

Annual Report 2010

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I. Message of the Chairperson

After two years of turbulence the international economy and financial market finally bottomed out and turned upward in 2010, and the economies around the globe began a steady recovery. In Taiwan the government adopted numerous active policies and stimulous programs, and the various economic indexes began a continuous improvement. According to the latest statistics from the Directorate General of Budget, Accounting and Statistics of R.O.C.(DGBAS) the island's economic growth rate reached 10.88% last year, the highest level since 1988; private consumption expanded 3.69% during the year, also a six-year high. In the domestic financial industry, statistics compiled by



Chairperson Susan S.Chang

the Financial Supervisory Commission(FSC) show that the before-tax profits of all banks reached NT\$183.2 billion in 2010, a historic high. Domestic banks also recorded an outstanding performance in terms of asset quality, with an average non-performing-loan ratio of just 0.61% and an average coverage ratio of 158.07%, again setting historic records. This reflects the high level of stability in Taiwan's current financial market.

Under the guidance of the competent authority and the assistance of all our members, the Bankers Association(BAROC) recorded a number of concrete achievements over the past year. In line with the i-Taiwan 12 Projects and Six Key Emerging Industries program being planned by the Council for Economic Planning and Development, BAROC followed instructions from FSC in encouraging funding support from member institutions in the above mentioned projects and industries, submitting information of banks' loans and investment and reporting the data to the FSC on a monthly basis. BAROC also studied whether there are obstacles or whether help or accompanying measures were needed from the competent authority, and suggested measures to encourage banks to participate for FSC's reference. The aim of these efforts was to realize the vision of "vitalizing the economy for a sustainable Taiwan" as well as to reach the goal of providing equal attention to economic development, social justice, and environmental protection.

In line with the implementation of the “RDEC (Research, Development and Evaluation Commission) Common Innovation e-platform project” by the Ministry of Economic Affairs (MOEA) and the building of a Small and Medium Enterprise Financial Service Platform with the SME Development Fund as its main entity, BAROC invited all of its member institutions to join the platform so as to help them reinforce their credit risk management capability. To boost the performance of the platform, BAROC also won the approval of MOEA to include the platform in the Joint Credit Information Center system so as to provide a more convenient operating interface.

To help the government implement the International Financial Reporting System (IFRS) to be implemented in 2013 so that Taiwan can connect with the world in terms of accounting practices, BAROC invited the competent authority, certified public accountants, and bank representatives to form an IFRS Task Force to study practical problems that might be encountered in the implementation process and help member banks adopt the new accounting practices on schedule.


In addition, a revision of the Income Tax Act in 2010 added an anti-diluting capitalization provision in Article 43-2. Under the supervision of the FSC, financial institutions are already subject to stricter management standards in regard to capital adequacy than other profit-seeking enterprises; so BAROC vigorously solicited the support of legislators for the Executive Yuan version of the revision, which exempts financial companies from its application. The revision passed by the Legislative Yuan in Jan. 10, 2011 and promulgated and implemented by the President on Jan. 26, exempts financial institutions from the constraint of this provision, thereby facilitating their normal operation and development.

In response to the Economic Cooperation Framework Agreement (ECFA) signed between Taiwan and mainland China on June 29, 2010, BAROC’s Mainland China Committee has held numerous meetings to do thorough study and submit suggestions for revision of the “Regulations Governing Banking Activity and the Establishment and Investment by Financial Institutions Between the Taiwan Area and the Mainland Area” concerning the scope of business dealings between Taiwanese and Chinese banks and their risk-management mechanisms, and proposing that preferential measures be sought for Taiwanese banks in the next stage of negotiations between the two sides. The aim is to respond in a timely manner to the needs of Taiwanese banks in developing the Chinese market and provide the competent authority with a reference for follow-up ECFA negotiations.

Although the global economy is recovering from the depths of recession in 2011, Europe and America are still deeply troubled by high unemployment and America’s double deficit, Europe’s debt crisis, North Africa and Middle East’s political and economic turbulence, the emerging markets’ constantly rising

inflation, and Japan's devastating earthquake, tsunami, and nuclear plant radiation leakage fill the global economy with uncertainty. Nevertheless, the latest forecast by the International Monetary Fund (IMF) put the growth of global trade volume in 2011 at 7.1%; and with the implementation of the ECFA's "early harvest" list bringing momentum for steady export growth of Taiwan, the island's exports of merchandise this year are projected to exceed US\$300 billion, marking a historic high. The DGBAS forecasts that Taiwan's economy, stimulated by export trade and the heating up of the domestic-demand market, will grow by 5.06% this year. With the increase in corporate investment and the rise in demand for financing brought by the normalization of economic and trade relations across the Taiwan Straits, and with the rising interest rates directed by the Central Bank that is expected to widen the interest-rate spread for banks, plus with the increased business opportunities and larger markets brought by the establishment of business sites in China, profitability in Taiwan's banking system will continue to improve. The year of 2011 is a year that our banks, even with the challenges posed by domestic and overseas economic and political challenges, can look forward to with optimism.

In the future BAROC will continue coordinating with government policy by making responsive measures for the financial industry, mapping out regulations and related provisions for the Financial Consumer Protection Act, drawing attention to the development of the new Basel Capital Accord and the latest rules of European and American supervisory agencies regarding liquidity risk, and helping member institutions resolve common problems in adopting IFRS; BAROC will also continue promoting cross-straits cooperation in the banking industry and the establishment of a Chinese financial databank, consolidating cooperation and consensus among member banks, serving as a bridge between government and member banks and between member banks and the public, and contributing its efforts to secure financial stability, to improve public welfare, and to develop national economy.



Susan Cheng

Chairperson

II. An 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, based on the original structure of the Bankers Association of Taipei. Together with the Bankers Association of Taiwan and the Bankers Association of Kaohsiung, BAROC was formed in accordance with the regulations of the Commercial Group Act, and 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 banker association business to BAROC to allow it to take over its overall functions. After Taipei County was upgraded to New Taipei City, the Bankers Association of Taipei County withdrew from the Bankers Association of Taiwan and, in May of 2010, joined the Bankers Association of the ROC and changed its name to the Bankers Association of New Taipei City. The Bankers Association of the ROC now has four association member.

The Chairpersons of BAROC from the first session of the first General Assembly in August 1983 to the tenth session of the first General Assembly in September 2010 are shown as follows:

Chairperson	Session	Duration
I-shuan Sun	1, 2	1983 ~ 1989
Y. D. Sheu	3, 4	1989 ~ 1995
James C. T. Lo	5, 6	1995 ~ 2000
Yung-san Lee	7	2000 ~ 2002
Mu-tsai Chen	7	2002 ~ 2004
Shen-chih Cheng	8	2004 ~ 2006
Jer-Shyong Tsai	8	2006 ~ 2007
Teh-Nan Hsu	8, 9	2007 ~ 2008
Susan S. Chang	9, 10	2008 ~

B. Aims, Functions and Organization

1. Aims

- (1) To assist the government in implementing financial policies
- (2) To promote economic development
- (3) To coordinate its members' relationship
- (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 supply and demand among various sectors in line with economic development
- (3) To formulate and compile common rules and regulations relating to various businesses of its members
- (4) To enhance communications, surveys, statistics, consultations, research, development and publications relating to national and international financial businesses
- (5) To protect the legitimate rights of its members and to help settle disputes among them
- (6) To promote the exchange, analysis and reporting of credit information among its members and to establish the credit files of the major clients of its members
- (7) To consolidate the planning of information systems among its members

- (8) To strengthen mutual support, assistance, education and interaction among the employees of its members, to sponsor activities for public benefit, and to help implement service ethics and self-disciplinary measures
- (9) To participate in international financial organizations and meetings
- (10) To enhance communications and collaborations with overseas bankers associations and to promote national diplomacy
- (11) To conduct research and make recommendations in response to requests from the government or private organizations
- (12) To participate in social charitable activities

3. Organization

BAROC consists of four association members, namely, the Bankers Association of Taipei, the Bankers Association of Taiwan, the Bankers Association of Kaohsiung, and the Bankers Association of New Taipei City. As of the end of 2010, the head offices of member banks totaled 59, of which 52 belong to the Bankers Association of Taipei, 1 belongs to the Bankers Association of New Taipei City, 4 belong to the Bankers Association of Taiwan and 2 belong to the Bankers Association of Kaohsiung. The branches of member banks located in Taipei, New Taipei City, Kaohsiung and each county join their respective local bankers associations and participate in local association activities.

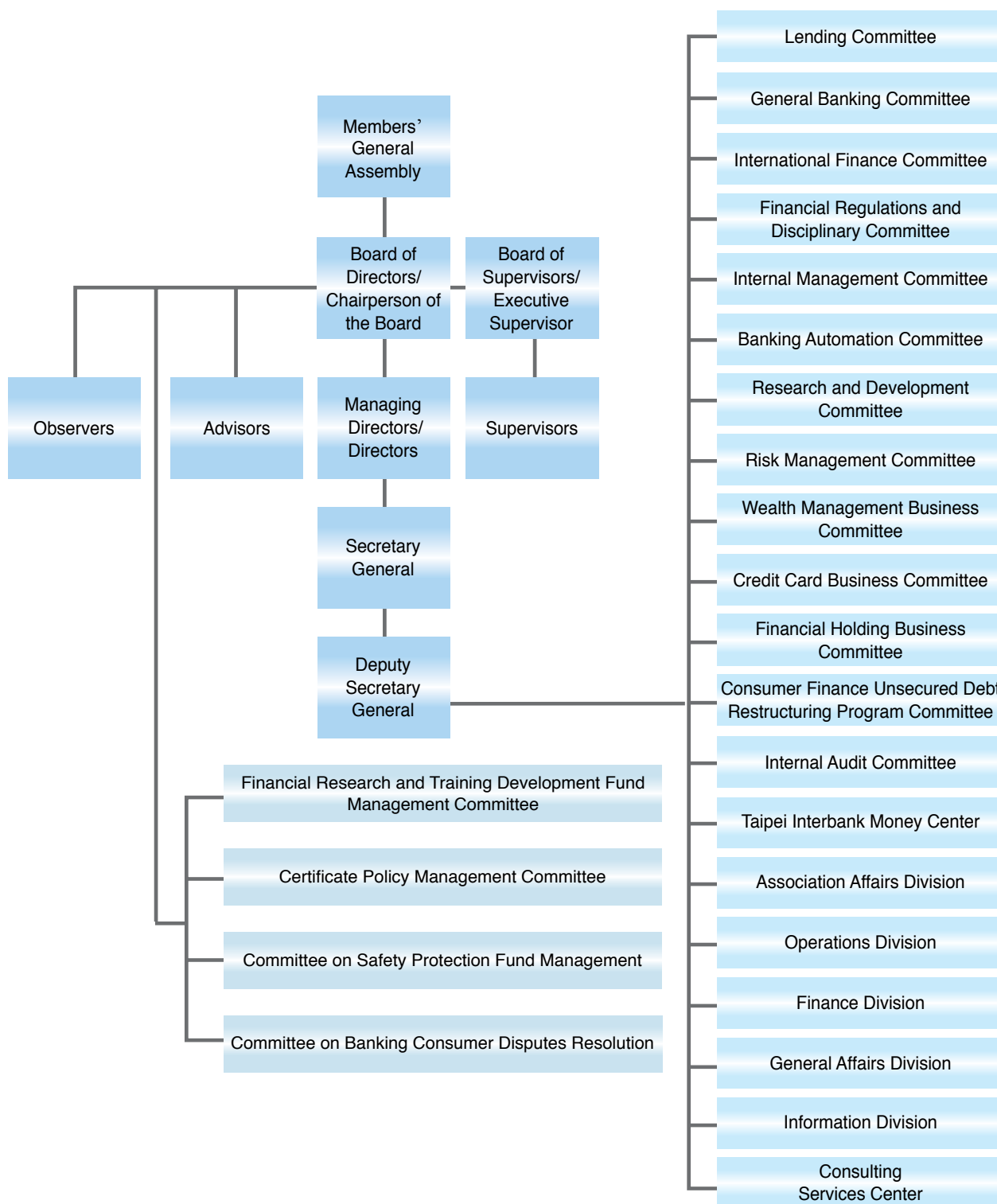
Member Banks of the Bankers Associations

Dec. 31, 2010

Member Banks	Number	
	Headquarters	Branches
Bankers Association of the Republic of China	59	
Bankers Association of Taipei	52	736
Bankers Association of Taiwan	4	1519
Bankers Association of Kaohsiung	2	316
Bankers Association of New Taipei City	1	439
Bankers Association of Taoyuan County		245
Bankers Association of Hsinchu County		52
Bankers Association of Miaoli County		45
Bankers Association of Taichung County		139
Bankers Association of Changhua County		101
Bankers Association of Nantou County		37
Bankers Association of Yunlin County		51
Bankers Association of Chiayi County		18
Bankers Association of Tainan County		92
Bankers Association of Kaohsiung County		97
Bankers Association of Pingtung County		60
Bankers Association of Ilan County		39
Bankers Association of Hualien County		21
Bankers Association of Taitung County		13
Bankers Association of Penghu County		5
Bankers Association of Keelung City		25
Bankers Association of Hsinchu City	1	78
Bankers Association of Taichung City	2	214
Bankers Association of Chiayi City		51
Bankers Association of Tainan City	1	136

BAROC has a Secretary General and two Deputy Secretary Generals. Three of them are responsible for the daily operations of BAROC under the supervision of the Chairperson. There are five Divisions within the Bankers Association, namely: Association Affairs, Operations, Finance, General Affairs, and Information. In addition, there is a Consulting Services Center. The Association's affairs are conducted through its 13 banking business related committees, 4 specific committees and 1 interbank money center.

Organizational Structure of BAROC



C. Directors, Supervisors, Advisors and Observers

As of Dec. 31 2010

Title	Name	Company Affiliation
Chairperson of the Board	Susan S. Chang	Chairman, Taiwan Financial Holding Co., Ltd.
Managing Directors	Teng-Cheng Liu	Chairman, Taiwan Cooperative Bank
	Gregory K.H. Wang	Chairman, Cathay United Bank
	Rong-Jou Wang	Chairman, Hua Nan Financial Holdings Co., Ltd.
	Kenneth Lo	Chairman, Industrial Bank of Taiwan
	McKinney Tsai	Chairman, Mega Financial Holdings Co., Ltd.
	Yao-Shing Wang	Chairman, Land Bank of Taiwan
	Directors	Ching-Nain Tsai
Cheng-Hsiung Chiu		Chairman, Bank Sinopac
Ching-Chang Yen		Chairman, Yuanta Financial Holdings Co., Ltd.
Mu-Tsai Chen		Chairman, China Development Financial Holding Co., Ltd.
Julius Chen		Chairman, Chang Hwa Commercial Bank
Peter T.C. Lo		Chairman, Taiwan Business Bank
Gary Tseng		Chairman, E. Sun Commercial Bank, Ltd.
Yen Chrystal Shih		Chairman, The Export-Import Bank of the Republic of China.
Shiang-Chang Lee		Chairman, Union Bank of Taiwan
Tseng-Chang Lee		Chairman, Shin Kong Commercial Bank
Ping-Hui Liu		Chairman, Bank of Panhsin
Song-Lin Liu		Chairman, Agricultural Bank of Taiwan
Ming-Cheng Lin		Chairman, Hua Nan Commercial Bank, Ltd.
Sheue-Yun Hu		President, Changhua Post Co., Ltd.
Charles W. Chung		President, Bank of Kaohsiung
Yi-Jen Chiou		President, The Shanghai Commercial & Savings Bank, Ltd.
Hermann Wu		President, China Bills Finance Co.
Alan Shaw		President, International Bills Finance Co., Ltd.
Keh-Hsiao Lin		President, Taishin Financial Holding Co., Ltd.
Yung-Fei Chao		President, Jih Sun Financial Holding Co., Ltd.
Eli Hong	President, Far Eastern International Bank	
Edmund Koh	President, Ta Chong Bank	
Sunil Kaushal	President, Standard Chartered Bank(Taiwan) Limited	

Title	Name	Company Affiliation
	Linda Yip	Senior Vice President, HSBC Bank (Taiwan) Limited
	Daniel Tsai	Chairman, Taipei Fubon Commercial Bank
	Chiu-Jung Tsai	President, Taiwan Cooperative Bank
Alternate Director	Tsu-Pei Chen	President, Cathay Financial Holding Co., Ltd.
Executive Supervisor	Jeffery L.S. Koo	Chairman, Chinatrust Financial Holding Co., Ltd.
Supervisors	Yu-De Chuang	Chairman, Yuanta Securities Finance Co., Ltd.
	Ming-Daw Chang	President, Bank of Taiwan
	Jung-Hsiung Lu	President, Mega Bills Finance Co., Ltd.
	Victor Kuan	Chairman, Citi Bank Taiwan, Ltd.
	Jesse Ding	President, EnTie Commercial Bank
	Terence Tai	Chairman, King's Town Bank
	King-Ting Chang	President, Cota Commercial Bank
	Sheng-Hung Chen	Managing Director, Sunny Bank
	Cheng-i Wong	Supervisor, Bank of Taipei
	Ming-Sing Shieh	President, Hwatai Bank
Alternate Supervisor	Walter W.T. Yeh	Vice President, Chang Hwa Commercial Bank
Advisors	Richard Chang	President, Cosmos Bank, Taiwan
	Fu-Hsiung Hu	Chairman, Joint Credit Information Center
	Yang-Ching Chao	Chairman, Financial Information Service Co., Ltd.
	Kung-Wha Ding	Chairman, Taiwan Depository & Clearing Corporation
	Min-Juh Hwang	Chairman, Taiwan Securities Association
	Yu-Chi Kuo	Advisor, The Bankers Association of the Republic of China
	Jiunn-Chih Wang	Advisor, The Bankers Association of the Republic of China
	Thomas Tan	Advisor, The Bankers Association of the Republic of China
	Chun-Sheng Lee	President, Taichung Commercial Bank
Observers	Nicole Wu	V.P., BNP Paribas, Taipei Branch
	Natalie Kuo	V.P., Credit Agricole Corporate & Investment Bank, Taipei Branch
	Liang Chen	V.P., Bank of America, N.A., Taipei Branch
	Miranda Liaw	Executive Director, JPMorgan Chase Bank, N.A., Taipei Branch

D. Major Staff Members of BAROC

As of Jan. 31 2011

Title / Position in BAROC	Name	Full-time or Part-time
Chairperson, Financial Research and Training Development Fund Management Committee	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Certificate Policy Management Committee	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Committee on Safety Protection Fund Management	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Committee on Banking Consumer Disputes Resolution	Sung-Lin Chai	Chairperson, Taiwan Hospitality and Tourism College, Part-time
Secretary General	Nancy Yang	Full-time
Deputy Secretary General	Chuang Kao Chen	Full-time
Deputy Secretary General	Tsong-Ming Wang	Full-time
Secretary	Lu De-Fu	Full-time
Secretary	Chen.Chang-Hua	Full-time
Chairperson, Lending Committee	Ruan.Chien-Ping	EVP, Land Bank of Taiwan, Part-time
Chairperson, General Banking Committee	Chen,Min-Chang	EVP,Bank of Taiwan, Part-time
Chairperson, International Finance Committee	Derek, Y. P. Chang	EVP, Hua Nan Commercial Bank, Part-time
Chairperson, Financial Regulations and Disciplinary Committee	Cheng-Hsiu Chen	SVP & GM, Dept. of Corporate Banking Department , Taiwan Cooperative Bank, Part-time
Chairperson, Internal Management Committee	Tien-Hsia Chang	General Auditor , Fubon Financial Holding Co.,Ltd. Part-time
Chairperson, Banking Automation Committee	Hsi-Tai Ku	SVP&GM, Dept. of Information Management , Bank of Taiwan, Part-time
Chairperson, Research and Development Committee	L.Y. Yang	E.V.P., Bank of Taiwan, Part-time
Chairperson, Risk Management Committee	M.Y. Wei	E.V.P., Mega International Commercial Bank, Part-time
Chairperson, Credit Card Business Committee	Justin Lee	Director, Citibank, Part-time
Chairperson, Financial Holding Business Committee	Simon Dzung	Executive Vice President China Development Financial Holding Corporation., Part-time
Chairperson, Consumer Finance Unsecured Debt Restructuring Program Committee	C.Y. Yang	SVP, Retail Banking Group, Taishin International Bank, Part-time
Chairperson, Internal Audit Committee	Julie L. Chang	General Auditor, Chinatrust Financial Holding Co., Ltd., Part-time
Wealth Management Business Committee	Mei-Ling Cheng	V.P., First Commercial Bank, Part-time
Director, Taipei Interbank Money Center	Ming-Daw. Chang	President, Bank of Taiwan, Part-time
Chief, Association Affairs Division	Y. M. Chou	Full-time
Chief, Operations Division	S.H. Kao	Full-time
Chief, Finance Division	Huei-Ling Li	Full-time
Chief, General Affairs Division	K. E. Wen	Full-time
Chief, Information Division	M. L. Tsai	Full-time
Chief, Consulting Services Center	Y. T. Lee	Full-time

III. An Overview of the Banking Operations

A. Macroeconomic Summary

1. Economic Conditions

(1) Strong recovery of the domestic economy

In the first half of 2010 the global economy shook off the severe recession of 2009 and, stimulated by strong recovery in the emerging economies of Asia, evidenced a trend of stable growth. Beginning in the second half of the year, however, the Japanese and American recovery slowed down due to the heightening of the base of comparison plus the expiration or weakening effect of stimulus policies. European economies experienced a worsening of internal imbalances because of the debt crisis, and the momentum for recovery weakened. In addition, government debt in the advanced countries climbed and the unemployment situation failed to improve substantially; in November of 2010 the American government introduced its second quantitative easing policy (QE2) in the hope of lowering interest rates and stimulating the economy, but excessive liquidity boosted the international prices of bulk commodities and hot money flowed into the emerging Asian economies. This led to the emergence of inflationary pressures, forcing governments to start adopting contractionary policies that led to a slackening of the force for recovery. This widened the growth gap between the advanced countries and the emerging economies, and global growth diverged toward strong and weak poles. Official statistics put 2010's economic growth rates at 2.8% for the U.S., a major improvement over the negative 2.6% growth in 2009; 1.7% for the euro zone; 1.4% for the U.K.; and 3.9% for Japan. Macro-control adjustments undertaken in mainland China had little effect on its growth momentum; GDP growth there returned to the double digits in 2010 with an expansion of 10.3%, and the total size of the Chinese economy surpassed that of Japan to take second place in the world.

Taiwan's economic performance in 2010 benefited from the warming global economy and strong growth in China and other emerging economies, which led to a heating up of export momentum, accelerated expansion of private investment, and stable growth of private consumption. On a relatively low base of comparison, Taiwan's economy bottomed out and rebounded. Annualized GDP growth in the first quarter of 2010 reached 13.59%, the highest single-quarter growth in 31 years; the growth rate amounted to 12.86% in the second quarter, 10.69% in the third quarter, and 6.92% in the fourth quarter. GDP growth for the year as a whole was 10.82%, the highest in 24 years. In the field of domestic demand, as the economy improved salaries rose and consumer confidence strengthened; private consumption increased 3.69% in 2010, contributing 2.14 percentage points to the economic growth rate; government consumption rose 1.74%, contributing 0.21 percentage points. In the field of investment,

the ongoing economic recovery pushed capacity utilization rates to high levels so that high-tech industries vigorously augmented their facilities and upgraded their production processes. Gross fixed capital investment for the year (including investment by government, state-owned enterprises, and private companies) rose 23.65% over the previous year, contributing 3.95 percentage points to the growth rate. Inventory building contributed another 2.19 percentage points. All together, domestic demand contributed 8.49 percentage points to the growth rate for 2010. External demand was boosted by the ongoing recovery of the global economy and strong growth in China and other emerging economies, plus robust demand for consumer electronics products, the low base of comparison, and the increase in tourism receipts from the growing numbers of Chinese tourists visiting Taiwan. Net external demand contributed 2.33 percentage points to Taiwan's economic growth rate in 2010.

(2) Moderate rise in consumer price index

Consumer price index rose moderately in 2010. With the exception of February, in which the Chinese New Year fell and helped push the CPI up by a 16-month high rate of 2.34%; and August, in which the comparison base was relatively high because of the occurrence of Typhoon Morakot the previous year, causing CPI to decline by an annualized 0.46%, the CPI rose moderately throughout the year to record an annual average growth of only 0.96%. The Directorate General of Budget, Accounting and Statistics (DGBAS) notes that with the global economic recovery following the financial tsunami and the astonishing growth of the emerging economies, demand grew strong; however, abnormal weather conditions caused a decline in the supply of agricultural produce and the value of the US dollar dropped, adding to inflationary pressures of raw material. The strong appreciation of the NT dollar in the second half of 2010 offset part of the import price rises, helping to keep the annual rise of the CPI to under 1%.

The wholesale price index rose month by month in the first half of 2010 in response to increases in the prices of imported oil products, chemical materials, basic metals, and iron ore. On the previous year's relatively low base of comparison, the annualized monthly WPI growth reached 9.43% in May, the highest level since the financial tsunami. In the second half of the year, raw materials prices maintained a high level compared with the same period of 2009, and the international prices of wheat, corn, and other grains rose in response to drought in Russia and locust swarms in Australia. There was also an overall rise in the prices of copper, nickel, and lead. The rise in WPI was limited, however, by the relatively high base in the second half of 2009 and by the alleviation of pressure for import price hikes by the appreciation of the NT dollar, and the rate of growth declined month by month. Average WPI growth for the year as a whole was 5.45%.

(3) Gradual improvement in the labor market

Under the impact of the financial tsunami, Taiwan's unemployment rate soared to a historic record of 5.85% in 2009, and the government introduced a series of measures to stimulate employment. With the global economy recovering in 2010, Taiwan's export trade, private investment, and consumption heated up and corporate demand for manpower strengthened. In the fourth quarter the unemployment rate fell back below 5%, dropping to 4.67% in December—lower than the previous month as well as the same month the previous year. The average unemployment rate for the year was 5.21%, down 0.64 percentage points from 2009 but still the second-highest on record. The average number of employed persons in 2010 was 10,493,000, an increase of 214,000 or 2.09% over the year before. The average number of unemployed persons was 577,000, down 62,000 or 9.66% from 2009. These figures show a gradual invigoration of the labor market and a steady improvement in unemployment along with the economic recovery.

(4) Large growth in external trade

Strong external trade demand stimulated robust exports from Taiwan. The island's total external trade reached US\$526 billion in 2010, topping US\$500 billion for the first time and setting a historic record. Exports for the year amounted to US\$274.64 billion, also a historic high and surpassing the pre-financial tsunami level of US\$255.63 billion in 2008. The 2010 figure was a huge growth of 34.8% over 2009, the highest rate of growth since 1979. Imports for the year totaled US\$251.40 billion; this was 44.2% more than the year before, representing the highest rate of growth since 1988. The economic recovery brought a strong increase in corporate investment willingness, and imports of machinery and equipment increased greatly to set a historic record high. The island's trade surplus for the year fell by US\$6.06 billion to US\$23.25 billion; this was a reduction of 20.7% from the previous year, but was still the third-highest surplus in history.

(5) Balance of payments surplus reached second-highest

Investment overseas by Taiwanese investors, investment in overseas debt securities by Taiwanese life insurance companies, and increased overseas lending by Taiwanese banks in 2010 led to a large increase in net capital outflow compared with 2009. Foreigners looked favorably on Taiwan's stock market and the inflow of capital exceeded US\$10 billion, but the financial account still recorded a net outflow of US\$610 million for the year. In the area of current account, with a warming economy and strong import and export performance, the balance of goods traded was left with a surplus of US\$26.86 billion. This was less than the US\$30.55 billion recorded in 2009; but with the increase in tourism receipts provided by the growing numbers of Chinese tourists visiting Taiwan, the balance of services showed a surplus

of US\$2.92 billion. When the net income increase of US\$13.56 billion is added and the deficit of current transfer US\$2.72 billion is subtracted, the current account surplus reached US\$40.62 billion. As a result, the balance of payment surplus in 2010 reached US\$40.17 billion, the second-highest amount in history, only second to the US\$54.13 billion recorded the previous year.

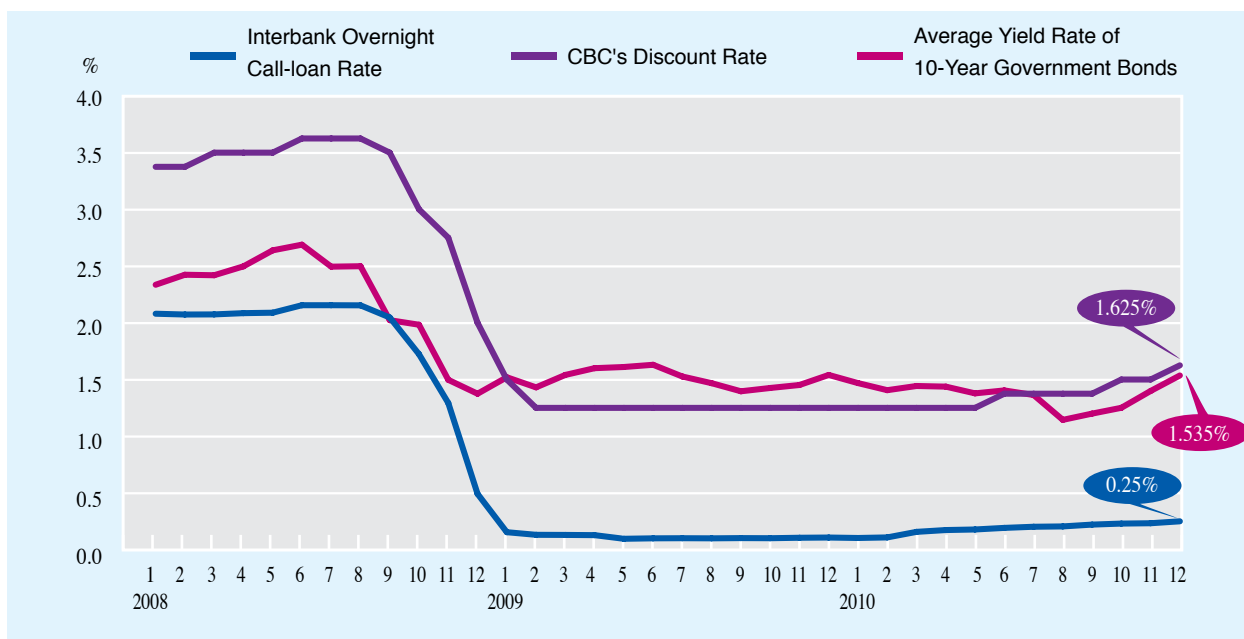
2. Financial Conditions

(1) Return to a neutral monetary policy

With the economic resurgence, central banks in Taiwan and overseas are withdrawing their low-interest mechanisms. In Taiwan, the Central Bank responded to the increased speed of the domestic economic recovery, the continued growth of bank loans and investments, successive rises in market interest rates, climbing real estate prices, and rising commodity prices by hiking the rediscount rate by 12.5 basis points to 1.375% on June 25, 2010, bringing an end to 16 months of rock-bottom interest rates. The Central Bank also boosted the rediscount rate by 12.5 basis points each on Oct. 1 and Dec. 31, bringing the rate up to 1.625% and returning the Central Bank's monetary policy back to neutral.

With the withdrawal of the Central Bank's low-interest mechanism, successive interest-rate hikes, and issuance of certificates of deposit to contract the money supply, short-term interest rates in the market rebounded upward. From 0.108% at the beginning of the year, the interbank overnight call loan rate rose to 0.25% at year-end; the weighted average interbank overnight

Changes in Interest Rates



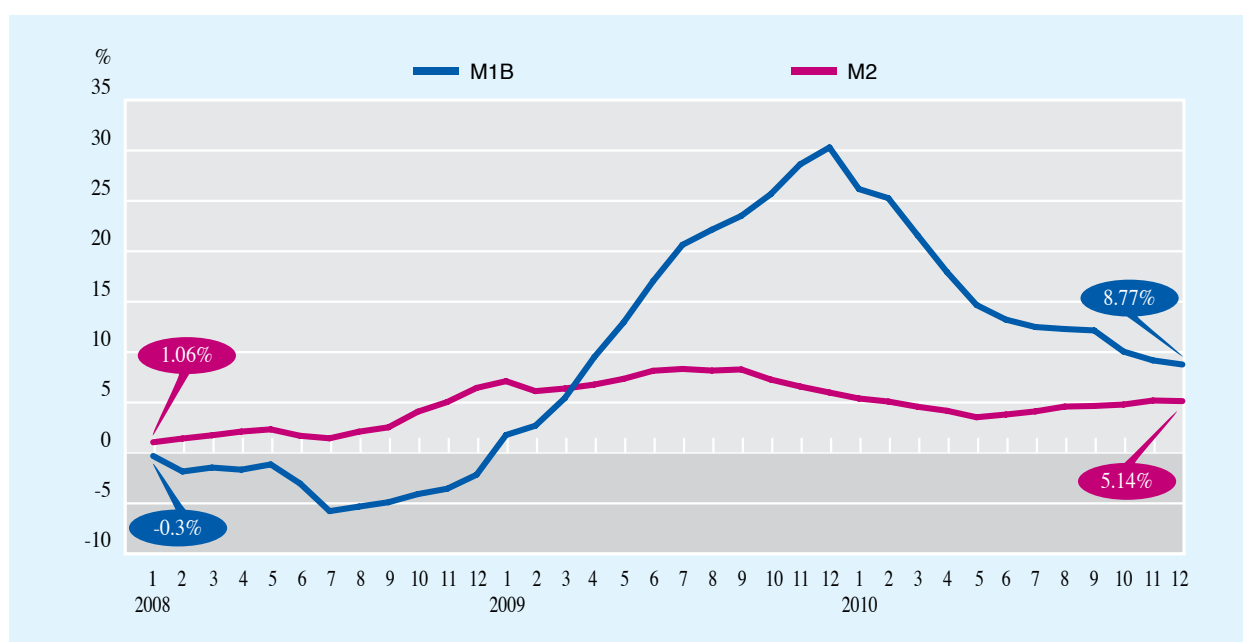
Source: the CBC website, GreTai Securities Market Website

call loan rate for the year 2010 was 0.185%, a rise of 0.076 percentage points from the average of 0.109% in 2009. Rates on the money market also rose month by month; the interest rate on 1-30 day commercial paper on the secondary market, for example, rose from 0.24% at the beginning of the year to 0.44% at its end, while the issuing rate for such paper climbed from 0.40% in January to 0.60% in December.

(2) M2 growth reaches target; M1B growth slows

The daily average M1B supply rose slightly month by month in 2010, climbing from NT\$10,507.1 billion at the beginning of the year to NT\$11,266.2 billion at its end. Because of the relatively high base of the previous year, however, the M1B's annualized growth rate underwent a monthly decline for 12 months in succession, falling from 26.17% at the beginning of the year to 8.77% in December. Daily average M2 supply increased from NT\$29,571.6 billion at the year's beginning to NT\$30,842.5 billion at its end. The annual rate of growth declined by the month in the first half of the year, falling from 5.4% in January to 3.54% in May, largely because of the high base of the previous year; with the Central Bank's gradual withdrawal of its quantitative easing policy in the second half of the year, the M2's annual growth rate returned to near the median value of its target zone (2.5%~6.5%). With this factor, plus a continued increase in bank loans and investments and a net inflow of foreign capital, the annual rate of M2 growth rose for six months in a row beginning in May before falling back slightly to 5.14% in December. For all of 2010, the M1B supply rose 14.93% compared with the previous year and the M2 supply climbed 4.59%.

Annual Growth Rates of Daily Monetary Aggregates



Source: the CBC website

(3) Slight widening of the deposit/loan interest spread

With the Central Bank returning to a neutral monetary policy, the weighted average interest rates for deposits in general banks in Taiwan rose slightly in 2010, from 0.58% in the first quarter to 0.65% in the fourth quarter. The weighted average interest rate on loans also rose, from 1.94% in the first quarter to 2.05% in the fourth. The spread between deposit and loan interest rates in the fourth quarter was 1.4 percentage points, a marginal increase of 0.04 percentage points from 1.36% in the first quarter. The spread was up by 0.09 points from 1.31 points in the fourth quarter of 2009.

(4) Appreciation of NT dollars against US dollar

The value of the NT dollar fluctuated in 2010, with an endless succession of value-boosting events happening from the early stages of the year, including the implementation of three laws governing the operation of Taiwanese banks in China, substantive ECFA negotiations, and expectations of renminbi appreciation. These occurrences caused the NT dollar to rise against the US dollar; it reached 31.37 to the US dollar in mid April, an appreciation of 2.1% compared with NT\$32.03 to the dollar at the end of 2009. The exchange rate was affected by the European debt crisis in the middle of the year, and the NT dollar fell to a low of 32.528 to the dollar on June 7. With the second policy change in the renminbi exchange rate its value reached new highs repeatedly; and because of this factor, plus the second wave of quantitative easing (QE2) in the U.S., the flow of hot money turned to Asia and pressure for appreciation of the

NT Exchange Rates



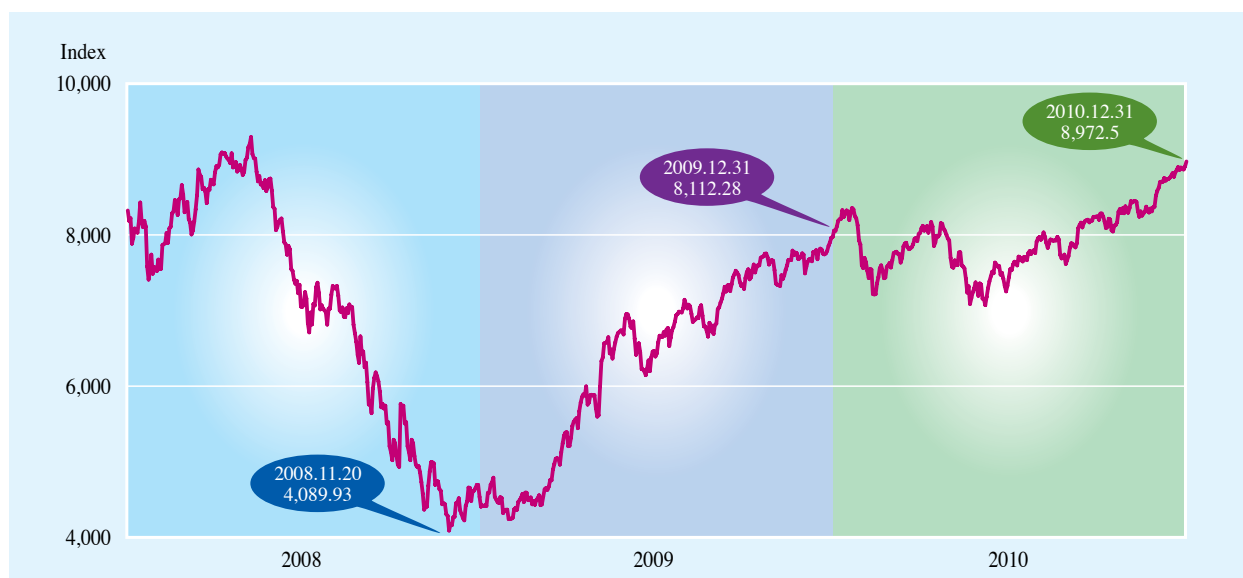
Source: the CBC website

NT dollar increased. Mighty efforts by the Central Bank kept the value of the NT dollar at the 30-to-1 mark; it closed out the year at NT\$30.368 to the US dollar, an appreciation of 5.47% compared with NT\$32.030:US\$1 at the end of 2009—the highest appreciation since 2004. Judging by the banks' posted exchange rate, however, the actual market value of the NT dollar hit a high of NT\$29.13:US\$1, which translates to an appreciation of more than 9% in 2010.

(5) A turbulent rise in the stock market

Under the impact of China's moves against real-estate speculation and the European debt crises, Taiwan's weighted stock index fell from a high of 8,356.89 in January to about 7,000 in mid-June. In the second half of the year the stock market was stimulated by the Central Bank's interest-rate hikes, the expected effects of ECFA, the flood of hot money into emerging Asian markets as a result of QE2 in the U.S., and the appreciation of the NT dollar; the stock market index experienced a V-shaped rebound, bouncing back to the year-end closing level of 8,972.5. The index rose by 784.39 points in 2010, for a gain of 9.58%. The total market value of listed stocks at the end of 2010 was NT\$23.81 trillion, an increase of NT\$2.78 trillion over the previous year's NT\$21.03 trillion for a growth of 13.2%. Total trading on the stock market in 2010 amounted to NT\$28,218.7 billion, a reduction of 4.9% from the year before.

TSE Stock Price Index (TAIEX)



Source: TSE

3. Outlook

After the strong recovery of the global economy in the first half of 2010, the growth momentum began to stabilize beginning in the third quarter. With the continued heating up of the global economy in 2011 and with recovery in the U.S. being stronger than expected, plus ongoing strong expansion in China, India, and other emerging economies, international forecasting institutions are adjusting 2011's economic outlook upward. But the continuing problem of unemployment in the advanced countries, the ongoing existence of concerns about sovereign debt in Europe, the continuing high growth of emerging economies along with the flood of capital into them, and increased pressure for inflation and the formation of asset bubbles are among the risks to global economic growth that we now face. The greatest challenges and biggest uncertainties confronting the global economy today are the political and economic turmoil in North Africa and the Middle East along with the follow-up development of the earthquake, tsunami, and nuclear disasters in Japan. The resulting fluctuations in international energy and food prices, and the impact on industrial supply chains, are still to be assessed.

In its January forecast, Global Insight Inc. predicts that 2011's global economic performance will be slightly weaker than in 2010 with a decline in growth from last year's 4.1% to 3.7% this year. In the U.S. the growth rate is forecast to improve from 2.9% in 2010 to 3.2% in 2011, growth in the euro zone is expected to slip from 1.7% in 2010 to 1.5% in 2011, China's growth is expected to drop from 10.1% to 9.5%, and Japan's from 4.3% to 1.2%.

The "World Economic Outlook Update" which the International Monetary Fund (IMF) published in January 2011 indicates that the speed of recovery will be far slower in the advanced countries than in the emerging economies. This divergent speed of recovery is likely to cause global economic turbulence within two years. The IMF has nevertheless raised its global economic growth forecast for 2011 to 4.4%, up from its October 2010 forecast of 4.2%, and predicts a 4.5% expansion in 2012. The forecast of the U.S. for the year of 2011 is a growth of 3%, a 0.7 percentage point improvement over the original forecast. Growth in the euro zone is forecast to remain unchanged at 1.5% this year; the IMF calls on the euro zone to expand the scale of its relief fund, and to carry out strict stress tests on its banks. The IMF predicts that the BRICs and other developing countries will maintain strong momentum for recovery and sets this year's growth rate at 4.5% for Brazil and Russia, 8.4% for India, and 9.6% for China.

In the "2011 Global Economic Outlook" report released in January, the World Bank points out that the global economic recovery is in a post-crisis rebound stage, and that growth will slow down but remain stable this year and next. The report estimates 2010's global growth at 3.9% and predicts that the figure will fall to 3.3% in 2011 before rising again to 3.6% in 2012. Most emerging economies have already returned to their pre-recession levels; the report puts the growth of developing countries at 7% in 2010, 6% in 2011, and 6.1% in 2012. The rate of growth in developed countries is forecast to be lower, at 2.8% in 2010, 2.4% in 2011, and 2.7% in 2012.

Forecast on Global Economic Growth Rates

Unit: %

Area \ Institute	IMF		The World Bank		Global Insight Inc.	
	2010	2011	2010	2011	2010	2011
Global	5.0 (4.8)	4.4 (4.2)	3.9 (3.3)	3.3 (3.3)	4.1 (4.1)	3.7 (3.4)
US	2.8 (2.6)	3.0 (2.3)	2.8 (3.3)	2.8 (2.9)	2.9 (2.8)	3.2 (2.4)
Japan	4.3 (2.8)	1.6 (1.5)	4.4 (2.5)	1.8 (2.1)	4.3 (4.4)	1.2 (1.1)
Euro Area	1.8 (1.7)	1.5 (1.5)	2.7 (0.7)	2.3 (1.3)	1.7 (1.7)	1.5 (1.4)
China	10.3 (10.5)	9.6 (9.6)	10.0 (9.5)	8.7 (8.5)	10.1 (10.1)	9.5 (9.2)

Note: Figures in () refer to the previous forecast

Sources: Jan., 2011, IMF, Jan., 2011, The World Bank, Jan., 2011, Global Insight Inc.

According to a forecast released by the Directorate General of Budget, Accounting and Statistics (DGBAS) in February 2011, Taiwan's GDP will expand by 4.92% in 2011, higher than the target of 4.82% set by the Council for Economic Planning and Development. The IMF forecasts the island's growth this year at 4.4%, Global Insight puts it at 4.8%, and the Asian Development Bank expects 4.0%. Domestic economic research institutions generally predict a 2011 growth above 4.5%; the Chung-Hwa Institution for Economic Research puts the figure at 4.55%, and the Academia Sinica predicts 4.71%. The latest forecast by the Taiwan Institute of Economic Research, in January, puts the real growth rate for 2011 at 5.71%. The effects of the strong earthquake and tsunami in Japan on Taiwan's industrial supply chains and their impact on the island's economic and financial sectors will affect GDP growth, of course, but the size of any revision should not be very large.

Forecast on Taiwan Economic Growth Rates

Unit: %

Institution		2010	2011
Public and domestic institutions	DGBAS (2011.2)	10.82 (10.47)	4.92 (5.03)
	TIER (2011.1)	10.38 (8.91)	5.71 (4.12)
	CIER (2010.12)	9.64 (8.15)	4.55
	Academia Sinica (2010.12)	10.31 (6.89)	4.71
	Cathay Financial Holdings (2010.12)	10.20 (10.13)	3.9
Foreign institutions	IMF (2010.10)	9.30 (7.7)	4.4
	Global Insight (2010.12)	10.10 (8.4)	4.8 (4.5)
	Asian Development Bank (2010.12)	9.80 (7.7)	4.0

Note: The date in () for the institutions indicate the forecast date; The figures in () for the 2010 data refer to the previous forecast

Source: DGBAS, TIER, CIER, Academia Sinica, Cathay Financial Holdings, IMF, Global Insight and ADB

In the area of prices, the DGBAS indicates that with the continuing robustness of global demand and supply shortages caused by abnormal weather, plus an excess of capital in the market, upward pressure on international crude oil and agricultural and industrial raw materials prices remains strong this year. This tends to boost food, energy, and other prices in Taiwan, but some of the upward pressure will be alleviated by the appreciation of the local currency against the US dollar and the government's price stabilization measures. The rise in the consumer price index (CPI) this year is projected at 2.0%.

In the area of interest rates, the Central Bank responded to the economic recovery and the price situation by instituting a series of interest-rate hikes in June last year. In 2011, however, changes in the situation have exceeded expectations; the rise in prices, especially, is likely to increase negative real interest rates, and the Council for Economic Planning and Development has indicated that commodity prices pose the greatest risk in 2011. This means that the greatest challenge for the Central Bank is to stabilize prices, so the trend of rising interest rates should be determined. Economists feel that the domestic economy will grow at a stable rate but that the rate of price hikes will expand this year, and predict that the Central Bank will continue boosting interest rates in order to maintain price and financial stability. Since the momentum for last year's economic growth was derived from the low base of the previous year, however, and not from an overall economic improvement, to maintain growth momentum the Central Bank should hike interest rates at a measured pace. In addition, there is still too much capital in the market, so to avoid asset bubbles the Central Bank should adopt small interest rate increases as a warning to the real-estate market.

The promising prospects for the Asian economy this year are attracting a flood of foreign capital, and central banks in the different countries are striving to keep the value of their currencies down so as to maintain their export advantage; they are unable, however, to stop the rising tendencies. With the economy recovering and the market flooded with idle capital, inflationary pressures are forcing central banks to adopt contractionary measures; but this further increases the upward pressure on currencies and, with the ECFA effect, the pressure on the NT dollar is particularly strong. Foreign financial research institutions are predicting the long-term appreciation of the NT dollar. The DGBAS indicates that the recent continuous increases in international oil and raw materials prices will gradually be reflected at the retail level, putting upward pressure on domestic food, energy, and other prices; the appreciation of the NT dollar, however, will offset some of the inflationary pressure. The Polaris Research Institute feels that the deflation continuing to threaten the U.S. and the loose-money policy there are not favorable to the future value of the US dollar, and that the emerging economies of Asia are facing inflationary pressures and their monetary policies are tending toward contraction. These differences in monetary policy around the world will disturb the market and increase exchange rate fluctuations.

B. Major Financial Measures

1. Financial Business Operations

- (1) To assure the rational allocation of capital and avoid the concentration of risk-based assets in a single or a few clients, and to implement banks' large exposure management, the FSC announced a revision of the authorization regulations in Article 33-3 of the Banking Act on Jan. 28, 2010. The revision became effective on the date of announcement.
- (2) To guide credit cards back to their proper function of payment tools, reinforce the disclosure of important information to cardholders, and further strengthen oversight of bill collection and contract store management, as well as to strengthen protection of cardholders, on Feb. 2, 2010 the FSC promulgated a revision of the "Regulations Governing Institutions Engaging in Credit Card Business" and on Apr. 26 established the "Conversion Mechanism for Cardholders Using Long-term Revolving Credit," "Cash Advance Marketing and Amount Ratios," "Principles for Handling of Credit Card Transactions when Deferred Payment (or Pre-payment) Products Cannot be Provided," and other related rules. The "Matters that Shall or Shall Not be Stated in the Credit Card Standardized Contract" were announced on July 27.
- (3) The Central Bank raised the discount rate, the rate on accommodation with collateral and the rate on accommodation without collateral by 12.5 basis points each on June 24, Sep. 30, and Dec. 30, 2010, effective the following day. This brought the three interest rates to 1.625%, 2.000%, and 3.875%, respectively.
- (4) To assist with the normal development of the real estate market while monitoring the threat of excessive concentration of bank loans, the Central Bank formulated the "Regulations Governing the Extension of Housing Loans in Specific Areas by Financial Institutions" and has asked financial institutions to submit statistical reports to the Central Bank on a scheduled basis, effective June 25, 2010.
- (5) To facilitate the withdrawal of blanket coverage of deposits insurance on Dec. 31, 2010, the Central Bank, Ministry of Finance, and FSC jointly announced on Aug. 12, 2010 that the coverage ceiling would be NT\$3 million beginning on Jan. 1, 2011. On Dec. 29, 2010 a revision of Articles 12 and 13 of the Deposit Insurance Act was promulgated by presidential order, taking foreign-currency deposits and their deposit interest under the coverage of deposit insurance.
- (6) To reinforce implementation of the loan pricing policy and strengthen financial order, on Oct. 8, 2010 the FSC announced a revision of Points 2 and 3 of the "Measures to Accelerate the Reduction of Non-performing Loans of Domestic Banks," stipulating that the non-performing loan ratios of banks (except for industrial banks) referred to the ratio that is calculated after excluding loans to state-owned enterprises and government agencies. The revision also includes an incentive provision for institutions whose NPL ratio is no more than 2% and whose coverage ratio is at least 60%, to encourage institutions to improve their asset quality.

- (7) To strengthen the quality of banks' loan assets and their risk pricing policy, as well as to bring allocations for loan loss reserves by loan asset category in line with international standards, on Nov. 18, 2010 the FSC revised Article 5 of the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans," adding a provision that with the exception of debt owed by domestic government agencies, for Category 1 loan assets banks should allocate at least 0.5% of outstanding debt as reserves for bad debt and guarantee liability. To reduce the impact on banks of implementing this measure, the banks are allowed three years from the date of implementation (Jan. 1, 2011) to bring the required reserves up to the full amount.
- (8) To balance between the blocking of illegal behavior and the restricting of the rights for people, on Dec. 9, 2010 the FSC relaxed the rules and revised the "Approaches for Bank Handling of Accounts with Suspicious or Unusual Transactions". The main points of the revision include permission for the opening of direct salary transfer accounts to meet business needs during the period of warning accounts and shortening the restriction period for warning accounts, effective Jan. 1, 2011.
- (9) To make current rules governing open market operations clearer and more comprehensive, in accordance with actual operating conditions, the Central Bank combined the provisions of the "Directions for Issuance of Certificates of Deposit by the Central Bank of the Republic of China (Taiwan)" and the "Directions for Bidding Certificates of Deposit Issued by the Central Bank of the Republic of China (Taiwan)" into the "Directions for Open Market Operations by the Central Bank of the Republic of China (Taiwan)." The new "Directions" became effective on Dec. 15, 2010.
- (10) The FSC announced on Dec. 22, 2010 that to prevent fraudulent groups from using financial tools to commit crimes, effective from Mar. 1, 2011 transfers into demand accounts using ATMs would be limited to a maximum of NT\$30,000. Transfers to designated corporate accounts and the payment of credit card bills and loans will not be subject to this regulation.
- (11) To maintain order in the foreign exchange market and prevent foreign speculative capital from disturbing the market, the Central Bank revised Articles 42 and 52 of the "Regulations Governing Foreign Exchange Business of Banking Enterprises" to amend maximum combined positions in non-deliverable NT dollar forwards and NT dollar foreign exchange options to a one-fifth of total position, effective Dec. 27, 2010.
- (12) On Dec. 30, 2010 the Central Bank announced rules of special reserves for NT dollar demand deposits. The new rules will be effective Jan. 1, 2011 and require financial institutions that accept NT dollar demand deposits from overseas Chinese and foreign natural persons, overseas foreign institutional investors, and mainland Chinese investors to allocate as a reserve 90% of the amount of such deposits that exceed the amount as of Dec. 30, 2010, and 25% of the amount that does not exceed the amount as of Dec. 30, 2010.

2. Cross-Strait Financial Relations

- (1) On Mar. 16, 2010 the FSC promulgated a revision of the “Regulations Governing Approvals of Banks to Engage in Financial Activities Between the Taiwan Area and the Mainland Area” and a change of name to “Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institutions Between the Taiwan Area and the Mainland Area.” The main points of the revision were to add provisions allowing banks on each side of the Taiwan Straits to set up branches on the other side, and to engage in equity investment on the other side; relaxing restrictions on the extension of loans to Taiwanese businesses in mainland China by Offshore Banking Units of Taiwanese Banks; and expanding the scope of the cross-straits credit card and debit card business for domestic banks. With the exception of provisions on equity investment as covered in Chapter 4, Section 3, which will be determined by negotiations between the competent agencies on the two sides of the straits in accordance with relevant cross-straits economic cooperation agreements, the new provisions took effect on the date of promulgation.
- (2) To enhance the convenience of consumption in Taiwan by tourists from mainland China, and to expand the effects of the opening of Taiwan to mainland Chinese tourists, the FSC has adopted a staged opening of the PRC’s China UnionPay Card business. The use of the UnionPay Card (including credit card and debit card functions) for payment at stores was allowed from July 15, 2009 and the use for cash withdrawals, cash advances, and balance enquiries at ATMs in Taiwan was initiated on May 4, 2010.
- (3) The cross-straits Economic Cooperation Framework Agreement (ECFA) was signed at the 5th round of Jiang-Chen talks on June 29, 2010; both sides completed the review process, and the agreement became effective on Sep. 12. The financial part of the ECFA’s “early harvest” list contains six items granted by China to Taiwanese banks and one item granted to Chinese banks by Taiwan. The “early harvest” list took effect on Jan. 1, 2011.
- (4) To further satisfy the needs of domestic residents and assure a stable supply of renminbi currency and new bills, as well as to lower the cost of exchange and reduce the incidence of counterfeit currency, the Central Bank together with the FSC revised the “Regulations Governing the Administration and Settlement of Renminbi in the Taiwan Area” to allow financial institutions meeting the requisite conditions to sign renminbi cover agreements with the Bank of China (Hong Kong), effective July 15, 2010. On July 21 that year the Central Bank approved the Bank of Taiwan and Mega Bank as renminbi cover banks in Taiwan.
- (5) On Sep. 23, 2010 the FSC approved the establishment of representative offices in Taiwan by mainland China’s Bank of China and Bank of Communications, and gave similar approval to the China Merchants Bank on Oct. 28 that year. These are the first three Chinese banks to receive approval to set up representative offices in Taiwan following the establishment of two-way financial market dealings across the Taiwan Straits.

- (6) In response to the request by financial institutions to deploy in the Chinese market as quickly as possibly, and in line with the the principle of “cautious opening, orderly progression,” on Dec. 16, 2010 the FSC promulgated the “Professional Management Principles for Investment in Enterprises in the Mainland China Area by Banks, Financial Institutions, and Affiliated Enterprises.” The “Principles” set out clear provisions of investment ceilings and application procedures for investment in financial institutions in the mainland area, investment in finance related enterprises other than financial institutions in the mainland area, or venture investment enterprises and investment in other enterprises in the mainland area.

3. Financial Institutions Management

- (1) On Apr. 12, 2010 the FSC announced that to facilitate the continuation of policy-type missions by government agencies, businesses commissioned by government agencies to financial institutions that disappear as a result of mergers approved by the competent government authority will, in accordance with the provisions of Paragraph 22, Article 3 of the Banking Act, continue to be handled by the surviving entities.
- (2) On Apr. 14, 2010 the FSC promulgated a revision of Article 3 and of Attachment 1 to Article 5 of the “Regulations Governing Domestic Branches of Financial Institutions” to allow the submission of applications to the FSC for the establishment of branches each May by financial institutions that help the government take over, operate, or assume problem financial institutions, or that conform to conditions for healthy financial business.
- (3) In view of the increasing prevalence of overseas investment by the people of Taiwan, and to meet the needs of internationalization of financial businesses, the FSC has broken through diplomatic obstacles and promoted the negotiation of financial oversight memorandums of understanding (MOUs) with the financial regulators of different countries so as to protect the interests of Taiwanese investors and assure the healthy overseas development of financial businesses while upgrading international cooperation and interchange. In 2010 MOUs were signed with the Commission de Surveillance de Secteur Financier (CSSF) of Luxemburg on Aug. 23 and the National Association of Insurance Commissioners (NAIC) of the U.S. on Sep. 28, bringing the total number of such MOUs (or exchanges of letters) to 43.
- (4) In response to changes in the domestic and international financial environments as well as the revision of relevant laws and regulations, and to meet the needs of domestic financial oversight, on Oct. 8, 2010 the FSC revised Point 4 of the “Directions Concerning the Establishment of Foreign Branches by Domestic Banks” to stipulate that banks with a ratio of Tier 1 capital to risk-based assets under 6% may not apply to establish overseas branches, effective Apr. 8, 2011.
- (5) To establish clear criteria for correction measures and for a market exit mechanism for problem financial institutions, the FSC formulated the “Regulations for Taking Over Financial

Institutions” and Regulations for the Monitoring of Financial Institutions” with the aim of securing the rights of depositors and maintaining financial stability. The “Regulations” came into effect on Dec. 23, 2010.

4. Financial Holding Companies

- (1) Based on considerations of oversight consistency, legal stability, and the cost of revising laws, the FSC collated the contents of the internal control and internal auditing systems of financial holding companies, banks, credit cooperatives, securities firms, and trust companies and, in reference to the framework of the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets,” established the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” on Mar. 29, 2010, to be implemented on the date of promulgation. At the same time, the FSC abolished the rules for the separate internal control and internal auditing systems of these institutions.
- (2) The FSC promulgated the “Regulations for Capital Reduction by Subsidiaries of Financial Holding Companies,” stipulating the conditions that financial holding company subsidiaries should meet when carrying out capital reductions, as well as the rules and information disclosure criteria to be followed after the capital reduction. The “Regulations” became effective on the date of promulgation. At the same time the FSC announced the abolishment of the “Regulations Governing Review for Financial Holding Companies Acquiring Capital by Way of Disinvesting in Subsidiaries,” effective Nov. 19, 2010.
- (3) On Dec. 1, 2010 the FSC promulgated the “Regulations Governing Investment by Financial Holding Companies,” stipulating primarily that when financial holding companies first invest in financial holding companies, banks, insurance companies, or securities houses they should acquire a controlling share, and in case the invested enterprise is a publicly listed company it should carry out a one-time purchase of a sufficient number of shares, in accordance with tender-offer rules, within three months. The “Regulations” were implemented on the date of promulgation. At the same time, the FSC abolished the “Operating Principles for Reinvestment by Financial Holding Companies,” effective Dec. 3, 2010.

C. Banking Operations in 2010

1. Changes in the Operating Units of Financial Institutions

Financial institutions in Taiwan are classified into two categories, namely: monetary financial institutions and other financial institutions. Monetary institutions are composed of the CBC and deposit money banks. The latter includes domestic banks, medium and small sized enterprise banks, local branches of foreign banks, credit cooperatives, and credit departments of farmers’

and fishermen's associations. Other financial institutions include the Chunghwa Post Co. Ltd trust and investment companies, and life insurance institutions. The number of financial institutions in Taiwan at the end of December 2010 was 425, three less than the 428 in existence at the end of 2009. During the year foreign banks cut the number of their branches in Taiwan by four (Wells Fargo Bank took over all the assets and liabilities of the Wachovia Bank of the U.S., ANZ Bank of Australia took over from the Royal Bank of Scotland the assets, liabilities, and operations of Holland's ABM AMRO Bank branches in Taiwan, the Taipei branch of BNP Paribas took over all the business operations, assets, and liabilities of the Taipei branch and offshore banking unit of Fortis Bank, and KBC Bank N.V. of Belgium wrapped up its business in Taiwan). One new farmers' association credit department was added. The total number of bank branches in Taiwan at the end of 2010 stood at 5,989, 16 more than the end of 2009.

2. Amount and Ratio of Non-performing Loans (NPL)

The ravages of the financial tsunami caused Taiwan's banking industry to pay more attention to asset quality, and banks became more cautious in their lending while working vigorously to write off bad debt and recover non-performing loans. This resulted in a great improvement in asset quality and financial structure; by the end of December 2010 total NPLs of domestic banks amounted to NT\$121.7 billion, down by NT\$93.2 billion or 43.37% from the NT\$214.9 billion in NPLs at the end of 2009. The island's banks wrote off about NT\$65.4 billion worth of NPLs in 2010, NT\$41.4 billion or 38.76% less than the NT\$106.8 billion worth that were written off in 2009. The NPL ratio dropped from a high of 11.74% in the first quarter of 2002 to just 0.61% at the end of December 2010; this was a reduction of 0.54 percentage points from the NPL ratio of 1.15% at the end of 2009.

The coverage ratio of Taiwanese banks' loan loss reserve against NPL was 158.07% at the end of December 2010, a major improvement of 67.57 percentage points from 90.50% at the end of 2009 and 88.59 percentage points higher than the 69.48% at the end of 2008. This reflected a large improvement in the risk-bearing capability of Taiwanese banks.

3. Summary of Banking Profits

With the faster-than-expected recovery of the international economy, Taiwan's economy also experienced a large scale growth. The Central Bank hiked interest rates three times in 2010 and the average spread between bank deposits and loans gradually widened. At the same time, the improvement in the economy stimulated an increase in business volume for Taiwan's banks as the growth momentum of demand for corporate financing and wealth management gradually recovered and fee income expanded by a large amount. The allocation of reserves against bad debt declined, profit on stock investment increased, and profitability in the banking industry grew rapidly. The total profit before tax of Taiwan's banks reached NT\$183.2 billion in 2010, topping the historic

record of NT\$155.4 billion set in 2004 and representing an increase of 118.36% over the NT\$83.9 billion profit recorded in 2009. Return on assets (ROA) rose from 0.28% in 2009 to 0.58% in 2010, and return on equity (ROE) increased from 4.49% to 9.10% over the same period; this was a six-year high, but unlike net profit it was not a historic record. With the domestic economy expected to maintain a moderate pace of growth, plus the increased cooperation across the Taiwan Straits resulting from the effects of the signing of the ECFA and the resulting improvement in cross-straits financial exchange, complementary industrial relations across the straits are expected to speed up, creating financial resources and business opportunities. This will bring more room for profit growth to Taiwan's banks.

4. Major Operations of the Banking System

(1) Deposit Operations

The total amount of deposits in major financial institutions at the end of 2010 (including deposits in all monetary institutions and the Department of Savings and Remittances of the Chunghwa Post Co.Ltd) was NT\$31.09 trillion, up NT\$1,531.9 billion, or 5.18%, from the end of 2009. The largest share of deposits was made up of time deposits, at 38.85%, followed by demand deposits at 33.65%. There were increases in all categories of deposits. Demand deposits grew by the greatest scale of 8.98%, increasing by NT\$862.1 billion over the end of 2009 to reach a historic high of NT\$10.46 trillion, largely because of inward remittances of foreign capital in response to the active stock market as well as the return of Taiwanese capital from overseas. Foreign-currency deposits also reached a historic high of NT\$2.58 trillion, an annual growth of 6.47%.

Changes in Deposits by Category of Major Financial Institutions

Unit: NT\$ 100 million

Item	Year	End of 2010	End of 2009	Amount change	Percentage change %
Demand deposits		104,611	95,990	+8,621	+8.98
Time and savings deposits		120,781	118,382	+2,399	+2.03
Foreign currency deposits		25,752	24,188	+1,564	+6.47
Government deposits		10,478	10,056	+422	+4.20
Postal savings deposits		44,985	44,215	+770	+1.74
Repurchase agreements		3,434	2,709	+725	+26.76
Others		838	20	+818	-
Total		310,879	295,560	+15,319	+5.18

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2011.

(2) Loans and Investment Operations

Outstanding loans and investments by banks at the end of 2010 stood at NT\$22.82 trillion. This was an increase of NT\$1,330.5 billion for an annual growth of 6.19%, far higher than the 0.75% expansion recorded in 2009.

Loans and investments to all categories of recipients by major financial institutions expanded in 2010. The highest growth was experienced by private sector loans, which increased by NT\$1,156.1 billion during the year; the annual rate of growth also recorded the greatest improvement, rising from a negative 1.09% in 2009 to 6.76% in 2010. Loans to government agencies increased by NT\$114.2 billion, giving a 3.29% growth that was far lower than 2009's 14.09%. Loans to state-owned enterprises rose by NT\$60.2 billion, boosting growth from a negative 8.16% in 2009 to 6.56% in 2010.

Loans and Investments by Sector of Major Financial Institutions

Unit: NT\$ 100 million

Item	Year	End of 2010	End of 2009	Amount change	Percentage change %
Claims on the government		35,833	34,691	+1,142	+3.29
Claims on state-owned enterprises		9,769	9,167	+602	+6.56
Claims on the private sector		182,609	171,048	+11,561	+6.76
Total		228,211	214,906	+13,305	+6.19

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2011.

(3) Foreign Exchange Operations

The average daily forex transaction volume (including bank-to-customer and bank-to-bank) reached US\$20.232 billion in 2010, up 24.72% from the year before. The daily average bank-to-customer volume was US\$4.952 billion, an increase of 17.96% over 2009, and the daily average bank-to-bank volume was US\$15.279 billion, a growth of 27.06% over 2009.

With the exception of forward transactions, which slipped 1.75%, and cross-currency swap transactions, which declined 40.98%, all other types of foreign exchange transactions registered positive growth in 2010. The greatest increase was recorded by foreign exchange swaps, which grew by US\$1.873 billion; options transactions registered the greatest rate of growth, at 45.33%, followed by foreign exchange swaps, at 34.10%.

Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item	Year	2010	2009	Amount change	Percentage change (%)
Spot		5,938	4,932	+1,006	+20.40
Forward		616	627	-11	-1.75
Swap		7,365	5,492	+1,873	+34.10
Option		1,324	911	+413	+45.33
Cross currency swap		36	61	-25	-40.98
Total		15,279	12,025	+3,254	+27.06

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2011.

(4) Consumer Finance Operations

Consumer confidence rose along with the rapid recovery of the domestic economy, stimulating public consumption willingness. According to statistics compiled by the Banking Bureau of the FSC, at the end of December 2010 the total number of valid credit cards issued by 36 issuing institutions stood at 30,705,600; this was an increase of 138,900 over the 30,566,700 cards in circulation at the end of 2009, for a growth of 0.45%. Card purchases in 2010 totaled NT\$1,538.923 billion, up 12.71% from the year before. Revolving credit amounted to NT\$180.980 billion at the end of 2010, down 13.04% from a year earlier, and the amount of cash advances totaled NT\$32.650 billion, down 8.38%.

According to FSC statistics there were 25,702 ATMs in Taiwan at the end of December 2010, an increase of 303 over the 25,399 ATMs in operation at the end of 2009 for a growth of 1.19%. The accumulated number of bank cards issued by the end of 2010 was 154.64 million, up 6.11 million or 4.11% from 148.53 million at the end of the previous year. The number of ATM transactions in 2010 totaled more than 655.28 million, a growth of 3.77% over the previous year, and the amount of the transactions reached NT\$8,352.6 billion, for a growth of 8.20% over the NT\$7,719.6 billion recorded in 2009.

(5) Financial Derivatives Business

The nominal amount of unsettled derivatives contracts undertaken by domestic banks (including offshore banking units and overseas branches) stood at the equivalent of NT\$51.24 trillion at the end of December 2010, representing a reduction of NT\$12.23 trillion, or 19.27%, compared with NT\$63.47 trillion at the end of 2009.

The over-the-counter (OTC) transactions accounted for 99.72% of these transactions, while exchange-traded transactions made up only 0.28%. Of the OTC transactions, swaps accounted for the lion's share, with 66.34% of the total, followed by forward contracts with about 23.86%. Sold and purchased options accounted for 4.83% and 4.69%, respectively. Trade-related contracts made up 99.31% of the total, while non-trade-related contracts accounted for only 0.69%.

Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$100 million, %

Item	End of Dec. 2010		End of Dec. 2009		Changes	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts	512,442	100.00	634,744	100.00	-122,302	-19.27
A. OTC	511,016	99.72	629,353	99.15	-188,337	-18.80
1. Forwards	122,270	23.86	104,410	16.45	17,860	17.11
2. Swaps	339,936	66.34	470,869	74.18	-130,933	-27.81
3. Call option	24,038	4.69	26,821	4.23	-2,783	-10.38
4. Put options	24,772	4.83	27,253	4.29	-2,481	-9.10
B. Exchange-traded	1,426	0.28	5,391	0.85	-3,965	-73.55
1. Futures- long positions	372	0.07	2,277	0.36	-1,905	-83.66
2. Futures- short positions	773	0.15	2,136	0.34	-1,363	-63.81
3. Call options	160	0.03	856	0.13	-696	-81.31
4. Put options	121	0.03	122	0.02	-1	-0.82
II. Notional Amounts	512,442	100.00	634,744	100.00	-122,302	-19.27
A. Total contracts held for trading purpose	508,925	99.31	629,883	99.23	-120,958	-19.20
B. Total contracts held for non-trading purpose	3,517	0.69	4,861	0.77	-1,344	-27.65

Source: The CBC website, February 2011.

IV. Report on the Work of BAROC

A. Major Achievements in 2010

1. Support for the government's industrial and financial policies, and implementation of related measures

- (1) Coordination with the competent authority's guidance of financial institutions to support the i-Taiwan 12 Projects and the Six Key Emerging Industries policy:
 - a. The Bankers Association relayed information related to the i-Taiwan 12 Projects and Six Key Emerging Industries, along with the 2011 investment promotion manual and investment information manual, to member institutions.
 - b. In order to direct capital from financial institutions into support for the i-Taiwan 12 Projects and the Six Key Emerging Industries, the FSC asked the Association to compile monthly statistics on the amount of loans and investments by banks, and investments by financial holding companies. The Association worked out reporting standards and asked member institutions to fill out reports on a monthly basis, and also called a meeting to discuss proposed measures for the competent authority to use in assisting and encouraging participation. The Council for Economic Planning and Development, FSC, Ministry of Finance, and Public Construction Commission were invited to attend and instruct, and a "Proposal Form for Assistance by the Competent Authority" was formulated in accordance with the resolutions of the meeting and submitted to the FSC.
- (2) Continued coordination with the governments' "Three Supports" policy and implementation of corporate financing assistance measures:
 - a. The Association continued its coordination with the "Three Supports" policy—that is, government supporting banks, banks supporting enterprises and enterprises supporting employees—by carrying out the BAROC's "Self-Disciplinary Rules For Member Banks Negotiating with Debtors" under which "caring enterprises" that pledge not to lay off employees are provided loans at reduced interest rates. The BAROC also continuously prods and compiles statistics on members' compliance with the government's "Guideline for Financial Institutions Engaging in the Revitalization of the Economy by Providing Non-SME Special Loans and Credit Guarantee" .
 - b. In order to work out the operating guidelines for the resolution of debts following the exit of the "negotiating mechanism" , the Ministry of Economic Affairs called a meeting with the FSC and the BAROC. The decision made following discussions on the contents of the regulations conformed to the BAROC's original suggestion. Corporate application cases that were evaluated and approved by the Ministry of Economic Affairs' were sent to the largest creditor financial institution which would then call a negotiation meeting at which majority vote would not be used. However, each creditor bank would carry out its own evaluation and make its own decision. The guidelines were promulgated by the Ministry of Economic Affairs and were sent to the various financial institutions for action.
- (3) Ongoing coordination with the government in carrying out financing measures for Typhoon Morakot:

- a. The BAROC continued carrying out its “Operating Guidelines for the Extension of Loan Repayments by Residents Affected by Typhoon Morakot” , “Operation Guidelines for Financial Institutions Undertaking Outstanding Residential Housing Mortgages (Buildings or Buildings and Land)” and “Operating Guidelines for the Extension of Loan Repayments by Enterprises Affected by Typhoon Morakot” .
- b. In line with the “First Anniversary Post-disaster Achievements Publicity Project” mapped out by the Morakot Post-Disaster Reconstruction Council to exhibit the results of reconstruction work, the Banking Bureau of the FSC instructed the BAROC to take charge of unified planning and coordination related to the exhibition of the achievements of post-Morakot financial assistance. Following this coordination the banks held a variety of static and dynamic publicity activities, and a report of the achievements of financial assistance measures was compiled.

2. Coordination with the government’s promotion of the linking of Taiwan’s bank accounting system with international accounting standards

In recent years the government has been revising Taiwan’s statements of financial accounting standards in reference to international accounting standards to facilitate the banking industry’s adoption of consistent international standards and compilation of comparable financial statements, thereby reducing the switching cost and risk of error for transnational enterprises, lowering the cost of raising funds overseas to enterprises, attracting foreign investment in Taiwan’s capital market, and promoting the island’s integration into the global economic and trade system. This has steadily brought Taiwan’s accounting system in line with international standards. The BAROC has coordinated with this effort by carrying out the following measures:

- (1) In response to the application of the provisions of the third revision of Taiwan’s Bulletin 34th (in reference to International Accounting Standards IAS39) on Jan. 1,2011 regarding originated loans and accounts receivable, the BAROC formulated the “Major Reference Principles for Adjusting the Contract Interest Rate of Bank Loans and Receivables to Effective Interest Rate and Listing as Interest Revenue in Accordance with the Provision of the 3rd Revision of Bulletin 34thand “Suggested Accounting Entry for the Adoption of Effective Interest Rate for Bank Loans” for the reference of member banks. The BAROC also held seminars on this subject.
- (2) In line with Taiwan’s adoption of International Financial Reporting Standards (IFRS) in 2013, the Association called together the competent authority, CPAs, and bank representatives to set up an IFRS Task Force to discuss practical problems that might be encountered in the process of implementation. PwC Taiwan was commissioned to formulate a “Guide and Explanatory Examples for the Application by Banks of IFRS, and Related Disclosures” and revise the “Principles for Accounting System in the Banking Industry” .

3. Cooperation between the banking industries on the two sides of the Taiwan Straits was promoted, a Mainland China Committee was set up, and related topics were discussed

- (1) A Mainland China Committee was set up under the BAROC to promote cross-straits cooperation in the banking industry, to assist the competent authority in meetings or consultations addressing market access and financial oversight, and to reflect the opinions of Taiwan's banking industry.
- (2) The BAROC provided opinions on including banking industry in the “early harvest” list of the ECFA to the competent authority for reference in ECFA negotiations in order to win favorable conditions for Taiwanese banks to enter the Chinese market. Four items of banking business were in fact included in the early harvest list.
- (3) Proposals for the revision of the “Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institutions Between the Taiwan Area and the Mainland Area” were mapped out and submitted to the FSC.
- (4) Suggestions as to banking industry issues for priority consideration in the next stage of negotiations following the implementation of ECFA were provided to the FSC for use as a reference in follow-up negotiations.
- (5) Deliberated on the scope and risk oversight mechanism for interbank dealings between Taiwanese and Mainland Chinese banks, and submitted the results to the Banking Bureau for reference.
- (6) The BAROC organized a task force to complete a “Future OBU Positioning and Development” research report, analyzing short-term, medium-term, and long-term objectives and making proposals concerning cross-straits financial policy liberalization and deregulation, which was submitted to the Banking Bureau for reference. Some of the proposals were filed by the Bureau for future reference in formulating policies and revising laws concerning cross-straits financial business relations.
- (7) The BAROC asked the FSC and the Central Bank to allow the offshore banking units (OBUs) of Taiwanese banks, like their Hong Kong branches, to handle the cross-border renminbi settlement business.

4. Assisted member banks in carrying out the China UnionPay Card business and IC card payment for domestic and overseas consumption

- (1) To provide more convenience for Mainland Chinese traveling to Taiwan for business or tourism purposes, and to promote cooperation in the cross-straits flow of funds, the BAROC assisted member banks in setting up businesses that were related to the NT dollar cash withdrawals and other transactions at Taiwan ATMs by holders of China's UnionPay Card. An inauguration ceremony was held on June 30, 2010 at the Grand Formosa Regent Taipei, and this service is now being provided by the Bank of Taiwan and 22 other banks. By the end of 2010 about 17,000 ATMs throughout Taiwan, around 67% of the total, were accepting UnionPay Cards, and 354,770 withdrawals and 142,890 enquiries had been carried out. The withdrawals totaled nearly NT\$5 billion, giving an average daily withdrawals of more than NT\$26 million.
- (2) To enhance the convenience of consumption for Taiwanese traveling in Japan, the BAROC worked with member banks and the Financial Information Service Co., Ltd. in promoting

the transnational payment by IC card. The business was inaugurated in Hokkaido on Jan. 27, 2010, and by December about 110 stores were accepting IC card for payment. The service was extended to Tokyo, Osaka, Fukuoka, Sendai, Nagoya, and Okinawa in January of 2011 .

- (3) The BAROC publicized “Appropriate use of bank cards, building a healthy payment environment” and encouraged financial institutions to promote the IC card payment service. A “Bank Card, Smart Pay Achievements Presentation” was held at Shangri-La’s Far Eastern Plaza Hotel Taipei on Dec. 13, 2010. To facilitate the continuing development of this business by financial institutions, the program of IC card payment fee subsidies was readjusted in order to encourage member banks to handle this business.

5. Provision of proposals for the revision of relevant banking laws, and promotion of the results of revision

- (1) Following the categorization of banks’ income from structured product transactions as “other income” after the promulgation on Apr. 22, 2009 of a revision to Article 14 of the Income Tax Act, 15% of the income of offshore clients was required to be withheld as income tax in accordance with the “Standards of Withholding Tax Rates for Various Incomes.” To prevent the imposition of taxes from causing a loss of banks’ OBU clients and the outflow of capital, and to attract offshore capital and maintain Taiwan’s competitiveness as a regional financial center, the BAROC asked the FSC to revise the “Offshore Banking Act” to retain the tax-free status of OBU clients. The FSC formulated a revision of Articles 16 and 24 of the Act, which was passed by the Legislative Yuan and promulgated and implemented by the President on June 9, 2010.
- (2) A revision of the Income Tax Act in 2010 added an anti-diluting capitalization provision in Article 43-2. Under the supervision of the FSC, financial institutions are already subject to stricter management standards in regard to capital adequacy than are other profit-seeking enterprises; so the BAROC produced talking points and vigorously solicited the support of legislators for the Executive Yuan version of the revision, which exempts financial institutions from its application. The revision passed by the Legislative Yuan in Jan. 10, 2011 and promulgated and implemented by the President on Jan. 26 which exempts financial institutions from the constraint of this provision, thereby facilitating their normal operation and development.
- (3) On Nov. 24, 2010 the FSC convened a meeting of eight major financial associations along with the Taiwan Insurance Institute and Investors Protection Center to discuss the draft of “Financial Consumer Protection Act.” The BAROC’s representatives proposed that a maximum disputed amount should be stipulated in the law so as to help banks control risk.
- (4) In regard to the “Statute on Consumer Debt Clearance” as revised by the Legislative Yuan, the BAROC submitted opinions and practical operational references concerning the newly added Paragraph 2 to Article 67, “when the creditors are financial institutions the debtor may submit a written application to the largest creditor institution for the unified collection and

appropriation of funds,” and newly added Paragraph 3 of Article 158, “If a debtor has applied for negotiation and the application has been accepted in accordance with the provisions of Article 151 before this statute is revised, the asset management company should carry out the same negotiations terms with the debtor.” The revision was passed by the Legislative Yuan on Jan. 10, 2011 and promulgated by the President on Jan. 26.

- (5) In response to the promulgation of the amended “Personal Information Protection Act” on May 26, 2010, the BAROC acceded to the Banking Bureau’s request to submit opinions regarding ‘review of the necessity of enacting a special law or revising existing laws to exclude the application of the Personal Information Protection Act’, ‘formulation of opinions for revision of the Enforcement Rules of the Personal Information Protection Act’ and ‘review of the sufficiency of current designated objectives and data categories for personal information’. The Association also formulated a draft of “Personal Information File Security Protection Plan Standards for the Financial Industry” and “Regulations for the Disposition of Personal Information Following the Termination of Business for the Financial Industry” for the reference of the competent authority.
- (6) In regard to the differences between Article 21 of the amendment “Law Governing the Application of Laws to Civil Matters Involving Foreign Elements” and current OBU practice, the BAROC formulated amendment provisions for reference, and they have been adopted and passed.

6. Coordination with the competent authority in formulating rules and measures for the governing of credit card business

- (1) In line with the revision of the “Regulations Governing Institutions Engaging in Credit Card Business” by the FSC and with separate rules related to the provisions of the “Regulations” set by the competent authority, such as the “conversion mechanism for cardholders consistently use of revolving credit”, the BAROC provided opinions to the FSC for reference in establishing relevant rules. The rules in the “Regulations” and subsidiary laws have already been promulgated and implemented.
- (2) To facilitate planning related to the “new interest rates not applicable for old account” and “interest on remaining unpaid funds” in “matters that shall or shall not be stated in the credit card standardized contract”. The FSC instructed the BAROC to carry out evaluation on reasonable period of time for card-issuing institutions to complete readjustment of their systems; after formulating explanations of the revision of the related systems, including the major impacts of the interest-calculation method, explanation of different cases and system revision risks, the results were sent to the FSC for reference. The rules mentioned above were promulgated by the FSC and implemented on Apr. 27, 2011.
- (3) To protect the rights of consumers and provide rules for businesses to follow, the FSC directed BAROC to draft a sample of revised “Credit Card Standardized Contract” for reference. The BAROC completed a revision bill in accordance with the “matters that shall or shall not be

stated in the credit card standardized contract” and the provisions of Articles 8 and 9 of the “Personal Information Protection Act” , laying out the items that must be clearly explained to the parties involved and particular transactions such as the fraudulent use of a cardholder’s card, and submitted it to the competent authority for reference.

- (4) The FSC instructed that follow-up principles be discussed for the disposition of the joint liability of subsidiary cardholders for the payment of bills accrued by principal cardholders prior to the revision of the standardized credit card contract on July 10, 2009. Following discussion, the issuing institutions were asked to consider exempting five types of subsidiary cardholders, including economically disadvantaged groups and non-economically disadvantaged groups, from their joint liability.

7. Studies on financial fraud preventive measures

- (1) In accordance with information on new methods of fraud as relayed by the Banking Bureau, the BAROC formulated a revision of the “Fraud Prevention Reminders” and reported it to the Bureau for relay to member institutions.
- (2) To provide the public with a complete range of financial services and avoid ATMs being used as tools of criminal, the BAROC notify financial institutions to integrate the Chinese and English operating screens of their ATMs and boost their audio functions.
- (3) To prevent fraudulent organizations from using financial tools to perpetrate crime, the FSC limited the non-card deposit of funds through ATMs to single demand accounts on a single day to NT\$30,000, and adopted the BAROC’s proposal that deposits into designated accounts as well as payments of credit-card bills and taxes be exempted from this ceiling. The BAROC has relayed this information to member institutions.
- (4) The BAROC was instructed by the Banking Bureau to formulate suggestions regarding stop-payment, cancellation of authorization to pay and provisional disposition by check issuers or check holders whose accounts have been listed as warning accounts or extension control accounts. The Association formulated suggestions accordingly, and submitted them to the Banking Bureau.

8. Strengthening of information security measures for financial institutions

- (1) With the aim of assuring the security of personal information of customers of financial institutions, and of preventing attacks on Internet services by professional hackers, the BAROC reviewed the revised “Guidelines for Security Measures of Financial Institutions Providing Electronic Banking Services” and, after reporting to the FSC, notified member banks to cooperate in carrying out the Guidelines.
- (2) To strengthen Internet ATM and Internet banking security measures, the BAROC asked the financial institutions to strengthen their website security mechanisms, protect the security of Internet transactions, and, when customers log in, immediately initiate a balance enquiry to the card-issuing bank to ascertain whether the card is real or fake and reinforce verification of the validity of IC cards.

- (3) To prevent the computing problem by adopting two digits of the year serial numbers for the 100th year of the Republic of China, the BAROC coordinated with the Financial Information Service Co., Ltd. and member banks for regression test of centennial year and in-tray exercise for banking transactions in the fourth quarter of 2010, the 99th year of the ROC. The financial information systems of all financial institutions have operated smoothly in 2011, the 100th year of the ROC.
- (4) For individual bank information security incidents involving technical issues concerning the protection of information security by financial institutions, the BAROC provided advisory opinions to the FSC and assistance to the banks concerned.
- (5) The Banking Bureau asked the BAROC to formulate preventive measures against the Zeus v3 computer virus, which according to the newspaper reports, allows hackers to carry out the online transfer of funds. The BAROC formulated opinions and provided them to the Banking Bureau.

9. Formulation and revision of self-discipline standards for banking businesses

- (1) In accordance with the revised “Directions for Banks Conducting Financial Derivatives Businesses”, the FSC instructed the BAROC to formulate self-discipline rules for banks to follow in regard to essential information for customers, items to be included on product information sheets, items to be audio recorded, and information to be disclosed in regard to the provision of structured product transaction services, and to discuss the types of derivative and structured product transaction services that banks may provide to general natural-person customers. The Association formulated the “Self-discipline Rules for Banks Dealing in Derivative Products,” which was reported to the FSC and then forwarded to member banks for action.
- (2) The BAROC formulated a revision of the “Self-Discipline Rules for Risk Management by Banks Conducting the Derivative Product Business,” which it reported to the FSC and then relayed to member banks for reference.
- (3) In accordance with FSC’s directions to protect the rights of consumers, the BAROC formulated the “Self-Discipline Rules for Telemarketing by Banks Conducting Credit Card and Loan Businesses” and, after revising the Rules in accordance with FSC opinions, relayed them to member institutions for action.
- (4) To strengthen the administration of donations by financial holding companies and banks to political parties and charities, the FSC directed the BAROC to establish a public disclosure and supervisory mechanisms and discuss the feasibility of incorporating those mechanisms into the principles of corporate governance for financial holding companies and banks. After formulating revisions of the “Corporate Governance Principles for Financial Holding Companies” and “Corporate Governance Principles for Banks,” and amending them in accordance with the FSC’s opinions, the BAROC transferred them to financial holding companies and banks for action.

- (5) In accordance to the request by the FSC to coordinate with the development of the financial business and reinforce legal compliance, the BAROC worked out self-discipline rules and suggestions in regard to the operation of the strategic-alliance car loan business by banks and auto dealers, and submitted them to the competent authority for reference.

10. Other missions entrusted by the competent authority

(1) Consumer Protection

- a. In accordance with instructions from the Banking Bureau, the BAROC formulated a draft revision of the important rights and obligations of consumers in the unified agreement form for home-loan related life insurance products, and submitted it to the competent authority for reference.
- b. The Consumer Protection Commission asked the BAROC to provide opinions on the revision of the draft “Standardized Contract for Unsecured Consumer Loans” . The opinions were formulated and submitted to the competent authority.
- c. The Banking Bureau instructed the BAROC, in referring to the conversation techniques and contents used by banks in the telemarketing of insurance products and in conformity with the Insurance Bureau’s relevant regulations to work out short and simple conversation models that general consumers find easy to understand. Three conversation models were formulated and submitted to the Banking Bureau for reference.
- d. The Banking Bureau instructed the BAROC to work out lawful methods for obtaining agreement from consumers the use of customer information. These methods must be in conformity with the provisions of Article 43 of the “Financial Holding Company Act” on “Application by banks, securities firms, and insurance companies for approval to jointly promote other business, products or provide relevant services,” and the provisions of the “Regulations Governing Cross-selling Among a Financial Holding Company’s Subsidiaries” . The resulting opinions have been submitted to the banking Bureau.
- e. The FSC instructed the BAROC to carry out a survey of information and submit opinions in regard to a proposal by the Legislative Yuan’s Finance Committee to formulate methods and measures for the abolishment of credit card penalties. After collecting and collating information on the number and value of penalties collected by card-issuing institutions and items of cost in collection operations and standards for the collection of penalties, and the BAROC addressed Legislative Yuan’s questions about obvious unfairness to consumers and the reasonableness and necessity of collecting the penalty. The resulting report was submitted to the FSC.
- f. The FSC instructed the BAROC to review and formulate revisions of the draft “Matters to be Stated and Not to be Stated in the Standard Contract for Personal Internet Banking Services” in accordance with the particular nature of Internet banking. The opinions were formulated and reported to the competent authority.

- g. The FSC instructed the BAROC to discuss the revisions of the draft “Matters to be Stated and Not to be Stated in the Standardized Clauses Concerning Supplementary Bank Cards for Demand (Savings) Deposit Contracts,” and the resulting opinions have been reported to the FSC.

(2) Business Operations

- a. The Ministry of Economic Affairs and Small and Medium Enterprise Credit Guarantee Fund asked the BAROC to coordinate with member institutions to increase donations to the Fund. As a result, the member institutions agreed to add NT\$500 million in donations to the originally agreed NT\$1.5 billion, bringing total 2011 donations to NT\$2 billion.
- b. The BAROC invited all financial institutions to join the Small and Medium Business Financial Services Platform set up jointly by the Ministry of Economic Affairs and the Joint Credit Information Center. Consequently, 17 have agreed to join the original five banks to bring the total to 22.
- c. The BAROC carried out a “Financial XML Business Grant Program” to encourage member banks to promote the financial XML (eXtensible Markup Language) business and upgrade the stability of the system, and held a presentation of the achievements at the Far Eastern Plaza Hotel in Taipei on Oct. 4, 2010 to recognize member banks with outstanding performance in promoting the business. More than 2.58 million interbank transactions totaling over NT\$821.2 billion were carried out in 2010, for growth rates of 417% and 438%, respectively; the average amount of each transaction was approximately NT\$320,000. A “National Fee (Tax) Payment Business” presentation was made at the same time to recognize financial institutions with good promotion performance. These transactions amounted to almost 730,000 per month.
- d. To help the visually impaired use Internet banking services provided by financial institutions, the BAROC worked out “Notices for Developing Systems that Support Web Accessibility” and asked member units to steadily install and update accessible web pages. To meet the needs of the visually impaired for dedicated ATM services, the BAROC helped banks to carry out discussions on modifying ATMs and on issues related to functional operation, and coordinated with banks for the installation of eight dedicated ATMs for the visually impaired in Taipei and four other municipalities.
- e. The FSC instructed the BAROC to address the Ministry of the Interior’s suggestion that financial institutions should set up a single-window mechanism with household registration offices for the verification of citizens’ identity cards. The BAROC worked out “Operating Procedures for Identity Card Data Enquiries by Financial Institutions to Household Registration Agencies” and reported it to the FSC. The “Procedures” were implemented on July 1, 2010.
- f. To avoid the occurrence of embezzlement when the employees of financial institutions handle deposits or withdrawals for customers, or safeguard personal seals or passbooks

for customers, the BAROC formulated the “Operating Model for Deposit and Withdrawal on Behalf of Customers by Financial Institutions” and “Model for the Disposition by Financial Institutions of Seals and Passbooks Left by Customers,” and reported them to the competent authority.

g. The Banking Bureau instructed the BAROC to survey member banks as to their willingness and suggestions regarding overseas business relations, and to collect information on obstacles of doing business in Malaysia, Hong Kong, Japan, and the European Union. This information has been collected and reported to the Banking Bureau.

(3) Risk Management

a. The BAROC’s New Basel Capital Accord Taskforce completed the formulation of suggestions for the revision of Taiwan’s “Explanation of Methods and Forms for the Calculation of Bank Capital and Risk-based Assets” as well as the translation of “Strengthening the resilience of the banking sector” issued by the Bank for International Settlements, and submitted them to the Banking Bureau.

b. The BAROC’s New Basel Accord Taskforce completed working out suggested “Items Related to Capital Adequacy to be Disclosed by Domestic Banks” and reported them to the Banking Bureau.

c. The FSC instructed the BAROC to consider measures for improvement of the “Operating Guidelines for the Credit Card Fraud Prevention Center.” After discussing the definitions of the forms and categories of fraud reported under the “Guidelines” , the BAROC decided that the personal data of the parties involved in reported cases should be appropriately concealed in order to conform with the provisions of the “Personal Information Protection Act” . This and other opinions were reported to the FSC. After they were approved, the BAROC members were notified to implement them.

d. The BAROC sent the “Operating Guidelines for the Submission of Reports on Operational Risk External Losses Databank” to member banks and asked them to submit reports to the Joint Credit Information Center in line with the operating guidelines for the setting up of the said databank beginning on July 1, 2010.

11. Held financial seminars and lectures to foster talents in the banking industry

(1) Jan-Mar 2010

The BAROC held a total of 72 sessions of the following programs in 2010: “2010 Seminar on Labor Safety and Health in the Banking Industry” , “International Money-laundering Prevention Seminar” , “Certified Documentary Credit Specialist Seminar” , “Corporate Financial Planner Training” , “Virtual Drill for Decision Makers Seminar” , “Cross-straits Finance Series – Practical Course on Taiwanese Banks Entering Mainland China” , “Investment Analyst Training” , “Legal Affairs Personnel Training” , “International Wealth Management Financial Product Designer and Developer Training” , “Advanced Training for

Wealth Management Personnel (Northern Region)” , “ECFA Train-the-Trainer Program” and “ECFA Issues Seminar” .

(2) Apr-Jun 2010

A total of 193 sessions of the following programs were held in 2010: “Seminar on the New Uniform Rules for Demand Guarantees (URDG758)” , “Establishment of Effective Early Warning Indexes for Abnormal Accounts” , “Small and Medium Enterprise Financing Forum” , “Advanced Training Course for Wealth Management Personnel (Central and Southern Regions)” , “Advanced Training Course for Corporate Credit Review and Loan Personnel” , “Advanced Training Course for Risk Managers” , “Advanced Training Course for Consumer Banking Personnel” , “2010 Training Project for International Financial Personnel” , international seminar on “Operational Risk External Loss Data Application” , “Seminar on Internal Control and Auditing Practices of Hong Kong Banks Handling Wealth Management and Trust Businesses” and “2010 On-the-Job Training for Emergency Rescue Personnel in the Banking Industry” .

(3) Jul-Sep 2010

The BAROC held 123 sessions of the following programs: “Seminar on use of the Third Revision of Bulletin 34th in the impairment Evaluation of Loans and Receivables in the Banking Industry” , “2011 Forum Series on Industry Analysis and Prospects – Iron and Steel, Plastics and Petrochemicals, Solar Energy, LED” , “Seminar on Formulation of a Draft Revision of the ‘Guidelines for Security Measures of Financial Institutions Providing Electronic Banking Services’ ” , “Management Skills Training Project” , “Advanced Training for Foreign Exchange/OBU Personnel” , “Advanced Training for Financial Product Traders” , “Leadership Skills Training Project” , “International Forum on Credit Risk Management – A Discussion of Credit Risk Stress Testing from the Perspective of the Global Financial Turmoil and the European Debt Crisis” , “Seminar on the Credit Card Business and Legal Affairs” and “2010 On-the-Job Training Project for Fire Prevention Management Personnel in the Banking Industry” .

(4) Oct-Dec 2010

A total of 41 sessions of the following programs were held: “Latest Financial Accounting Standards” , “Pre-implementation Seminar for the Third Revision of Bulletin 34th” , “2010 Asian Area Internal Auditing Seminar and 2010 International Internal Auditing Seminar” , “2011 Industry Analysis and Prospects Forums – Electric Vehicles Biomedicine, DRAMs, Telecommunications Networks, Shipping, Hotels” , “International Industrial Forum – Global Network Communications, Global Consumer Electronics, and Global Green Energy” , “Seminar on the Mainland Chinese Business Operations of Taiwanese-invested Banks” , “Seminar on the Revised Personal Information Protection Act” , “Training Courses for High-ranking Officials” , “Advanced Training for Collection Personnel” and “Advanced Auditor Training” .

(5) Financial research reports

- a. In response to the Judicial Yuan's revision of the "Statute for Consumer Debt Clearance", the BAROC commissioned Prof. Wang Chih-cheng of National Chung Cheng University and Attorney Dah-in Yeh of the Formosan Brothers, Attorneys-at-Law to produce a "Study of the Statute for Consumer Debt Clearance" report. The report provided concrete suggestions for revision with the aim of both speeding up debt-clearance procedures and reducing the impact on banks as much as possible, and of establishing comprehensive accompanying measures, so as to achieve reasonable protection for both debtors and creditors.
- b. To help banks develop markets in Southeast Asian countries and negotiate FTAs containing reciprocal benefits for Taiwanese bankers, the BAROC commissioned the Chung-Hua Institution for Economic Research to produce a research report on "Analysis of Obstacles for the Banking Services Industry to enter the ASEAN Countries, and Negotiation of FTAs with Reciprocal Benefits for Taiwanese Banks" for the reference of member banks and the competent authority.
- c. The BAROC formulated a "Study of Regulations and Practices Regarding the Provision of Collateral for Loans of Taiwanese Enterprises in Mainland China" report for the reference of the competent authority and member banks.

12. Actively engage in international conventions and strengthening cross-strait relations

- (1) As an advisor to the Central Bank, BAROC chairperson Susan Chang participated in the 43rd annual board of directors meeting of the Asian Development Bank at Tashkent in Uzbekistan.
- (2) The Asian Bankers Association, Bank of Taiwan, Chinatrust Bank, and BAROC hosted the 27th Asian Bankers Association AGM and IT Seminar on Nov. 1, 2010 at the Far Eastern Plaza Hotel in Taipei. Representatives from 14 countries and areas were invited to attend.
- (3) The BAROC sent delegates to participate in the 2010 Asian Internal Auditing Seminar, 2010 International Internal Auditing Seminar, 11th International Common Criteria Conference, Sibos (SWIFT International Banker's Operations Seminar), ICC China Trade Finance Forum, and Commission on Banking Technique and Practice meeting.
- (4) In 2010 the BAROC worked to strengthen cross-straits interchange by hosting visiting groups from the Shanghai Financial Association, Fujian Industrial Bank, Sichuan Financial Exchange Group, Bank of Communications, Shenzhen Bankers Association, Bank of China, China Banking Association, and Inner Mongolia Small Loan Association. The BAROC also sent delegates to participate in the 3rd Taiwan Business Forum, 2010 Chongqing Cross-straits Financial Elite Exchange and Chengdu Financial Group, Ningbo-Taiwan High-level Financial Consultation, 2nd Cross-straits Financial Accounting Seminar, Cross-straits Credit Investigation Exchange and Cooperation Seminar, Shanghai-Hong Kong Bank Card Risk Management Seminar, and 16th Cross-straits Financial Academic Symposium on Finance.

13. The BAROC continued carried out preliminary negotiations and matters related to disputes concerning the sale of structured notes under the “Statute on Consumer Debt Clearance.”

- (1) The BAROC received 95,331 applications for preliminary negotiations involving a total amount of NT\$144.127 billion from the public in 2010. The courts approved 20,545 cases with a total value of NT\$23.299 billion.
- (2) In accordance with a request from the Banking Bureau, the BAROC collected information of civil court judgements on structured note-related disputes and judgements unfavorable to the banks, the legal interpretations of major banks selling structured notes and their corresponding analysis. The purpose is to help banks facing litigation to establish a platform to contact and communicate with legal systems. Also, judicial judgements involving structured note disputes from 2008 were compiled and provided to member banks for reference in the future to strengthen the management of operational risk and legal compliance.
- (3) From Jan. 28 to the end of December 2010 the BAROC’s Committee on Banking Consumer Disputes Resolution received 50 cases of “Unredeemed Non-Lehmann Brothers Structured Note Products” , of which 28 have been amicably resolved, 17 have been deliberated, and five are still in negotiation or liquidation. In addition, courts and prosecutors asked the Committee to provide deliberation data on 13 cases.

14. Provide financial consultation, activities and information to the public and to participate in charitable donations

- (1) The Consulting Services Center took complaints from customers of member institutions and communicated with the member institutions to resolve the disputes. A total of 143 disputes were mediated in 2010.
- (2) A total of 494 credit card complaints were mediated via communications with credit card institutions through a Single Window for Credit Card Complaints of the BAROC in 2010.
- (3) The BAROC helped the heirs of member institutions’ customers to investigate the inheritance, including deposits and safe deposit boxes remained in banks. A total of 111 cases were dealt with in 2010.
- (4) The BAROC on a regular basis compiles “information on differential interest rates on revolving credit adopted by credit card issuing institutions, and methods of collecting various fees” and “list of agencies that have passed assessment and have continually being commissioned to carry out credit card marketing for BAROC member banks” . The information is published on the BAROC’s website for the reference of the public.
- (5) The BAROC commissioned the Taiwan Academy of Banking and Finance to develop an “ECFA Financial Issues e-Course” and provide it to the public on the Academy’s website.
- (6) To publicize financial knowledge in line with government policy, the BAROC and the Taiwan Academy of Banking and Finance, Taiwan Insurance Institute, and county and city governments jointly co-hosted 24 seminars from August through December of 2010.

- (7) The BAROC cooperated with the international VISA organization to produce four films—“Savings”, “Balancing Income and Expenditures”, “Payment Tools – Debit Cards” and “Payment Tools – Credit Cards”. They were sent to vocational high school teachers for reference to promote financial planning education and help the public establish proper financial planning concepts.
- (8) The BAROC donated NT\$300,000 to the Child Welfare League’s “Summer Vacation Nutritious Kitchen Project for Remote Townships” in the hope of encouraging others to care about the diets of disadvantaged schoolchildren during the summer vacation.

B. Major Tasks in 2011

No	Tasks
1	A cross-committee IFRS Task Force was established, the production of “Guidelines and Interpretative Examples for the Adoption by Banks of IFRS Report Forms, and Related Information Disclosure” was outsourced, the “Principles for Accounting Systems in the Banking Industry” were revised, and member banks were assisted in preparing for the smooth adoption of IFRS in 2013.
2	In reference to Basel Capital Accord development trends, the BAROC discussed countermeasures together with the competent authority and member institutions, and worked out opinions on the concerns of member institutions in carrying out the related rules and the problems encountered, and reported them to the competent authority.
3	The BAROC assisted the banking industry in measuring and managing liquidity risk in reference to the latest European and American rules.
4	The BAROC continued cooperating with the FSC and the Ministry of Justice in formulating a revision of model “Points for Attention by Banks on Money Laundering Prevention” and in carrying out the switch to the electronic reporting format as well as the revision of regulations in accordance with anti-money laundering rules.
5	A comprehensive corporate fund dispatching system was constructed on instructions from the competent authority, and the BAROC continued encouraging member banks to promote the financial XML business and developing a common payment terminal module. Related seminars were held and planning for a grant program was carried out.
6	The BAROC continued assisting with the promotion of the cross-straits banking business and with the study of regulations and relevant issues in the mainland Chinese market for Taiwanese banks to use in developing that market. The BAROC also reflected the opinions and suggestions of Taiwan’s banking industry about financial issues involved in the ECFA for the reference to the competent authority.
7	In response to the revision of the “Personal Information Protection Act,” the BAROC formulated self-discipline rules to help members strengthen the protection of their customers’ information.
8	The BAROC studied notices referring to the revision of banking-related laws by the competent authority, and provided the results to the competent authority for reference in revising the laws.
9	The BAROC paid close attention to the revision of the Labor Standards Act and reflected the relevant opinions of member banks in order to protect the rights of member institutions.
10	Reports on information and communications security were collected and studies of security-related issues were carried out, and related security rules were established.
11	In line with the SWIFT headquarters work plan for 2011, the BAROC carried out planning for the changing of Alliance network equipment, the upgrading of the Alliance version to 7.0, and upgrading of MT to MX technical standards, and provided consultation services to domestic SWIFT subscribers. SWIFT-related personnel were also invited on a scheduled basis to come to Taiwan and deliver briefings on conversion and control procedure so as to facilitate technological upgrading by domestic subscribers.
12	The BAROC coordinated with the FSC’s “Subsidiary Laws and Related Regulations for the ‘Financial Consumer Protection Act’” and strengthened the education of consumers.

V. Appendices

A. Chronology of Major Events in 2010

- ◎2010.01.21 The 23th joint meeting of the 9th Directors and Supervisors was held.
- ◎2010.01.27 The BAROC, in cooperation with the Taiwan Academy of Banking and Finance and the Association of Certified Anti-Money Laundering Specialists, held an “International Anti-Money Laundering Seminar” at the Academy of Banking and Finance.
- ◎2010.01.27 The BAROC promoted the use of Taiwanese IC cards for the withdrawal of Japanese currency and payment at contract stores in Japan. This service was inaugurated in January of 2010, and a “Taiwan IC Card Trans-National Cash Withdrawal and Payment Business Inaugural Ceremony and Press Conference” was held in Hokkaido on Jan. 27.
- ◎2010.02.25 The 6th meeting of the 9th Directors was held.
- ◎2010.03.25 The 24th joint meeting of the 9th Directors and Supervisors was held.
- ◎2010.04.15 The BAROC and the Bankers’ Association of Taipei jointly organized the “Current Financial Situation in Taiwan and Overseas, and Future Prospects” seminar, inviting Dr. Kuo-Yuan Liang, president of the Polaris Research Institute, to present the keynote speech.
- ◎2010.04.29 The 25th joint meeting of the 9th Directors and Supervisors was held.
- ◎2010.04.30 The BAROC and the Taiwan Academy of Banking and Finance jointly organized the “International Symposium on the Application of External Loss Data for Operating Risk” , inviting domestic and overseas experts to carry out discussions and give domestic bankers a better understanding of the application of external loss data.
- ◎2010.04.30 To help member banks make preparations prior to the implementation of the Uniform Rules for Demand Guarantees (URDG758) on July 1, 2010 the BAROC presented lectures on “Characteristics of the New URDG” on Apr. 30, May 7, June 3, and June 4.
- ◎2010.05.06 To establish a platform for communication among legal personnel, the competent authority, and bankers for the joint prevention of financial crime, the BAROC and the Trust Association commissioned the Taiwan Academy of Banking and Finance



The 1st session of the 10th General Assembly on September 15 2010.

to organize the 6th “Financial Law and Practical Case Study Seminar” , and invited judges, prosecutors, and FSC and banking representatives to attend.

- ©2010.05.07 A group of four led by Chairman Gao Jianping of the Industrial Bank of China and the 13-member Sichuan Financial Exchange Mission (including President Li Mingchang of the Chengdu Branch of the Bank of China, director Wang Junquan of the Sichuan banking supervisory bureau, director Yang Yongping of the securities supervisory bureau, and director Wang Hulin of the insurance supervisory bureau) visited the BAROC and met with Chairperson Susan Chang.
- ©2010.05.10 To upgrade implementation of the provisions of Article 16 of the “Approaches for Bank Handling of Accounts with Suspicious or Unusual Transactions” by financial institutions and the timeliness of self-established early warning indexes for the screening of abnormal accounts, the BAROC organized an “Establishment of Effective Early Warning Indexes for Abnormal Accounts” seminar.
- ©2010.05.27 The 26th joint meeting of the 9th Directors and Supervisors was held.
- ©2010.06.10 To promote international financial exchange and help member banks develop their business, the BAROC promoted the use of personal IC cards for the withdrawal of Japanese currency at ATMs and for payment at contract stores by Taiwanese cardholders, and held an “IC Card Trans-national Cash Withdrawal and Payment” seminar.
- ©2010.06.11 The BAROC and the Bankers’ Association of Taipei jointly organized a “Strategic Challenges in China for Taiwan Banks – Difficult Issues of Equity Participation and Choice of Area” seminar, at which President Chung-hsing Chen of Global Financial Services presented the keynote speech.
- ©2010.06.24 The 27th joint meeting of the 9th Directors and Supervisors was held.
- ©2010.06.24 A five-person group led by vice president Chen Yue of the Xiamen Branch of the Communications Bank of China visited the BAROC and were received by Secretary General Yang Nan.
- ©2010.06.30 Cash withdrawals at Taiwan ATMs using the China UnionPay card were inaugurated, with 18 banks providing this service.
- ©2010.07.01 The four-month 2010 “On-the-Job Training for Banking Industry Emergency Rescue and Fire-prevention Managers” course was held at the Industrial Safety and Health Association of Taiwan.
- ©2010.07.08 The BAROC held the 2nd “Seminar on Use of the Third Revision of Bulletin 34th in Bank Loan and Receivables impairment Evaluation” at the Taiwan Academy of Banking and Finance,



“Seminar on Use of the Third Revision of Bulletin 34th in Bank Loan and Receivables impairment Evaluation” on July 8 2010

with keynote speech delivered by Joseph Chou, partner of PwC Taiwan, and Yang Cheng-hsiu of Deoitte & Touche.

- ◎2010.07.14 The BAROC and Taiwan Academy of Banking and Finance jointly organized the “Lectures on Trends in International Finance–New Trends in Internal Auditing in the Post-Financial Tsunami Era” .
- ◎2010.07.23 The BAROC commissioned the Taiwan Academy of Banking and Finance to hold the “Strategic Deployment of Taiwanese Banks in Mainland China Following the Signing of ECFA Seminar.”
- ◎2010.07.29 The 28th joint meeting of the 9th Directors and Supervisors was held.
- ◎2010.08.13 To help member banks gain a continuous understanding of the mainland Chinese financial market, the BAROC commissioned the Taiwan Academy of Banking and Finance to hold the “Practical Seminar on Entry of Taiwanese Banks into the Chinese Market” .
- ◎2010.08.16 Zong Xiaojun, head of the Association of Shenzhen Domestic Banks, led a 14-member delegation on a visit to the BAROC and was received by Secretary General Yang Nan.
- ◎2010.08.17 As part of the Taiwan Financial Forum series,the BAROC and Taiwan Academy of Banking and Finance jointly organized the “House for pension scheme and its Application in the Ageing Society” seminar.
- ◎2010.08.26 The 29th joint meeting of the 9th Directors and Supervisors was held.
- ◎2010.09.10 The IT-enabled Service Management Association (itSMA) of Taiwan and the IT Governance Center of Beijing organiced the “2010 Cross-straits Financial IT Governance Seminar” at Beijing University, and Sung Hsiao-hsuan, head of the BAROC Banking Automation Committee, attended.



“Seminar on the content and possible effects of the Cross-Strait Economic Cooperation Framework Agreement (ECFA) ” on August 24 2010.

- ©2010.09.15 The 1st session of the 10th General Assembly, board of directors meeting, and board of supervisors meeting were held to elect a chairperson, managing directors, and executive supervisors.
- ©2010.09.18 The Taipei Foundation of Finance held the “Second Cross-straits Finance and Accounting Business Seminar” in Beijing. The BAROC was represented by Chang Tien-hsia, head of the Internal Management Committee, and Secretary He Hsin-ying.
- ©2010.10.04 The BAROC held the “National Fee (Tax) Payment and Financial XML Business Achievements Presentation” at the Far Eastern Plaza Hotel in Taipei.
- ©2010.10.08 The BAROC and the Bankers’ Association of Taipei jointly organized the “The Impact of ECFA on Taiwan’s Industrial Development, and Future Prospects” seminar, with Ming-hsin Kung, vice president of the Taiwan Institute of Economic Research, delivering the keynote speech.
- ©2010.10.14 A delegation from China Banking Association visited the BAROC and was received by Secretary General Yang Nan.
- ©2010.10.21 A delegation from Bank of China visited the BAROC and was received by Chairperson Susan Chang.
- ©2010.10.28 The 1st joint meeting of the 10th Directors and Supervisors was held.
- ©2010.10.28 Manager Li Chia-ming of the BAROC’s Banking Automation Committee attended the Asia PKI Consortium General Assembly/Steering Committee Meeting and International Symposium in New Delhi.
- ©2010.11.11 The Shanghai-Hong Kong Bank Card Risk Management Seminar was held in Shanghai, with Hsu Chia-lung of the training division of the BAROC’s Credit Card Business Committee attending.
- ©2010.11.11 The BAROC organized and participated in the Institute of Internal Auditors’ “2010 Asian Internal Auditing Seminar” and “2010 International Internal Auditing Seminar” .
- ©2010.11.25 The 2nd joint meeting of the 10th Directors and Supervisors was held.
- ©2010.12.13 The “2010 Bank Card Smart Pay Achievements Presentation” was held at the Far Eastern Plaza hotel in Taipei.
- ©2010.12.23 The 3rd joint meeting of the 10th Directors and Supervisors was held.
- ©2010.12.24 In line with the goals of the FSC in building a complete corporate funds payment system, the BAROC worked to enhance the electronic payment environment of member banks and help them take advantage of trends in financial XML application and development by holding the “Financial XML Business Application and Development Trends” seminar.



Donation ceremony for "Nutritious Kitchen Project for Remote Townships" on July 12 2011

B. List of Member Banks of BAROC

December 2010

Institution	Position	Name	Telephone	Fax	Website	Remark
Bank of Taiwan	Chairman President	Susan S. Chang Ming-Daw Chang	(02)23493456	(02)23315840	www.bot.com.tw	
Land Bank of Taiwan	Chairman President	Yao-Shing Wang Ler-Ming Su	(02)23483456	(02)23757023	www.landbank.com.tw	
Taiwan Cooperative Bank	Chairman President	Teng-Cheng Liu Chiu-Jung Tsai	(02)23118811	(02)23890704	www.tcb-bank.com.tw	
First Commercial Bank	Chairman President	Ching-Nain Tsai Tzuoo-Yau Lin	(02)23481111	(02)23892967	www.firstbank.com.tw	
Hua Nan Commercial Bank, Ltd.	Chairman President	Ming-Cheng Lin Jiunn-Chih Wang	(02)23713111	(02)23316741	www.hncb.com.tw	
Chang Hwa Commercial Bank	Chairman President	Julius Chen William Lin	(02)25362951	(02)25716871	www.chb.com.tw	
The Shanghai Commercial & Savings Bank, Ltd.	Chairman President	Hung-Ching Yung Yi-Jen Chiou	(02)25817111	(02)25318501	www.scsb.com.tw	
Taipei Fubon Commercial Bank	Chairman President	Daniel Tsai Jerry Harn	(02)27716699	(02)27736769	www.taipeifubon.com.tw	
Cathay United Bank	Chairman President	Gregory K.H. Wang Tsu-Pei Chen	(02)87226666	(02)87898789	www.cathaybk.com.tw	The president changed on March 22 2011
The Export- Import Bank of the Republic of China	Chairman President	Yen Chrystal Shih Rueen-Fong Chu	(02)23210511	(02)23940630	www.eximbank.com.tw	
Bank of Kaohsiung	Deputy Chairman President	Chung-Dar Lei Charles W. Chung	(07)5570535	(07)5580529	www.bok.com.tw	
Mega International Commercial Bank Co., Ltd.	Chairman President	McKinney Tsai Kuang-Si Shiu	(02)25633156	(02)23569169	www.megabank.com.tw	
Agricultural Bank of Taiwan	Chairman President	Song-Lin Liu Sung-Huei Su	(02)23805100	(02)23805252	www.agribank.com.tw	
Citi Bank Taiwan, Ltd.	Chairman President	Victor Kuan Christie Chang	(02)87269999	(02)87801300	www.citibank.com.tw	
China Development Industrial Bank	Chairman President	Chao-Chin Tung Simon Dzeng	(02)27638800	(02)27660047	www.cdibank.com	
Industrial Bank of Taiwan	Chairman President	Kenneth Lo Henry Peng	(02)87527000	(02)87519568	www.ibt.com.tw	
Taiwan Business Bank	Chairman President	Peter T.C. Lo Tsan-Chang Liao	(02)25597171	(02)25507942	www.tbb.com.tw	
Standard Chartered Bank (Taiwan) Limited	Chairman President	Katherine King-Suen Tsang Sunil Kaushal	(03)5245131	(03)5250977	www.standardchartered.com.tw	
Taichung Commercial Bank	Chairman President	Shiu-Nan Huang Chun-Sheng Lee	(04)22236021	(04)22240748	www.tccb.com.tw	The chairman changed on April 1 2011
King's Town Bank	Chairman President	Terence Tai Lynn Lin	(06)2139171	(06)2136885	www.ktb.com.tw	
HSBC Bank (Taiwan) Limited	Chairman President	Vincent Cheng Jong-Peir Li	(02)27230088	(02)27575150	www.hsbc.com.tw	
Bank of Taipei	Chairman President	Julie S.M. Chen Eric Chen	(02)25575151	(02)25534883	www.bankoftaipei.com.tw	
Hwatai Bank	Chairman President	Po-Yi Lin Ming-Sing Shieh	(02)27525252	(02)27775213	www.hwataibank.com.tw	
Shin Kong Commercial Bank	Chairman President	Tseng-Chang Lee Chin-Yuan Lai	(02)23895858	(02)23120164	www.skbank.com.tw	
Sunny Bank	Chairman President	Peng-Lang Lin Wei-Hao Ting	(02)28208166	(02)28233414	www.esunnybank.com.tw	
Bank of Panhsin	Chairman President	Ping-Hui Liu An-Hsiung Chen	(02)29629170	(02)29572011	www.bop.com.tw	
Cota Commercial Bank	Chairman President	Chun-Tse Liao King-Ting Chang	(04)22245161	(04)22275237	www.cotabank.com.tw	
Changhua Post Co., Ltd.	Chairman President	Oliver Fang-Lai Yu Sheue-Yun Hu	(02)23931260	(02)23911209	www.post.gov.tw	
Union Bank of Taiwan	Chairman President	Shiang-Chang Lee Jeff Lin	(02)27180001	(02)27174093	www.ubot.com.tw	

Institution	Position	Name	Telephone	Fax	Website	Remark
Far Eastern International Bank	Chairman President	Ching-Ing Hou Eli Hong	(02)23786868	(02)23779000	www.feib.com.tw	
Yuanta Bank	Chairman Deputy President	Ching-Chang Yen Chia-Lin Chin	(02)21736699	(02)27722455	www.yuantabank.com. tw/bank	
Bank Sinopac	Chairman President	Cheng-Hsiung Chiu Desmond Jiang	(02)25063333	(02)81618485	www.banksinopac.com.tw	
E.Sun Commercial Bank, Ltd.	Chairman President	Gary Tseng Wu-Lin Duh	(02)27191313	(02)27138713	www.esunbank.com.tw	
Cosmos Bank, Taiwan	Chairman President	Paul Lo Richard Chang	(02)27011777	(02)27849848	www.cosmosbank.com.tw	
Taishin International Bank	Chairman President	Thomas T.L. Wu Justin Tsai	(02)25683988	(02)25234551	www.taishinbank.com.tw	
Ta Chong Bank	Chairman President	Chien-Ping Chen Edmund Koh	(02)87869888	(02)87869800	www.tcbank.com.tw	
Jih Sun International Bank	Deputy Chairman President	Eric C.K. Yang Mike Wang	(02)25615888	(02)25217698	www.jihsunbank.com.tw	The chairman changed on April 1 2011
EnTie Commercial Bank	Chairman President	Mark Zoltan Chiba Jesse Ding	(02)27189999	(02)27187843	www.entiebank.com.tw	
Chinatrust Commercial Bank	Chairman President	Jeffery L.S. Koo Michael B.DeNoma	(02)27222002	(02)27251499	www.chinatrust.com.tw	
Mega Bills Finance Co., Ltd	Chairman President	Gerry Y.G. Lee Jung-Hsiung Lu	(02)23831616	(02)23822878	www.megabills.com.tw	
China Bills Finance Co.	Chairman President	Ming-Jie Lee Hermann Wu	(02)27021177	(02)27065540	www.cbf.com.tw	
International Bills Finance Co., Ltd.	Chairman President	Steven Hung Alan Shaw	(02)25181688	(02)25158430	www.ibfc.com.tw	
Grand Bills Finance Co.	Chairman President	Ho-Sheng Wang Lien-Chung Huang	(02)87802801	(02)87884031	www.grandbill.com.tw	
Hua Nan Financial Holding Co., Ltd.	Chairman President	Rong-Jou Wang Mao-Hsien Liu	(02)23713111	(02)23310654	www.hnfhc.com.tw	
Fubon Financial Holding Co., Ltd.	Chairman President	Richard Tsai Victor Kung	(02)66366636	(02)66360111	www.fubongroup.com.tw	
China Development Financial Holding Co.	Chairman President	Mu-Tsai Chen Chao-Chin Tung	(02)27638800	(02)27660047	www.cdibh.com	
Cathay Financial Holding Co., Ltd.	Chairman President	Hong-Tu Tsai Tsu-Pei Chen	(02)27087698	(02)23252488	www.cathayholdings.com.tw	The president changed on February 25 2011
Chinatrust Financial Holding Co., Ltd.	Chairman President	Jeffery L.S. Koo Daniel I.K. Wu	(02)27222002	(02)27234767	www.chinatrustgroup.com.tw	
Sinopac Financial Holding Co., Ltd.	Chairman President	Show-Chung Ho Stan Hsiao	(02)81618888	(02)81618485	www.sinopac.com	
E.Sun Financial Holding Co., Ltd.	Chairman President	Yung-Jen Huang Joseph N.C. Huang	(02)21751313	(02)27199313	www.esunbank.com.tw	
Yuanta Financial Holding Co., Ltd.	Chairman President	Ching-Chang Yen Tony Shen	(02)27811999	(02)27721585	www.yuanta.com	
Taishin Financial Holding Co., Ltd.	Chairman President	Thomas T.L. Wu Keh-Hsiao Lin	(02)23268888	(02)37076889	www.taishinholdings.com.tw	
Shin Kong Financial Holding Co., Ltd.	Chairman President	Eugene T.C. Wu Victor Hsu	(02)23895858	(02)23892868	www.skfhc.com.tw	
Mega Financial Holding Co., Ltd.	Chairman President	McKinney Tsai Kuang-Si Shiu	(02)23578888	(02)33938755	www.megaholdings.com.tw	
First Financial Holding Co., Ltd.	Chairman President	Ching-Nain Tsai Ming-Ren Chien	(02)23111111	(02)23119691	www.firstholding.com.tw	
Jih Sun Financial Holding Co., Ltd.	Deputy Chairman President	Eric C.K. Yang Yung-Fei Chao	(02)25048888	(02)25175408	www.jsun.com	The chairman changed on April 15 2011
Waterland Financial Holdings	Chairman President	Steven Hung Harvey Liu	(02)25154567	(02)25010606	www.waterland-fin.com.tw	
Taiwan Financial Holding Co., Ltd.	Chairman President	Susan S. Chang Shou-Tzuoo Huang	(02)23493456	(02)23115060	www.twfhc.com.tw	
Yuanta Securities Finance Co., Ltd.	Chairman President	Yu-De Chuang Lawrence Lee	(02)21736833	(02)27721101	www.yuantafinance.com.tw	