearing Corporation
	Tong Liang Lin	President, National Credit Card Center of R.O.C.
	Sen-Yu Chang	President, The National Federation of Credit Co-operatives R.O.C.
	Teng-Cheng Liu	Advisor, The Bankers Association of the Republic of China
	Jih-Chu Lee	Advisor, The Bankers Association of the Republic of China
	Jiann-Jong Guo	Chairman, Joint Credit Information Center
	Chao-Hsien Lai	Chairman, Hwatai Bank
	Ching-Chang Yen	Advisor, The Bankers Association of the Republic of China
	Yi-Hsiung Hsu	Advisor, The Bankers Association of the Republic of China
	Jennifer M.C. Liao	Chairman, Mega Bills Finance Co., Ltd.
	Kuei-Fong Wang	Chairman, Taichung Commercial Bank
	Ye-Chin Chiou	President, Bank of Taiwan
	Jan-Lin Wei	Advisor, The Bankers Association of the Republic of China
	Chiu-Tang Chen	Chairman, The Taiwan Clearing House
	Chung-Shu Wu	Chairman, Taiwan Academy of Banking and Finance
	Oscar Lin	Chairman, Financial Information Service Co., Ltd.
	Eric Chen	Chairman, Taipei Fubon Commercial Bank
	Joanne Ling	Chairman, Chang Hwa Bank
	Bor-Chang Hwang	Chairman, Land Bank of Taiwan
	Tsan-Chang Liao	Chairman, First Financial Holdings Co., Ltd.
	Yun-Peng Chang	Chairman, Hua Nan Financial Holdings Co., Ltd.
	Rueen-Fong Chu	Chairman, Bank of Kaohsiung
Observers	Nicole Wu	Senior Vice President, BNP Paribas, Taipei Branch
	Natalie Kuo	Executive 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

May 2019

Title / Position in BAROC	Name	Full-time or Part-time
Chairman, Financial Research and Training Development Fund Management Committee	Joseph Jye-Cherng Lyu	Chairman, Bank of Taiwan, Part-time
Chairman, Committee on Safety Protection Fund Management	Joseph Jye-Cherng Lyu	Chairman, Bank of Taiwan, Part-time
Secretary General	Nancy Young	Full-time
Deputy Secretary General	Tsong-Ming Wang	Full-time
Secretary	Yung-Chuan Yu	Full-time
Secretary	Hwai-Der Tsai	Full-time
Chairman, Lending Committee	Yu-Feng Chu	EVP, Land Bank of Taiwan, Part-time
Chairman, General Banking Committee	Gordon Y. Wang	EVP, Taiwan Business Bank, Part-time
Chairman, International Finance Committee	Chia-Hsiang Lee	EVP, First Commercial Bank, Part-time
Chairman, Financial Regulations and Disciplinary Committee	Pi-Chu Wu	E.V.P. & Chief Compliance Officer, Taiwan Cooperative Financial Holdings, Part-time
Acting Chairman, Internal Management Committee	Tsai-Feng Lin	Chang Hwa Bank Division Head of Financial Management Division
Chairman, Banking Automation Committee	Yeung-Rong Ju	Senior Executive Vice President Bank of Taiwan, Part-time
Chairman, Research and Development Committee	Shing-Shiang Ou	EVP & GM, Dept. of Economic Research, Bank of Taiwan, Part-time
Chairman, Risk Management Committee	Chun-Jen Hsu	CEO, Global Capital Market, CTBC Bank, Part-time
Chairman, Credit Card Business Committee	Justin Lee	Director, Citibank, Part-time
Chairman, Financial Holding Business Committee	Chang-Ken(C.K.) Lee	President, Cathay Financial Holdings, Part-time
Chairman, Internal Audit Committee	Albert Hu	Concurrent post of Executive Vice President & General Auditor for CTBC Financial Holding Co., LTD., Part-time
Chairman, Wealth Management Business Committee	I-Meng Huang	Senior Executive Vice President, Taipei Fubon Commercial Bank, Part-time
Chairman, Consumer Finance Unsecured Debt Restructuring Program Committee	Jerry Yang	SVP, Consumer Finance Division, Taishin International Bank, Part-time
Chairman, Electronic Payment Committee	Winni Liu	Executive Vice President of Digital Business Development, E.SUN Commercial Bank, Ltd., Part-time
Chairman, Certificate Policy Management Committee	Jeng-Fang Jang	EVP, Hua Nan Commercial Bank, Part-time
Director, Taipei Interbank Money Center	Ye-Chin Chiou	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 the Banking Operations

A. Macroeconomic Summary

1. Economic Conditions

(1) Slowdown in Global Economic Growth

The global economy continued to expand steadily in the first half of 2018. But beginning in the third quarter, US-China trade friction and strengthening of the US Dollar following a US interest rate hike triggered increased international financial market volatility. From that point forward, advanced economies grew at varying paces, emerging market economies saw their future prospects deteriorate, and the level of economic activity in most economies fell short of expectations. Economic performance in the United States was quite strong due to tax cuts and deregulation, which spurred increased consumption and corporate investments. In the eurozone, economic growth failed to meet forecasts as investment confidence was affected by the trade war, Brexit, fiscal problems in Italy, and other risks. In Japan, natural disasters and slumping export demand weakened economic growth momentum. In mainland China, downward pressure on the economy grew stronger due to the US-China trade war and moderation in domestic demand. Overall, the global economy again posted moderate growth in 2018, but did not perform as well as it did in 2017. Official 2018 economic growth figures are 2.9% in the United States, up from the 2.2% figure for the year before; 1.9% in the eurozone, down from 2.4%; 0.8% in Japan, down from 1.9%; and 6.6% in mainland China, down from 6.8%.

(2) Moderate Economic Expansion in Taiwan

a. Domestic economy posted moderate growth, but expansionary impetus weakened

Taiwan's domestic economy in the first half of 2018 benefitted from the steady growth of the global economy, which spurred Taiwan's exports. The overall economy performed well, growing at a rate of 3.15% and 3.29% in the first two quarters before slowing global economic growth caused Taiwan's economic growth rate to fall to 2.38% and 1.80% in the third and fourth quarters, respectively. For 2018 as a whole, the economic growth rate was 2.63%, down from 3.08% in 2017 but still in line with the National Development Council's target range of 2.4% to 2.6%.

External demand: In 2018, steady recovery of the international economy, the adoption of emerging technologies, and booming demand for machinery supported Taiwan's export momentum. However, the impact of the US-China trade dispute, poorer-than-expected sales of smartphones, and a relatively high baseline value resulted in a clear downturn in the fourth-quarter export growth rate. For 2018 as a whole, exports grew by 5.88% from

the previous year. Taking goods and services exports together, after netting out exports and imports, external demand contributed -0.16 percentage points to economic growth.

Domestic demand: Employment numbers continued to improve, stock market trading was strong (trading value on the TWSE and TPEX posted annual growth of 19.3%), and annual sales promotions carried out by online retail merchants on November 11 and December 12 spurred a huge upsurge in online sales. As a result, the retail sector and the dining sector both saw year-on-year revenue increases. Private consumption grew by 1.99% in 2018 and contributed 1.06 percentage points to economic growth. Construction investment posted stable growth, but a delay in the implementation by semiconductor makers of capital expenditure plans put a crimp on growth momentum. As a result, private fixed investment only grew 1.79% from the previous year and contributed just 0.29 percentage points to economic growth. Public consumption grew by 3.66% and contributed 0.51 percentage points to economic growth. Altogether, domestic demand contributed 2.80 percentage points to economic growth.

b. Moderate inflation

Consumer price index (CPI): Rising global energy prices in 2018 resulted in higher prices for petroleum and gas products, and a tobacco tax hike continued to have an ongoing impact, but a succession of low-rate plans rolled out by telecoms operators reduced the cost of mobile communications, and consumer prices in other categories remained relatively stable. On the whole, year-on-year price rises were minor. The CPI in 2018 rose by 1.35% over the previous year. Core CPI (excluding perishables and energy) rose 1.21% year-on-year.

Wholesale price index (WPI): Rising international commodity prices and a weakening NT Dollar spurred price rises for base metals, petroleum and coal products, and chemicals. For 2018 as a whole, the WPI rose 3.63%, marking the second consecutive year of positive price movement.

c. Unemployment drops to 18-year low

With the domestic economy recovering steadily, Taiwan's unemployment rate was slightly lower in the first half of 2018 than in the year-ago period. Starting from June, graduating students entered the job market and drove the rate upward. From September onward, however, the seasonal impact of graduation started to play itself out, driving the unemployment rate steadily lower. The average unemployment rate for 2018 was 3.71%, down 0.05 percentage points from 2017 and the lowest since 2001. The average number of unemployed persons was 440,000, down by 3,000 persons from the year before.

2. Financial Conditions

(1) Global Financial Conditions

Global stock markets: Interest rate hikes by the US Federal Reserve, worsening global trade conflict, and slowing growth in most of the world's economies caused stock prices to fall during 2018 in most countries. Volatility increased sharply, and unsettling news continually undermined investor confidence, which reduced the flow of funds into the markets. Stock markets performed poorly in developed nations. The US Dow Jones Industrial Average fell 5.63%, Japan's Nikkei 225 fell 12.08%, Germany's DAX finished down 18.26%, and France's CAC 40 dropped 10.95%. In emerging market nations as well, stock market performance was not ideal. In mainland China, the Shanghai Stock Exchange (SSE) Composite Index and the Shenzhen Stock Exchange Composite (SZCOMP) Index dropped 24.59% and 33.25%, respectively. The Dubai Financial Market General Index fell 24.93%, making it the world's worst performer in 2018. Bucking the trend, however, were Brazil's Bovespa and the MOEX Russia Index, which finished 2018 up 15.03% and 12.30%, respectively.

Global exchange rates: In 2018, the US economy's strong performance, interest rate hikes by the US Federal Reserve, and market worries regarding the US-China trade war all served to support the US Dollar, which began to strengthen and appreciate notably from April. On the year as a whole, the US Dollar Index rose 4.40%, while most major currencies fell against the US Dollar. The euro fell 4.46% against the US Dollar, and China's RMB fell 5.41%. The Japanese Yen, however, rose 2.73%, mainly because heightened US-China trade friction and global stock market volatility generated increased demand for Japanese Yen as a hedge tool.

(2) Financial Conditions in Taiwan

a. Central Bank keeps interest rates unchanged

Due to the moderate state of inflationary pressures, a stable inflationary outlook, moderate economic growth impetus, a deflationary GDP gap, and continuing uncertainty over the future of the global economy, the Central Bank—which had last raised interest rates on 30 June 2017—decided to keep them unchanged in order to achieve stable prices and a stable financial environment, and to support continued economic growth. The discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral have been maintained at 1.375%, 1.75%, and 3.625%, respectively.

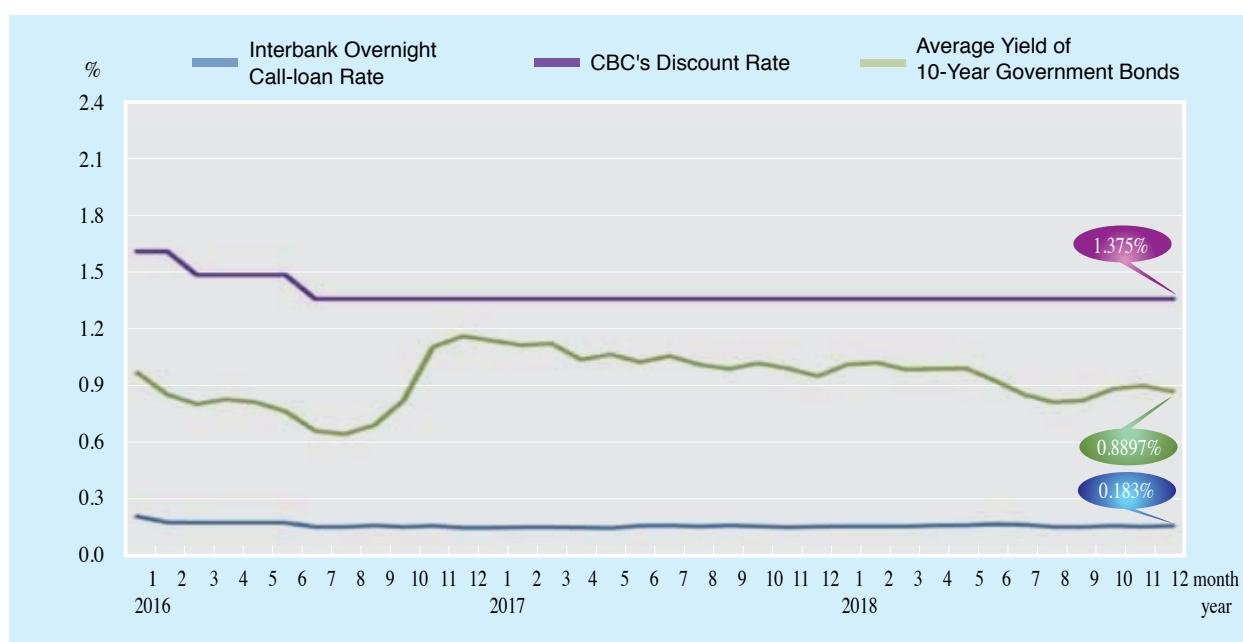
b. Stability in short-term interest rates; long-term rates fall then rise

Short-term rates: In the first quarter of 2018, market liquidity was strong and the Central Bank maintained an appropriately accommodative money supply. As a result, the overnight call rate generally remained steady, but it did begin climbing in April due to the impact of

the US-China trade war, repatriation of funds by foreign entities (who were net sellers of Taiwanese equities), and payment of tax revenues into the national treasury. The overnight call rate rose from 0.180% in March to 0.192% by June. Banks continued to manage their funds conservatively after that, but market liquidity remained strong, so the overnight call rate came back down. In the fourth quarter, volatility in global financial markets increased and banks continued to manage their funds conservatively, which drove the overnight call rate back up again. For the year, the overnight call rate averaged 0.183%, up by 0.005 percentage points from the 2017 average of 0.178%, which shows that domestic monetary policy had tightened slightly and the Central Bank steadily maintained a low interest rate environment.

Long-term rates: The yield on 10-year Taiwan government bonds fell slightly in Q2 2018 due to uncertainties over US-China friction and increased hedging demand. In the latter half of the year, the yield on 10-year Taiwan government bonds continued to decline due to continued low bond yields in the US, strong market liquidity in Taiwan, and institutional factors affecting demand for government bonds. In October, the yield on 10-year US government bonds rose in response to wage growth and increasingly tight monetary policy, and the yield on 10-year Taiwan government bonds followed suit. For 2018 as a whole, the yield on 10-year Taiwan government bonds averaged 0.889%, down by 0.12 percentage points from the 2017 average yield of 1.06%.

Changes in Interest Rates

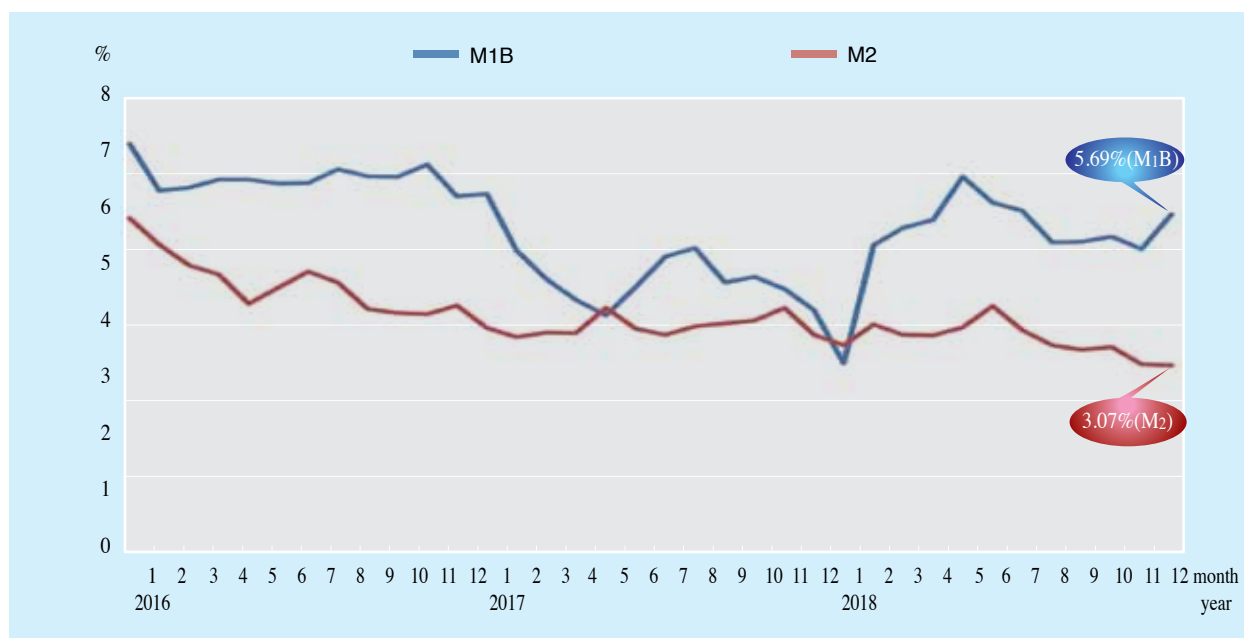


Source: the CBC website, TPEX website

c. M2 money supply growth hits target rate

Average M2 money supply in 2018 was up 3.52% year-on-year. This growth rate was down from the 3.75% rise in the previous year due to net outward remittances by foreign companies and a slowdown in bank lending and investment growth, but it still fell within the Central Bank's target range of 2.5% to 6.5%. For the more narrowly defined average M1B money supply, the growth rate rose to 5.32% from 4.66% in 2017, due primarily to faster growth in demand deposits. Except for the month of January, M1B year-on-year growth rates in 2018 were all higher than M2 year-on-year growth rates, an indication that domestic liquidity was strong and there were no concerns about liquidity in Taiwan's stock markets.

Annual Growth Rates of Daily Monetary Aggregates



Source: the CBC website

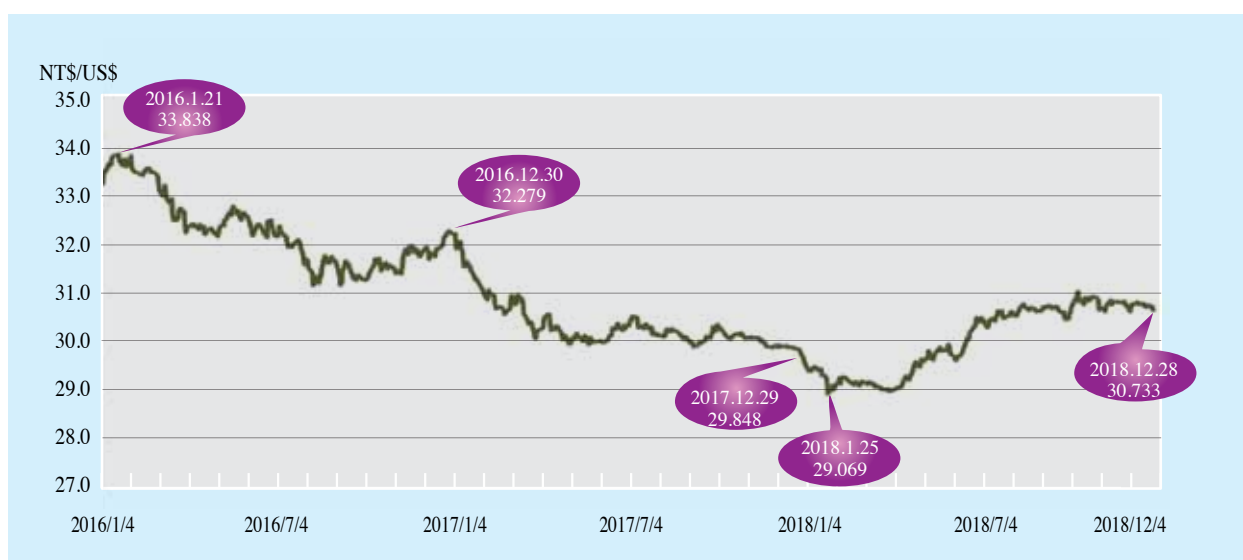
d. Banks' average interest spread narrows slightly

The weighted average interest rate on deposits with ordinary domestic banks held steady over the first three quarters at 0.56% before dipping to 0.55% in the fourth quarter, while the weighted average interest rate on loans fell from 1.91% in the first quarter to 1.90% in the second quarter and remained at that level for the rest of the year. The interest spread narrowed from 1.35 percentage points in the first quarter to 1.34 percentage points in the second quarter, then widened again to 1.35% in the fourth quarter. The average interest spread for 2018 was 1.34 percentage points, down from 1.36 percentage points in 2017.

e. NT Dollar depreciates against US Dollar

The NT Dollar appreciated to a year-long high of NT\$29.069 in January 2018. This was due in part to a weakening US Dollar (amid jitters over a possible shutdown of the US federal government, and a statement by the US Treasury Secretary that weakening of the US Dollar would be good for the United States), and in part to inward remittances by foreign investors, which were net purchasers of Taiwanese stocks. Later, however, the NT Dollar began to depreciate due to increased risks associated with US-China trade friction and Middle East geopolitics, and strengthening of the US Dollar due to an interest rate hike by the Fed. Over this same time period, the NT Dollar reversed course and fell against the US Dollar. At mid-year, the NT Dollar continued to depreciate against the US Dollar as the US-China trade conflict heated up, the Fed remained on an upward interest rate path, and the Turkish Lira crisis continued to rage. Foreign investors withdrew from emerging markets, causing Asian currencies to weaken. The NT Dollar continued on a downward course, falling to a year-long low of 31.105 : 1 versus the US Dollar on 11 October. From November forward, the NT Dollar rebounded against the US Dollar. Despite an interest rate hike of 25 basis points by the Fed, the markets interpreted that the Fed would be more cautious about any further rate hikes moving forward. Also, US stocks declined, and the US Dollar weakened. The NT Dollar finished the year at 30.733 : 1 versus the US Dollar, down 2.88% from the year before.

NT Dollar against the US Dollar Exchange Rates

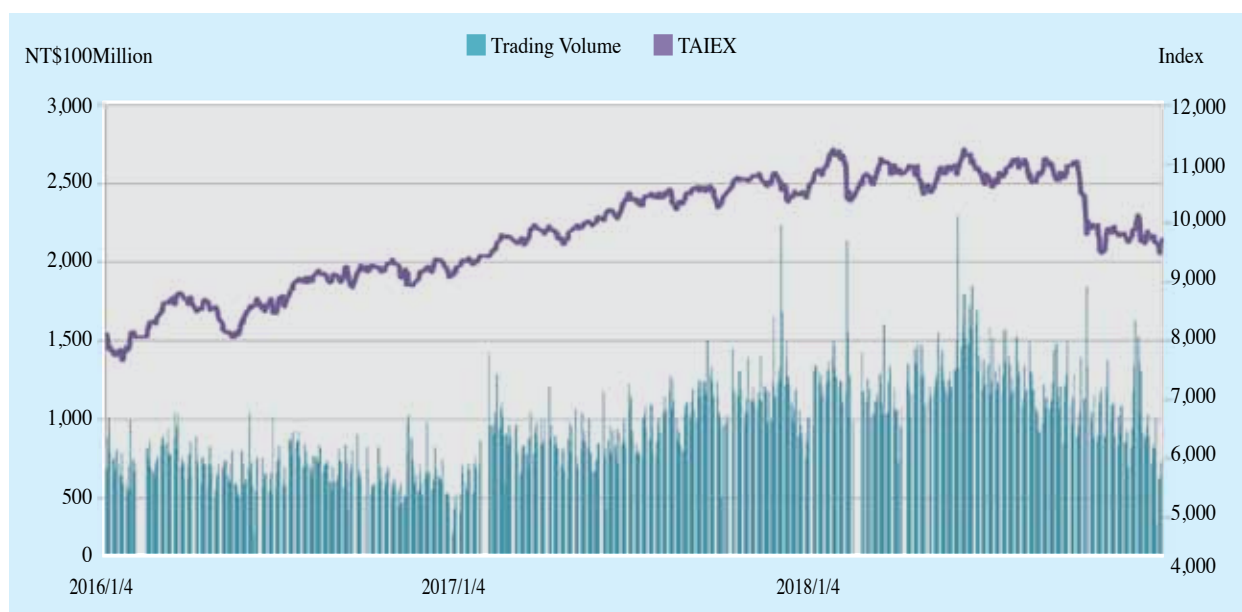


Source: the CBC website

f. Stocks move choppily downward; trading volumes recover

In early 2018, US stocks rose to successive all-time highs, foreign investors were net purchasers of Taiwanese equities, and listed Taiwanese companies reported record-high profits for 2017. As a result, the TAIEX rose to a year-long high of 11,253 points on 23 January. Later, equity markets in Europe and North America plummeted, market jitters arose over a possible acceleration of US interest rate hikes, and profit taking by investors began to generate selling pressure. These factors caused Taiwanese stocks to fall sharply before taking a choppy course upward after the Chinese New Year. Beginning in April, Taiwanese stocks were dragged downward by worsening US-China trade friction, downward revisions of earnings outlooks by Taiwan Semiconductor Manufacturing Co. and other major electronics manufacturers, and a net sell-off of index component stocks by foreign investors. Thereafter, an easing of the trade war triggered a rebound in Taiwanese stocks. At mid-year, Taiwanese stocks rose and fell in a choppy pattern that for the most part reflected the course of developments in the trade war. In October, a rash of bad news in US stock markets caused markets to plummet throughout the world. The TAIEX fell below 10,000 points on 11 October after 345 days above that line, its longest stint above 10,000 points in history. Taiwanese stocks performed weakly thereafter, affected by negative factors such as the ongoing US-China trade war and Italy's budget crisis, and fell to a year-long low of 9,479 points on 26 December. The TAIEX fell 915.45 points (8.60%) on the year. Daily average turnover by trading value was NT\$119.874 billion, up sharply by 23.01% from NT\$97.448 billion in 2017.

TAIEX and Trading Volume



Source: Taiwan Stock Exchange

3. Domestic Economic Outlook for 2019

Looking ahead to 2019, US-China trade tensions, sluggish international trade and manufacturing activity, and a surge in global stock market volatility in Q4 2018 have triggered spreading fears in global financial markets, and some emerging market and developing economies are under heavy fiscal pressure. Accordingly, despite the continued moderate global economic growth that is forecast for 2019, the pace of expansion is expected to decline. The principal international forecasting bodies all believe that the global economy will probably perform worse in 2019 than in the previous year. The IMF's April 2019 forecast calls for the global economy to grow 3.3% in 2019, down from its 3.6% estimate for 2018. The World Bank's January 2019 forecast is for global growth of 2.9%, down slightly from its 3.0% estimate for 2018. IHS Markit's May 2019 forecast is for global growth of 2.8%, down from last year's 3.2% forecast. IHS Markit expects growth of 1.8% in developed economies, and 4.5% in emerging market economies. In addition, the international economy still faces numerous risk variables, including: the future course of the US-China trade dispute; the progress of currency normalization efforts by central banks in North America and Europe; the course of Brexit; slowing economic growth and climbing debts in mainland China; changing debt conditions in emerging market countries; volatility in international equities, foreign exchange, and debt markets; crude oil and commodity price movements; and geopolitical risks.

The April 2019 of the IMF World Economic Outlook forecasts the following: (a) growth of 2.3% for 2019 in the US, where labor markets are tight and domestic demand should continue to be strong, but the effects of fiscal stimulus measures are wearing off and the federal funds rate may overshoot the neutral rate of interest; (b) growth of 1.3% in the euro area, where major economies such as those of Germany, France, and Italy are all turning weak at the same time and putting a damper on growth for the zone as a whole; and (c) GDP growth of 1.0% in Japan, where the government will adopt fiscal measures to offset the impact of a consumption tax hike. Among emerging market and developing economies, the economic growth rate is expected to fall to 6.3% in 2019 despite fiscal stimulus measures in mainland China, due to uncertainty surrounding the US-China trade war and the impact of increasingly rigorous financial supervision.

Forecast on Global Economic Growth Rates

Unit: %

Area	IMF		The World Bank		IHS Markit	
	2018	2019	2018	2019	2018	2019
Global	3.6 (3.7)	3.3 (3.5)	3.0 (3.1)	2.9 (3.0)	3.2 (3.2)	2.8 (2.8)
US	2.9 (2.9)	2.3 (2.5)	2.9 (2.7)	2.5 (2.5)	2.9 (2.9)	2.7 (2.3)
Eurozone	1.8 (1.8)	1.3 (1.6)	1.9 (2.1)	1.6 (1.7)	1.8 (1.9)	1.2 (1.1)
Japan	0.8 (0.9)	1.0 (1.1)	0.8 (1.0)	0.9 (0.8)	0.8 (0.8)	0.6 (0.6)
Mainland China	6.6 (6.6)	6.3 (6.2)	6.5 (6.5)	6.2 (6.3)	6.6 (6.6)	6.2 (6.3)

Note: Figures in parentheses indicate the previous forecasts.

Sources: IMF, 9 Apr. 2019; the World Bank, 8 Jan. 2019; IHS Markit, 15 May 2019.

In Taiwan, domestic and external demand are expected to contribute 1.69 and 0.49 percentage points to economic growth, respectively, and real GDP growth in 2019 is forecast by the Directorate-General of Budget, Accounting and Statistics (DGBAS) to reach 2.19%, down from the 2.63% growth achieved in 2018. The forecasts of other institutions at home and abroad for Taiwan's 2019 economic growth fall between 2.0% and 2.5%.

External demand: The IMF expects the volume of world trade to rise by 3.4%. This growth rate is down from a 3.8% increase in 2018, due to a slower pace of global economic expansion and uncertainty created by the US-China trade dispute. This will not be helpful to export-driven Taiwan. In addition, the growth rate for Taiwan's exports is expected to fall for the following reasons: (a) slumping demand for smartphones and other mobile communications devices is going to affect the output of supply chain entities; (b) Mainland China's pursuit of supply chain self-sufficiency is having the effect of crowding out Taiwanese suppliers; and (c) the 2018 comparison baseline is high. The DGBAS expects the annual growth rate for Taiwan's exports of goods and services to rise in 2019 by 2.62%, while imports of goods and services are expected to grow by 2.23%, lower in both cases than the 2018 growth rates.

Domestic demand: Various factors are seen contributing to stronger private consumption. Income tax optimization and the raising of the minimum wage will bolster household disposable income, for example, and the government has launched subsidies to promote domestic tourism and the replacement of household appliances. On the other hand, demographic ageing and a falling birth rate remain problematic, and increased volatility in global financial markets has weakened consumer confidence, which is likely to inhibit growth to some extent. All factors considered, private consumption is forecast to grow by 2.02% in 2019. The government's continued implementation of its "Forward-looking Infrastructure Development Program" will help to increase public capital spending as well as investments by government-owned enterprises, and the government is also actively promoting the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan," which can be expected to spur increased private-sector investment. However, global economic prospects are not promising. Corporate investment plans have taken a conservative turn, which will likely put a damper on private investment growth. As a result, fixed investment is projected to grow by 5.39% in 2019.

Prices: The minimum wage, on the one hand, has been raised. However, global prices for crude oil as well as agricultural and industrial raw materials have fallen from previous levels, and supply-and-demand factors in 2019 will make any rise in global commodity prices somewhat unlikely. Moreover, the impact of a tobacco tax hike has played itself out, which further limits any room for domestic price rises. The DGBAS has forecast slight CPI growth of 0.71% for 2019, versus 1.35% in 2018.

Forecast on Taiwan Economic Growth Rates

Unit: %

Institution		2019
Public and domestic institutions	DGBAS (2019.05)	2.19 (2.27)
	Central Bank of the Republic of China (2019.03)	2.13 (2.33)
	TIER (2019.04)	2.12 (2.12)
	CIER (2019.04)	2.15 (2.18)
	Academia Sinica (2018.12)	2.45
	NTU-Cathay research team (2019.03)	2.2 (2.2)
	Taiwan Research Institute (2018.12)	2.34
Foreign institutions	IMF (2019.04)	2.5 (2.4)
	IHS Markit (2019.05)	2.0 (2.1)
	Asian Development Bank (2019.04)	2.2 (2.6)

Note: Dates in parentheses indicate when the forecast was released; figures in parentheses indicate the previous forecast.

Source: DGBAS, Central Bank of the Republic of China, TIER, CIER, Academia Sinica, NTU-Cathay, Taiwan Research Institute, IMF, IHS Markit, and ADB

B. Major Financial Measures Adopted by the Government

1. Financial Services Business

- (1) To facilitate the conduct of foreign currency bond business by bills finance companies, the Financial Supervisory Commission (FSC) amended the "Regulations Governing Foreign Currency Bond Brokerage, Proprietary Trading, and Investment by Bills Finance Companies" on 13 February 2018 by eliminating the provision that formerly limited a bills finance company's foreign-currency debt to no more than US\$50 million. In addition, the amended Regulations allow a bills finance company to set its own foreign-currency debt on the basis of its own risk-bearing capacity, up to a maximum of 15% of net worth.

- (2) On 6 March 2018, the FSC and the Polish Financial Supervision Authority signed a FinTech Cooperation Agreement. This new agreement establishes a referral mechanism among the two authorities, and facilitates the sharing of information and cooperation on potential joint innovation projects.
- (3) To appropriately boost lending by foreign bank branches, and to encourage them to cooperate with domestic banks and provide the latter with the financing needed to support their investment plans, the FSC on 31 March 2018 amended the "Regulations Governing Foreign Bank Branches and Representative Offices" to ease the cap on the amount of credit that a foreign bank branch is allowed to extend to a single customer. Also, under the amended provisions, for a foreign bank branch whose retail deposit business does not reach certain thresholds, the cap on the amount of credit (expressed as a multiple of net worth) has been raised.
- (4) To improve the operation of the "financial technology development and innovative experimentation" mechanism, the FSC on 27 April 2018 issued the "Regulations Governing Financial Technology Innovative Experimentation." Key points include the following: (a) provisions governing applications to conduct innovative banking business experiments, and the review of such applications; (b) measures to protect those taking part in innovative banking business experiments, and rules governing related supervision and regulation; and (c) a requirement that an applicant must ensure the security of information collected in connection with such an experiment, and must establish participant notification and damage compensation mechanisms to respond to any third-party's intrusion in the information system.
- (5) To build a favorable financing environment for small and medium enterprises (SMEs), the Executive Yuan on 27 April 2018 accepted the FSC's filing of its 13th "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises." The 2018 target for total outstanding loans extended by domestic banks to SMEs was set at NT\$270 billion to encourage banks, while taking necessary risk control measures, to lend needed working capital to SMEs.
- (6) To promote the development of domestic bank debentures market, the FSC on 31 May 2018 amended the "Regulations Governing Issuance of Bank Debentures by Banks." Prior to the

amendment, banks were only allowed to sell bank debentures to "professional institutional investors," but this restriction has been eased in the amended Regulations such that banks are allowed to sell bank debentures to "professional investors." The purpose of this change is to make a more diverse range of financial products available to professional investors.

- (7) To improve the efficiency of financial institution services and streamline administrative procedures, the FSC on 15 June 2018 amended the "Regulations Governing Off-Premises Automatic Teller Machines of Financial Institutions." Key points include the following: (a) Once a financial institution has set internal management guidelines and gotten them approved by the board of directors, it may appoint staff on hand at service areas with off-premises automatic teller machines, and in the event the institution does so, it must report this arrangement to the regulatory authority through the online reporting system. (b) The list of services that may be provided via ATMs without special permission from the competent authority has been expanded to include "tax payments," "account information inquiries," and "cash exchange of NTD and foreign currencies."
- (8) To allow for more flexible management of real estate investment trust funds (REIT funds), and to enable REIT funds to invest in a more diverse range of instruments, the FSC on 17 August 2018 amended the "Official Interpretation of the Clauses of the Real Estate Securitization Act." Key points include the following: (a) Offshore real estate-related rights are included among the offshore instruments in which Taiwanese REIT funds are allowed to invest. (b) The required content of a REIT plan has been simplified. (c) Whereas a trustee was formerly required, before making any investment, to report its intended investments to the FSC individually and obtain prior approval from the latter, a trustee is now only required to report its investments to the FSC for record within 15 business days after the completion of a transaction.
- (9) To afford greater flexibility and convenience in the use of electronic payment accounts to pay for consumer transactions, the FSC on 28 August 2018 amended the "Regulations Governing Identity Verification Mechanism and Transaction Limits for Users of Electronic Payment Institutions." Under the amended Regulations, type 1 e-payment accounts can be used to accept deposit of stored value funds, and have flexible transaction limits. These changes make it simpler and more convenient for consumers to make payments.

- (10) In preparation for Taiwan's adoption in 2019 of "International Financial Reporting Standards 16, Leases" (IFRS 16), and in coordination with recently announced upcoming amendments to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the FSC on 12 September 2018 amended the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies," the "Regulations Governing the Preparation of Financial Reports by Public Banks," and the "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies."
- (11) On 25 September 2018, the FSC and the State of Arizona signed a FinTech Cooperation Agreement. This new agreement establishes a referral mechanism among the two authorities, and facilitates the sharing of information and cooperation on potential joint innovation projects. Following the signing, each side, on the basis of the agreement, can refer startups to the other, provide assistance to understand each other's supervisory system, and share information related to financial services innovation.
- (12) In view of the fact that conflicts of interest may arise when a single enterprise group simultaneously holds directorships at different financial institutions, the FSC on 22 October 2018 amended the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks" and the "Regulations Governing Qualification Requirements for the Founder 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 include the following: (a) When a natural person or a juristic person serves as a director (or supervisor) of a bank or financial holding company, a conflict of interest will be presumed to exist if that person or a related party acts concurrently as a director (or supervisor) of another financial institution, unless the financial institution in question is a financial holding company that is wholly owned by the government. (b) A bank's or financial holding company's professional directors must not be government agencies, juristic persons, or representatives thereof, provided, however, that this restriction does not apply to a bank or financial holding company that is wholly owned by the government. (c) At a bank or financial holding company with total assets of NT\$1 trillion or more, a higher percentage of directors must be professional directors.
- (13) In response to the trend toward digitized bank services, the FSC on 14 November 2018 amended the "Standards Governing the Establishment of Commercial Banks." In addition to expressly defining what constitutes an internet-only bank, the amended Standards also set out specific legal requirements that must be met by any entity applying to establish an internet-only bank.

- (14) To further incentivize financial industry consolidation, the FSC on 28 November 2018 amended the "Regulations Governing the Investing Activities of a Financial Holding Company." Key points include the following: (a) The minimum ownership stake that a financial holding company or a bank must acquire upon first investing in a financial institution has been amended to "more than ten percent (10%) of outstanding voting shares or capital stock." (b) A financial holding company that intends to invest in a public company is ordinarily required to complete the investment within three months, but when the financial holding company is a founder of the investee enterprise, this requirement does not apply to that part of the investment which it makes to ensure that the shares to be issued are fully subscribed. (c) A financial holding company planning to invest in a financial institution must either: (i) obtain proof that the investee enterprise's board of directors has adopted a resolution declaring that it does not oppose the investment; or (ii) sign an agreement or contract with the investee enterprise's insiders or their related parties concerning the planned share acquisition.

2. Anti-Money Laundering and Counter Terrorist Financing (AML/CFT)

- (1) To comply with the international standards issued by the Financial Action Task Force (FATF), the FSC on 20 June 2018 issued the "Regulations Governing Anti-Money Laundering of Financial Leasing Enterprises." These Regulations govern financial leasing enterprises' performance of customer due diligence, record keeping, and reporting of large cash transactions as well as transactions that show signs of possible money laundering or financing of terrorism.
- (2) To coordinate with the Follow-up Report of the Asia/Pacific Group on Money Laundering (APG) to the Mutual Evaluation Report and to bring domestic practices fully in line with the 40 Recommendations of the FATF, the FSC on 14 November 2018 amended the "Regulations Governing Anti-Money Laundering of Financial Institutions." Key points include the following: (a) The pre-amendment provisions required the customer due diligence be carried out on occasional "cash" transactions of NT\$500,000 or greater. The amended provisions additionally require customer due diligence for other types of occasional transactions of NT\$500,000 or greater. (b) A financial institution must use appropriate risk management mechanisms to confirm whether a customer and its beneficial owner is a politically exposed person (PEP) who is or has been entrusted with a prominent function by a foreign government. (c) Where review a transaction is suspected of involving money laundering or terrorist financing activity, financial institutions are required to file a report with the Investigation Bureau within two business days after the report has been approved by the responsible chief compliance officer at the institution.

C. Banking Operations in 2018

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 425 financial institutions in Taiwan at the end of December 2018, while the total number of branch banking units in Taiwan at the end of 2018 stood at 6,001.

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

According to FSC statistics, the aggregate NPLs of domestic banks at the end of December 2018 stood at NT\$68.437 billion, down by NT\$6.271 billion from NT\$74.708 billion at the end of December 2017. The average NPL ratio of domestic banks at the end of December 2018 stood at 0.24%, down by 0.04 percentage points from 0.28% at the end of December 2017, and the second-lowest NPL ratio in recent years after the 0.23% figure for 2015.

In addition, the average NPL coverage ratio of Taiwan's domestic banks stood at 575.44% at the end of December 2018, up by 82.52 percentage points from 492.92% at the end of December 2017. This shows that the risk-bearing capacity of domestic banks has improved, and banks overall are on sound financial footing.

3. Overview of Bank Profitability

The weighted average interest spread of domestic banks was 1.34 percentage points in 2018, or 0.02 percentage points narrower than in 2017. The interest spread earnings of state-owned banks continued to fall, but the steady global economic recovery translated to sharply higher profitability for the overseas branches of Taiwan's domestic banks in 2018, and increased the profits of state-owned banks to an all-time high. The pre-tax earnings of domestic banks totaled NT\$334.2 billion in 2018, up by 9.25% from NT\$305.9 billion in 2017. This was the fifth consecutive year in which pre-tax earnings of domestic banks totaled more than NT\$300 billion. Banks' return on assets (ROA) in 2018 came to 0.70% (up from 0.67% in 2017) and return on equity (ROE) was 9.31% (versus 8.97% in 2017).

4. Major Lines of Banking Business

(1) Deposit Business

Deposits at all monetary institutions at the end of 2018 totaled NT\$43.20 trillion, up by NT\$1.10 trillion (2.62%) from the end of 2017. Demand deposits accounted for the largest portion of this total (36.52%), followed by time and time savings deposits (32.53%).

The only deposit categories that declined from 2017 were repurchase agreements and money market mutual funds (down 10.95%) and NT Dollar deposits by foreigners (down 2.57%). All other categories increased. Demand deposits posted the strongest growth, increasing by NT\$823.2 billion (5.51%) to NT\$15.77 trillion. Followed by government deposits finished up by NT\$118.2 billion (10.60%) to NT\$1.23 trillion.

In addition, foreign-currency deposits rose from the end of 2017 by NT\$78.4 billion (1.38%) to NT\$5.75 trillion, postal savings deposits increased by NT\$69.8 billion (1.17%) to NT\$6.05 trillion, and time and time savings deposits increased by NT\$36.4 billion (0.26%) to NT\$14.05 trillion.

Changes in Deposits by Category of All Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2018	End of 2017	Change (NT\$)	change (%)
Demand deposits		157,733	149,501	8,232	5.51
Time and time savings deposits		140,527	140,163	364	0.26
Foreign currency deposits		57,498	56,714	784	1.38
Postal savings deposits		60,509	59,811	698	1.17
NT Dollar deposits by foreigners		1,781	1,828	-47	-2.57
Repurchase agreements and Money Market Mutual Funds		1,578	1,772	-194	-10.95
Government deposits		12,332	11,150	1,182	10.60
Total		431,959	420,939	11,020	2.62

Note: Includes ordinary time deposits, negotiable certificates of deposit, and time savings deposits.

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2019.

(2) Loans and Investments

The balance of outstanding loans and investments at all monetary institutions stood at NT\$33.75 trillion at the end of 2018, an increase of NT\$1.72 trillion (5.39%) over the end of 2017.

Loans and investments by all monetary institutions in all recipient categories—claims on the public sector, claims on state-owned enterprises, and claims on the private sector—rose in 2018 in comparison with 2017. Claims on the private sector increased the most, by NT\$1.39 trillion (5.33%), followed by claims on the public sector, which increased by NT\$261.1 billion (5.41%).

Loans and Investments by Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2018	End of 2017	change (NT\$)	change (%)
Claims on the government		50,835	48,224	2,611	5.41
Claims on state-owned enterprises		10,883	10,196	687	6.74
Claims on the private sector		275,757	261,808	13,949	5.33
Total		337,475	320,228	17,247	5.39

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2019.

(3) Foreign Exchange Business

The average daily foreign exchange turnover (total of bank-customer and interbank markets) in 2018 was US\$32.079 billion, up by 12.07% from 2017. Average daily turnover in the bank-customer market was US\$10.242 billion, up 11.68%, and average daily turnover in the interbank market was US\$21.837 billion, an increase of 12.26%.

All categories of foreign exchange transactions increased in 2018. Foreign exchange swaps increased the most, by US\$1.428 billion (13.47%), followed by spot transactions, which increased by US\$490 million (7.05%).

Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item	Year	2018	2017	Change (US\$)	Change (%)
Spot		7,445	6,955	490	7.05
Forwards		1,414	1,016	398	39.17
Swaps		12,032	10,604	1,428	13.47
Options		857	834	23	2.76
Cross-currency swaps		89	44	45	102.27
Total		21,837	19,453	2,384	12.26

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2019.

(4) Consumer Finance Business

According to statistics compiled by the FSC Banking Bureau, a total of 44.03 million credit cards issued by 34 institutions were in circulation at the end of December 2018, up by 5.51% from the 41.73 million in circulation at the end of 2017. The total number of active cards stood at roughly 29.57 million, an increase of 5.49% from the figure of 28.03 million at the end of 2017. The total dollar amount of transactions paid for with these cards in 2018 amounted to NT\$2.884 trillion, up by 9.93% from 2017. The amount of revolving credit outstanding at the end of the year stood at NT\$113.9 billion, up by 2.52% from the end of 2017. Cash advances outstanding totaled NT\$26.8 billion, up by 6.77% from 2017.

There were 29,612 automatic teller machines (ATMs) in Taiwan as of the end of December 2018, up by 4.64% from 28,298 at the end of 2017. The cumulative issuance of financial cards rose by 2.67% from 198.48 million at the end of 2017 to 203.78 million at the end of 2018. The number of ATM transactions during 2018 totaled 910.17 million, an increase of 3.53% over the 2017 figure of 879.10 million, and totaled NT\$11.558 trillion in value, up by 5.70% from NT\$10.935 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 2018 stood at NT\$59.743 trillion, up by 24.92% NT\$47.825 trillion a year earlier.

Over-the-counter (OTC) transactions accounted for 99.13% of these positions, while exchange-traded transactions made up only 0.87%. Of the OTC transactions, forward contracts accounted for the largest share (61.28%) of the nominal value of total open positions, followed by swaps at 34.34%. Sold options and bought options accounted for 8.78% and 3.97%, respectively. Trading derivatives made up 99.36% of the total, while non-trading derivatives accounted for only 0.64%.

Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$ million, %

Item	End of Dec. 2018		End of Dec. 2017		Changes	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts Outstanding	59,742,478	100	47,824,505	100	11,917,973	24.92
A. OTC	59,223,412	99.13	47,600,716	99.53	11,622,696	24.42
1. Forwards	36,292,686	61.28	29,312,508	61.58	6,980,178	23.81
2. Swaps	20,338,888	34.34	16,251,262	34.14	4,087,626	25.15
3. Bought options	806,471	3.97	794,559	1.67	11,912	1.50
4. Sold options	1,785,367	8.78	1,242,387	2.61	542,980	43.70
B. Exchange-traded	519,066	0.87	223,789	0.47	295,277	131.94
1. Futures- long positions	122,447	23.59	40,979	18.31	81,468	198.80
2. Futures- short positions	381,872	73.57	159,337	71.20	222,535	139.66
3. Bought options	4,873	1.28	10,842	4.84	-5,969	-55.05
4. Sold options	9,874	2.59	12,631	5.64	-2,757	-21.83
II. Notional Amounts Outstanding	59,742,478	100	47,824,505	100	11,917,973	24.92
A. Total contracts held for trading purpose	59,360,883	99.36	47,614,912	99.56	11,745,971	24.67
B. Total contracts held for non-trading purpose	381,595	0.64	209,593	0.44	172,002	82.06

Note: The figures in this table include both domestic banks (head offices, domestic and overseas branches, and OBUs) and foreign banks (ordinary branches and OBUs in Taiwan).

Source: CBC website, February 2019.

(6) Cross-Strait Remittances Business

In 2018, outward and inward remittances to and from mainland China by all banks came to US\$468.8 billion and US\$329.6 billion, respectively, up by 13.46% and 16.99%, respectively, from 2017. 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\$ 100 million

Item \ Year	2018	2017	Change (US\$)	Change (%)
Outward remittances	4,688.02	4,131.85	556.17	13.46
Inward remittances	3,296.09	2,817.48	478.61	16.99

Source: Financial Supervisory Commission

(7) Other Business

Domestic banks' fee income in 2018 came to NT\$209.3 billion, up by 2.70% from NT\$203.8 billion in 2017, accounting for 10.19% of the total income of domestic banks in 2018, up from 9.62% in 2017. These figures show that the fee income of Taiwan's domestic banks continues to post stable growth.

Changes in Banks' Fee Income

Unit: NT\$ 100 million

Item \ Year	2018	2017	Change (NT\$)	Change (%)
Fee income	2,093	2,038	55	2.70
Fee income as share of total income of domestic banks (%)	10.19	9.62	-	-

Source: Financial Supervisory Commission

IV. Report on the Work of BAROC

A. Major Achievements in 2018

1. Helped banks implement guidelines for anti-money laundering and combating the financing of terrorism (AML/CFT) and assisted with the conduct of on-site visits in connection with the preparation of the Third Follow-up Report of the Asia/Pacific Group on Money Laundering (APG) to the Mutual Evaluation Report

(1) Helped banks implement AML/CFT guidelines:

- (a) To provide better guidance to financial institutions, BAROC drafted amendments to the "Model Guidelines for Banks' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures, and Related Regulations: FAQs for Financial Institutions." BAROC provided this FAQs to the FSC, which disseminated it to member banks for their reference.
- (b) To strengthen Taiwan's AML/CFT regime, and to help banks implement AML/CFT guidelines, the FSC asked BAROC to prepare a "Handbook for Comprehensive Money Laundering and Terrorism Financing (ML/TF) Risk Assessment by Banks" which would focus on the use of the risk-based approach (RBA) to identify and assess ML/TF risks, the implementation of related risk mitigation measures, and how to take into account the results of national risk assessments and sectoral risk assessments. BAROC provided this Handbook to the FSC, which disseminated it to member banks for their reference.
- (c) To help banks use the RBA in identifying and assessing ML/TF risks, and in implementing related risk mitigation measures, BAROC hired Formosa Transnational Attorneys at Law to help translate the Wolfsberg Group's "Frequently Asked Questions on Risk Assessments for Money Laundering, Sanctions and Bribery & Corruption." The translation is available to member banks for their reference.
- (d) To implement its AML/CFT measures, the FSC asked BAROC to prepare a "Handbook for Review of Business Relationships Established by Banks and Virtual Currency Exchange Operators" which would put forward a feasible method for developing policies to govern the acceptance by financial institutions of virtual currency exchange operators as customers. In connection therewith, BAROC invited representatives of the competent authorities and virtual currency exchange operators to discuss AML/CFT operations for the payment collections services provided by convenience stores. BAROC provided the resulting Handbook to the FSC, which disseminated it to member banks for their reference.

- (2) To coordinate with on-site visits carried out from 5 to 16 November 2018 in connection with preparation of the APG's Third Follow-up Report to the Mutual Evaluation Report, BAROC helped the competent authorities and member banks carry out related mock training exercises, seminars, and guidances, as described below:

- (a) To help the FSC understand the state of banks' AML/CFT operations and the problems they face, BAROC held a "Seminar on Implementation of AML/CFT Work." The seminar met in two separate sessions, on 12 and 23 January 2018, and focused on the following six topics: (i) how to use the RBA approach to implement AML measures; (ii) how to effectively use the RBA approach to identify and assess ML/TF risks; (iii) how to collect and verify information on beneficial owners; (iv) defining, identifying, and assessing the risks posed by politically exposed persons (PEPs); (v) trade finance and screening for suspicious trade finance transactions; and (vi) information sharing by financial holding companies. Six banks were invited to share their AML/CFT experiences at the seminar, and senior officials from the FSC Banking Bureau and Financial Examination Bureau met with the bankers to discuss related matters and help financial institutions implement their AML regimes.
- (b) The Executive Yuan's Anti-Money Laundering Office (AMLO) released a "National ML/TF Risk Assessment Report" in May 2018. To help member banks better understand the Report and its preliminary conclusions, and to help them incorporate ML/TF risks mentioned in the Report into their own risk assessment mechanisms and procedures, BAROC held two informational meetings on 26 March and 9 July 2018 at the Taiwan Academy of Banking and Finance. At the meetings, senior officials from the Ministry of Justice and the FSC Banking Bureau spoke on the topics of "the National Risk Assessment's Process and Conclusions, and their Application in the Mutual Evaluation" and "the Significance of the National Risk Assessment to Financial Institutions."
- (c) The Executive Yuan's AMLO held an AML/CFT Mock Mutual Evaluation Conference for the Private Sector on 25–27 April 2018 at the Chang Yung-Fa Foundation. BAROC provided partial funding for the event and took part in mock mutual evaluation activities on 26 April. In addition, BAROC also took part in a pre-conference informational meeting and a pre-conference mock mutual evaluation meeting held by the FSC Banking Bureau.
- (d) To help member banks better understand the results of the national ML/TF risk assessment, to make AML/CFT regimes more effective, and to improve the quality of suspicious transaction reports, BAROC on 4 May 2018 held a "Conference on Analysis of Unusual Transaction Reports and Money Laundering Typologies," where senior officials from the Ministry of Justice Investigation Bureau's Anti-Money Laundering Division discussed the investigation of high-risk ML/TF typologies and suspicious transaction reports, and shared with member banks regarding techniques and experiences related to the analysis of unusual transactions.

- (e) BAROC helped the FSC hold the "Conference on Best Practices for Compliance with International Sanctions Against North Korea and US Customer Due Diligence Requirements," where experts from the United States shared their insights regarding international sanctions regulations and customer due diligence operations. At the event, which took place on 11 May 2018 at the Taiwan Academy of Banking and Finance, speeches were delivered by BAROC Chairman Jye-Cherng Lyu, FSC Vice Chairman Tien-Mu Huang, and the Deputy Chief of the Economic Section at the Taipei Office of the American Institute in Taiwan. In addition, officials from the US Department of State and Taiwan's Ministry of Finance and Judicial Yuan spoke on such topics as "International Sanctions Against North Korea and Customer Due Diligence Best Practices," "AML/CFT Best Practices," and "US Penal Provisions, Legislation, and Information Sources."
- (f) On 18–20 September 2018, the FSC held an "AML/CFT Mock Mutual Evaluation Conference," inviting the consultants Mr. Richard Chalmers and Mr. Nicolas Choules-Burbidge to Taiwan to conduct mock mutual evaluations at FSC-regulated financial institutions that were scheduled to take part in an upcoming AML/CFT mutual evaluation. BAROC, in addition to providing partial funding for the event, took part in the mock mutual evaluation activities on 18 September 2018.
- (g) To provide member banks with more comprehensive AML information and help the general public fully understand AML requirements, BAROC expanded and redesigned the AML/CFT section on its website and relaunched this section on 14 August 2018, making it available to be linked by member banks from their own sites.
- (h) The Executive Yuan's AMLO asked BAROC to disseminate AMLO publicity posters to member banks with instructions to post them at the banks' places of business and other appropriate locations in order to elicit increased public cooperation with financial institutions' AML/CFT work.
- (i) To assist with efforts to publicize the Taiwan Financial Services Roundtable's "2018 Anti-Money Laundering Crackdown Part 2", BAROC provided file conversion utilities needed to play public service AML videos on ATM machines, and collected information on instances of successful prevention of money laundering by member banks.
- (3) On-site visits were carried out from 5 to 16 November 2018 in connection with preparation of the APG's Third Follow-up Report to the Mutual Evaluation Report. BAROC underwent an inspection visit on the afternoon of 7 November at the HNBK International Convention

Center. Related preparations, mock training exercises, and informational meetings included the following:

- (a) To ensure proper handling of the on-site visits, Chairman Gordon Y. Wang of the BAROC General Banking Committee led two working groups comprising a total of 10 members that administered related matters. One working group was headed by Yu-Ying Shang (from CTBC Bank) and another headed by Ya-Ting Xue (from Citibank Taiwan).
 - (b) To prepare for interviews during the on-site visits, BAROC helped mutual evaluation representatives familiarize themselves in advance with mutual evaluation procedures and enhance the skill for how to answer questions. These representatives attended five mock evaluations and seven informational meetings held by AMLO, the FSC, and BAROC. In addition, BAROC held dozens of meetings to discuss issues that might become focal points during the on-site visits, compiled collections of mock questions, and prepared Chinese and English presentation materials. All the mutual evaluation representatives worked extremely hard, and also helped member banks to prepare for their own on-site visits.
- (4) On-site visit at BAROC:
- (a) The on-site visit at BAROC started at 3:30 p.m. on 7 November 2018. The assessment team focused especially on: BAROC's functions; how its task forces adopt rules; the extent of member banks' participation in BAROC's work; OBUs; trade finance; tax-related money laundering; management of overseas branches and subsidiaries; and challenges faced by member banks in the course of their AML/CFT work.
 - (b) The assessment team strongly praised BAROC's hard work on AML/CFT matters. In addition, the team noted many things that BAROC has done to restore the confidence of international financial supervisory authorities in Taiwanese banks (e.g. BAROC has helped the competent authorities and member banks to draft related rules and regulations, and since late 2016 a team of BAROC personnel led by Chairman Jye-Cherng Lyu has traveled overseas to attend four legal compliance forums, four conferences on collective self-discipline, and multiple seminars), and said it was deeply impressed.
 - (c) The assessment team was very impressed by everything that BAROC had done to assist the competent authorities and member banks, and by the considerable results of its efforts. It is thus clear that BAROC has a large and powerful organizational leadership system to research a large number of important topics.

2. Promoted the implementation of compliance systems, enhanced compliance awareness at overseas branches of domestic banks

- (1) BAROC held the "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Organizations" in New York on 29–30 March 2018. Some 100 supervisory officials and industry experts were invited to speak at the conference on important related topics, including legal compliance, supervisory and examination systems, internal controls and internal audit procedures, and risk management strategies. In addition to providing deep-level analyses of different countries' financial legislation, the conference also facilitated better understanding between Taiwan's banking industry and its counterparts in other countries.
- (2) BAROC held the "Conference on Collective Self-Discipline Among Overseas Branches of Taiwanese Banks" on 29 August, 20 October, 25 October, and 11 December of 2018, respectively, in Tokyo, New York, Los Angeles, and Hong Kong. Managers from local branches of Taiwanese banks were invited to attend these conferences, which focused on the theme of legal compliance.

3. Strengthened financial institution information security measures, drafted related rules

- (1) Acting pursuant to FSC instructions, BAROC amended the "Rules Governing the Provision of Mobile Device Apps by Financial Institutions." The amended Rules were filed with the FSC, which then forwarded the Rules to member institutions with instructions to observe them.
- (2) Acting Pursuant to FSC instructions, BAROC amended the "Rules Governing Security Controls for Financial Institutions in Their Use of Internet-of-Things Devices." The amended Rules were filed with the FSC, which then forwarded the Rules to member institutions with instructions to observe them.
- (3) Acting pursuant to FSC instructions, BAROC asked member banks to implement its "Information Security Penetration Testing Plan for Financial Institutions," and in late April 2018 reported to the FSC on the results.
- (4) Acting pursuant to FSC instructions, BAROC amended the "System Security Guidelines for Automatic Teller Machines Provided by Financial Institutions." The amended Guidelines were filed with the FSC, which then forwarded the Guidelines to member institutions with instructions to observe them.
- (5) Acting pursuant to FSC instructions, BAROC amended the "Rules for the Conduct by Financial Institutions of Information System Security Assessments." The amended Guidelines

were filed with the FSC, which then forwarded the Guidelines to member institutions with instructions to observe them.

- (6) Acting pursuant to FSC instructions, BAROC instructed member institutions that they are not to install an operating system or a utility on office computers until after they have checked for spyware, viruses, scamware, keyloggers, or other types of malware. Member institutions are also required to conduct periodic scans for malware.
- (7) Acting pursuant to FSC instructions, BAROC instructed member institutions to properly manage information system updates and maintenance.
- (8) Acting pursuant to FSC instructions, in preparation for the upcoming Chinese New Year holidays, BAROC instructed member institutions to adopt contingency plans and reporting procedures, and to establish mechanisms for the monitoring of systems and information security, in order to ensure the security of their information systems.
- (9) Acting pursuant to FSC instructions, BAROC instructed member institutions to safeguard information security at all overseas branches, to treat this task as a high-priority item in internal audits, and to strengthen their information security controls.
- (10) The public had suggested that financial institutions, in order to guard against phishing attacks, should implement email authentication, email encryption, and other such security measures. In response to this suggestion, BAROC instructed member institutions to adopt email sender verification mechanisms to help the public identify legitimate emails.
- (11) BAROC drafted amendments to the "Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business" on the basis of:
 - (a) a recommendation put forward by member institutions at the "Conference on the Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business";
 - (b) a recommendation put forward at a meeting of the Risk Management Committee's "Structured Instruments Online Sales Task Force"; and
 - (c) a recommendation put forward at a meeting of the Lending Committee's "Retail Banking Task Force."

BAROC then submitted these to its Joint Board of Directors and Supervisors for deliberations and approval. After that they were filed with the FSC for its reference and disseminated to member institutions with instructions to abide by their provisions.

- (12) In order to ensure information security with respect to domestic financial institutions' use of the SWIFT system, BAROC asked SWIFT to help Taiwanese users complete information

security certifications under the SWIFT Customer Security Programme (CSP). On 17 May and 3 July 2018, BAROC arranged for SWIFT to dispatch experts to Taiwan to hold CSP seminars as well as informational meetings on the CSP V2 update, where they explained the successes of the Programme's implementation and problems that have been encountered. They also spoke about changes to the 2018 CSP questionnaire to help member banks to administer it.

- (13) BAROC continued to observe the transaction risk for the use of one-time passwords designed for safety concern, and asked member institutions to strengthen protective mechanisms. In the future, BAROC intends to require that anyone who intends to add a new mobile phone number must appear at the service counter for identity confirmation in order to improve mobile phone number registrations and provide better transaction security.

4. Supported the government's green energy policy by amending the Credit Standards for BAROC Members, and held related conferences and courses to help member institutions provide financing to renewable energy firms

- (1) BAROC added new provisions under Article 20-1 of the "Credit Standards for Members of the BAROC" regarding project financing, including the following: (i) When a financial institution carries out due diligence in connection with a project financing deal, it must assess feasibility and risks with respect to financial, legal, insurance, and technical matters, and where necessary, it must also hire an outside expert (e.g. a lawyer or accountant), a professional consulting firm, or a third-party testing and certification body to prepare an assessment report. (ii) The new provisions set out the matters to which a project financing risk assessment must pay especially close attention. (iii) A financial institution must work out a risk sharing mechanism and collateral framework among borrowers, investors, and promoters, and adopt related risk control mechanisms to safeguard the interests of financing banks.
- (2) BAROC worked with the Bureau of Standards, the Taiwan Institute of Economic Research, and the CR Classification Society to produce the documents needed for the conduct of due diligence operations. In connection with this undertaking, BAROC helped hold meetings to which personnel from member banks and the Bureau of Standards were invited. After the meeting, the Bureau of Standards completed the due diligence documents and disseminated them to BAROC member banks for use in conducting due diligence on offshore wind power loan deals.
- (3) In December 2018, BAROC held a forum on the international offshore wind power industry and three related workshops, which attracted a total attendance of some 250 persons.

5. Actively promoted international cooperation and exchange, trained international financial professionals, set up databases, helped banks expand their international presence

- (1) To support the government's New Southbound Policy, BAROC continued with its quarterly updates of data on the 10 main countries targeted by the Policy, added research on "Supervisory Trends and Anti-money Laundering in Major Countries Around the World" to the system, and started preparing semi-annual reports on countries targeted by the New Southbound Policy, including a report on the "Current State of the Middle Class in the Philippines, and Business Opportunities Stemming from the Development of Consumer Finance There." All of this information is posted to a special section on the BAROC website designed to help member banks collect the type of information they need when seeking to establish business locations in selected overseas markets.
- (2) To establish channels for exchange between Taiwanese banks and financial supervisory authorities in other Asian nations, and facilitate better mutual understanding, BAROC invited five senior financial supervisory officials from Indonesia, Vietnam, and the Philippines to take part in a study tour in Taiwan on 15–19 October 2018. They delivered keynote speeches on 16 October at the "2018 Asian Financial Supervision Conference," which was held at the Taiwan Academy of Banking and Finance. At the Conference, the delegation members spoke with other attendees about: (a) their respective countries' financial supervisory mechanisms; (b) selected financial examination cases; (c) their AML/CFT regulations; (d) foreign bank market access regulations; (e) their foreign banking operations; (f) what their financial authorities expect of foreign banks; and (g) the current state of Fintech development. Hearing directly from these high-level officials helped Taiwanese bankers better understand the key points of legal compliance, internal controls, internal audits, and risk management in Indonesia, Vietnam, and the Philippines. The knowledge thus gained will help them expand their business more successfully.
- (3) BAROC and the Israel Economic and Cultural Office in Taipei jointly organized the "2018 Israel FinTech and Cybersecurity Delegation", inviting senior FSC officials, top financial industry executives, and managers with direct responsibility for oversight of FinTech plans and cybersecurity matters to travel to Israel for visits and discussions from 17 to 23 June 2018. The objectives of the delegation were to: (i) learn from Israel's experience in FinTech and cybersecurity innovation and development; (ii) develop ideas for how to go about developing Taiwan's financial industry; and (iii) promote banking industry exchanges and cooperation.

While in Israel, the group visited the Israel Export and International Cooperation Institute (IEICI), the Israel Innovation Authority, Citi Innovation Lab, the Bank of Israel, Barclay's RISE accelerator in Tel Aviv, CyberSpark, Cyberbit, and important supervisory agencies.

- (4) BAROC officials visited the Japanese Bankers Association from 26 to 29 August 2018 to promote two-way financial industry exchanges.

6. Coordinated with Government Policy by Drafting Measures to be Taken by Financial Services Providers

- (1) Coordinated with the FSC's efforts to support the real economy by continuing to encourage member institutions to provide financing to firms in the key innovative fields of green energy, the Asia Silicon Valley initiative, the biotech and pharmaceutical industry, national defense, smart machinery, new agriculture, and the circular economy. The purpose is to spur real economic growth in Taiwan and support industrial upgrading. BAROC also adopted goals for a phase-three project proposal, and provided these to the competent authority for its reference.
- (2) In order to ensure better risk management by banks that provide financing for public infrastructure projects, the FSC took steps to establish a system that enables procuring entities and banks to communicate directly about contract performance by contract awardees. In support of this policy objective, after meeting on multiple occasions with the Public Construction Commission for discussions, BAROC added a new Article 20-3 to its "Credit Standards for Members of the BAROC," which it drafted with reference to the content of the Public Construction Commission's model "Three-Party Agreement" between the parties to important government procurement contracts. The Credit Standards provide that the project financier may—in government procurement cases financed with a syndicated loan amounting to NT\$5 billion or more—enter into the aforementioned model "Three-Party Agreement" with the principal and the borrower. This Agreement provides that: contract payments be wired to a special account for management; the manner in which contract payments are wired to the special account may not be changed without the bank's consent; the borrower is only allowed to use project loan proceeds for their specific project-related purpose; and the bank may inquire with the principal about the content of the procurement contract and the state of contract performance, and may also inquire with the principal about any invoices, progress assessment reports, or progress payment invoices that must be submitted pursuant to the procurement contract provisions.
- (3) To support the FSC in its efforts to ensure better risk management by banks in connection with their handling of syndicated loans, BAROC amended Article 11 of the "Credit Check

- Standards for Members of the BAROC" and added a new Article 20-2 and Article 30-3 to the "Credit Standards for Members of the BAROC." Key points include the following: (i) Article 11 of the Credit Check Standards has been amended with reference to the Basel Principles for the Management of Credit Risk to allow participant lenders, once they have completed an assessment, to use the lead arranger's loan prospectus as credit report reference material. However, participant lenders are still required to conduct due diligence and credit risk analysis, and are not allowed to base their credit reports solely on the lead arranger's loan prospectus. (ii) A lead arranger or bookrunner is required to provide participant lenders with timely access, as per syndication agreement provisions, to materials needed for post-loan management, and the participant lenders shall carry out post-loan management in accordance with their internal rules. (iii) New provisions have been adopted to govern the respective duties of the lead arranger and the participant lenders, and the sharing of information amongst them.
- (4) With respect to the handling by banks of new customers' online loan applications, BAROC decided to allow the use of deposit account security design mechanisms to verify customer identity, and to allow customers to grant financial institutions permission to access the Joint Credit Information Center to check their credit history.
 - (5) BAROC is working to enable more use of electronic payment instruments to pay fees owed to public-sector entities. As of end-December 2018, the National Fee (Tax) Payment System additionally acts as collection agent for the New Taipei City Government, the Kaohsiung City Government, the Taiwan Shihlin District Court, the Taiwan Tainan District Court, and the Taiwan Taichung District Court. The National Fee (Tax) Payment System now acts as collection agent for more than 12,000 business entities, handling a monthly average of over 2.6 million payments worth a monthly average of some NT\$26.5 billion.
 - (6) Article 17 of the "Act for Industrial Innovation" requires the FSC to conduct surveys and projections on "Supply and Demand for Key Types of Human Resources in the Financial Industry in 2019-2021." BAROC, acting on the FSC's behalf, conducted surveys and projections for banks and financial holding companies to identify supply and demand factors affecting employee turnover during the years 2019–2021. Survey items include: basic identifying information on the respondent firms; expected number of employee retirements over the coming three fiscal years; analysis of the selection model for key personnel needed to implement the bank's plans for establishing new overseas business locations; the number of additional key personnel needed by the bank due to the launch of new lines of business; number of foreign nationals currently employed by the bank; number of key personnel currently employed whose hiring had been arranged by an outside executive recruitment service; and analysis of the reasons for the

departures (retirements) of key personnel, with an eye to understanding the short-, medium-, and long-term allocation of human resources in Taiwan's banking industry. The results of the survey will be submitted to the proper government agencies to use as reference in examining supply and demand for key banking personnel.

- (7) Acting pursuant to FSC instructions, BAROC acted to increase market information transparency by redesigning the web page it uses to disclose interbank loan transaction data. Also, in order to improve intermediation in the interbank lending market and make the interbank lending market more efficient, BAROC makes daily disclosures of interbank loan market information.
- (8) To facilitate the use of stored value cards for online transactions, the FSC requested that BAROC invite stored value card firms to attend a meeting to discuss possible amendments to the "Rules Governing the Business of Electronic Stored Value Card Issuers." On 20 June 2018, BAROC reported the results of the meeting to the FSC for its reference.
- (9) To draw up plans to allow electronic payment institutions to conduct new types of business, the FSC requested that BAROC invite member institutions to discuss recommendations for possible amendments to the "Rules Governing the Administration of Electronic Payment Business." On 9 October 2018, BAROC reported the results of the meeting to the FSC for its reference.
- (10) To prepare for adoption of IFRS 9, IFRS 15, and IFRS 16 and the needs of member institutions, BAROC hired an accounting firm to draft amendments to the "Model Credit Card Accounting System." BAROC invited credit card institutions to attend several meetings to discuss possible amendments. BAROC has filed the amendments with the FSC for its reference.
- (11) On 7 March 2018, the Financial Ombudsman Institution (FOI) called a meeting to solicit a wide range of views on the reasonableness of annual fees and service charges. During the meeting, BAROC representatives encouraged the FOI to engage in direct dialogue with banks to reduce disagreements. After the meeting, BAROC forwarded the views expressed to the competent authority for its reference in the drafting of legislative amendments, and on 25 April 2018 provided the views to the FOI for its reference.
- (12) On 23 October 2018, the FSC called a meeting to discuss the "Establishment of System for Assessment of Implementation by Financial Institutions of the Principles for Fair Treatment of Consumers." During the meeting, bank representatives commented on aspects of the system that would be difficult to implement. In response, the meeting chair instructed the appropriate BAROC officials to study the comments. Then on 22 November 2018, the FSC notified BAROC that a "System for Assessment of Implementation by Financial Institutions of the

Principles for Fair Treatment of Consumers" would have to be implemented beginning in 2019. On 5 December, BAROC forwarded this instruction to member banks. To facilitate compliance by banks, the FSC on 18 December 2018 held an informational meeting, where it responded to questions from banks regarding the system's implementation.

- (13) To help financial institutions cooperate with investigations by prosecutors of illegal money flows, BAROC helped the Ministry of Justice to draw up a list of matters in which financial institutions are required to cooperate with implementation of the "System for the Use by Prosecutorial Authorities of Electronic Document Systems to Request Financial Information." Such matters include the types of information that must be produced upon a prosecutorial request, the file transfer format, and the deadline for response by financial institutions to a prosecutorial request. The system was launched on 1 March 2018. Since that date, BAROC has helped member banks to report their views regarding the system, and these views have been duly noted by the Ministry of Justice.
- (14) The FSC Banking Bureau instructed BAROC to study expanded implementation of the "Irregular Accounts Early Warning System." After completing its study, BAROC amended the "Procedures for Operation by Financial Institutions of the Irregular Accounts Early Warning System," filed them with the FSC for its reference, and disseminated them to member banks with instructions to comply.
- (15) After a customer falls victim to a scam involving the use of a debit card to make a deposit at a cash deposit machine of a bank other than the card issuer, he or she will often apply afterward for a refund of the remaining funds in the watchlisted account. To ensure proper handling of such situations, the FSC instructed BAROC to develop a feasible method for returning the remaining balance. After studying the matter, BAROC amended the "Operating Procedures for Refund by Financial Institutions of Remaining Funds in Watchlisted Accounts," filed them with the FSC for recordation, and disseminated them to member banks with instructions to comply.

7. Helped Resolve Problems Faced by all Member Banks

- (1) In order to ensure that different banks use consistent review procedures when consumers apply for pre-negotiation proceedings, pre-mediation proceedings, or unified collections in rehabilitation, BAROC adopted "Operational Guidelines for Pre-Negotiation Proceedings," "Operational Guidelines for Pre-mediation Proceedings," and "Operational Guidelines for Unified Collections and Disbursements in Rehabilitation."
- (2) In an effort to improve the professional expertise of member banks' foreign exchange business personnel and ensure that their skills are on a par with those of counterparts throughout the

world, BAROC posted the following to the "Protests for Non-Payment" section of its website: (a) Chinese translations of summaries of the ICC Banking Commission's International Standard Banking Practice case studies; (b) reports on the latest international regulatory trends; and (c) a report on BAROC's participation in the ICC Banking Commission's 2018 Annual Meeting. All of this information is available to member banks' foreign exchange business personnel to access in the course of their daily work.

- (3) To help member banks comply with the US "Foreign Account Tax Compliance Act (FATCA)," and taking into account what the competent authority needs in order to coordinate with the intergovernmental FATCA agreement between the US and Taiwan, BAROC provided support by collecting the opinions of banks and providing them to the FSC Banking Bureau for its reference. This measure was taken to help member banks respond appropriately.
- (4) To help member banks respond to the European Union's General Data Protection Regulation (GDPR), BAROC hired a team of attorneys led by Chien-Ting Yeh of Chien Yeh Law Offices ("Chien Yeh") to provide assistance. Also, making reference to information obtained when Chien Yeh met on 24 April 2018 with four attorneys (including John Salmon, the British representative at the GDPR drafting proceedings and a partner at Hogan Lovells, one of the five largest international law firms in the world), BAROC drafted the "Reference Measures for Member Banks Respond to the GDPR (with Appendix)". BAROC has filed this document with the FSC Banking Bureau for its reference, and disseminated it to member banks with instructions to act accordingly.
- (5) On 21 December 2018, BAROC held an "Informational Meeting on the Guidelines for the Development of Barrier-Free Mobile Apps" to facilitate efforts by member banks to modify related apps.
- (6) In order to deal with the impact of the new EU Benchmark Regulation (EU BMR) on the Taipei Interbank Money Center's overnight interbank call-loan rates and TAIBOR rates, BAROC has taken the following measures:
 - (a) Hired a translation firm to translate the EU BMR into Chinese, and disseminated the translation to member institutions for their reference.
 - (b) Requested that all banks fill out a "Benchmark Interest Rate Pricing Survey" in order to understand how domestic banks use TAIBOR and overnight interbank call-loan rates as their benchmark rates.
 - (c) Stayed in frequent contact with the European Chamber of Commerce Taiwan, the Taiwan Stock Exchange, PwC Taiwan, Refinitiv (formerly: Thomson Reuters), Bloomberg, and other such organizations to keep abreast of the last BMR developments and its application in different countries around the world.

- (d) To support plans by the Hong Kong-based Securities Industry and Financial Markets Association (ASIFMA) to visit Taiwan, BAROC invited 15 TAIBOR reporting banks to take part in a seminar on 1 August 2018 in order to better understand the impact of EU BMR on Asian financial markets and the future challenges it may pose.
 - (e) Studied the three ways in which a third-country benchmark might be determined to be subject to the EU BMR, and how the application conditions, application procedures, and fees differ. The results of the study were provided to the Taipei Interbank Money Center for its reference in deciding which regime to use in determining the applicability of the EU BMR.
- (7) In response to the elimination of the "Available-for-Sale Financial Assets" accounting item following adoption of IFRS 9: Financial Instruments, BAROC suggested a workaround whereby such assets are measured at fair value through other comprehensive income. The FSC Banking Bureau agreed with this suggestion, and ruled that this accounting practice should take effect retroactively from 1 January 2018. BAROC notified banks accordingly.
 - (8) The FSC instructed BAROC to encourage banks to implement shareholder activism and help banks sign onto the "Stewardship Principles for Institutional Investors." To comply with this instruction, BAROC drafted a number of sample statements of stewardship policies, policies on management of conflicts of interest, and voting policies that signatories are required to adopt. In addition to domestic banks, BAROC also invited the FSC and the Taiwan Stock Exchange Corporate Governance Center to attend a meeting and help banks better understand policy objectives, signing-related matters, rights and obligations, and practical matters.
 - (9) One method for calculating the risk-weighted assets of banks makes use of credit risk mitigation under the standardized approach. With regard thereto, BAROC suggested that the risk weights assigned to OECD-recognized official export credit agencies should be one tier inferior to the risk weights assigned to sovereign nations (as is the case with the risk weights assigned to domestic credit guarantee institutions). The FSC agreed with this suggestion, and BAROC notified domestic banks accordingly.
 - (10) The FSC policy that sales bonuses should be calculated on basis of assets under management was implemented as follows:
 - (a) In 2015, the FSC adopted a policy decision that sales bonuses should be calculated on the basis of assets under management (AUM) rather than total sales. However, communications among the Securities Investment Trust and Consulting Association of the R.O.C. (SITCA), the Trust Association of R.O.C., and BAROC failed to yield a consensus on the matter. On 18 January 2017, the FSC again called a meeting among the concerned financial services firms and trade associations for further discussions, and the meeting resulted in a decision to first cap sales charges and then gradually switch to calculating sales bonuses on the

basis of AUM. SITCA suggested capping sales charges at 0.1%, but the parties again failed to reach a consensus, so the FSC asked the Trust Association and BAROC to state their opinion regarding the feasibility of calculating sales bonuses on the basis of AUM. On 27 February 2018, BAROC submitted its response to the FSC, suggesting once again that it should be left to fund operators and distributors to decide via the market mechanism whether a sales charge cap or an AUM-based calculation is the preferable approach. If we put top priority on fund management performance, product characteristics, and investor needs, and if we require investment trust firms to be responsible for maintaining a certain fund size, then we might be able to safeguard investor interests without interfering with market prices.

- (b) On 28 March 2018, the FSC called a meeting to discuss a reasonable method for calculating compensation for fund marketers. At the meeting, the BAROC representative voiced the views of BAROC's member banks, but the meeting chair ruled that the government's policy position on this issue has already been determined, and called on financial services firms to complete related preparations by the end of 2019. The chair also asked SITCA and the Trust Association to complete amendments to related self-regulatory rules within two months. Then on 19 April 2018, the FSC ruled that BAROC's member institutions would be required to renegotiate their sales agent agreements and switch to AUM-based calculation of sales bonuses by the end of 2019. On 2 May 2018, BAROC informed its member banks of the decision.
- (11) To help member institutions administer matters pertaining to urban renewal financing, the FSC issued an official interpretation that banks are exempt from the restrictions set out in Article 72-2 of the "Banking Act" when they provide a loan to finance an urban renewal project that has been approved by the competent authority.
- (12) In response to suggestions from the FSC Banking Bureau and member banks, BAROC drafted amendments to the "Guidelines for the Handling by Banks of Customers' Online Opening of Digital Deposit Accounts." A newly added provision that sets out the situations under which customers are allowed to open digital deposit accounts, and the various factors that indicate that a digital deposit account application is problematic. In addition, the amended Guidelines provide that when an identity check has been carried out using the Financial Information Service Company's system, a type 3 digital deposit account under a certain limit: (i) can be registered as a preset account by the owner of another account who does not have the same uniform ID number (provided that transfers between such accounts will be subject to a cap); and (ii) can be used for wire transfers to or from a non-preset account. BAROC filed the amended Guidelines with the FSC for recordation, and disseminated them to member banks.

- (13) The FSC instructed BAROC to prepare a recommendation regarding future operating procedures under the "Guidelines for the Handling by Banks of Customers' Online Opening of Stored-value Payment Accounts." In light of the fact that most banks are already planning to discontinue stored-value payment accounts business, the FSC agreed to allow banks which operate stored-value payment accounts business to discontinue it on or before 30 June 2019, and devised a set of related measures. The aforementioned Guidelines will be abrogated once all banks have discontinued their stored-value payment accounts business (i.e. from 1 July 2019). The FSC informed BAROC, which in turn informed member banks.
- (14) In order to increase the efficiency of financial services and support the effort to implement paperless office operations, approval procedures for the authorization of bank transfers under the National Fee (Tax) Payment System have been modified. In addition to the original practice of affixing an approval stamp to hardcopy, the system now allows additionally for the use of electronic processes, including the use of financial chip cards, Class 3 certificates from Taiwan-CA Inc., online banks, and QR codes.
- (15) Regarding the question of whether an existing customer who already holds a financial chip card can be allowed to apply online for reissuance of a financial chip card and receive the reissued card by mail, BAROC studied a method of customer identity verification whereby a bank uses an online bank and either one-time passwords or a "two or more techniques" security design (in compliance with the "Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business"), and then verifies whether the new and old financial cards are both linked to the same account. BAROC reported the matter to the FSC Banking Bureau, and then acted as instructed.
- (16) The Ministry of Finance agreed to a suggestion from BAROC that when a company (in order to incentivize and remunerate the employees of a subordinate company, and acting in accordance with the provisions of the "Company Act," the "Securities and Exchange Act," or the "Financial Holding Company Act") issues employee compensation in shares, issues employee stock warrants, takes part of the shares issued in connection with a cash capital increase and offers employees the opportunity to subscribe to them, carries out a stock buyback and transfers the shares to employees, or issues restricted stock for employees, when the company reports its business income tax it is allowed to treat the expense connected with the aforementioned distributions to the employees of the subordinate company as a payroll expense of the subordinate company.

8. Continued to help Taiwanese banks bring practices in line with international risk management rules

In order to help the competent authority research the Basel Committee on Banking Supervision's risk management requirements for banks, and to consider their application in Taiwan, the Basel Research Task Force (jointly established by BAROC and the FSC Banking Bureau) finished the following tasks in 2018:

- (1) Credit Risk Working Group No. 1: Translated the "Basel III: Finalising Post-Crisis Reforms — Standardised Approach For Credit Risk" into Chinese.
- (2) Credit Risk Working Group No. 2: Translated the "Standards for Interest Rate Risk in the Banking Book" into Chinese; drafted Attachment 2-4-1 ("Qualitative Indicators for Interest Rate Risk in the Banking Book") and Attachment 2-4-2 ("Quantitative Indicators for Interest Rate Risk in the Banking Book") of the "Matters to be Reported Concerning Compliance by Domestic Banks with Supervisory Review Principles"; held informational meetings; provided guidances for member banks with the carrying out of test calculations; and prepared suggestions for amendments.
- (3) Pillar 3 Working Group: Drafted suggested amendments to the "Capital Adequacy and Risk Management Disclosure Requirements for Domestic Banks" in the wake of adoption of IFRS 9, and prepared FAQs on Pillar 3 disclosure requirements.
- (4) Liquidity Risk Working Group: Helped domestic banks carry out test calculations on the basis of the standards for classification of operational deposits as set out in "Methods for Calculating the Liquidity Coverage Ratio."
- (5) Stress Test Working Group: Held an informational meeting on the "Guidelines for the Conduct of Stress Tests by Domestic Banks (2018 version)" to help member banks carry out test calculations, and prepared suggestions for amendments.
- (6) Capital Working Group: Translated the "BCBS Standard on TLAC Holdings" into Chinese; drafted legislation governing "Total Loss-absorbing Capacity and Capital Charges for Equity Investments;" held informational meetings; provided guidance for member banks with the carrying out of test calculations; and prepared suggestions for amendments.

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

- (1) In order to strengthen regulatory mechanisms for structured products and to adopt rules governing authorization by a bank's head office of its designated foreign exchange branches to conduct the business of recommending financial derivatives as well as the use of electronic equipment to provide structured product trading services, BAROC completed an amendment to the "Self-regulatory Rules for Banks Dealing in Derivative Products" and then abolished the "Self-Regulatory Rules for Risk Management by Banks in the Conduct of Financial Derivatives Business" after incorporating its content into the "Self-regulatory Rules for Banks

- Dealing in Derivative Products." BAROC filed the amended Self-regulatory Rules with the FSC, then forwarded them to member banks with instructions to act accordingly.
- (2) To strengthen corporate governance at financial institutions, BAROC, acting pursuant to FSC instructions, amended the "Corporate Governance Best-Practice Principles for Financial Holding Companies" and the "Corporate Governance Best-Practice Principles for Banks," filed them with the FSC, and then forwarded them to member financial holding companies and banks with instructions to act accordingly.
 - (3) BAROC, acting pursuant to FSC instructions, drafted a set of "Self-Regulatory Rules for Compliance and AML/CFT Systems at the Overseas Branches (Subsidiaries) of Domestic Member Banks of the ROC Bankers Association." The objective was to ensure the effectiveness and soundness of the internal management systems adopted by domestic banks. BAROC filed the Rules with the FSC, and then forwarded them to member banks with instructions to act accordingly.
 - (4) To further flesh out the content of an upcoming amendment to the "Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business," BAROC held two sessions of a "Seminar on the Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business" on 29 and 31 August 2018 to receive feedback from member institutions that would serve as reference for ongoing work to draft the amendment.
 - (5) To coordinate with the FSC's amendment of the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business," the BAROC Risk Management Committee's Derivatives Subcommittee made corresponding amendments to the "Self-regulatory Rules for Banks Dealing in Derivative Products." Key points include the following:
 - (a) The first time a bank provides an individual customer with trading service involving a particular derivatives product, it must send a case officer to explain the product, and if the product is not principal-protected the bank must make either an audio or video recording of the product explanation and retain it in its records.
 - (b) Regarding the manner in which electronic equipment is used to conduct derivatives trading, this matter falls within the purview of the Risk Management Committee, therefore this Committee helped prepare an opinion on the matter, in the following manner:
 - (a) The Committee sent out an email questionnaire to solicit the views of its members. Later, in view of the fact that this matter has a major impact on banks' wealth management business, the Committee invited 11 representative banks to form an ad hoc task force to seek consensus. A manager from Taipei Fubon Bank, Mr. Shih-Teng Ni, was selected to chair the task force. Meanwhile, two sub-task forces were led by Ms. Huei-Ying Hsieh (a manager at Taipei Fubon Bank) and Ms. Yen-Ju Chen (a manager at CTBC Bank).

- (b) The ad hoc task force met three times to prepare recommendations regarding how to record a case officer's product explanation and how to use electronic equipment to conduct derivatives trading. These recommendations were submitted to the Derivatives Subcommittee for its reference.
- (6) To assist the FSC in preparing a response to the American Chamber of Commerce in Taipei's 2017 Taiwan White Paper, which recommended that the FSC allow the provision of loans secured by a self-benefit non-discretionary money trust, BAROC drafted a set of "Self-Regulatory Rules Governing the Provision by Banks of Loans Secured by a Self-Benefit Non-Discretionary Money Trust".

10. Other tasks undertaken at the request of the authorities

(1) Consumer Protection

- (a) The National Taxation Bureau of Taipei, in order to handle and collect tax data of credit cards for cross-border e-commerce transactions, instructed credit card issuers that they must in the future additionally report the cardholder's name and national ID number for all credit card transactions of NT\$3,000 or more that are undertaken to pay for purchases made via an offshore e-commerce site in their reporting of credit card transaction data. Because this involves matters governed by the "Personal Information Protection Act," BAROC hired a law firm to prepare an opinion, which was then submitted to the National Taxation Bureau of Taipei.
- (b) In order to safeguard the interests of credit card owners and improve the security of credit card transactions, the FSC Banking Bureau instructed BAROC to study: (i) how card issuers that conduct mobile credit card business can improve control measures to deal with customers changing their mobile phone numbers; and (ii) the feasibility of establishing a real-time notification mechanism for ordinary credit card transactions. BAROC filed recommendations with the Banking Bureau, then forwarded them to credit card institutions with instructions to act accordingly.

(2) Risk Management

- (a) To ensure the security of financial transactions, the FSC instructed BAROC to assess the appropriateness of information security rules governing the use of tokenized mobile phone cards to take out cash advances from ATMs. BAROC studied the matter and amended the "Operating Standards for Credit Card Organizations Conducting Mobile Credit Card Business." BAROC reported the amended Operating Standards to the FSC for recordation, then disseminated them to credit card institutions with instructions to act accordingly.

(b) The FSC Banking Bureau instructed BAROC to prepare an opinion regarding the feasibility of placing restrictions on outsourcing of the administration of credit card information systems, as was called for in a resolution passed by the Legislative Yuan when it reviewed the fiscal 2018 Central Government General Budget bill. BAROC collected the views of member banks and recommended against such restrictions. This recommendation was submitted to the Banking Bureau for its reference.

(3) Business Operations

(a) Regarding the FSC's plan to adjust to 0.55% (from 1 January 2019) the interchange fee for credit card payments to public-sector entities and public medical institutions for medical services and patient registration fees, the FSC asked BAROC to instruct credit card-related entities to study problems in implementation that might need to be addressed on an industry-wide basis. The participants prepared an opinion, planned out a schedule for system adjustments and testing by credit card institutions, and submitted these to the FSC for its reference.

(b) A member of the public contacted the office of a national legislator to say that when they use a dual-currency credit card issued by a Taiwanese institution to buy merchandise sold aboard a Taiwanese passenger jet, they would like to have the option of settling the transaction in a foreign currency. The FSC then instructed BAROC to evaluate market demand for such an option, to study the feasibility of the idea in terms of how credit card administrative procedures and systems would have to be adjusted, and to report on its findings. BAROC studied the matter, concluded that market demand was not urgent, and recommended that the option not be made available at this point in time. BAROC submitted this recommendation to the FSC for its reference.

11. Carried out a special research project on financial matters of concern to the competent authority and member banks

To integrate the regulatory framework governing electronic payment institutions and electronic stored value card issuers, the FSC asked BAROC to conduct a study on the matter. BAROC completed a study and submitted it to the FSC on 10 January 2019 for its reference.

12. Participated in international financial conferences and activities

(1) BAROC dispatched personnel to attend the "2018 International Conference of the Institute of Internal Auditors" on 6–9 May 2018 in Dubai, and selected representatives to attend the "2018 Asian Confederation of Institutes of Internal Auditors Conference" (28–31 October, Kuala Lumpur), where they updated themselves on the latest internal auditing expertise and engaged in international exchange of information and know-how.

- (2) BAROC dispatched personnel to attend the SWIFT International Banker's Operations Seminar (Sibos 2018) in Sydney on 22–25 October 2018 to stay up to date on the latest trends in SWIFT technologies, to promote increased international participation by Taiwanese banks, and to raise Taiwan's international profile.
- (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 3–6 April 2018 in Miami. The attendees returned with information and news on the latest trends in the industry, and prepared a report for the reference of BAROC member banks.
- (4) BAROC attended Money 20/20 Asia in Singapore on 13–15 March 2018 to learn more about the application of FinTech and RegTech by financial institutions and innovators, and the development of rules-based supervision. Information picked up at this event serves as reference to BAROC in its drafting of regulations.
- (5) BAROC attended the 5th International HLS and Cyber Conference, which was held by the Israel Economic and Cultural Office in Taipei on 12–15 November 2018 in Israel to observe and learn about Israel's national security and information security practices.

13. Held financial seminars and lectures to cultivate professional talent

- (1) Financial Seminars and Lectures
 - (a) BAROC invited experts from the International Swaps and Derivatives Association (ISDA) to attend a "Conference on Financial Benchmarking Reforms, Central Clearing, and Margin Requirements" on 3 August 2018. The event attracted 130 participants, and presentation materials were made available for download by member banks from the BAROC website.
 - (b) To help member banks better understand key economic and financial issues, BAROC held two conferences on economic and financial matters in 2018. On 16 May, Associate Professor Meng-Han Chuang of the Department of Industrial Economics at Tamkang University delivered a lecture on "The Current Status and Future Prospects of Real Estate in Taiwan," and on 18 October Chairman Bor-Yi Huang of Taiwan Business Bank spoke on "Financing and the Development of Taiwan's Small and Medium Enterprises."
 - (c) BAROC invited SWIFT to hold informational meetings and training sessions in Taiwan to familiarize domestic financial institutions with that organization's new products and technologies (e.g. SWIFT Global Payment Innovation [GPI], Standard Release [SR] 2020), so that participatory institutions can make better use of SWIFT platform technologies and bring their operations in line with international practices, thereby keeping abreast of the latest information on the SWIFT platform.

- (i) On 8 June 2018, SWIFT invited Taiwanese banks in Hong Kong to take part in a webinar entitled "Informational Meeting on ISO 20022 and AML Systems Testing."
- (ii) On 5 July 2018, BAROC held a "SWIFT Standards Upgrade Informational Meeting" to familiarize participants with Standard Release 2018.
- (d) 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 with the Judges Academy and the Ministry of Justice's Department of Prosecutorial Affairs to hold the "4th Financial and Legal Affairs Workshops" on 6–7 December and 13–14 December 2018 at Evergreen Resort Hotel Jiaosi (in Yilan County). Some 100 participants—including judges, prosecutors, officials from the competent authorities, and representatives of financial institutions—attended the workshops.
- (e) To bring internal audit operations in Taiwan more closely in line with international standards, BAROC on 19–21 September 2018 held the "2018 Financial Examination and Audit Conference Series" in Taipei, inviting experts from at home and abroad as well as leading financial authorities and industry experts to speak at the conference, so that attendees could update themselves on the latest international financial supervisory trends and key internal audit issues.
- (f) On 5 June 2018, BAROC held a colloquium on the "Guidelines on the Three Lines of Defense for Internal Controls of Banks," inviting experts from financial institutions that have already adopted a risk-based internal auditing system to share their experiences with implementation of the "three lines of defense" model. Also, on 12 December 2018 BAROC held a workshop where personnel who had attended the "2018 International Conference of the Institute of Internal Auditors" shared their takeaways from the conference.
- (g) BAROC hired a team of attorneys led by Chien-Ting Yeh of Chien Yeh Law Offices to collaborate with Zhong Lun Law Firm of mainland China in holding an "Informational Meeting and Seminar on the Handbook for Credit Business and Trade Finance in Mainland China" on 6 September 2018, and a "Workshop on Credit Asset Management Procedures and Standard Office Forms for Mainland China" on 7 September 2018. The two events were attended by a combined total of more than 140 persons.
- (h) To help member banks understand the key points of amendments to electronic payments-related legislation, and to use informational meetings attended by member institutions to achieve the goal of increasing business ties among members, BAROC held "Informational Meetings on Work by the Electronic Payments Committee to Publicize Related Legislation

and Electronic Payment Operations" on 6 and 8 November 2018. The events were attended by 170 persons.

- (i) To help member banks understand the key points of amendments to legislation related to anti-money laundering and counter terrorist financing (AML/CFT), and to share experience with the implementation of AML/CFT work, BAROC held an "Informational Meeting on Work by the Electronic Payments Committee to Publicize AML/CFT Legislation and Related Operations" on 11 April 2018. The event was attended by 100 persons.
- (j) To help member banks achieve more effective self-regulation, and in light of the speed of change in the international financial environment as well as the increasing stringency of international financial supervision, Taiwanese banks, in addition to actively building up a stronger international presence, should also strengthen legal compliance and internal control systems, and establish a better culture of compliance, in order to enhance their international reputation. With these aims in mind, BAROC held a meeting for its members to discuss "Member Banks Collective Self-Discipline Mechanisms" on 15 January 2018. The meeting was attended by more than 180 persons, including: over 40 chief compliance officers, chief auditors, and vice-presidents; personnel from member banks' compliance units and internal audit units; and personnel from overseas branches.
- (k) In order to cultivate the skills of elite mid-management corporate banking personnel at member banks, BAROC held a "Training Program for Senior Management at Financial Institutions." The program focused on five main topics: legislation; international perspectives; strategic management; business development; and team communication. During the program, senior management personnel shared their experiences, attendees divided into groups for mock training activities, and attendees took part in overseas study trips. These activities strengthened the strategic planning abilities that banks need to develop Asian markets, and sharpened the professional skills of mid-level managers. The program was attended by 35 persons from the FSC and 20 banks.
- (l) To cooperate with the Asia/Pacific Group on Money Laundering's Third Round Report to the Mutual Evaluation Report, and to help member banks play their part in the preparation of the Third Round Report as well as properly implement AML legislation, BAROC held a "Conference on Prevention by Banks of Money Laundering Through International Trade" on 7 September 2018.
- (m) On 13–14 November 2018, BAROC held a series of "FinTech and Information Security in Israel" activities at the Taiwan Academy of Banking and Finance, inviting Prof. David

(Dudi) Gershon (the founder of the Hebrew University Gershon FinTech Center) and information security experts from Israel-based Cyberbit to come to Taiwan and share their experiences in various forums and workshops.

(2) Personnel Training and Video Courses

(a) BAROC continued to contract with a professional training institute to set up professional development activities designed to provide attendees with skills that meet industry needs. BAROC held the following events in 2018: "Domestic Courses for Core Banking Personnel" (total attendance: 4,074); "International Courses for Core Banking Personnel" (total attendance: 486); "Training Program for Key FinTech Personnel" (total attendance: 939); "Training Program for Senior Management at Financial Institutions" (total attendance: 36); "Key Personnel Training Project for the Buildup of Banks' Presence in Asia" (total attendance: 267); "Courses on Cross-Strait Financial Business"; (total attendance: 869); "Workshop on Labor Safety and Health Management"; and "Case Study Workshop on Prevention and Mediation of Labor-Management Disputes" (total attendance: 160). Combined attendance at all of these activities came to 6,831.

(b) To respond to the growing popularity of video instruction, and to provide employees at financial institutions with a wide range of professional development choices, BAROC in 2015 launched an open courses platform (can be accessed on the Chinese-language version of the BAROC website by clicking on "Open courses" and then the "Members only" tab). At the end of 2018 a total of 268 courses—including everything from introductory to advanced content—were available on the "Members only" section of the BAROC website. Course materials have been browsed a total of 41,456 times, for an average of 155 visits per course.

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

(1) BAROC joined hands with the Taiwan Academy of Banking and Finance, the Taiwan Insurance Institute, and the Financial Ombudsman Institution to conduct the 2018 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 events had an opportunity to gain 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 16 events were held, attracting a combined attendance of 2,489.

- (2) On 2 November 2018, BAROC joined hands with the National Federation of Credit Cooperatives to hold a refresher seminar at the Chientan Youth Activity Center for instructors taking part in the 2018 School and Community Financial Literacy Campaign. A total of 152 instructors attended the seminar, thus giving a good indication of their intention to continue taking part in the campaign.
- (3) BAROC took 7,455 phone calls from consumers seeking to discuss debt restructuring issues in 2018, and financial institutions processed 13,874 applications for pre-negotiation procedures relating to debts totaling NT\$16.68 billion.
- (4) BAROC provided information or explanations to help with the handling of cases where consumers had questions or complaints (including calls referred to BAROC from the FSC's 1998 hotline) about banking business operations. In 2018, BAROC responded to 725 consumer inquiries and 25 cases involving customer complaints against member institutions.
- (5) BAROC received 5,570 letters in 2018 from the heirs of member institutions' customers who inquired about deposits, safe deposit boxes, and other assets left behind by their benefactors. In another 1,616 cases, BAROC helped bank customers check their own account balances.
- (6) BAROC handled 252 identity theft cases referred by the competent authority to the Ministry of the Interior. The cases involved counterfeiting or fraudulent application for a victim's national ID card to make a fraudulent withdrawal of money.
- (7) BAROC periodically collected data on fees that were charged by all banks in connection with non-discretionary money trust services, and made the data available for public inspection.
- (8) BAROC mediated 158 credit card-related queries in 2018 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.
- (9) The following items of lending-related information were posted once each quarter on the BAROC website for public reference: (a) a list of the providers of outsourced debt recovery and outsourced marketing services that had passed review by member institutions and subsequently had their contracts renewed; (b) data on the cash card interest rates and fees for both unsecured and secured loans charged by each member institution; (c) information on each member institution's personal loan information contact window, descriptions of their main products, URLs, etc.; (d) information on each bank's standards governing penalties for early repayment of consumer loans; (e) information on each bank's performance in adopting financial measures to support women in their efforts to find employment or start businesses; and (f) information on each member institution's contact window for the handling of complaints following the sale of problematic assets.

- (10) BAROC continued to periodically compile the following six types of information related to the credit card business and posted it to its website: (a) revolving interest rates charged by credit card institutions, and fee schedules for different fees; (b) service fees for credit card installment payment plans; (c) systems adopted by each credit card institution to prevent credit card theft following their use in online transactions; (d) 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; (e) expiration periods and scope of use for the reward points awarded by each credit card issuer; and (f) information on whether each credit card issuer allows customers to retrieve their credit card statements free of charge.
- (11) To ensure that consumers with debt problems understood that they could best protect their own interests and avoid being swindled by going directly to their bank (rather than via a middleman) to apply for a pre-negotiation procedure, BAROC continued to play a public service video on its website to inform consumers that pre-negotiation procedures are free of charge and yield a successful resolution in a high percentage of cases.
- (12) In the run-up to the 2018 Chinese New Year holidays, out of consideration for the plight of people experiencing debt repayment difficulties, BAROC communicated with member banks (including debt collection agencies whose services they had contracted) to urge them to declare a moratorium on all debt collection operations during the holidays.
- (13) For the benefit of economically disadvantaged persons having temporary difficulties with debt repayment, BAROC helped them to weather short-term cash flow problems by continuing to administer the "Unsecured Consumer Debt Rescheduling Program for Economically Disadvantaged Debtors Experiencing Difficulties with Repayment".
- (14) In order to help students from underprivileged background obtain scholarships, and to promote financial literacy, BAROC donated funds to support scholarships offered by the Financial Services Education Charity Fund.
- (15) 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, Genesis Social Welfare Foundation, the Chinese Christian Relief Association's 1919 Food Bank, and After School 368. These donations supported underprivileged families, low-income households, underprivileged children, and senior citizens living alone.
- (16) To do its part for Taiwan's 2018 National Day celebrations, BAROC took part in the construction of a viewing platform and National Day arch in front of the Presidential Office Building, and funded part of the cost.

B. Major Tasks in 2019

No	Tasks
1	Strengthen Taiwan's anti-money laundering / counter financing of terrorism (AML/CFT) regime; support the Ministry of Justice and other competent authorities by continuing to develop AML/CFT typologies for transactions carried out by banks, credit card institutions, electronic payment institutions, and electronic stored value card institutions; continue assessing money laundering risks; conduct related publicity and outreach; and provide any needed assistance and research support regarding the APG Third Round Mutual Evaluation results.
2	Hold the "Conference on the Latest Developments of Financial Regulations for Foreign Banking Organizations" in international financial centers in order to encourage member banks to attach greater importance to legal compliance, internal controls, and internal audits at their overseas branch units.
3	Encourage member institutions to provide financing to firms in the key innovative fields of green energy, the Asian Silicon Valley initiative, biotech and pharmaceuticals, national defense, smart machinery, new agriculture, and the circular economy. The purpose is to spur real economic growth in Taiwan and support industrial upgrading.
4	Continue collecting reports on information and communications security. These will be used to study security issues affecting the digitization of financial institution business, and to adopt related security requirements.
5	Accelerate efforts to promote the development of domestic e-payments, work with the FSC to draft related legislation, establish a transaction data multi-streaming platform, push for increased use of the e-Bill National Payment Network, and promote integration of mobile payment tools and terminal equipment.
6	Support the competent authority's efforts to respond to the trend toward integration of mobile devices into the the online environment by promoting increased use of domestic e-payments, continue to provide legislative amendment recommendations, and coordinate with legislative changes by providing advisory services to financial services firms and helping them hold activities to promote the use of e-payments. These undertakings will provide financial services firms more room for development.
7	Respond to the trend toward a complete migration to online banking and increased demand for the development of digital financial services. Help member institutions contact the proper authorities and seek their consent to allow financial institutions that have obtained authorization to go online to retrieve data on customers' property, income, household registration, and other such matters, and to apply online for creation of pledge on real estate mortgages. These measures are intended to ensure that bank financing yields maximum benefit, to make it more convenient for consumers to take out loans, and to reduce the administrative burden of government agencies.
8	To meet the demand for development of digital financial services, BAROC will continue helping member institutions to devise measures to deregulate and promote business.
9	Help member banks obtain the information they need when seeking to establish business locations in selected overseas markets, continue building up the section on the BAROC website where such information is posted, and use this information to serve as reference for member banks in their efforts to expand their overseas presence.
10	Continue carrying out training programs for financial industry personnel and offering open courses to provide bank employees with free-of-charge online learning opportunities.

V. Appendices

A. Chronology of Major Events in 2018

- ◎2018.01.12 Held two sessions of a "Conference on AML/CFT Operations." and 23
- ◎2018.01.15 Held a phase I meeting for member institutions to discuss "BAROC Member Bank Collective Self-Discipline Mechanisms."
- ◎2018.01.25 Held the 14th joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2018.03.15 Held the 15th joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2018.03.16 Held the 1st extraordinary session of the 12th General Assembly.
- ◎2018.03.26 Held an "Informational Meeting on the Preliminary Conclusions of the National Risk Assessment Report."
- ◎2018.03.29 Held the "Conference on the Latest Developments of the U.S. Financial Regulations for ~30 Foreign Banking Organizations" in New York.
- ◎2018.04.11 Held an "Informational Meeting on Work by the Electronic Payments Committee to Publicize AML/CFT Legislation and Related Operations."
- ◎2018.04.20 Held an "Informational Meeting on Combating Proliferation Financing."
- ◎2018.04.26 Held the 16th joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2018.05.04 Held a "Conference on Analysis of Unusual Transaction Reports and Money Laundering Typologies."
- ◎2018.05.11 Held a "Conference on Best Practices for Compliance with International Sanctions Against North Korea and US Customer Due Diligence Requirements."
- ◎2018.05.16 Held a conference on "The Current Status and Future Prospects of Real Estate in Taiwan."
- ◎2018.05.31 Held the 17th joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2018.06.17 Organized the "2018 Israel FinTech and Cybersecurity Delegation" in collaboration with ~23 the Israel Economic and Cultural Office in Taipei.
- ◎2018.06.28 Held the 4th meeting of the 12th Board of Directors.
- ◎2018.07.09 Held an "Informational Meeting on the National Risk Assessment Report."
- ◎2018.07.25 Held a "Forum on the Establishment of a Business Presence in Asia."
- ◎2018.07.26 Held the 18th joint meeting of the 12th Boards of Directors and Supervisors.



BAROC Chairman Jye-Cherng Lyu poses for a group photo with guests at a Chinese New Year Reception on 15 March 2018.



BAROC held a "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Organizations" in New York on 29–30 March 2018.

- ◎2018.08.27 Held a "Conference on Collective Self-Discipline Among the Tokyo Branches of Taiwanese Banks" in Tokyo.
- ◎2018.08.29 Held two sessions of a "Seminar on the Directions Concerning the Security Control and 31 Operations of Financial Institutions Conducting Electronic Banking Business."
- ◎2018.08.30 Held the 19th joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2018.09.06 Held the 3rd session of the 12th General Assembly.
- ◎2018.09.06 Held an "Informational Meeting and Seminar on the Handbook for Credit Business and Trade Finance in Mainland China."
- ◎2018.09.07 Held a "Conference on Prevention by Banks of Money Laundering Through International Trade."
- ◎2018.09.28 Held the 20th joint meeting of the 12th Boards of Directors and Supervisors.
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- ◎2018.10.18 Held a seminar on "Financing and the Development of Taiwan's Small and Medium Enterprises."
- ◎2018.10.20 Held a "Conference on Collective Self-Discipline Among Overseas Branches of and 25 Taiwanese Banks" in New York and Los Angeles.
- ◎2018.10.25 Held the 21st joint meeting of the 12th Boards of Directors and Supervisors.



BAROC Chairman Jye-Cherng Lyu is shown here at the Asian Development Bank (ADB) Annual Meeting in Manila with ADB President Takehiko Nakao on 3–6 May 2018.



BAROC Chairman Jye-Cherng Lyu visited Japanese Bankers Association Chairman Koji Fujiwara in Tokyo on 27 August 2018.



BAROC Chairman Jye-Cherng Lyu led a FinTech and Cybersecurity Delegation to Israel, where they interacted with FinTech and information security firms in June 2018.

- ◎2018.11.06 Held two sessions of an "Informational Meeting on Work by the Electronic Payments and 08 Committee to Publicize Related Legislation and Electronic Payment Operations."
- ◎2018.11.13 Held a "Forum on FinTech and Information Security Trends in Israel."
- ◎2018.11.29 Held the 22nd joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2018.12.06 Held an informational meeting on the "Recent State of the European Union General Data Protection Regulation (GDPR)."
- ◎2018.12.06 Held an "Informational Meeting on Test Calculations of Interest Rate Risk in the Banking Book (IRRBB)."
- ◎2018.12.11 Held a "Conference on Collective Self-Discipline Among Overseas Branches of Taiwanese Banks" in Hong Kong.
- ◎2018.12.12 Held a "Post-seminar Discussion of Take-aways from the 2018 International Conference of the Institute of Internal Auditors".
- ◎2018.12.20 Held the 5th meeting of the 12th Board of Directors.
- ◎2018.12.21 Held an "Informational Meeting on the Guidelines for the Development of Barrier-Free Mobile Apps."
- ◎2019.01.30 Visited Ms. Chuchi G. Fonacier, Deputy Governor of the Central Bank of the Philippines.



BAROC held a "Conference on Collective Self-Discipline Among Overseas Branches of Taiwanese Banks" in Hong Kong on 11 December 2018.

B. List of Member Banks of BAROC

May 2019

Institution	Position	Name	Telephone	Fax	Website
Bank of Taiwan	Chairman President	Jye-Cherng Lyu Ye-Chin Chiou	(02)23493456	(02)23315840	www.bot.com.tw
Land Bank of Taiwan	Chairman President	Bor-Chang Hwang Chuan-Chuan Hsieh	(02)23483456	(02)23757023	www.landbank.com.tw
Taiwan Cooperative Bank	Chairman President	Chung-Dar Lei Shih-Ching Chen	(02)21738888	(02)27316026	www.tcb-bank.com.tw
First Commercial Bank	Chairman President	Tsan-Chang Liao Li-Shieu Tsai	(02)23481111	(02)23892967	www.firstbank.com.tw
Hua Nan Commercial Bank, Ltd.	Chairman President	Yun-Peng Chang Yung-Chun Cheng	(02)23713111	(02)87291747	www.hnbc.com.tw
Chang Hwa Commercial Bank	Chairman President	Joanne Ling Jui-Mu Huang	(02)25362951	(02)25716871	www.bankchb.com.tw
The Shanghai Commercial & Savings Bank, Ltd.	Chairman President	Hung-Ching Yung Shan-Chung Chen	(02)25817111	(02)25318501	www.scsb.com.tw
Taipei Fubon Commercial Bank	Chairman President	Eric Chen Roman Cheng	(02)27716699	(02)27736769	www.fubon.com/banking
Cathay United Bank	Chairman President	Andrew Ming-Jian Kuo Alan Lee	(02)87226666	(02)87898789	www.cathaybk.com.tw
The Export-Import Bank of the Republic of China	Chairman President	Shui-Yung Lin Pei-Jean Liu	(02)23210511	(02)23940630	www.eximbank.com.tw
Bank of Kaohsiung	Chairman President	Rueen-Fong Chu Jin-Ann Wang	(07)5570535	(07)5580529	www.bok.com.tw
Mega International Commercial Bank Co., Ltd.	Chairman President	Chao-Shun Chang Yong-Yi Tsai	(02)25633156	(02)23569169	www.megabank.com.tw
Agricultural Bank of Taiwan	Chairman President	Ming-Ming Wu Han-Ming Yen	(02)23805100	(02)23805252	www.agribank.com.tw
Citibank Taiwan, Ltd.	Chairman President	Paulus Mok Christie Chang	(02)87269600	(02)87801300	www.citibank.com.tw
O-Bank Co., Ltd.	Chairman President	Kenneth C. M. Lo Tony C. Y. Yang	(02)87527000	(02)87519568	www.o-bank.com
Taiwan Business Bank	Chairman President	Bor-Yi Huang James Shih	(02)25597171	(02)25507942	www.tbb.com.tw
Standard Chartered Bank (Taiwan) Limited	Chairman President	Gregory John Powell Anthony Lin	(02)27166261	(02)66036399	www.sc.com/tw/en
Taichung Commercial Bank	Chairman President	Kuei-Fong Wang Te-Wei Chia	(04)22236021	(04)22240748	www.tccb.com.tw
King's Town Bank	Chairman President	Chen-Chih Tai Jih-Cheng Chang	(06)2139171	(06)2136885	www.ktb.com.tw
HSBC Bank (Taiwan) Limited	Chairman President	Helen Pik Kuen Wong Adam Chen	(02)66339000	(02)27575150	www.hsbc.com.tw
Taipei Star Bank	Chairman President	Chuan-Pu Kuo Eric Chen	(02)25575151	(02)25534883	www.taipeistarbank.com.tw

Institution	Position	Name	Telephone	Fax	Website
Hwatai Bank	Chairman President	Chao-Hsien Lai Hong-Jeng Chen	(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 Ding	(02)28208166	(02)28233414	www.sunnybank.com.tw
Bank of Panhsin	Chairman President	Ping-Hui Liu Ming-Hsien Kao	(02)29629170	(02)29572011	www.bop.com.tw
Cota Commercial Bank	Chairman President	Song-Yie Liao Jung-Hsien Chiu	(04)22245171	(04)22275237	www.cotabank.com.tw
Chunghwa Post Co., Ltd.	Chairman President	Kwo-Tsai Wang Jui-Tang Chiang	(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
Far Eastern International Bank	Chairman President	Ching-Ing Hou Thomas Chou	(02)23786868	(02)23779000	www.feib.com.tw
Yuanta Bank	Chairman President	Tony Fan Yu-De Chuang	(02)21736699	(02)27722455	www.yuantabank.com.tw/bank
Bank SinoPac	Chairman President	Chia-Hsien Chen Eric Chuang	(02)25173336	(02)81618485	banksinopac.com
E.Sun Commercial Bank, Ltd.	Chairman President	Gary K. L. Tseng Joseph N.C. Huang	(02)21751313	(02)27138713	www.esunbank.com.tw
KGI Bank	Chairman President	Pao-Sheng Wei Richard Chang	(02)21717577	(02)27849848	www.kgibank.com
DBS Bank (Taiwan) Ltd.	Chairman President	Danny Leong Kay Teoh Him Chuan Lim	(02)66129889	(02)66129285	www.dbs.com.tw
Taishin International Bank	Chairman President	Thomas T.L. Wu Oliver Shang	(02)25683988	(02)25234551	www.taishinbank.com.tw
Jih Sun International Bank	Chairman President	Ching-Tang Huang Chih-Fang Wang	(02)25615888	(02)25217698	www.jhsunbank.com.tw
EnTie Commercial Bank	Chairman President	Jesse Ding Claudie Yu	(02)81012277	(02)81012233	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	Jennifer M.C. Liao Chi-Fu Lin	(02)23831616	(02)23822878	www.megabills.com.tw
China Bills Finance Co.	Chairman President	Cheng-Ching Wu Chih-Ming Chien	(02)27991177	(02)26592919	www.cbf.com.tw
International Bills Finance Co., Ltd.	Chairman President	Chi-Lin Wea Yen-Lang Chiu	(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

Institution	Position	Name	Telephone	Fax	Website
Hua Nan Financial Holdings Co., Ltd.	Chairman President	Yun-Peng Chang Pao-Chu Lo	(02)23713111	(02)87291943	www.hnfhc.com.tw
Fubon Financial Holding Co., Ltd.	Chairman President	Richard M. Tsai Jerry Ham	(02)66366636	(02)66360111	www.fubon.com
China Development Financial Holding Co.	Chairman President	Chia-Juch Chang Alan Wang	(02)27638800	(02)27660047	www.cdibh.com
Cathay Financial Holding Co., Ltd.	Chairman President	Hong-Tu Tsai Chang-Ken Lee	(02)27087698	(02)23252488	www.cathayholdings.com
CTBC Financial Holding Co., Ltd.	Chairman President	Wen-Long Yen Daniel Wu	(02)33277777	(02)26539580	www.ctbcholding.com
SinoPac Financial Holdings Co., Ltd.	Chairman President	Wen-Chyi Ong Stanley Chu	(02)81618935	(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.esunfhc.com
Yuanta Financial Holding Co., Ltd.	Chairman President	Rong-Jou Wang Tony Shen	(02)27811999	(02)27721585	www.yuanta.com
Taishin Financial Holding Co., Ltd.	Chairman President	Thomas T.L. Wu Welch Lin	(02)23268888	(02)37076889	www.taishinholdings.com.tw
Shin Kong Financial Holding Co., Ltd.	Chairman Acting President	Eugene T.C. Wu Min-Yi Huang	(02)23895858	(02)23892868	www.skfh.com.tw
Mega Financial Holding Co., Ltd.	Chairman President	Chao-Shun Chang Kuang-Hua Hu	(02)23578888	(02)33938755	www.megaholdings.com.tw
First Financial Holding Co., Ltd.	Chairman President	Tsan-Chang Liao Chien-Hao Lin	(02)23111111	(02)23119691	www.firstholding.com.tw
Jih Sun Financial Holding Co., Ltd.	Chairman President	Ching-Tang Huang Chih-Fang Wang	(02)25673688	(02)25175408	www.jsun.com
Waterland Financial Holdings	Chairman President	Chi-Lin Wea Michael Y. J. Ding	(02)25154567	(02)25010606	www.waterland-fin.com.tw
Taiwan Financial Holding Co., Ltd.	Chairman President	Jye-Cherng Lyu Austin Chan	(02)23493456	(02)23115060	www.twfhc.com.tw
Taiwan Cooperative Financial Holdings	Chairman President	Chung-Dar Lei Mei-Tsu Chen	(02)21738888	(02)27313677	www.tcfhc.com.tw
Yuanta Securities Finance Co., Ltd.	Chairman President	Ting-Shian Huang Rong-Ting Hong	(02)21736833	(02)27721101	www.yuantafinance.com.tw