



# The Bankers Association of The Republic of China

Annual Report 2016

2016

<http://www.ba.org.tw>



## The Bankers Association of the Republic of China

3F., No.9, De-huei St., Zhongshan Dist., Taipei City 10461, Taiwan (R.O.C.)

TEL : (02)8596-2229

FAX : (02)8596-2228

Website : <http://www.ba.org.tw>

### The Bankers Association of Taipei

3F., No.9, De-huei St., Zhongshan Dist.,  
Taipei City 10461, Taiwan (R.O.C.)

TEL : (02)8596-2229

FAX : (02)8596-2228

Website : <http://www.bat.org.tw>

### The Bankers Association of Kaohsiung

5F., No.77, Li-wen Rd., Zuoying Dist.,  
Kaohsiung City 81358, Taiwan (R.O.C.)

TEL : (07)557-7112

FAX : (07)557-7113

### Bankers Association of New Taipei City

4F., No.21, Fu-zhong Rd., Banqiao Dist.,  
New Taipei City 22055, Taiwan (R.O.C.)

TEL : (02)2969-9366

FAX : (02)2967-6416

### Bankers Association of Taiwan

4F., No.21, Fu-zhong Rd., Banqiao Dist.,  
New Taipei City 22055, Taiwan (R.O.C.)

TEL : (02)2969-0555

FAX : (02)2967-6416

Website : <http://www.batwn.org.tw>

### The Bankers Association of Taoyuan

No.46, Zhong-zheng Rd., Taoyuan Dist.,  
Taoyuan City 33041, Taiwan (R.O.C.)

TEL : (03)334-4417

FAX : (03)334-4417

### The Bankers Association of Taichung

No.140, Sec. 1, Zi-you Rd., West Dist.,  
Taichung City 40342, Taiwan (R.O.C.)

TEL : (04)2222-4001

FAX : (04)2222-4274

### The Bankers Association of Taichung City

No.302, Zhong-zheng Rd., Fengyuan Dist.,  
Taichung City 42056, Taiwan (R.O.C.)

TEL : (04)2527-8686

FAX : (04)2529-7577

### The Bankers Association of Tainan

No.155, Sec. 1, Fu-qian Rd., West Central  
Dist., Tainan City 70046, Taiwan (R.O.C.)

TEL : (06)216-0168

FAX : (06)216-0188

### The Bankers Association of Tainan City

No.10, Zhong-zheng Rd., Xinying Dist.,  
Tainan City 73049, Taiwan (R.O.C.)

TEL : (06)635-1111

FAX : (06)632-1843

### The Bankers Association of Kaohsiung City

No.20, Cao-gong Rd., Fengshan Dist.,  
Kaohsiung City 83064, Taiwan (R.O.C.)

TEL : (07)741-6131

FAX : (07)743-3478

# Annual Report 2016

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# I. Chairman's Preface

The global economy again posted moderate growth in 2016, but the recovery was weaker than in 2015. The International Monetary Fund (IMF) estimates that the global economy grew at a rate of 3.1% in 2016, down from 3.2% in 2015 and the slowest rate since the financial tsunami. Economic growth remained slow in the developed economies, but the performance of the main



Chairman Joseph Jye-Cherng Lyu

emerging economies was relatively stable. In Taiwan, which experienced an economic downturn in the latter half of 2015, the latter half of 2016 saw a steady recovery in global trade activity and a low baseline which resulted in growth figures that improved each quarter. Taiwan achieved a real GDP growth rate of 1.50% in 2016, up from 0.72% in 2015.

In response to the slowing pace of the global economic recovery, the Central Bank took steps to support the domestic economy, cutting interest rates four times from September 2015 through June 2016. As a result, the weighted average interest spread of domestic banks, which had been widening since 2009, narrowed for the first time in seven years to 1.38 percentage points in 2016, thus reducing interest spread earnings. In addition, Taiwanese banks were required to achieve a real estate loan loss reserve ratio of no less than 1.5% by year-end 2016, which affected the profitability of domestic banks in 2016. The pre-tax earnings of domestic banks totaled NT\$300 billion in 2016, down 6.1% from NT\$319.6 billion in 2015. Banks' return on assets (ROA) in 2016 came to 0.68% (down from 0.75% in 2015) and return on equity (ROE) was 9.24% (versus 10.58%). As for banks' asset quality, the average non-performing loan (NPL) ratio of domestic banks at year-end 2016 stood at 0.27%, up by a slight 0.04 percentage points from 2015, while their average NPL coverage ratio came to 502.93% (down by 52.5 percentage points from the figure for year-end 2015). Despite this drop, the NPL coverage ratio remained high, thus showing that domestic banks have strong risk-bearing capacity. In general terms, despite the fact that global economic uncertainty has increased the difficulty of banks' business operations, Taiwan's domestic banks worked hard and only experienced a slight drop in profitability. For this, they deserve strong praise.

The Bankers Association of the Republic of China (BAROC) was founded to help the government implement its financial policy, spur economic development, and coordinate relations among peers in the industry so as to bring about the generation of benefits that can be shared among them. The following are some of the measures that BAROC took in 2016 to achieve these objectives: (1) continued to monitor changes in foreign and domestic laws and regulations in order to help member banks respond; (2) continued to track the progress of legislative action in order to reflect the views of the banking sector and defend its interests; (3) drafted and researched self-regulatory rules for the banking industry; (4) promoted the shared interests of banks, and worked with them to ensure more convenient services for both corporate and individual customers; and (5) helped member banks resolve problems in the management and operation of their businesses.

In addition, with the guidance of the competent authority and the support of our member banks, BAROC was able to devote its full energies to assisting the competent authority in developing and implementing its financial policies, smoothly carrying out the following important undertakings: (1) Coordinated with the government policy of promoting urban building reconstruction by drafting amendments to relevant provisions in the Urban Renewal Act, thereby facilitating efforts by banks to provide urban building reconstruction financing; (2) Helped the competent authority introduce a Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries, whereby it encourages domestic banks to actively grant loans—while implementing appropriate risk controls—to the "5+2+2+1" key innovative industries in order to spur development of the real economy; (3) Helped the competent authority draft secondary legislation authorized under the "Financing Terrorism Control Act," and helped amend the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector" in order to maintain ethical conduct at financial institutions and order in the financial markets; (4) Continued helping the government to promote e-commerce payment services and the Bank 3.0 initiative, strengthened financial institution information security measures, and drafted related rules; and (5) Coordinated with government policy by drafting measures and self-regulatory rules to be taken by financial services providers, in order to facilitate the promotion of related lines of business.

Service and innovation are the essence of banking, and human resources are an industry's most important asset. In 2016, BAROC continued to conduct various financial industry training programs, and the activities were recorded on videos that have been posted to the BAROC website to reap even greater benefits from training. Also, in response to FinTech development trends, BAROC launched digital courses for financial professionals and held related conferences in order to support FinTech innovation and cultivate FinTech personnel.

In 2016, BAROC actively sought to be internationally engaged. In order to better familiarize the international community with the active efforts of our government to strengthen legal compliance and internal audits at Taiwanese financial institutions, and to help the international community to better understand Taiwan's financial industry, on 29 September 2016, the day I took over as BAROC chairman, I proposed the hosting of a Conference on the Latest Developments of Financial Regulations for Foreign Banking Operations in more than one location. Member banks supported this proposal. The first conference, held in New York in January 2017, drew a huge number of attendees from Taiwan and abroad. The conference will be held again in 2017 in Hong Kong and London to help employees at overseas locations of Taiwanese financial institutions to better understand legal compliance. In addition, in order to help Taiwanese banks build up a stronger overseas presence, and to support the government's New Southbound Policy, BAROC continued to update data on the 12 nations already covered in the overseas markets database on its website, and expanded the database to additionally cover Vietnam and Japan.

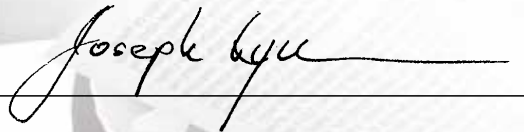
BAROC worked to fulfill its corporate social responsibility. In addition to helping member banks to provide conveniently accessible financial services, BAROC donated NT\$5 million to the Financial Services Education Charity Fund established by the Taiwan Financial Services Roundtable, and provided low-interest loans and other financial services to help people recover from severe losses caused by an earthquake in Tainan and Typhoon Nepartak in Taitung.

Looking ahead to 2017, the latest forecasts from international bodies such as the IMF and the World Bank indicate that the global economy is likely to perform better this year than last, but growth will still be moderate due to a number of challenges facing the global economy. In the United States, for example, there are concerns about the new Trump administration's economic and trade policies, as well as the pace of the Fed's interest rate hikes. It remains to be seen how Britain's exit from the European Union will play out. Trade protectionist sentiment is on the rise throughout the world. The mainland Chinese economy is slowing down, but to an unknown degree. And finally, international commodity price movements bear watching. In addition to the above, the quantitative easing policies of recent years are having less effect, so the UK and US governments have turned to expanded fiscal measures as the centerpiece of efforts to spur economic growth. In the future, it will be worthwhile to watch and see whether other countries will follow suit.

BAROC thanks its member banks for their support and hard work over the past year, and the competent authority for its guidance, which have enabled the Association to achieve many important tasks in an

efficient and professional manner. In the year to come, our banks will be challenged by many internal and external uncertainties, but the stimulus effect of the various economic development programs launched by the government makes us bullish about the prospects for our banks moving forward. BAROC will continue to adopt financial measures to coordinate with government policies; act as a platform for communication among member banks; and act as a bridge between the government and its member banks, and between its member banks and the general public, so as to create a win-win-win situation for the government, banks, and consumers, thereby making the greatest possible contribution to social well-being and economic development.

Chairman



Joseph Uy

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

### A. History

The Bankers Association of the Republic of China (hereinafter referred to as BAROC) was founded on August 9, 1983, as the successor to the Bankers Association of Taipei, which joined with the Bankers Association of Taiwan and the Bankers Association of Kaohsiung to form BAROC in accordance with the regulations of the Commercial Group Act. The merger was approved by the Ministry of the Interior. The Association was located on the eighth floor of No. 46, Kuan Chien Road, Taipei at the time. In January 1984, the Bankers Association of Taipei transferred the national aspects of its operations to BAROC. After Taipei County and Taoyuan County were upgraded to the special municipalities of New Taipei City and Taoyuan City, the Bankers Association of Taipei County and the Bankers Association of Taoyuan County withdrew from the Bankers Association of Taiwan in May of 2010 and in May of 2013, respectively, and joined BAROC. At the same time, the Bankers Association of Taipei County changed its name to the Bankers Association of New Taipei City, and the Bankers Association of Taoyuan County was renamed the Bankers Association of Taoyuan. Later, the special municipalities of Taichung, Tainan, and Kaohsiung were established. In response, the Bankers Association of Taichung, the Bankers Association of Taichung City (the former Bankers Association of Taichung County), the Bankers Association of Tainan, the Bankers Association of Tainan City (the former Bankers Association of Tainan County), and the Bankers Association of Kaohsiung City (the former Bankers Association of Kaohsiung County) withdrew from the Bankers Association of Taiwan and joined BAROC in May of 2016. As a result, BAROC membership now includes 10 local bankers associations.

The Chairmen of BAROC from the first session of the first General Assembly in August 1983 to the twelfth session of the first General Assembly in September 2016 are shown as follows:

Chairman	Session	Duration
I-Shuan Sun	1, 2	1983-1989
Y. D. Sheu	3, 4	1989-1995
James C. T. Lo	5, 6	1995-2000
Yung-San Lee	7	2000-2002
Mu-Tsai Chen	7	2002-2004
Shen-Chih Cheng	8	2004-2006
Jer-Shyong Tsai	8	2006-2007
Teh-Nan Hsu	8, 9	2007-2008
Susan S. Chang	9,10	2008-2012
Teng-Cheng Liu	10	2012-2013
Jih-Chu Lee	11	2013-2016
Jye-Cherng Lyu	12	2016-

### B. Aims, Functions and Organization

#### 1. Aims

- (1) To assist the government in implementing financial policies
- (2) To promote economic development

- (3) To coordinate with its member banks
- (4) To improve its members' mutual benefits

## 2. Functions

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

## 3. Organization

The 10 local bankers associations that have joined as BAROC members are the following: Bankers' Association of Taipei; Bankers Association of Taiwan; Bankers Association of Kaohsiung; Bankers Association of New Taipei City; Bankers Association of Taoyuan; Bankers Association of Taichung; Bankers Association of Taichung City; Bankers Association of Tainan; Bankers Association of Tainan City; and Bankers Association of Kaohsiung City. As of the end of 2016, the head offices of member banks totaled 62, of which 57 belong to the Bankers Association of Taipei, 1 belongs to the Bankers Association of New Taipei City, 1 belongs to the Bankers Association of Kaohsiung, 2 belong to the Bankers Association of Taichung, and 1 belongs to the Bankers Association of Tainan. The branches of member banks located in the six special municipalities (Taipei City, New Taipei City, Taoyuan City, Taichung City, Tainan City, and Kaohsiung City) and each county join their respective local bankers associations and participate in local association activities.



## Member Banks of the Bankers Associations

Dec. 31, 2016

Member Banks	Headquarters	Branches
Bankers Association of the Republic of China	< 62 >	
Bankers Association of Taipei	< 57 >	( 890)
Bankers Association of Taiwan		( 586)
Bankers Association of Kaohsiung	< 1 >	( 307)
Bankers Association of New Taipei City	< 1 >	( 499)
Bankers Association of Taoyuan		( 256)
The Bankers Association of Taichung	< 2 >	( 225)
The Bankers Association of Taichung City		( 144)
The Bankers Association of Tainan	< 1 >	( 135)
The Bankers Association of Tainan City		( 100)
The Bankers Association of Kaohsiung City		( 90)
Bankers Association of Hsinchu County		( 55)
Bankers Association of Miaoli County		( 44)
Bankers Association of Changhwa County		( 100)
Bankers Association of Nantou County		( 36)
Bankers Association of Yunlin County		( 47)
Bankers Association of Chiayi County		( 18)
Bankers Association of Pingtung County		( 50)
Bankers Association of Ilan County		( 41)
Bankers Association of Hualien County		( 22)
Bankers Association of Taitung County		( 14)
Bankers Association of Penghu County		( 5)
Bankers Association of Keelung City		( 26)
Bankers Association of Hsinchu City		( 82)
Bankers Association of Chiayi City		( 46)



## C. Directors, Supervisors, Advisors and Observers

March 2017

Title	Name	Company Affiliation	
Chairman of the Board	Jye-Cherng Lyu	Chairman, Taiwan Financial Holding Co., Ltd.	
Managing Directors	Ching-Nain Tsai	Chairman, First Financial Holding Co., Ltd.	
	Michael C. S. Chang	Chairman, Mega Financial Holding Co., Ltd.	
	Joanne Ling	Chairman, Land Bank of Taiwan	
	Rong-Jou Wang	Chairman, Yuanta Financial Holding Co., Ltd.	
	Tsan-Chang Liao	Chairman, Taiwan Cooperative Financial Holding Co., Ltd.	
	Rueen-Fong Chu	Chairman, Taiwan Business Bank	
	Directors	Ming-Daw Chang	Chairman, Chang Hwa Commercial Bank
		Gary Tseng	Chairman, E. Sun Commercial Bank, Ltd.
Kenneth Lo		Chairman, O-Bank Co., Ltd	
Daniel M. Tsai		Standing Director, Taipei Fubon Commercial Bank	
Tang-Chieh Wu		Chairman, Hua Nan Financial Holdings Co., Ltd	
Yi-Jen Chiou		President, The Shanghai Commercial & Savings Bank, Ltd.	
Victor Kuan		Chairman, CitiBank Taiwan, Ltd.	
Jesse Ding		Chairman, EnTie Commercial Bank	
Sheng-Hung Chen		Chairman, Sunny Bank	
Wen-Long Yen		Chairman, CTBC Financial Holding Co., Ltd.	
Shiang-Chang Lee		Chairman, Union Bank of Taiwan	
Tseng-Chang Lee		Chairman, Shin Kong Commercial Bank	
Ping-Hui Liu		Chairman, Bank of Panhsin	
Jin-Tan Huang		Chairman, Jih Sun Financial Holding Co., Ltd.	
Joseph Jao		President, Taishin Financial Holding Co., Ltd.	
Chun-Sheng Lee		Chairman, Taichung Commercial Bank	
Jong-Peir Li		President, HSBC Bank (Taiwan) Limited	
Philip Wen-chyi Ong		Chairman, Changhua Post Co., Ltd.	
Shui-Yung Lin		Chairman, The Export-Import Bank of the Republic of China.	
Kuo-Chi Yu		Chairman, Bank Sinopac	
Chia-Juch Chang		Chairman, China Development Financial Holding Co	
Thomas Chou		President, Far Eastern International Bank	
Richard Chang		President, KGI Bank	
Chih-Ming Chien		President, China Bills Finance Co.	
Jan-Lin Wei		President, Bank of Taiwan	
Hong-Chen Lin		President, Taiwan Cooperative Bank	

Title	Name	Company Affiliation	
Alternate Directors	Chao-Chin Tung	Chairman, CTBC Bank Co., Ltd	
	Eugene T.C. Wu	Chairman, Shin Kong Financial Holding Co., Ltd.	
	Tsu-Pei Chen	Chairman, Cathay United Bank	
	Dan T. Y. Chang	President, Yuanta Bank	
Executive Supervisor	Chang-Ken Lee	President, Cathay Financial Holding Co., Ltd.	
Supervisors	Victor Kung	Senior Advisor, Fubon Financial Holding Co., Ltd.	
	Chao-Hui Chen	Chairman, Agricultural Bank of Taiwan	
	Chenli Yang	Chief Operating Officer, DBS Bank (Taiwan) Ltd.	
	Chang-Ruey Shiau	Chairman, Mega Bills Finance Co., Ltd.	
	Michael Y. J. Ding	President, Waterland Financial Holding Co., Ltd.	
	Terence Tai	Chairman, King's Town Bank	
	Terry King	Director, ANZ Bank (Taiwan) Limited	
	Sung-Yie Liao	Chairman, Cota Commercial Bank	
	Leo Kuo	Chairman, Taipei Star Bank	
	Chester Chin	Vice Chairman, Ta Chong Bank	
	Alternate Supervisor	Norman Tsai	President, International Bills Finance Co., Ltd.
	Advisors	Yang-Ching Chao	Chairman, Financial Information Service Co., Ltd.
		Sherman H.M. Lin	Chairman, Taiwan Depository & Clearing Corporation
		Mao-Wei Hung	Chairman, Taiwan Academy of Banking and Finance
		Tong Liang Lin	President, National Credit Card Center of R.O.C
		Sen-Yu Chang	President, The National Federation of Credit Co-operatives R.O.C
Teng-Cheng Liu		Advisor, The Bankers Association of the Republic of China	
Jih-Chu Lee		Advisor, The Bankers Association of the Republic of China	
Chi-Yuan Wu		Chairman, The Taiwan Clearing House	
Jiann-Jong Guo		Chairman, Joint Credit Information Center	
Anthony Lin		President, Standard Chartered Bank (Taiwan) Limited	
Chao-Hsien Lai		Chairman, Hwatai Bank	
Observers	Nicole Wu	Senior Vice President, BNP Paribas, Taipei Branch	
	Natalie Kuo	Director, Credit Agricole Corporate & Investment Bank, Taipei Branch	
	Kay Chen	Executive Director, JPMorgan Chase Bank, N.A., Taipei Branch	
	Emy Hsieh	Director, Bank of America, N.A., Taipei Branch	

## D. Major Staff Members of BAROC

As of Feb.21 2017

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

# III. An Overview of Banking Operations

## A. Macroeconomic Summary

### 1. Economic Conditions

#### (1) Moderate Global Economic Recovery

In 2016, economic growth in developed economies remained slow, while economic activity in emerging economies continued to decelerate. On top of that, the unexpected electoral decision of the United Kingdom (UK) to exit the European Union triggered increased volatility in global financial markets and put a damper on worldwide economic growth, so economic activity was only supported by the continuation of monetary easing by the world's main central banks. In the United States, economic fundamentals were relatively good. Labor markets were near full employment and inflation moved toward the target range, but the economic recovery was not as strong as expected. In the eurozone, the monetary easing policy of the European Central Bank (ECB) supported steady economic growth despite the continued threat of deflation. In Japan, economic activity remained sluggish amidst weak growth in private consumption and corporate investment, and there was no improvement in exports. Mainland China, meanwhile, is in the midst of economic restructuring. Domestic demand growth there has slowed, and trade performance has not been as good as expected. Slowing economic growth has become the normal state of affairs there. On the whole, global economic growth was weaker in 2016 than in the previous year. Among the world's major economies, official 2016 economic growth figures are 1.6% in the United States, lower than the 2.6% figure for the year before; 1.8% in the eurozone, versus 2.0% the year before; 1.0% in Japan, down from 1.2%; and 6.7% in mainland China, the lowest figure since 1991 but still within the official target range (6.5%-7.0%).

#### (2) Stable Economic Recovery in Taiwan

##### a. Domestic economy gradually rebounds

After slumping in the latter half of 2015, Taiwan's economy gradually got back on track in 2016. After a 0.23% contraction in the first quarter, the economy posted progressively stronger growth figures of 1.13%, 2.12%, and 2.88% from the second through fourth quarters, and the growth rate for the year came to 1.50%, better than the previous year's figure of 0.72% but still short of the National Development Council's target range of 2.1% to 2.7%.

*External demand:* Global economic growth was weak in 2016, while the mainland Chinese policy of pursuing supply chain self-sufficiency had the effect of crowding

out Taiwanese suppliers, which caused continued weakness in Taiwan's external trade performance. However, international commodities prices began to rebound, semiconductor demand expanded rapidly, and a low baseline from the previous year contributed to significantly higher export growth in the fourth quarter. Exports for 2016 as a whole only fell by a slight 1.76% from the previous year. Taking goods and services exports together, external demand contributed -0.38 percentage points to economic growth.

*Domestic demand:* In 2016, the market for automobiles and motorcycles warmed up, sales of petroleum products grew, and the government adopted subsidy measures. As a result, for 2016 as a whole, private consumption rose 2.14% from the year before, and contributed 1.12 percentage points to economic growth. Private fixed investment rose by 3.12% from the preceding year and contributed 0.54 percentage points to economic growth on the strength of continued expansion of investments by semiconductor makers in advanced processes, and fleet expansion by domestic airlines. Government consumption grew by 3.05%, and contributed 0.43 percentage points to economic growth. Altogether, domestic demand contributed 1.89 percentage points to economic growth.

#### **b. Moderate rise in consumer prices**

Climate instability and typhoons pushed up food prices, while international petroleum prices rebounded, causing an uptick in the prices of oil products, but other price categories were relatively stable, with the result that, overall prices rose slightly in 2016. CPI growth for 2016 as a whole averaged 1.40%, while core CPI (which excludes fresh produce and energy) rose 0.84%.

The wholesale price index (WPI), meanwhile, began rising in December 2016 after dropping for 27 consecutive months, but overall prices continued to remain quite low as average WPI for the year dropped 2.99%. Significant factors driving price movements during the year included a rebound in global market demand and rising prices for crude oil as well as agricultural and industrial raw materials.

#### **c. Unemployment rises slightly, but remains low**

Taiwan's unemployment rate was slightly higher in the first half of 2016 than in the same period of 2015 due to a sluggish domestic economy and entry into the job market from June by new graduates, as well as students looking for summer jobs. These factors pushed unemployment to over 4% in July and August, but from September onward the seasonal

impact of graduation started to play itself out and the economy gradually improved, causing a steady drop in unemployment. The average unemployment rate for 2016 was 3.92%, up 0.14 percentage points from 2015, and the total number of unemployed persons was 460,000, up by 20,000 persons from the year before.

## 2. Financial Conditions

### (1) Global Financial Conditions

Stock markets around the world dipped sharply in early 2016 in response to poor economic data in the US, plunging international oil prices, and the triggering of stock market circuit breakers after a steep drop in mainland Chinese stock markets. From February forward, however, global stock markets rebounded as Japan's central bank rolled out negative interest rates, the European Central Bank expanded its quantitative easing measures, and international oil prices began to recover. From July forward, stock markets in the US and Europe jumped sharply as the US economy outperformed expectations and international energy and commodities prices bounced back. Despite some temporary stock volatility due to the US presidential election, the Dow Jones Industrial Average, the S&P 500, and the Nasdaq all performed strongly and marched from one historic high to another due to market expectations that President-elect Donald Trump after taking office would make good on campaign promises to adopt economic stimulus measures. Stock markets performed especially well in developed nations. The Dow Jones Industrial Average in the US rose 13.42%, Germany's DAX finished up 6.87% on the year, France's CAC 40 was up 4.86%, and Japan's Nikkei 225 rose 0.42%. In emerging market nations, more markets rose than fell. The three stock markets that rose the most in 2016 were all in emerging economies; Russia's RTS index led all markets by finishing up 51.86%, followed by Argentina's Merval index and Brazil's Sao Paulo index, which rose 44.90% and 38.93%, respectively. The stock markets of mainland China, in contrast, were a disappointment, with the Shanghai Stock Exchange Composite Index SSE Composite Index and the Shenzhen Stock Exchange Composite Index falling 12.31% and 19.64%, respectively.

*Global foreign exchange market:* More than anything else, it was changing expectations about whether the Fed would raise interest rates in the US that determined foreign exchange rate movements in 2016. In the first half of the year, the Fed turned cautious about interest rate hikes as US economic performance fell short of expectations. As a result, the US Dollar generally depreciated versus other currencies. Thereafter, however, the US Dollar strengthened as market expectations grew regarding a possible interest rate hike by the Fed at the end of the year. The US Dollar continued to strengthen at the end of the year after the Fed did in fact raise interest rates in December. The US Dollar Index rose by 3.63% on the year, while most major



currencies fell against the US Dollar. The euro fell 3.10% against the US Dollar, the RMB continued depreciating amidst an economic slowdown, dropping 6.57%, and the Japanese Yen rose by 2.62% against the US Dollar against the backdrop of heightened hedging demand.

## (2) Financial Conditions in Taiwan

### a. Central Bank lowers interest rates twice

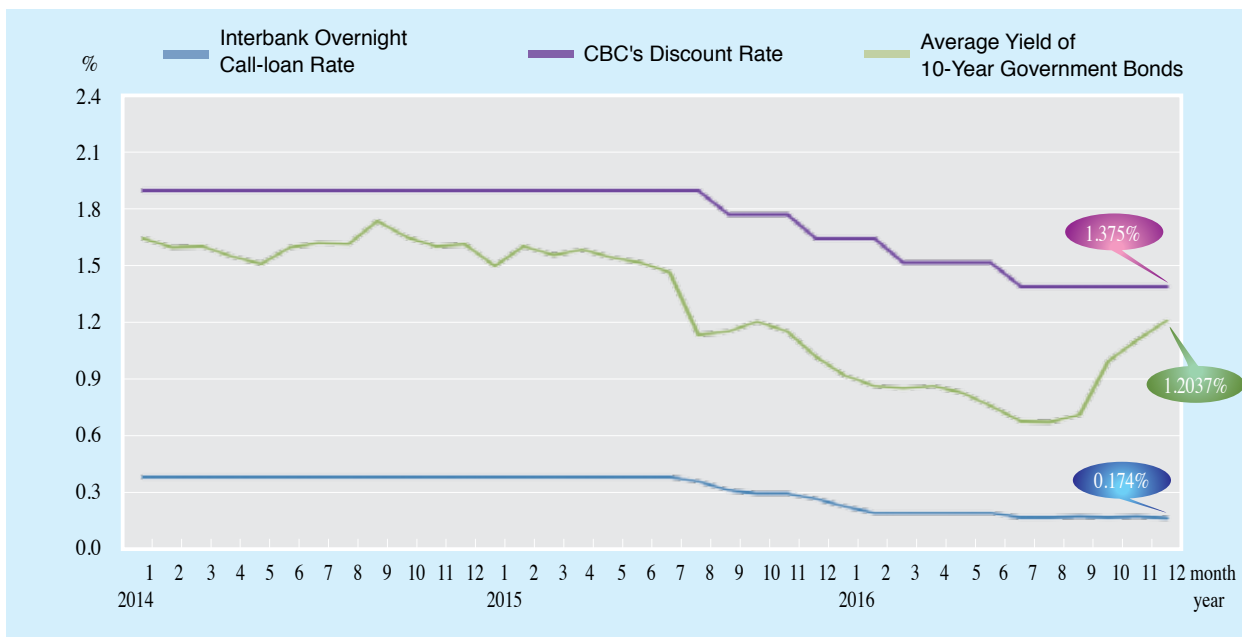
The Central Bank announced after a 24 March Board Meeting that the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral would be cut by 12.5 basis points each to 1.625%, 2%, and 3.875%, respectively. This step was taken in response to a variety of factors—including downside risk in the global economy, the slow pace of domestic economic recovery, the adoption of monetary easing policies in most of the world's major countries, and low international interest rates—with an eye to maintaining financial stability, and within the context of moderate inflation expectations and a widening negative output gap.

After the March policy rate adjustments, however, the pace of global economic recovery continued to fall short of expectations, and the Brexit issue generated added risk of global trade and economic activity. These factors in turn affected the pace of economic recovery in Taiwan. Against the backdrop of mild inflation expectations, the Central Bank announced on 30 June that the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral would be cut by 12.5 basis points each to 1.375%, 1.75%, and 3.625%, respectively.

### b. Short-term interest rates drop, long-term rates rise before later falling

*Short-term rates:* Due to a slowing domestic economy, weak corporate demand for capital, and the impact of interest rate cuts, domestic liquidity was strong, and the overnight call-loan rate fell each month in the first quarter of 2016. As a result, short-term rates remained stable through April at about 0.201%. The overnight call-loan rate began falling, however, after the Central Bank once again cut policy rates in late June. In the latter half of the year, with the Central Bank keeping its accommodative monetary policy unchanged, the overnight call-loan rate fluctuated within a very tight range. But after the US presidential election in November, volatility in international financial markets increased. Foreign companies started generating net outward remittances, banks began allocating capital more conservatively, and the overnight call-loan rate once again began falling. For 2016 as a whole, the overnight call rate averaged 0.193%, down by 0.16 percentage points from the 2015 average of 0.353%, which shows that domestic monetary policy is getting increasingly accommodative.

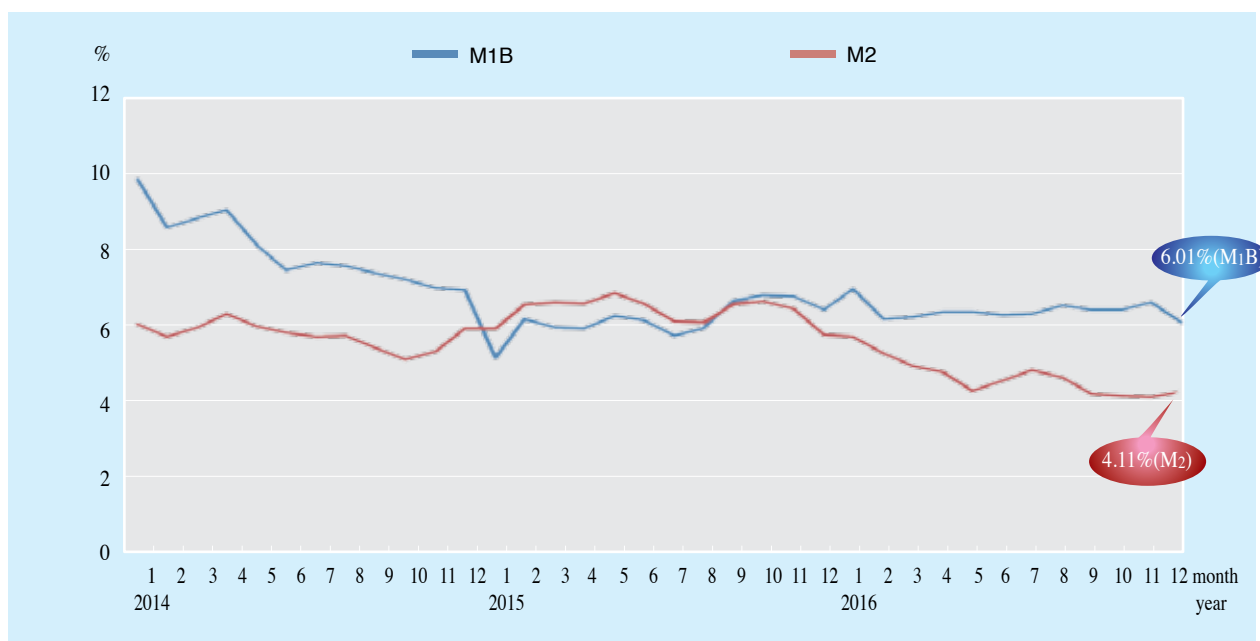
### Changes in Interest Rates



Source: the CBC website, TPEX website

*Long-term rates:* The yield on 10-year Taiwan government bonds declined in early 2016 due to a poorly performing economy that was clearly slowing down, market expectations of lower interest rates, and a reduction of interest rates in March by the Central Bank. In the latter half of the year, however, the yield on 10-year Taiwan government bonds rose in step with rising US yields as prospects for the global manufacturing sector improved, US bond yields rebounded, and market expectations arose that US President-elect Donald Trump would lower taxes and increase fiscal expenditures, thus triggering inflation expectations. For 2016 as a whole, the yield on 10-year Taiwan government bonds averaged 0.86%, down by 0.53 percentage points from the 2015 average yield of 1.39%.

### Annual Growth Rates of Daily Monetary Aggregates



Source: the CBC website

### c. M2 money supply growth slows, M1B money supply rose

Average annual growth in the daily average M2 money supply rose at a 4.51% clip in 2016, down from 6.34% in the previous year, due to slowing growth in investments and bank lending and a decline in time deposits and foreign exchange deposits, but it still fell within the Central Bank's target range of 2.5% to 6.5%. Average annual growth for the more narrowly defined M1B money supply rose from 6.10% to 6.33%, mainly due to continued growth in demand deposits. The M1B growth rate, meanwhile, remained higher than the M2 growth rate for 16 consecutive months.

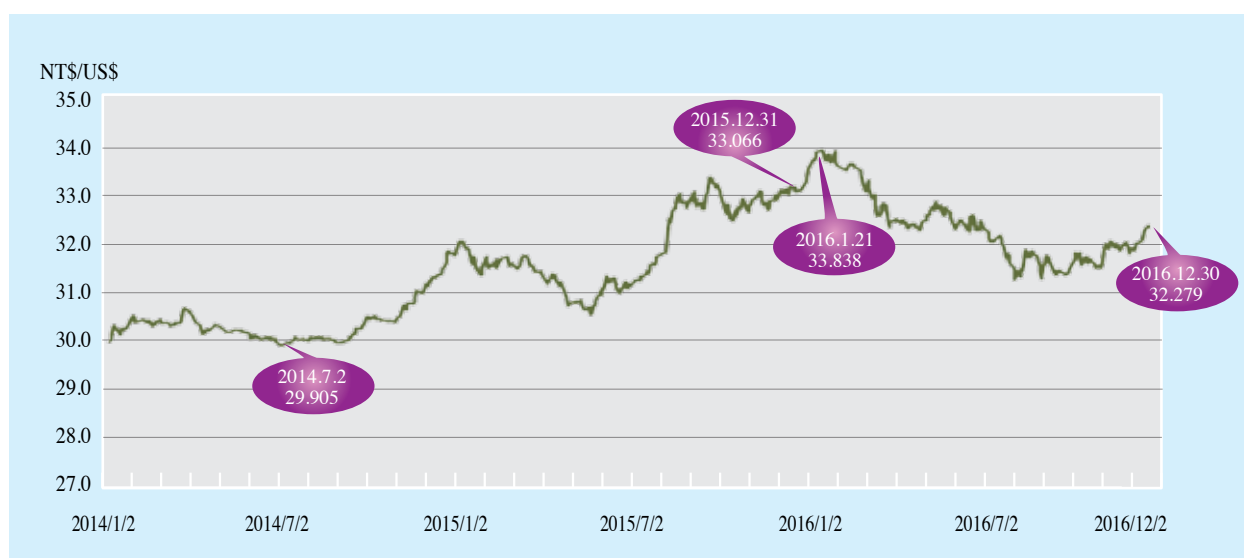
### d. Banks' average interest spread narrows slightly

The weighted average interest rate on deposits with ordinary domestic banks fell from 0.69% in the first quarter to 0.57% in the fourth quarter, and the weighted average interest rate on loans also fell from 2.09% in the first quarter to 1.94% in the fourth quarter. The interest spread narrowed from 1.40 percentage points in the first quarter to 1.37 percentage points in the second quarter, where it remained for the rest of the year. The average interest spread for 2016 was 1.38 percentage points, down from 1.43 percentage points in 2015.

### e. NT Dollar appreciates against US Dollar

In early 2016, Taiwan's economy performed poorly. Exports continued to contract, and the NT Dollar remained weak against the US Dollar, hitting a low of 33.838 : 1 versus the US Dollar on 21 January before rebounding after Japan's central bank and the European Central Bank stepped up their monetary easing policies, US economic performance fell short of expectations, and international capital flowed into Asian emerging markets. The result of the Brexit referendum in June triggered international financial market volatility, causing the NT Dollar to depreciate sharply against the US Dollar before snapping back. Thereafter, the US put its plan for interest rate hikes on hold, causing Asian currencies to appreciate. The NT Dollar hit a high of 31.225 : 1 versus the US Dollar on 10 August. From

**NT Dollar against the US Dollar Exchange Rates**



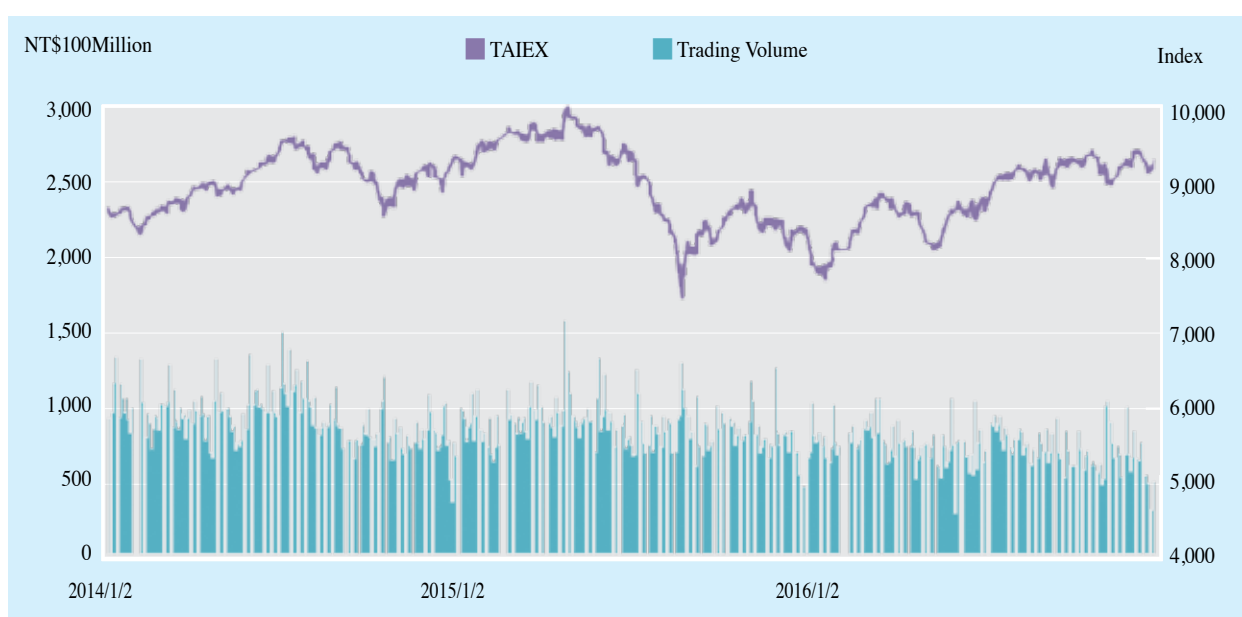
Source: the CBC website

October onward, however, the US Fed's increasingly clear intention to raise interest rates by the end of the year, caused the US Dollar to appreciate sharply. Foreign companies started generating net outward remittances, and the NT Dollar depreciated. At year-end, the NT Dollar exchange rate versus the US Dollar stood at 32.279 : 1, up by 2.44% over the end of the previous year.

#### f. Stocks move choppily upward; trading volumes plummet

In early 2016, global stock markets dropped precipitously, petroleum prices continued to fall, and foreign investors were net sellers of Taiwanese stocks. As a result, the TAIEX fell to a year-long low of 7,664 points on 21 January before rebounding in step with stock markets around the world in response to a recovery in international petroleum prices. The stock market rebound in Taiwan was also helped along when the National Stabilization Fund entered the market to shore up stock prices. Starting in April, however, Taiwanese stocks took a choppy path downward as international stock markets retrenched and Taiwan's economy continued to perform poorly. Later, however, Taiwanese stocks rose again due to continuation of monetary easing by the world's main central banks, lowered expectations regarding an interest rate hike by the Fed, and big net purchasing of Taiwanese stocks by foreign investors. Then the results of the US presidential election in November touched off increased volatility in international financial markets, with Asian markets closing sharply

### TAIEX and Trading Volume



Source: Taiwan Stock Exchange

down across the board on the day of the election. But as market jitters gradually subsided and the Trump administration announced various measures that bode well for financial markets, the TAIEX rose to an annual high of 9,392 points on 9 December. For 2016 as a whole, the TAIEX rose 915.20 points, up 10.98%. Daily average turnover by trading value was NT\$68.73 billion, down sharply by 16.94% from NT\$82.75 billion in 2015.

### 3. Economic Outlook for 2017

Looking ahead to 2017, the pace of global economic recovery is expected to quicken despite the gradual normalization of US monetary policy, because most economies will continue to maintain accommodative monetary conditions and carry out expansionary fiscal spending. International forecasting bodies all believe that global economic performance will probably be better in 2017 than in the previous year. The IMF's April 2017 forecast calls for the global economy to grow 3.5% in 2017, slightly up from its 3.1% estimate for 2016. The World Bank's January 2017 forecast is for global growth of 2.7%, as compared with its 2.3% estimate for 2016. And Global Insight in April 2017 forecast global economic growth of 2.9%, up from its 2.5% estimate for the previous year. Global Insight expects growth of 2.0% in developed economies, and 4.4% in emerging market economies. However, global economic growth will still face numerous risk factors, including the direction of the new US administration's economic and trade policy, the impact of Brexit and national elections in the eurozone, waning economic growth momentum in mainland China and some emerging economies, price movements in global markets for energy and commodities, and a global resurgence of trade protectionism. Such factors pose challenges to the global economy.

The April 2017 update of the IMF World Economic Outlook forecasts the following: (a) Growth of 2.3% for 2017 in the US, where labor markets improved, corporate profits rose, and anticipation of expansionary fiscal spending by the incoming administration have raised hopes of a stable recovery. However, concerns about the possibility of rising inflationary pressure prompted an accelerated normalization of monetary policy. (b) Growth of 1.7% in the euro area, where different national authorities will continue to pursue monetary easing to boost their economies and it appears that the negative impact of Brexit will be less than expected. These positive factors will be offset to some degree, however, because upcoming national elections in the eurozone are generating increased political and economic uncertainty, which will undermine business and consumer confidence. (c) Slim GDP growth of 1.2% in a slowly recovering Japan, where domestic demand continues to be weak due to a hike in the consumption tax, business

investment confidence remains insufficient, and inflation is difficult to jump-start. Among emerging market and developing economies, the update indicates that: (a) Growth in mainland China will continue to decelerate as the government continues to push restructuring and eliminate excess production capacity, all of which should weaken growth impetus. On the positive side, the government is pursuing a directional policy program designed to boost the economy, so growth of 6.6% is expected in 2017. (b) In India, despite the adverse impact on consumption caused by demonetization of large-denomination bank notes, the economy is expected to grow by 7.2%, thanks to abundant and low-cost labor, making India the fastest-growing major economy in 2017. (c) The economies of Russia and Brazil are forecast to grow by 1.4% and 0.2%, respectively, due to a rebound in energy and commodity prices.

### Forecast on Global Economic Growth Rates

Unit: %

Area \ Institute	IMF		The World Bank		Global Insight Inc.	
	2016	2017	2016	2017	2016	2017
Global	3.1 (3.1)	3.5 (3.4)	2.3 (2.4)	2.7 (2.8)	2.5 (2.5)	2.9 (2.9)
US	1.6 (1.6)	2.3 (2.3)	1.6 (1.9)	2.2 (2.2)	1.6 (1.6)	2.4 (2.3)
Eurozone	1.7 (1.7)	1.7 (1.6)	1.6 (1.6)	1.5 (1.6)	1.7 (1.7)	1.6 (1.6)
Japan	0.9 (0.5)	1.2 (0.8)	1.0 (0.5)	0.9 (0.5)	1.0 (1.0)	1.3 (1.1)
Mainland China	6.7 (6.6)	6.6 (6.5)	6.6 (6.6)	6.4 (6.4)	6.7 (6.7)	6.5 (6.5)

Note: Figures in parentheses indicate the previous forecasts.

Sources: IMF, 19 April 2017, the World Bank, 10 Jan 2017, Global Insight, 15 April 2017

In Taiwan, domestic and external demand are expected to contribute 1.47 and 0.45 percentage points to economic growth, respectively, and real GDP growth in 2017 is forecast by the Directorate-General of Budget, Accounting and Statistics (DGBAS) to reach 1.92%, up from the growth of 1.50% achieved in 2016. The forecasts of other institutions at home and abroad for Taiwan's 2017 economic growth fall between 1.70% and 2.11%.

*External demand:* The IMF expects the volume of world trade to rise to 3.8%, up from a 1.9% increase in 2016. This will be helpful to export-driven Taiwan. In addition, massive demand from emerging economies along with the advance of automotive electronics and the Internet of Things will boost development of the semiconductor aftermarket, an area where Taiwan is especially competitive. These factors will help to maintain export momentum. However, global industrial competition is intensifying, trade protectionist sentiment is on the rise throughout the world, and supply chains in mainland China are becoming localized, all of which is likely to limit the

potential for export growth. The Directorate-General of Budget, Accounting and Statistics expects the annual growth rate for Taiwan's exports of goods and services to rise in 2017 by 4.01%, while imports of goods and services are expected to grow by 4.07%, higher in both cases than in 2016.

*Domestic demand:* Private consumption is forecast to grow by 1.75% in 2017. Various factors are seen contributing to the slow growth, including an improved economic outlook, raising of the minimum wage, and the government's continued pursuit of a variety of economic stimulus measures. These factors promise to generate stronger domestic consumption, but rising prices may undermine consumers' willingness to spend. Semiconductor makers and other supply chain firms are expected to continue investing in high-end processes, while the government works to improve the investment climate and implement its program to support development of the so-called "5 plus 2" industries. These factors will help spur continued investment growth. However, the housing market is unlikely to pull out of its current slump, as well as sluggish construction investment, which are expected to partially offset growth momentum. As a result, private investment is projected to grow by 1.85% in 2017.

*Prices:* Global prices for crude oil as well as agricultural and industrial raw materials are expected to continue rebounding, and new regulations governing working hours and leaves. These factors will put upward pressure on prices for domestic services and dining out, but the prices of ICT products are expected to continue falling, so domestic prices are expected to rise moderately. The DGBAS has forecast CPI growth of 1.08% for 2017, versus 1.40% in 2016.

### Forecast on Taiwan Economic Growth Rates

Unit: %

	Institution	2017
Public and domestic institutions	DGBAS (2017.02)	1.92 (1.87)
	TIER (2017.01)	1.78 (1.65)
	CIER (2017.04)	2.11 (1.73)
	Academia Sinica (2016.12)	1.68
	Yuanta-Polaris Research Institute (2017.03)	2.1 (1.8)
	NTU-Cathay research team (2017.03)	2.1 (1.5)
	Taiwan Research Institute (2016.12)	1.74
Foreign institutions	IMF (2017.04)	1.7 (1.7)
	Global Insight (2017.04)	1.8 (1.8)
	Asian Development Bank (2017.04)	1.8 (1.6)

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

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

## B. Major Financial Measures Adopted by the Government

### 1. Financial Services Business

- (1) In order to promote innovative financial services and development of the FinTech industry, the Financial Supervisory Commission (FSC) adopted the Financial Technology Development Policy White Paper, which the Executive Yuan approved in May 2016. The White Paper covers FinTech trends in five major aspects—financial services, innovative R&D, human resource cultivation, risk management, and infrastructure—and analyzes FinTech from the perspectives of application, management, resources, and infrastructure. On this basis, it proposes 11 priority objectives to be achieved by 2020 in pursuit of the vision of building up "innovative digital technology and smart finance."
- (2) In order to build a favorable financing environment for SMEs, the FSC submitted the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises" for 2016 (year number 11) to the Executive Yuan, which granted approval on 9 May 2016. Under the Program, the FSC encourages domestic banks to grant loans—while implementing appropriate risk controls—to supply enterprises with needed working capital. The Program sets a target of raising the balance of SME loans by domestic banks in 2016 by NT\$240 billion.
- (3) In order to afford domestic banks a measure of flexibility in the conduct of their internal audit work, and to implement ratings-based regulation, the FSC on 28 June 2016 amended the "Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Banking Enterprises." A domestic bank that is in sound financial condition and has effective internal control and internal audit systems is allowed under the amended regulations to apply with the FSC for permission to adopt a risk-based internal audit system. Based on the results of its internal risk assessment, a domestic bank may act on its own to decide on internal audit frequencies for its various company divisions. The idea is to facilitate more efficient use of internal audit resources and enable the conduct of more thorough audits.
- (4) In order to facilitate the development of electronic payment institutions, the FSC from July through September 2016 amended the "Regulations Governing Identity Verification Mechanism and Transaction Limits for Users of Electronic Payment Institutions," the "Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions," the "Rules Governing the Administration of Electronic Payment



Business," the "Regulations Governing Cooperating with or Assisting Foreign Institutions in Engaging in Activities Associated with Electronic Payment Business within the Territory of the Republic of China," and the "Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions."

- (5) In order to actively promote the development of e-payment and mobile payment services in Taiwan, the FSC launched the "Five-Year Plan to Double the Percentage of Payments Made Electronically," which was drafted with due attention to the principles of risk management and consumer protection. And on 20 July 2016 the FSC amended the "Regulations Governing the Security of Electronic Stored Value Cards" to actively draw up plans to launch the acceptance of e-payments by government agencies and medical institutions. The FSC also asked BAROC to set up a special task force to integrate credit cards, stored value cards, and electronic payment terminal equipment. In response to this request, BAROC in June 2016 completed the basic specifications needed to integrate the three aforementioned types of payment instrument terminal equipment. The next step will be to draft a set of "Operating Rules to be Observed by Parties Involved in the Integration of Terminal Equipment."
- (6) In order to induce the financial industry to provide stronger support for the development of the real economy, the FSC adopted a proposal for the "Policy Project to Support the Real Economy with Financial Resources: The 'Three Backbones' and 'Four Supports.'" This project proposal was approved on 1 September 2016 at Cabinet Meeting No. 3513. By providing financing via diverse channels, assistance for financial surveys and research, and software and hardware support, the FSC seeks to encourage financial services firms to direct more capital toward real economic activity, thereby building an environment conducive to industrial development, youth entrepreneurship, innovation, and job creation. If we do this, our financial industry and the real economy will both prosper.
- (7) Complex, high-risk derivatives are characterized by high risk or high leverage. In order to strengthen banks' implementation of their product suitability systems, the FSC in September 2016 amended the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" and the "Rules Governing the Conduct of Derivatives Business by the Overseas Banking Units of Banks" by adding new provisions setting out product review procedures applying to banks that provide complex, high-risk products to professional institutional investors and high-net-worth corporate investors in order to strengthen regulation of banks' sales of complex, high-risk products.

- (8) On 30 September 2016, the FSC launched the "Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries," whereby it encourages domestic banks to grant loans —while implementing appropriate risk controls—to enterprises in the seven innovative industries of green energy, the Asia Silicon Valley initiative, the biotech and pharmaceutical industry, national defense industry, smart machinery, new agriculture, and the circular economy. The idea of this program is to rely on the financial industry to spur industrial transformation and the creation of local jobs.
- (9) On 14 October 2016, the Ministry of Finance amended the "Directions for Appointment by the Ministry of Finance of Responsible Persons, Managerial Officers, Directors, and Supervisors at Public and Private Enterprises" by adding new provisions governing material event reporting mechanisms and the affirmative obligation of directors representing government shareholders to take action. To coordinate with these new provisions, the ministry also revised its evaluation standards for shareholder representatives and requirements regarding implementation of corporate governance in order to prompt government-invested business entities to strike a proper balance between business development and legal compliance, thereby improving the efficacy of regulation of shareholder representatives that represent government shareholders.
- (10) In order to strengthen Taiwan's AML/CFT mechanisms, the FSC on 2 December 2016 amended the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector" to require banks to strengthen education and training in board governance and the three lines of defense in effective risk management and control. The objective of this requirement is to create a corporate culture that attaches due importance to AML/CFT matters. In addition, the amended provisions also require banks to: (a) adopt an AML/CFT plan at the holding company level; (b) strengthen head office management of overseas branch entities; (c) improve ongoing monitoring and control of deposit transactions in such accounts; and (d) take additional measures to reduce the risks accompanying business dealings with entities on a sanctions list or cross-border correspondent banks.
- (11) On 14 December 2016 the Executive Yuan approved the New Southbound Policy work plan, and the FSC, in support of the policy, has already adopted a set of concrete measures for helping companies obtain capital to finance business development, and for helping domestic banks establish new business locations in the countries targeted by the New Southbound Policy. The FSC will also continue cooperating with other cabinet agencies to provide financial support that will prompt Taiwanese companies to develop southward, thereby creating a win-win situation for financial services firms and industry.

- (12) In order to strengthen the implementation by financial holding companies and banks of their legal compliance systems, the FSC on 15 December 2016 announced plans to amend the "Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Banking Enterprises." The amended provisions will require financial institutions to ensure that the boards of directors and audit committees play their proper role in corporate governance, and will impose tougher requirements regarding: (a) the hiring of a chief compliance officer by overseas business units; (b) the duties of a head office compliance unit; (c) the qualification requirements of compliance officers and the chief compliance officer; and (d) professional training and its expected roles and functions. The amended provisions will also require the auditors hired by financial services firms for internal audits to broaden and deepen the scope of their audits, and will further require financial holding companies and banks to improve their reporting mechanisms.
- (13) In order to coordinate with the government policy of promoting urban building reconstruction, the FSC in December 2016 drafted amendments to the "Regulations Governing Investment in Real Estate by Commercial Banks," and is now planning to recommend to the Ministry of the Interior that it add exemptions to the "Urban Renewal Act" to facilitate efforts by banks to provide urban building reconstruction financing.
- (14) In late 2016, multiple national legislators introduced legislative amendments related to the "regulatory sandbox" concept, then on 19 December 2016 the Legislative Yuan Finance Committee finished deliberations on amendments to the Insurance Act and seven other laws, and resolved to add new provisions governing the provision of a regulatory environment in which innovative new financial technologies can be tested. Following party caucus negotiations, the amendment proposal was forwarded for deliberations in full session of the Legislative Yuan. However, for the sake of thoroughness, the FSC also prepared a draft "Financial Technology Innovative Experiment Act" as a special law to provide a safe environment in which to test out innovative new financial technologies with a degree of exemption from full regulation. The FSC hopes to achieve inclusive financial development in a way that ensures that due attention is paid to the needs for: (a) strengthened ability on the part of financial services firms to make use of technology; (b) active participation by innovative tech firms in financial services; and (c) the striking of a proper balance between innovation and consumer protection.

- (15) As of end-December 2016, the FSC had approved applications by 13 domestic banks to establish branch units and subsidiaries in mainland China, including 28 branches, 11 sub-branches, 3 subsidiaries and 3 representative offices. Among these, 27 mainland Chinese business locations of domestic banks have formally commenced operating the full range of RMB banking services. In addition, in handling applications by mainland Chinese banks to establish business locations in Taiwan, the FSC is gradually opening the Taiwan market in accordance with the principles of prudential supervision. Mainland Chinese banks currently have three branches and two representative offices in Taiwan.
- (16) In order to promote use and analysis of Big Data by the financial authorities and financial industry self-regulatory organizations, the FSC in 2016 carried out 13 projects to promote Big Data applications with an eye to improving policy implementation and the competitiveness of the financial industry. In addition, in order to meet the needs of consumers and facilitate development of the financial industry, the FSC actively opened up access to financial data. As of end-December 2016 it had already provided access to 1,250 datasets.

## 2. Financial Supervisory Cooperation

- (1) In order to continue building a system for cross-border financial supervisory cooperation, the FSC signed MOUs on banking supervisory cooperation with the Superintendency of Banks of Panama (in September 2016) and the Illinois Department of Financial & Professional Regulation (November 2016), held bilateral talks on bank supervision with Japan's Financial Services Agency (10 November) and the Hong Kong Monetary Authority (8 December), and on 28 November to 1 December attended the 19th International Conference of Banking Supervisors (ICBS) in Santiago, Chile. Through these and other activities, the FSC was able to enhance cross-border supervisory cooperation with overseas authorities.
- (2) In order to continue strengthening ties with financial supervisory authorities in the United States and Canada, the FSC dispatched a delegation on 30 November to North America, where they visited various authorities and held seminars in New York, Los Angeles, and Toronto for managerial personnel from the overseas branch units of Taiwanese banks. Delegation members shared their observations with colleagues back in Taiwan after they finished the trip and returned home.
- (3) In order to protect the interests of Taiwanese financial institutions and investors, the FSC joined with the Ministry of Finance and the Ministry of Foreign Affairs in working out a cooperation agreement with US authorities regarding enforcement of the US Foreign Account Tax Compliance Act (FATCA). The agreement was signed by representatives of the Taipei

Economic and Cultural Representative Office in the United States (TECRO) and the American Institute in Taiwan (AIT) at a ceremony held on 22 December 2016. Then, acting in line with the requirements of the "Conclusion of Treaties Act," the FSC reported the agreement within 30 days of its signing to the Executive Yuan, which then forwarded it to the Legislative Yuan for deliberations. The agreement will enter into effect after it has passed legislative review and been promulgated by the president.

## C. Banking Operations in 2016

### 1. Changes in the Operating Units of Financial Institutions

Financial institutions in Taiwan include monetary institutions, investment trust companies (prior to December 2008), and life insurance companies. The term "monetary institutions" includes the Central Bank and other monetary institutions. The term "other monetary institutions" includes domestic banks, Taiwan branches of foreign and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, the Department of Savings and Remittances at Chunghwa Post Co., and money market mutual funds. There were 429 financial institutions in Taiwan at the end of December 2016, while the total number of branch banking units in Taiwan at the end of 2016 stood at 6,031.

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

Domestic banks saw their overall average NPL ratio rise in 2016 due to impact of defaults suffered by branch units in mainland China on loans to mainland enterprises. According to FSC statistics, the aggregate NPLs of domestic banks at the end of December 2016 stood at NT\$70.69 billion, up by NT\$10.83 billion from NT\$59.86 billion at the end of December 2015. The average NPL ratio of domestic banks at the end of December 2016 stood at 0.27%, up by 0.04 percentage points from 0.23% at the end of December 2015.

In addition, the average NPL coverage ratio of Taiwan's domestic banks stood at 502.93% at the end of December 2016, down by 52.5 percentage points from 555.43% at the end of December 2015. Despite this drop, however, the NPL coverage ratio remained high thanks to good risk management by domestic banks, thus showing that domestic banks have strong risk-bearing capacity.

### 3. Overview of Bank Profitability

Taiwan's Central Bank cut interest rates four times from September 2015 through June 2016. As a result, the weighted average interest spread of domestic banks, which had been widening since 2009, narrowed for the first time in seven years to 1.38 percentage points in 2016, thus reducing interest spread earnings. In addition, global economic uncertainty has hampered the profitability of banks' overseas branches, and Taiwanese banks were required to achieve a real estate loan loss reserve ratio of no less than 1.5% by year-end 2016, which affected the profitability of domestic banks in 2016. The pre-tax earnings of domestic banks totaled NT\$300.1 billion in 2016, down 6.1% from NT\$319.6 billion in 2015. Banks' return on assets (ROA) in 2016 came to 0.68% (down from 0.75% in 2015) and return on equity (ROE) was 9.24% (versus 10.58%).

### 4. Major Lines of Banking Business

#### (1) Deposit Business

Deposits at all monetary institutions at the end of 2016 totaled NT\$40.72 trillion, up NT\$1.36 trillion (3.46%) over the end of 2015. Demand deposits accounted for the largest portion of this total (35.60%), followed by time and time savings deposits (34.02%).

Demand deposits posted the strongest growth, finishing up by NT\$770.1 billion (5.61%) from the end of 2015 to NT\$14.50 trillion. Foreign-currency deposits grew at the next fastest pace, finishing up by NT\$306.2 billion (6.52%) to NT\$5.00 trillion.

The signing of the cross-strait currency clearing agreement and the decision by the FSC on 6 February 2013 to allow domestic banking units (DBUs) to conduct RMB business have triggered a sharp increase in foreign exchange deposits. As of end-December 2016, RMB deposits were being handled at 68 DBUs and 59 offshore banking units (OBUs), where a combined total of RMB 311.21 billion were on deposit.

In addition, time and time savings deposits rose from the end of 2015 by NT\$78.2 billion (0.57%) to NT\$13.85 trillion, and postal savings deposits increased by NT\$178.7 billion (3.11%) to NT\$5.92 trillion.

## Changes in Deposits by Category of All Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2016	End of 2015	Change (NT\$)	change (%)
Demand deposits		144,973	137,272	7,701	5.61
Time and time savings deposits		138,516	137,734	782	0.57
Foreign currency deposits		50,022	46,960	3,062	6.52
Postal savings deposits		59,168	57,381	1,787	3.11
NT Dollar deposits by foreigners		1,638	1,778	-140	-7.87
Repurchase agreements and Money Market Mutual Funds		1,897	2,060	-163	-7.91
Government deposits		10,960	10,372	588	5.67
Total		407,174	393,557	13,617	3.46

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

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2017.

### (2) Loans and Investments

The balance of outstanding loans and investments at all monetary institutions stood at NT\$30.55 trillion at the end of 2016, an increase of NT\$1.14 trillion (3.88%) over the end of 2015.

Loans and investments by all monetary institutions rose for all but one category of recipients at the end of 2016 in comparison with 2015. Claims on the private sector increased by NT\$994.8 billion (4.20%), while claims on the government increased by NT\$250.8 billion (5.43%). The only exception was claims on state-owned enterprises, which fell from year-end 2015 by NT\$104.6 billion (9.72%).

### Loans and Investments by Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2016	End of 2015	change (NT\$)	change (%)
Claims on the government		48,694	46,186	2,508	5.43
Claims on state-owned enterprises		9,715	10,761	-1,046	-9.72
Claims on the private sector		247,065	237,117	9,948	4.20
Total		305,474	294,064	11,410	3.88

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2017.

### (3) Foreign Exchange Business

The average daily foreign exchange turnover (total of bank-customer and interbank markets) in 2016 was US\$28.92 billion, down by 13.29% from 2015. Average daily turnover in the bank-customer market was US\$8.32 billion, down 0.45%, and average daily turnover in the interbank market was US\$20.60 billion, a decrease of 17.59%.

Further breaking down the figures for interbank foreign exchange transactions in 2016, spot transactions and options transactions decreased from 2015 by US\$2.51 billion and US\$2.13 billion, respectively, while all other types of foreign exchange transactions increased in 2016. The largest increases took place in forward transactions, which rose by US\$154 million (13.92%), followed by swap transactions, which finished up by US\$64 million (0.60%).

### Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item	Year	2016	2015	Change (US\$)	Change (%)
Spot		7,326	9,836	-2,510	-25.52
Forwards		1,260	1,106	154	13.92
Swaps		10,699	10,635	64	0.60
Options		1,208	3,341	-2,133	-63.84
Cross-currency swaps		102	73	29	39.73
Total		20,595	24,991	-4,396	-17.59

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2017.

#### (4) Consumer Finance Business

According to statistics compiled by the FSC Banking Bureau, a total of 40.7 million cards issued by 36 institutions were in circulation at the end of December 2016, up by 5.66% from the 38.52 million in circulation at the end of 2015. The total number of active cards stood at roughly 27.02 million, an increase of 6.55% from the figure of 25.36 million at the end of 2015. The total dollar amount of transactions paid for with these cards in 2016 amounted to NT\$2.42 trillion, up by 8.53% from 2015. The amount of revolving credit outstanding at the end of the year stood at NT\$109.08 billion, up by 1.05% from the end of 2015. Cash advances outstanding totaled NT\$25.45 billion, down by 6.45% from 2015. The cumulative issuance of bank cards rose by 3.24% from 185.69 million at the end of 2015 to 191.71 million at the end of 2016.

There were 27,240 automatic teller machines (ATMs) in Taiwan as of the end of December 2016, down by 0.45% from 27,363 at the end of 2015. The number of ATM transactions during 2016 totaled 844.88 million, an increase of 2.42% over the 2015 figure of 824.89 million, and totaled NT\$10.36 trillion in value, up 2.08% from NT\$10.15 trillion a year earlier.



## (5) Financial Derivatives Business

The nominal amount of open derivatives positions of domestic banks (including headquarters, domestic and overseas branches, and offshore banking units) and foreign banks (general branches in Taiwan plus offshore banking units) at the end of December 2016 stood at NT\$49.93 trillion, down by 10.80% from NT\$55.97 trillion a year earlier.

Over-the-counter (OTC) transactions accounted for 99.75% of these positions, while exchange-traded transactions made up only 0.25%. Of the OTC transactions, forward contracts accounted for the largest share (56.02%) of the nominal value of total open positions, followed by swaps at about 34.85%. Sold options and bought options accounted for 4.77% and 4.37%, respectively. Trading derivatives made up 99.65% of the total, while non-trading derivatives accounted for only 0.35%.

### Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$ million, %

Item	End of Dec. 2016		End of Dec. 2015		Changes	
	Amount	%	Amount	%	Amount	%
<b>I. Notional Amounts Outstanding</b>	<b>49,927,470</b>	<b>100.00</b>	<b>55,973,939</b>	<b>100.00</b>	<b>-6,046,469</b>	<b>-10.80</b>
A. OTC	49,802,395	99.75	55,898,779	99.87	-6,096,384	-10.91
1. Forwards	27,899,199	56.02	27,946,184	49.99	-46,985	-0.17
2. Swaps	17,353,671	34.85	16,584,172	29.67	769,499	4.64
3. Bought options	2,174,992	4.37	5,610,104	10.04	-3,435,112	-61.23
4. Sold options	2,374,533	4.77	5,758,319	10.30	-3,383,786	-58.76
B. Exchange-traded	125,075	0.25	75,160	0.13	49,915	66.41
1. Futures- long positions	51,798	41.41	7,714	10.26	44,084	571.48
2. Futures- short positions	60,768	48.59	54,992	73.17	5,776	10.50
3. Bought options	6,616	5.29	6,135	8.16	481	7.84
4. Sold options	5,893	4.71	6,319	8.41	-426	-6.74
<b>II. Notional Amounts Outstanding</b>	<b>49,927,470</b>	<b>100.00</b>	<b>55,973,939</b>	<b>100.00</b>	<b>-6,046,469</b>	<b>-10.80</b>
A. Total contracts held for trading purpose	49,751,534	99.65	55,763,571	99.62	-6,012,037	-10.78
B. Total contracts held for non-trading purpose	175,936	0.35	210,368	0.38	-34,432	-16.37

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

Source: CBC website, February 2017.

## (6) Cross-Strait Remittances Business

In 2016, outward and inward remittances to and from mainland China by all banks came to US\$382.23 billion and US\$269.02 billion, respectively, down by 7.26% and 3.17% from 2015. Under the joint oversight of the FSC and the Central Bank, a new "modern cross-strait money remittance platform" has been launched to facilitate the development of cross-strait RMB business. In support of the new platform, Taiwan's Central Bank oversaw the establishment in September 2012 of a foreign currency settlement platform, and in September of 2013 it began providing domestic and cross-border (including cross-strait) remittances of RMB. Then in February 2014 the platform began providing cross-strait clearing and settlement of US dollars in order to streamline bank operating procedures, facilitate the achievement of economies of scale, and reduce banks' operating costs.

### Changes in Cross-strait Remittances

Unit: US\$ 100 million

Item	Year	2016	2015	Change (US\$)	Change (%)
Outward remittances		3,822.34	4,121.40	-299.06	-7.26
Inward remittances		2,690.24	2,778.36	-88.12	-3.17

Source: Financial Supervisory Commission

## (7) Other Business

Domestic banks' fee income in 2016 came to NT\$204.84 billion, up 5.48% from NT\$194.20 billion in 2015, accounting for 9.98% of the total income of domestic banks in 2016, up from 9.11% in 2015. These figures show that our domestic banks have achieved positive results in their efforts to increase fee income by developing wealth management, collection and payment services, bank insurance, and other such lines of business. Fee income has been growing steadily. However, there is still room for further improvement in terms of fee income as a percentage of total profits.

### Changes in Banks' Fee Income

Unit: NT\$ 100 million

Item	Year	2016	2015	Change (NT\$)	Change (%)
Fee income		2,048.35	1,941.98	106.37	5.48
Fee income as share of total income of domestic banks (%)		9.98	9.11	-	-

Source: Financial Supervisory Commission

## IV. Report on the Work of BAROC

### A. Major Achievements in 2016

#### 1. Acted to help the competent authority's policy project to support the real economy

- (1) The Financial Supervisory Commission (FSC) has introduced a Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries, whereby it encourages domestic banks to grant loans—while implementing appropriate risk controls—to enterprises in key innovative industries such as green energy, the Asian Silicon Valley initiative, the biotech and pharmaceutical industry, national defense industry, smart machinery, new agriculture, and the circular economy. In support of the FSC's program, BAROC has set implementation period and numerical targets, specified the types of loan recipients to be targeted, and adopted incentive measures and performance evaluation methods.
- (2) To coordinate with government policy, BAROC held the Forum on the Development of Taiwan's Key Innovative Industries on 20 December 2016. The main topics of discussion included: the government's development strategies and measures; the current status and developmental prospects of specific industries; and how banks can help companies obtain financing. Officials from the competent authorities for the aforementioned seven key innovative industries explained the government's various industrial policies, and commented on the current status and future prospects of each industry. The Small and Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG) then explained its financing mechanisms and risk control points for key innovative industries. The forum was attended by 195 persons.

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

- (1) In preparation for the Asia/Pacific Group on Money Laundering's Third Follow-up Report to the Mutual Evaluation Report of Chinese Taipei in Fourth-quarter 2018, the Ministry of Justice adopted the "Financing of Terrorism Control Act" and amended the "Money Laundering Control Act", and the FSC amended the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector." Meanwhile BAROC, in order to help banks to implement related requirements, amended the "Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism by the Banking Sector," making reference in the process to the latest information issued by the Financial Action Task Force (FATF) and the Basel Committee on Banking Supervision (BCBS), and to related legislation in the United States, Singapore, Hong Kong, and China. Also, in light of the fact that the United States, Singapore, and Hong Kong have all adopted classification schemes for suspicious activity, BAROC also amended the list of 20 types formerly set out in Article 8 of the Guidelines, switching instead to a new list of 53 examples of suspicious activity classed into 11 different types on the basis of the nature of the business; and removed the list from the Guidelines, placing them into an appendix instead.

- (2) To coordinate with the 27 July 2016 promulgation of the "Financing of Terrorism Control Act", BAROC helped the FSC in: (a) collecting related legislation from Singapore, Hong Kong, the United States, and the United Kingdom; (b) drafting secondary legislation—authorized under Article 7, paragraph 4 of the Financing of Terrorism Control Act—setting out reporting methods and procedures and other rules applying to financial institutions when they are required to report to the Ministry of Justice Investigation Bureau on their holdings of assets belonging to entities on a sanctions list, or the location of the assets belonging to entities on a sanctions list; and (c) preparing a related set of Frequently Asked Questions.
- (3) With respect to Immediate Outcome 3 and Immediate Outcome 4 of the "Methodology for assessing compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems," in order to help the FSC gain a clear picture of how well banks understand their ML/FT risks, and of whether they have adopted corresponding mitigation measures, BAROC helped to draft a "Questionnaire for Assessing Compliance with the AML/CFT Recommendations". BAROC collected a first batch of questionnaires at the end of October 2016 and a second batch at the end of January 2017, and held informational meetings to help member banks better understand the structure and content of the questionnaires.
- (4) To help banks better understand related legal requirements, BAROC held informational meetings and, making reference to measures taken in other countries, prepared separate FAQs on banking matters for the general public and financial institutions.
- (5) BAROC prepared a list of financial products and services in Taiwan that present a relatively high risk of money laundering or terrorism financing, and provided the list to the FSC for its reference along with commentary on the reasons for the relatively high risk, and suggestions for risk mitigation measures.
- (6) As part of its efforts to implement AML/CFT policies in preparation for the Asia/Pacific Group on Money Laundering's Third Follow-up Report to the Mutual Evaluation Report of Chinese Taipei, the Ministry of Justice held the 2016 Anti-Money Laundering and Counter Terrorist Financing Symposium, for which BAROC was a co-organizer. In addition, BAROC also held a Conference on Banking Industry Anti-Money Laundering Operations and Financial Technologies to help member banks better understand how to use financial technology to discover suspicious activity and implement customer screening operations.

### **3. Continued helping the government to promote e-commerce payment services and the Bank 3.0 initiative**

- (1) Regarding bank's conduct of cardless ATM operations, BAROC drafted consumer safeguards and information security regulations. These were duly filed with the FSC and disseminated to member institutions with instructions to abide by their provisions.
- (2) With regard to the use of credit cards as proof of identity for the online opening of digital deposit accounts, BAROC drafted a set of coordinated measures to account for the fact that

confirmation of customer identity in the credit card approval process is not carried out at a service counter or otherwise conducted face-to-face. In addition, in response to instructions from the Central Bank to make preparations to implement a decision to allow designated banks to handle online opening of digital foreign exchange deposit accounts, and in view of the fact that a bank that has opened a type 1 account, which is relatively high-risk, will have abided by very stringent identity confirmation rules in the process, plus the fact that the bank itself has assumed the risk, then it follows that the bank ought to be able to rely on the previous account to open a type 2 account, therefore BAROC drafted an amendment to the "Guidelines for the Handling by Banks of Customers' Online Opening of Digital Deposit Accounts." This amendment was duly filed with the FSC for recordation and disseminated to member institutions with instructions to abide by the amended provisions.

- (3) Having filed the "Guidelines for the Handling by Banks of Customers' Online Opening of Digital Deposit Accounts" with the FSC for approval and recordation, BAROC coordinated with the Guidelines by amending the "Financial Institution Account Opening Due Diligence Procedures and Risk Management Checklist for Irregular Accounts," the "Checklist for Detection of Dummy Accounts," the "Guidelines for Domestic Financial Institutions Regarding Establishment of Image Files During the Processing of a Depositor's Opening of a New Account," and the "Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism by the Banking Sector" to eliminate provisions that conflicted with the Guidelines. The amendments were duly filed with the FSC for recordation and disseminated to member institutions with instructions to abide by their provisions.
- (4) In order to respond to the arrival of the age of mobile communications and the Internet in such a manner as to properly provide for information security and consumer protections, BAROC, acting at the instruction of the FSC, provided suggestions on how to innovate and upgrade business operations. These included a call for the establishment of automated service areas, and enabling customers to deposit spare change in their accounts.

#### **4. Strengthened financial institution information security measures, drafted related rules**

- (1) In order to improve the security of mobile banking apps and safeguard consumer interests, BAROC, acting on instructions from the FSC, drafted an amendment to the "Guidelines for the Provision of Mobile Device Applications by Financial Institutions" and forwarded them, following approval by the BAROC Board of Directors, to the FSC for its reference.
- (2) BAROC, acting on instructions from the FSC, drafted amendments to the "Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business." Key points of the amendments include the following: (a) to devise an ID verification mechanism for online applications for new credit card accounts; (b) build a security control mechanism for cardless ATM cash withdrawals; (c) establish a monitoring and incident response mechanism for distributed denial of service (DDoS) attacks; (d) expand the

range of credit services that existing credit card holders can apply for; (e) expand the range of personal loans that can be contracted without a guarantor; (f) allow loan modifications under a broader range of circumstances; (g) allow designated banks to handle online opening of digital foreign exchange deposit accounts; (h) set out design requirements for systems supporting "payment via agreed linked deposit account"; (i) revise security design requirements with reference to the "Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions" and the "Rules for the Conduct by Financial Institutions of Information System Security Assessments"; (j) allow for the use of either direct or indirect biometric data for ID verification; (k) set out security design requirements for voice input of fixed passwords; (l) set out security design requirements for digital deposit account ID verification; (m) set out ID verification procedures for low-risk transactions for which execution can be entrusted to a third party; and (n) update cryptographic module security requirements from FIPS 140-1 (1996 version) to FIPS 140-2 [i.9] (2001 version). The amendments were forwarded, following approval by the BAROC Board of Directors, to the FSC for its reference.

- (3) Acting upon FSC instructions, BAROC, in order to deal with major incidents in which criminals steal large sums of money by hacking into bank ATMs, drafted amendments to the "Security Standards for Financial Institution Information Systems," the "Rules for the Conduct by Financial Institutions of Information System Security Assessments," and the "System Security Guidelines for Automatic Teller Machines Provided by Financial Institutions" and forwarded them, following approval by the BAROC Board of Directors, to the FSC for its reference.
- (4) Acting upon FSC instructions, BAROC drafted the "Project for the Conduct by Financial Institutions of ATM Cyber Attack and Defense Exercises" and a set of "FAQs on the Project for the Conduct by Financial Institutions of ATM Cyber Attack and Defense Exercises" and forwarded these to the FSC for its reference, then instructed member banks to complete ATM cyber attack and defense exercises by the end of 2016.
- (5) In response to the application of new types of mobile credit card technologies (e.g. Apple Pay), with respect to the various mobile credit card security control requirements, BAROC updated the "Security Control Operating Standards for Credit Card Organizations Conducting Mobile Phone Credit Card Business" to address tokenization technologies, services, and operations connected with new types of mobile credit card applications (e.g. Apple Pay, Android Pay). The amendments were duly filed with the FSC for recordation and disseminated to credit card institutions with instructions to abide by their provisions.

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

- (1) In order to help Taiwanese banks develop overseas business, BAROC actively engaged in exchange and cooperation with banking associations in other countries, and on 3 March and 23 March 2016 signed Memorandums of Understanding (MOUs) with the China Banking Association and the Vietnam Banks Association, respectively.
- (2) BAROC continued to build up the section of its website focusing on overseas banking business. In addition to collecting information on the countries of Southeast Asia (including overall economic conditions, trade, the status of Taiwan-invested enterprises, and required conditions for approval of applications by overseas banks seeking to establish local business operations), BAROC carried out quarterly updates of data on 12 countries already covered by the database (India, Cambodia, Myanmar, Thailand, Indonesia, Laos, Malaysia, the Philippines, the United Arab Emirates, South Korea, New Zealand, and Brazil) and expanded the database to additionally cover Vietnam and Japan. This information is provided as reference to Taiwanese banks to help them draw up and evaluate plans for expansion of their international presence.
- (3) In order to strengthen training and build up a deeper pool of talent, BAROC continued to actively promote training programs designed to equip professionals with skills needed for the conduct of international banking. The idea is to increase the number of trained people available to support the overseas expansion of our banks, help them integrate their overseas operations, expand their business scope, and make them more internationally competitive.

## **6. Coordinated with government policy by drafting measures to be taken by financial services providers**

- (1) In support of the government's Bank 3.0 initiative, with respect to the handling by banks of customers' online loan applications, BAROC studied plans to: allow a bank's new customers (that are already depositors, borrowers, or credit card customers of another bank) to indicate consent online for financial institutions to access the Joint Credit Information Center to check their credit history; allow a bank's existing credit card customers to enter into a loan agreement online; allow loan modifications for a bank's existing loan customers; and allow persons without a guarantor to apply for loans online.
- (2) With respect to the criteria for reporting by banks of material credit risk events either overseas or in mainland China, BAROC, acting at the instruction of the FSC, recommended that the reporting threshold be kept at the current level, whereby reporting is required if loan or investment losses amount to US\$10 million. As for the "dollar amount of valuation losses," BAROC recommended that the reporting threshold be as follows: (Balance of loans or investments) – (Appraised value of collateral received [net of taxes and any related costs] and other recoverable amounts [e.g. cash deposits, standby letters of credit, etc.]).

- (3) To coordinate with the FSC policy decision to require compliance with International Financial Reporting Standards 9 (Financial Instruments) (hereinafter, "IFRS 9") beginning from 2018, BAROC completed a "Handbook for Impairment Assessment Under IFRS 9" and a set of "Illustrative Examples for the Handbook for Impairment Assessment Under IFRS 9," and on 3 June, 17 June, 21 June, and 5 July held informational meetings and "illustrative example workshops" to help member banks prepare in advance. Also, in order to help the FSC Banking Bureau evaluate the impact of IFRS 9 on Taiwan's financial holding companies and banks, and the difficulties they may face in adopting the new standards, BAROC prepared recommendations and a list of matters regarding which the competent authority's assistance will be needed. These were then forwarded to the FSC Banking Bureau for its reference.
- (4) In order to establish market order among electronic payment institutions and safeguard consumer interests, the FSC requested that BAROC work with other relevant entities to draft and adopt a set of self-regulatory rules (or a self-regulatory agreement) governing the offering by electronic payment institutions of gifts (prizes), shopping points, bonus points, or other benefits in connection with marketing (promotional) activities. A set of self-regulatory rules were completed and filed with the FSC on 10 May 2016.
- (5) In order to accelerate the acceptance in Taiwan of electronic payments and strengthen Taiwan's electronic payments infrastructure, the FSC requested that BAROC establish a task force to promote integration of electronic payment terminal equipment by adopting a set of specifications or standards to bring about compatibility among credit cards and stored value cards. BAROC completed the "Directions for Integration by Financial Institutions of Electronic Payment Terminal Equipment" and filed them with the FSC on 1 December 2016.
- (6) In response to a suggestion by the Central Bank, the Financial Information Service Corporation, and allPay Electronic Payment Co. that the "Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions" be amended, the FSC requested that BAROC work with other relevant entities to discuss the suggestion, prepare an opinion, draft an amendment proposal, and submit it to the FSC. BAROC completed the draft amendment and filed it with the FSC on 8 April 2016.
- (7) To support disaster relief efforts following an earthquake in southern Taiwan and a typhoon in Taitung County, BAROC requested that financial institutions suspend interbank transaction fees for relief donations made by the public via ATMs, interbank remittance, financial EDI, financial XML, the Internet, the National Fee (Tax) Payment System, or mobile banking systems. The requested suspension ran from 6 February to 30 June and from 8 July to 31 December 2016.



- (8) At the Workshop on the Building of an International Living Environment held by the National Development Council in 2015, participants commented that English-language screen instructions at bank ATMs are difficult to understand. In response, BAROC notified member banks that they should solicit the views of native English speakers and experts and then edit the screen instructions accordingly so that foreign nationals won't have difficulty using ATMs.
- (9) To coordinate with a recent amendment by the FSC of the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" (whereby the former provision that required "personnel engaged in the solicitation of structured notes" to register with BAROC was reworded such that the requirement applies to "personnel engaged in the solicitation of derivative financial instruments," and the applicable qualification requirements were also revised), BAROC revised the functions, procedural rules, and registration forms of the System for Registration of Bank Personnel Who Engage in Solicitation of Structured Products, and also started revising registration rules and modifying the system.

## **7. Helped resolve problems faced by all member banks**

- (1) In support of government efforts to encourage banks to grow their reverse mortgage business, BAROC prepared opinions and provided them to the competent authority for its reference. Included among those opinions were the following: (a) Making reference to the Home Equity Conversion Mortgage (HECM) program in the United States and the Hong Kong Reverse Mortgage Programme, Taiwan's government should set up an insurance system in which the government acts as guarantor of last resort, and should also establish a specialized agency (similar to the Home Equity Conversion Mortgage (HECM) program of the US Federal Housing Administration or Hong Kong's Reverse Mortgage Programme). (b) The Ministry of the Interior should provide the Joint Credit Information Center with information on household registration changes and deaths to facilitate access to such information by banks. (c) The Ministry of Justice should extend the 30-year limit on repayment of a mortgage as set out in Article 881-4 of the Civil Code (to 50 years, for example) in order to facilitate the provision of lifelong benefits under reverse mortgages.
- (2) In response to complaints from the public about the fact that the online banking services of some public- and private-sector banks still require users to use old browser versions, BAROC instructed member banks that their online banking services should support multiple versions of commonly used browsers, and should pay attention to the frequency of browser security updates to assure consumer of transaction security.

- (3) In order to ensure that different banks use consistent review procedures and are thereby able to reduce the incidence of disputes among members when consumers apply for pre-negotiation proceedings or pre-mediation proceedings, BAROC adopted "Operational Guidelines for Pre-negotiation Proceedings" and "Operational Guidelines for Pre-mediation Proceedings."
- (4) Having been requested by the FSC to conduct a study on "The Feasibility of Requiring Bank Branches and Employees to Abide by the 'Self-Regulatory Rules Governing the Use of Telemarketing by Banks in Connection with Credit Card and Lending Business' When Conducting Telemarketing (Including the Requirements Regarding Audio Recordings and Records Retention Periods)," BAROC prepared a recommendation that the competent authority should, in light of the operational needs of banks, maintain the current operating mode of bank branches, and submitted this recommendation to the competent authority on 21 April 2016. In its response dated 13 June 2016, the FSC agreed with the recommendation and requested that BAROC instruct banks to implement the "Financial Consumer Protection Act" and regulatory provisions governing marketing activity in the various types of financial services so as to safeguard consumer interests. BAROC forwarded these instructions to member banks on 29 June 2016.
- (5) In response to a request from the FSC, BAROC conducted a study—entitled "Feasibility of Provision by Banks of a Cooling-Off Period After the Sale of Products"—regarding structured note transactions in which banks take the opposite side of customer orders. After requesting that banks provide opinions on the study, BAROC collected the opinions and forwarded them on 6 June 2016 to the FSC for its reference.
- (6) Under the standardized approach to credit risk referred to in the "Methods for Calculating Banks' Regulatory Capital and Risk-Weighted Assets," a bank is allowed to classify 45% of unrealized gains on available-for-sale financial assets as Tier 2 capital, provided that the portion thereof stemming from investments in finance-related enterprises must be deducted from capital, but different banks have handled this deduction differently. To clear up uncertainty over this issue, the FSC Banking Bureau agreed to a suggestion from BAROC that all banks be allowed to make the entire deduction from Tier 2 capital. This ruling was applied beginning from the second quarter of 2016.
- (7) In order to meet the need of entities to make payments via the National Fee (Tax) Payment System, the maximum amount that system users are allowed to pay via the system in a single day was raised to NT\$30 million in the categories of "customs duties" and "securities transaction taxes." BAROC therefore amended the "Application Form to Authorize Bank Transfers Under the National Fee (Tax) Payment System," duly filed it with the FSC for recordation, and disseminated it to member banks with instructions to begin using it from 1 December 2016.

## 8. Continued monitoring the progress of legislative action, communicated banking industry views to legislators

- (1) Total construction loans at many Taiwanese banks account for 26% to 29% of total loans, which is close to the 30% limit set out in Article 72, paragraph 2 of the Banking Act, but urban renewal projects require large loans and are a high-priority focus of government policy. BAROC therefore suggested that the Ministry of the Interior should act (in line with the legislative intent of Article 31 of the "Act for Promotion of Private Participation in Infrastructure Projects," which provides that credit extended for use in a major transportation infrastructure project need not be subject to restrictions set out in related legislation) by adding to Article 52 of the "Urban Renewal Act" a new paragraph 5 which would provide that a bank loan taken out to fund an urban renewal project, need not be subject to the restriction set out in Article 72-2 of the Banking Act, provided that the funds are released via the vehicle of a special-purpose trust fund. The purpose of such an amendment would be to make it easier for banks to provide financing for urban renewal projects. However, in order to guard against banks' liquidity risks, BAROC also suggested that the newly added provision would have to include a proviso that authorizes the FSC to place a limit as necessary upon the total amount of such loans that a bank is allowed to make. This suggestion was put forward on 22 December 2016 during a financial affairs roundtable discussion with the premier, and the Ministry of the Interior consented to treat it as a high-priority legislative bill.
- (2) Banks must comply with language pertaining to security interests in the FSC's newly issued "Mandatory Provisions to be Included in Standard Form Contracts for Auto Loans," but are unable, due to existing systems of the supervisory authority, to establish junior liens on a single item of collateral in favor of a single mortgagee. As a result, banks find themselves not in compliance with the aforementioned Mandatory Provisions. BAROC prepared an opinion on the matter and requested that the FSC Banking Bureau help to coordinate with the Directorate General of Highways, MOTC.
- (3) In 2016, during the first session of 9th Legislative Yuan, legislators proposed amendments to 19 articles of the "Consumer Debt Clearance Act." BAROC responded by providing amendment suggestions and explanations with respect to 12 of those articles (33-1, 64, 64-1, 64-2, 75, 98, 123, 134, 140, 141, 142, and 151), and for five of these latter articles (33-1, 75, 134, 141, and 151) BAROC further prepared a position paper, all of which were provided in December 2016 to the Judicial Yuan and the FSC for their reference.
- (4) The Judicial Yuan sent two separate versions of the "Bankruptcy Act" (to be renamed the "Act Governing Consumer Debt Resolution") to the Legislative Yuan for deliberations, but because a proposed change to Article 250 in the Judicial Yuan version would likely have an adverse impact on banks, BAROC hired an outside party to prepare a Position Paper on the Executive Yuan Version of Article 250 of the Proposed Act Governing Consumer Debt Resolution, and on 11 July 2016 invited experts to attend a closed-door discussion where four experts signed a statement in support of the Executive Yuan version of Article 250. Related materials were submitted to the competent authorities for their reference.

- (5) With regard to amendments to the "Consumer Protection Act" proposed by New Power Party Legislator Hsu Yung-ming, in view of the fact that a proposed change to Article 51-1 could have an adverse impact on the ability of banks to recover outstanding debts, BAROC hired a team of attorneys to prepare a position paper on the matter, which has been submitted to the competent authority for its reference.
- (6) BAROC suggested to the competent authority that it postpone implementation of a set of five measures to strengthen regulation of investment fund sales channels because the measures would have a huge impact on banks' wealth management business. In addition to preparing a position paper on the matter, BAROC also submitted a supplementary opinion to the FSC Securities and Futures Bureau on 21 December 2016.

## **9. Continued to help Taiwanese banks bring practices in line with international risk management rules:**

In order to help the competent authority in its work to research risk management requirements for banks as they are issued by the Basel Committee on Banking Supervision (BCBS) and to consider their application in Taiwan, the Basel Research Task Force (jointly established by BAROC and the FSC Banking Bureau) in 2016 finished the following tasks:

- (1) Credit Risk Working Group: Drafted suggested amendments to the "Method of Calculating Capital Charges for Counterparty Credit Risk" as well as related amendments to the "Comparison Table of Existing Provisions and Proposed Amendments to the Standardized Approach and Internal Ratings-Based Approach to Credit Risk," and completed FAQs on the standardized approach to counterparty credit risk (SA-CCR) and central counterparties (CCPs). In addition, BAROC held "illustrative example workshops" to help member banks carry out test calculations.
- (2) Market Risk Working Group: Researched and translated into Chinese the "Capital Requirements for Banks' Equity Investments in Funds," prepared a recommendation for amendments to the "Method of Calculating Capital Charges for Banks' Equity Investments in Funds and Venture Capital," and helped member banks carry out test calculations.
- (3) Pillar 3 Working Group: Drafted suggested amendments to the "Capital Adequacy and Risk Management Disclosure Requirements for Domestic Banks" and prepared a set of FAQs on Pillar 3 disclosures; held an informational meeting on test calculations and how to fill out related forms, and helped banks fill out practice forms.
- (4) Stress Test Working Group: Drafted the "Guidelines for the Conduct of Stress Tests by Domestic Banks (2016 version)."
- (5) Liquidity Risk Working Group: Researched and translated "Basel III - The Net Stable Funding Ratio" and the "Net Stable Funding Ratio disclosure standards" into Chinese, and prepared concrete suggestions for "The Net Stable Funding Ratio: Calculation Guidelines and Related Forms"; held "illustrative example workshops" to help member banks carry out test calculations.

## 10. Adopted new self-regulatory rules, amended existing ones

- (1) Acting at the instruction of the FSC, BAROC studied the possibility of amending the "Credit Standards for Members of the ROC Bankers Association" by adding new provisions that would: (a) prohibit banks, when conducting credit business, from requiring that a certain percentage of a loan be deposited into a borrower's account, and barring the borrower from accessing the funds thus deposited ("lending contingent upon partial re-deposit"); (b) prohibit banks from making loan approval contingent upon the purchase of life insurance or some other financial instrument, or otherwise using improper inducements during the lending process; and (c) prohibit banks from making loan approval contingent upon a company's responsible person transferring a real estate loan from another bank to the bank from which the company is seeking a loan.
- (2) Acting at the instruction of the FSC Banking Bureau, BAROC studied the possibility of amending the "Credit Standards for Members of the ROC Bankers Association" by adding a new provision that would: (a) require banks, when requiring a prospective borrower to provide a guarantor, to verify that a guarantor has the necessary qualifications and ability to actually guarantee repayment; (b) prohibit banks from indiscriminately accepting unqualified guarantors or joint and several guarantors; and (c) where a joint and several guarantor is provided, a bank would be required to fully inform that party of his/her rights and obligations, and the scope of his/her liability as guarantor.
- (3) In response to a request from the National Certified Public Accountants Association, BAROC studied the possibility of amending the provision in the "Credit Check Standards for Members of the ROC Bankers Association" that requires a lender to provide "an auditor's report on financial statements that has been signed by a CPA and completed within the prescribed time period, and an undertaking regarding the three forms for affiliated enterprises." The proposed amendment would change the term "undertaking" to "declaration" to avoid the possibility that the term "undertaking" by its nature might create the mistaken impression that certain rights and obligations exist between the bank and the CPA.
- (4) With regard to a proposal to ease restrictions on online applications by new customers for credit card accounts and to adopt corresponding legislative amendments, BAROC recommended that: (a) the "Self-regulatory Agreement on the Conduct of Credit Card Business by Members of the ROC Bankers Association Credit Card Business Committee" should be amended; (b) banks should handle ID verification for existing loan customers of bank in the same manner that they handle ID verification for their own existing customers, as provided for in the "Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business"; and (c) the aforementioned Security Control Directions should also be amended to address ID verification for new customers who apply online for credit card accounts. The recommendations were duly filed with the FSC for recordation and disseminated to credit card institutions with instructions to act accordingly.

- (5) To coordinate with the decision to allow natural persons to contract with credit card acquirers as participating merchants and conduct credit card business, the BAROC prepared draft amendments to the following self-regulatory rules: the "Self-regulatory Agreement on the Conduct of Credit Card Business by Members of the ROC Bankers Association Credit Card Business Committee"; the "Directions Concerning Audits of Participating Merchants by Credit Card Acquirers"; the "Operational Guidelines for Participating Merchant Credit Checks and Management"; and the "Internal Security Audit Guidelines for Card Issuers and Acquirers." In addition, BAROC also prepared some suggested changes to the form for the "Information on Natural-Person Participating Merchants" that is reported to the Joint Credit Information Center. These changes were duly filed with the FSC for recordation and disseminated to credit card institutions with instructions to abide by the amended provisions.
- (6) To ensure information security at financial institutions, the FSC instructed BAROC to review its "Self-regulatory Rules for Credit Card Acquirers that Contract with 'Collection and Payment Services Platform Operators' to Act as Acquiring Merchants," and to draft information security rules for acquiring institutions' contracted merchants that use an online transaction platform to conduct credit card transactions. The draft rules were forwarded, following approval by the BAROC Boards of Directors and Supervisors, to the FSC for its reference.

## 11. Other tasks undertaken at the request of the authorities

### (1) Consumer Protection

- (a) At the instruction of the FSC Banking Bureau, BAROC prepared a set of questions and answers regarding the provisions on security interest liens as set out in the "Mandatory Provisions to be Included in Standard Form Contracts for Home (or Auto) Loans" to facilitate the conduct of banking business.
- (b) At the instruction of the FSC Banking Bureau, BAROC drafted an amendment to the "Declaration Form for the 'System for Handling of Consumer Loans Involving Layaway (Pre-paid) Purchases of Goods or Services that Cannot be Delivered,'" adding a new provision that if the portion of a consumer loan already repaid exceeds the portion of products or services provided, the bank must return the overpaid amount.

### (2) Business Operations

- (a) At the instruction of the FSC Banking Bureau, BAROC amended the "ROC Bankers Association Self-regulatory Rules for Corporate Debt Workouts and Workout Enforcement in Cases Transferred from the Ministry of Economic Affairs" to extend the application deadline until 31 December 2017.
- (b) At the instruction of the FSC, BAROC devised concrete methods for, and an opinion regarding, implementation of policy premium financing business, whereby overseas customers borrow money from banks to pay for policy premiums owed to an offshore insurance unit (OIU).

- (c) The FSC asked BAROC to study the principles for handling of funds that have been re-deposited in a debit card account after the cardholder has contested a transaction, and to develop a consistent mechanism for deciding whether and how soon cardholders should be allowed access to such re-deposited funds. BAROC concluded that cardholders should be allowed access to funds that have been re-deposited by a card issuer, and recommended that the deadline for completion of an investigation into a contested transaction should be as set by international organizations, so it is not necessary to set a separate deadline to apply only in Taiwan. After duly submitting the recommendation to the FSC and receiving acknowledgement of receipt, BAROC disseminated the said recommendation to credit card institutions with instructions to act accordingly.
- (d) In order to make improvements that would better enable Taiwan to retain local talent, and to build a financial environment in Taiwan that is more friendly to foreign nationals, the FSC instructed BAROC to study possible measures to ease the credit card application process for foreigners in Taiwan. After completing the study, BAROC recommended that each card issuer set up a special section on its website to guide foreigners through the card application process. Because it takes time to set up such a section on a website, BAROC also recommended that card issuers be given three months to complete the task. After duly submitting the recommendations to the FSC and receiving acknowledgement of receipt, BAROC disseminated the said recommendations to credit card institutions with instructions to act accordingly.

### (3) Risk

- (a) At the instruction of the FSC Banking Bureau, BAROC studied possible measures to strengthen banks' management of credit assessment and lending operations and enhance post-loan reviews. This task was undertaken in response to quasi-illegal activities of Ting Sing Trading Company and affiliates, which created fake contracts and transaction documents to apply for financing from financial institutions. BAROC's study focused in particular on working capital bank loans secured by post-dated checks and accounts receivable (otherwise known as factoring of post-dated checks and factoring of accounts receivable).
- (b) Following an incident in Hong Kong involving the theft of private data from contactless credit cards, the FSC instructed BAROC to study possible preventive measures. Noting that no known instances of such data theft have occurred in Taiwan, BAROC collected relevant security rules adopted by international bodies, and suggested preventive measures, and forwarded them to the FSC for its reference.

- (c) In order to improve the security of online credit card transactions and help consumers better understand online payment security mechanisms, the FSC instructed BAROC to study what can be done to strengthen mechanisms to prevent the hijacking of credit cards following their use in online transactions, and to prepare simply worded, easily understood information for the public. BAROC performed these tasks and forwarded the results of its work to the FSC for its reference.

## **12. Adopted financial aid measures in response to Feb. 6 earthquake**

- (1) BAROC adopted a set of "Guidelines for Financial Institution Debt Rescheduling for Individuals Affected by the February 6 Earthquake."
- (2) BAROC asked banks to act on their own initiative to provide low-interest financing and other lending services to parties affected by the disaster, and asked financial institutions to actively cooperate with disaster victim loan programs launched by the competent authority and local governments.

## **13. Showed concern for physically and mentally disabled persons by providing conveniently accessible financial services**

- (1) In response to suggestions put forward by organizations for the disabled, BAROC drafted a set of "Regulations Governing Friendly Financial Services" and submitted them to the FSC, which made some revisions. BAROC then forwarded the finalized regulations to member banks with instructions to act accordingly
- (2) BAROC drafted a set of Q&As on applications by disabled persons for financial services, then invited representatives from organizations for the disabled to discuss the draft. The finalized "Q&As on Friendly Financial Services" were then filed with the FSC.
- (3) In order to help financial institutions to meet the needs of persons with physical and mental disabilities, BAROC invited representatives from organizations for the disabled to discuss the locations of barrier-free ATMs, their number, the frequency of their replacement, and other related matters. The suggestions they came up with were then submitted to the FSC for its reference.

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

- (1) The total number of branch banking units established in mainland China by Taiwanese banks has been increasing each year, and there have been instances in which mainland Chinese companies have defaulted on loans in recent years, which has created a need for improved credit asset management procedures and standard office forms. BAROC therefore invited 15 member banks with branch banking units in mainland China to establish a task force to study the situation, and also hired lawyers from Taiwan and mainland China to carry out a two-phase study and draft a set of "Credit Asset Management Procedures and Standard Office Forms for Mainland China." The details of this undertaking are as follows:



- (a) In addition to national legislation, the phase-one research report also focused on local legislation and business conditions in eight cities where Taiwan-invested banks and other Taiwanese firms are specially active (Beijing, Tianjin, Shanghai, Suzhou, Nanjing, Chengdu, Chongqing, and Shenzhen).
  - (b) In view of where the branch banking units of Taiwanese banks are located, where their collateral is located, and the business opportunities afforded by mainland China's Belt and Road Initiative, the phase-two report further studied local legislation and business conditions in 15 other cities: Xian, Guangzhou, Dongguan, Zhengzhou, Wuhan, Changsha, Qingdao, Nanchang, Fuzhou, Xiamen, Hangzhou, Ningbo, Wuxi, Shenyang, and Dalian.
  - (c) In order to create opportunities for member banks and the lawyers to interact at close range, the lawyers provided education and training. (The 2016 education and training program came to a close on 5 May, and attracted a total of 126 participants.) The education and training activities, as well as various lectures, were recorded on videos that have been posted to the BAROC website, where bank employees can access them at any time.
- (2) In response to the progress of the Internet, BAROC in March 2016 completed a study entitled "Online Financial Market Trends Overseas and in Mainland China" and distributed it to member institutions for their reference.
  - (3) BAROC completed a study entitled "Guidance for PD Model Validation, and Methodology Recommendations for Mapping External Ratings with Banks' Internal Ratings," and on 20 September 2016 held a workshop for which 103 persons registered to attend. The study was submitted to the FSC and distributed to member banks for their reference.

## **15. Actively organized and participated in international financial conferences and activities**

- (1) BAROC dispatched personnel to attend the "2016 International Conference of the Institute of Internal Auditors" (17-20 July, New York) and the "2016 Asian Confederation of Institutes of Internal Auditors Conference" (17-18 November, Singapore), where they updated themselves on the latest internal auditing expertise and engaged in international exchange of information and knowhow.
- (2) BAROC dispatched personnel to attend the SWIFT International Banking Operations Seminar (Sibos 2016) in Geneva on 26–29 September. The attendees thereafter prepared a report on the proceedings and shared it with BAROC member banks.
- (3) BAROC arranged for member institutions to take part in banking-related events organized by the International Chamber of Commerce (ICC), and dispatched representatives to attend the ICC Banking Commission Annual Meeting on 4–7 April 2016 in Johannesburg, South Africa. The attendees returned with information collected at the meeting and news on the latest trends in the industry, and prepared a report for the reference of BAROC member banks.

- (4) BAROC dispatched personnel to join a FinTech delegation from the Institute for Information Industry that visited Singapore from 13–16 July 2016 and another FinTech delegation that visited London from 26 November to 3 December 2016. Delegation members took advantage of the visits to learn more about the development of FinTech networks in Singapore and the UK and keep abreast of the latest global trends in financial technology.
- (5) BAROC dispatched personnel to join a delegation organized by the Taiwan Academy of Banking and Finance that studied digital finance and FinTech matters in the UK from 12–19 November 2016.
- (6) BAROC dispatched personnel to take part in cross-strait FinTech workshops held by the Taipei Foundation of Finance in Beijing and Hangzhou on 21 and 27 September 2016.
- (7) BAROC arranged for member institutions to take part in the Fast Identity Online (FIDO) Alliance Plenary Meeting held in Hong Kong from 4–6 October 2016. The aim of their participation was to gain a better understanding of identity authentication standards and related developmental trends.
- (8) BAROC arranged for member institutions to take part in the "TRUSTECH 2016 Conference and Exhibition" held in Cannes, France from 29 November to 1 December 2016. The aim of their participation was to gain a better understanding of FinTech product development and application trends throughout the world, so as to facilitate BAROC's formulation of related rules.

## 16. Held financial seminars and lectures to cultivate professional talent

- (1) Financial seminars and lectures
  - (a) On 10 May 2016, BAROC held an international conference on reverse mortgages, inviting Mr. Colin A. Cushman (HECM Consultant, Ginnie Mae HMBS Modernization Project) and Ms. Angela Leung (Vice President, Hong Kong Mortgage Corporation) to share their experience on the subject in the United States and Hong Kong. BAROC also invited representatives from the FSC, the Ministry of Health and Welfare, the Land Bank of Taiwan, and the Taiwan Cooperative Bank, as well as various other experts, to serve as panelists. The conference, which was intended to serve as reference for bank employees, was attended by 232 persons.
  - (b) To help member institutions gain a better understanding of newly amended or newly adopted consumer protection legislation, BAROC held a "Seminar on Consumer Protection Legislation" on 27 May 2017 at BAROC headquarters. The keynote address at the event was delivered by Chen Hsing-hung, a senior secretary at the Executive Yuan's Department of Consumer Protection. The event was attended by 72 employees of BAROC member institutions.

- (c) BAROC invited personnel from the Hong Kong office of the noted international law firm Allen & Overy, and experts from the International Swaps and Derivatives Association, to each hold a workshop (on 23 June and 4 July 2016, respectively) on the subject of important international margin rules in the derivatives industry. The events were attended by a total of 268 persons.
- (d) To help member banks better understand key economic and financial issues, BAROC held two conferences on economic and financial matters in 2016. On 24 June, Associate Professor Chuang Meng-han of the Department of Industrial Economics at Tamkang University delivered a lecture on "The Current Status and Future Prospects of Real Estate in Taiwan," and on 30 September Lin Tzeng-show, former president of the Taiwan Business Bank, spoke on "Development and Financing of Small and Medium Businesses in Taiwan."
- (e) In response to the fact that an amendment by the Ministry of Economic Affairs to the "Business Entity Accounting Act" began to be applied across the board from 1 January 2016 to non-public companies, BAROC invited experts on auditing and banking to speak on 13 June 2016 at a "Seminar on New Business Entity Accounting Legislation and SME Financing." Their lectures focused on the financial impact on non-public companies following adoption of the Enterprise Accounting Standards, and the impact of amendment of the "Business Entity Accounting Act" on banks' credit assessment and lending operations, and how banks can respond. The seminar drew a total attendance of 75 persons.
- (f) In support of the government's policy of support for the development of creative industries, BAROC in 2016 once again hired the Taiwan Academy of Banking and Finance to offer workshops on the financing of creative enterprises. A total of four workshops were held in July in three locations—two in northern, and one each in central and southern Taiwan—and attracted a combined attendance of 150 persons.
- (g) BAROC held banking industry forums to help member institutions better understand the government's industrial policies as well as current industrial conditions and future prospects:
  - (i) BAROC held the 2017 Banking Forum Series, featuring domestic events focusing on the bio-tech and medical care, Internet of Things (including smart cities), senior citizens (active ageing and long-term care), development of green energy (e.g. offshore wind power), the flat panel industry, and intelligent robots.
  - (ii) BAROC invited a total of 35 experts to deliver lectures at a series of six forums held from September through November 2016. The forums attracted a combined attendance of 618 persons from business, government, and academic circles.
- (h) In order to help member institutions gain a better understanding of the key points of amendments to electronic payments-related legislation, and to use informational meetings attended by member institutions to achieve the goal of increased business ties among members, BAROC held a pair of Informational Meetings on Work by the Electronic

Payments Committee to Publicize Related Legislation and Electronic Payment Operations on 19 and 21 October 2016. The events were attended by more than 160 persons from 29 BAROC members.

- (i) In order to help judicial system personnel better understand trends in the development of innovative financial services and measures to prevent fraud, and to learn more about the modus operandi of financial criminals, BAROC joined hands with the Judges Academy and the Ministry of Justice's Department of Prosecutorial Affairs to hold the 2nd Financial and Legal Affairs Workshops on 27–28 July and 3–4 November. Some 100 participants—including judges, prosecutors, officials from the FSC Banking Bureau, and BAROC representatives—attended the workshops.

(2) Personnel training and video courses

- (a) BAROC continued to retain a professional training institute to conduct professional development activities designed to provide attendees with skills that meet industry needs. BAROC held the following events in 2016: "Domestic Courses for Core Banking Personnel" (total attendance: 3,377); "Courses on Business Practices for Taiwanese Banks Conducting Business in Mainland China" (total attendance: 340); "Training Program for Banks Seeking to Expand Their Presence in Asia" (total attendance: 165); "Cross-strait Financial Business" (total attendance: 754); "Training Program for Senior Management at Financial Institutions" (total attendance: 31); "Program for the Internationalization of Financial Industry Professionals" (total attendance: 38); "International Courses for Core Banking Personnel" (total attendance: 593); "Informational Meetings on Family Wealth Management and Trust Planning" (total attendance: 118); "Workshop on How to Establish a Project to Prevent Workplace Violence, Based on Experience in the Conduct of Labor Inspection Work" (total attendance: 80); "Workshop on the Handling of Labor-Management Disputes, Based on Actual Mediation Case Histories" (total attendance: 91); and "Legally Mandated On-the-job Training for Workplace Accident First-aid Personnel" (total attendance: 5,423). Combined attendance at all of these activities came to 11,010.
- (b) In response to the growing popularity of video instruction, BAROC launched an open courses platform (can be accessed on the Chinese-language version of the BAROC website by clicking on "Open courses" and then the "Members only" tab). By the end of 2016 a total of 283 courses had already been posted to the "Members only" section of the BAROC website. The employees of member banks can access these course videos free of charge.

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

- (1) BAROC joined hands with the Taiwan Academy of Banking and Finance, the Taiwan Insurance Institute, and the Financial Ombudsman Institution to conduct the 2016 Nationwide "A+ for Financial Literacy" School Lecture Series, holding events throughout Taiwan at

government agencies, institutions of higher education, and remote villages. Parents and children attending the event had an opportunity to pick up a proper understanding of financial matters in a fun environment where the atmosphere was enlivened by performances of the Just Apple Children's Theater Troupe. A total of 21 events were held, attracting a combined attendance of 3,243.

- (2) On 14 October, BAROC joined hands with the National Federation of Credit Cooperatives to hold a brush-up seminar at the Chientan Youth Activity Center for instructors taking part in the 2016 School and Community Financial Literacy Campaign. A total of 129 instructors attended the seminar, thus giving a good indication of their intention to continue taking part in the campaign.
- (3) BAROC took 10,512 phone calls from consumers seeking to discuss debt restructuring issues in 2016, and financial institutions processed 15,351 applications for pre-negotiation procedures relating to debts totaling an aggregate NT\$17.035 billion.
- (4) Consumers filed with BAROC for mediation of 24 complaints against BAROC member institutions in 2016, and BAROC also provided consulting services in 728 cases where consumers had questions about banking business operations (including calls referred to BAROC from the FSC's 1998 hotline).
- (5) BAROC helped the heirs of member institutions' customers to check on their benefactors' deposits, safe deposit boxes, and other assets in banks. A total of 3,103 such inquiries were handled in 2016. In another 891 cases, BAROC helped bank customers check their own account balances.
- (6) BAROC mediated 141 credit card-related queries in 2016 via its one-stop credit card information hotline service. Whenever a query was received, the hotline service would contact the proper credit card institution to help the inquirer obtain a satisfactory response.
- (7) The following items of information were posted once each quarter to the BAROC website for public reference: (a) a list of the providers of outsourced debt recovery and outsourced marketing services that have passed review by member banks and subsequently had their contracts renewed; (b) quarterly-updated data on the cash card interest rates and fees for both unsecured and secured loans charged by each member bank; (c) quarterly-updated information on each member bank's personal loan information contact window, descriptions of their main products, URLs, etc.; (d) quarterly-updated information on each bank's standards governing penalties for early repayment of consumer loans; (e) quarterly-updated information on each bank's performance in adopting financial measures to support women in their efforts to find employment or start businesses; and (f) regularly updated information on each member bank's contact window for the handling of complaints following the sale of problematic assets.
- (8) To ensure that consumers with debt problems understand that they can best protect their own interests and avoid being swindled by going directly to their bank (rather than via a middleman) to apply for a pre-negotiation procedure, BAROC continued to play a public

- service video on its website to inform consumers that pre-negotiation procedures are free of charge and lead to a successful resolution in a high percentage of cases.
- (9) In the run-up to the 2016 Chinese New Year holidays, out of consideration for the plight of people experiencing debt repayment difficulties, BAROC communicated with member banks (including debt collection agencies whose services they have contracted) to urge them to declare a moratorium on all debt collection operations during the holidays.
  - (10) For the benefit of economically disadvantaged persons having temporary difficulties with debt repayment, BAROC helped them weather short-term cash flow problems by continuing to administer the Unsecured Consumer Debt Rescheduling Program for Economically Disadvantaged Debtors Experiencing Difficulties with Repayment.
  - (11) In order to help students from underprivileged backgrounds obtain scholarships, and to promote financial literacy, BAROC donated NT\$5 million to support scholarships offered by the Financial Services Education Charity Fund.
  - (12) In order to provide support for charitable groups and fulfill its social responsibilities, BAROC donated funds to the Taiwan Concern Society, the Child Welfare League Foundation, the Little Sisters of the Poor, Genesis Social Welfare Foundation, Syin-Lu Social Welfare Foundation, the Chinese Christian Relief Association's 1919 Food Bank, and After School 368. These donations supported underprivileged families, low-income households, underprivileged children, and senior citizens living alone.
  - (13) Donated national day arch for celebration of National Day 2016.

## B. Major Tasks in 2017

No	Tasks
1	Strengthen Taiwan's AML/CFT (anti-money laundering/combating the financing of terrorism) mechanisms; help prepare for the Asia/Pacific Group on Money Laundering's 3rd Follow-up Report to the Mutual Evaluation Report of Chinese Taipei, scheduled for the fourth-quarter of 2018; coordinate with the competent authority by continuing to develop risk assessment mechanisms and to carry out related publicity.
2	Hold the Conference on the Latest Developments of Financial Regulations for Foreign Banking Operations three times (once each in New York, Hong Kong, and London) to encourage member banks to attach greater importance to legal compliance, internal controls, and internal audits at their overseas branch units.
3	Encourage member institutions to provide, in compliance with government policy, financing to firms in the key innovative fields of green energy, the Asian Silicon Valley initiative, the biotech and pharmaceutical industry, national defense industry, smart machinery, new agriculture, and the circular economy. The purpose is to spur real economic growth in Taiwan and support industrial upgrading.
4	Continue collecting reports on information and communications security. These will be used to study security issues affecting the digitization of financial institution business, and to adopt related security requirements.
5	Accelerate the adoption of electronic payments and strengthen the e-payments infrastructure in Taiwan.
6	Continue to prepare recommendations for follow-on amendments to related secondary legislation in order to reduce the impact of an amendment to the "Income Tax Act" upon offshore banking units (OBUs).
7	Support government policy of promoting electronic payments by helping to resolve problems and preparing recommendations for related legislative amendments.
8	Urge SWIFT to help Taiwanese users improve the system security mechanisms and risk controls of the SWIFT platform.
9	Coordinate with the government's Open Data policy by studying market-related and industry-related aspects of Open Data plans, and establish a special Open Data section on the BAROC website to actively provide access to a wide variety of financial data.
10	Continue promoting the national platform for online bill and tax payments, upgrading the functionality of our website (National Payments Net), in order to provide the public with more convenient service, and promoting the use of smart carriers (such as mobile apps) to pay bills. These actions will ensure that the public receives more convenient services.
11	Help member banks obtain the information they need when seeking to establish business locations in selected overseas markets, continue building up the section on the BAROC website where such information is posted, and use this information to serve as reference for member banks in their efforts to expand their overseas presence.
12	Continue carrying out training programs for financial industry personnel and offering open courses. At least 150 additional courses are scheduled for launching in 2017 to provide bank employees with free-of-charge online learning opportunities.

# V. Appendices

## A. Chronology of Major Events in 2016

- ◎2016.01.28 Held the 25th joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.02.04 Responded to a Taipei City Government charity fundraiser by donating funds to support underprivileged persons.
- ◎2016.02.25 Held the 5th meeting of the 11th Board of Directors.
- ◎2016.02.26 Received visiting representatives of Sumitomo Mitsui Bank.
- ◎2016.03.29 Held a conference on authorization mechanisms for large corporate online bank transactions.
- ◎2016.03.31 Held the 26th joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.04.08 Received visiting representatives of Eurasia Group.
- ◎2016.04.11 Held a "Seminar for 'Dry-run' Completion of the Amended Capital Adequacy Disclosure Forms for Domestic Banks."
- ◎2016.04.28 Held the 27th joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.05.04 Held a "Seminar for 'Dry-run' Calculations of Capital Charges (including CCP) for Counterparty Credit Risk."
- ◎2016.05.05 Held a "Seminar on Credit Asset Management Procedures and Standard Office Forms for Mainland China."
- ◎2016.05.26 Held the 28th joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.06.02 Held a "Seminar for 'Dry-run' Calculations of Net Stable Funding Ratios, and Related Forms."
- ◎2016.06.03 Held an informational meeting on IFRS 9 and 17
- ◎2016.06.21 Held an illustrative example workshop on IFRS 9.



2016.02.04 Responded to a Taipei City Government charity fundraiser by donating funds to support underprivileged persons.



- ◎2016.06.24 Jointly held with the Bankers Association of Taipei a conference on the subject of "Current State and Future Prospects for Real Estate in Taiwan."
- ◎2016.06.30 Held the 29th joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.07.05 Held an illustrative example workshop on IFRS 9.
- ◎2016.07.28 Held the 30th joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.08.18 Held the 31st joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.08.30 Held a seminar on the "2016 Program for the Provision of On-site Guidance and Help Labor and Management Complete Collective Bargaining Agreements."
- ◎2016.09.10 Held the 1st extraordinary joint meeting of the 11th Boards of Directors and Supervisors.
- ◎2016.09.20 Held the Kaohsiung session of the "Informational Meeting on the Questionnaire for Assessing Compliance with the AML/CFT Recommendations."
- ◎2016.09.23 Held the Taipei session of the "Informational Meeting on the Questionnaire for Assessing Compliance with the AML/CFT Recommendations."
- ◎2016.09.29 Held the 1st meeting of the 12th Board of Directors.
- ◎2016.09.30 Jointly held with the Bankers Association of Taipei a conference on the subject of "Financing and the Development of Taiwan's Small and Medium Business."
- ◎2016.10.03 Held the "2016 Anti-Money Laundering and Counter Terrorist Financing Symposium."  
-04
- ◎2016.10.14 Jointly held with the National Federation of Credit Cooperatives a brush-up seminar for instructors taking part in the 2016 School and Community Financial Literacy Campaign.
- ◎2016.10.14 Held the 1st joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2016.10.19 Held a pair of "Informational Meetings on Work by the Electronic Payments Committee and 21 to Publicize Related Legislation and Electronic Payment Operations."



2016.04.08 Received visiting representatives of Eurasia Group.

- ◎2016.11.08 Held the "Conference on Banking Industry Anti-Money Laundering Operations and Financial Technologies."
- ◎2016.11.24 Held the 2nd joint meeting of the 12th Boards of Directors and Supervisors.
- ◎2016.11.24 Jointly held with the Joint Credit Information Center and the National Credit Card Center a "Seminar on Bank Demand for Open Data."
- ◎2016.12.13 Held a "Post-seminar Discussion of Take-aways from the International Conference of the Institute of Internal Auditors."
- ◎2016.12.22 Held the 3rd joint meeting of the 12th Boards of Directors and Supervisors.



2016.09.29 Held the 1st session of the 12th General Assembly. Chairman of the Bank of Taiwan Mr. Jye-Cherng Lyu was elected BAROC Chairman and delivered remarks.



2017.01.11 BAROC Chairman Jye-Cherng Lyu poses for a photo with participants at the "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Operations."

## B. List of Member Banks of BAROC

March 2017

Institution	Position	Name	Telephone	Fax	Website
Bank of Taiwan	Chairman President	Jye-Cherng Lyu Jan-Lin Wei	(02)23493456	(02)23315840	www.bot.com.tw
Land Bank of Taiwan	Chairman President	Joanne Ling Ming-Hsien Kao	(02)23483456	(02)23757023	www.landbank.com.tw
Taiwan Cooperative Bank	Chairman President	Tsan-Chang Liao Hong-Chen Lin	(02)23118811	(02)23890704	www.tcb-bank.com.tw
First Commercial Bank	Chairman President	Ching-Nain Tsai Po-Chiao Chou	(02)23481111	(02)23892967	www.firstbank.com.tw
Hua Nan Commercial Bank, Ltd.	Chairman President	Tang-Chieh Wu Yun-Peng Chang	(02)23713111	(02)87291747	www.hnbc.com.tw
Chang Hwa Commercial Bank	Chairman President	Ming-Daw Chang James Shih	(02)25362951	(02)25716871	www.chb.com.tw
The Shanghai Commercial & Savings Bank, Ltd.	Chairman President	Hung-Ching Yung Yi-Jen Chiou	(02)25817111	(02)25318501	www.scsb.com.tw
Taipei Fubon Commercial Bank	Chairman President	Eric Chen Jerry Harn	(02)27716699	(02)27736769	www.fubon.com/bank
Cathay United Bank	Chairman President	Tsu-Pei Chen Alan Lee	(02)87226666	(02)87898789	www.cathaybk.com.tw
The Export-Import Bank of the Republic of China	Chairman President	Shui-Yung Lin Pei-Jean Liu	(02)23210511	(02)23940630	www.eximbank.com.tw
Bank of Kaohsiung	Chairman President	Chen-Cheng Chien Moan-Sheng Huang	(07)5570535	(07)5580529	www.bok.com.tw
Mega International Commercial Bank Co., Ltd.	Chairman President	Michael C. S. Chang Bruce L. Y. Yang	(02)25633156	(02)23569169	www.megabank.com.tw
Agricultural Bank of Taiwan	Chairman President	Chao-Hui Chen Chao-Hui Chen	(02)23805100	(02)23805252	www.agribank.com.tw
CitiBank Taiwan, Ltd.	Chairman President	Victor Kuan Christie Chang	(02)87269999	(02)87801300	www.citibank.com.tw
ANZ Bank (Taiwan) Limited	Chairman President	Alistair Bulloch Peter Chan	(02)87225000	(02)87225222	anz.tw
O-Bank Co., Ltd.	Chairman President	Kenneth Lo Ching-Yu Yang	(02)87527000	(02)87519568	www.o-bank.com
Taiwan Business Bank	Chairman President	Rueen-Fong Chu Tsan-Huang Chou	(02)25597171	(02)25507942	www.tbb.com.tw
Standard Chartered Bank (Taiwan) Limited	Chairman President	Benjamin Hung Anthony Lin	(02)27166261	(02)66036399	www.sc.com/tw
Taichung Commercial Bank	Chairman President	Chun-Sheng Lee Chin-Yuan Lai	(04)22236021	(04)22240748	www.tccb.com.tw
King's Town Bank	Chairman President	Terence Tai Bruce Chien	(06)2139171	(06)2136885	www.ktb.com.tw
HSBC Bank (Taiwan) Limited	Chairman President	Pik Kuen Helen Wong Jong-Peir Li	(02)27230088	(02)27575150	www.hsbc.com.tw
Taipei Star Bank	Chairman President	Leo Kuo Eric Chen	(02)25575151	(02)25534883	www.taipeistarbank.com.tw
Hwatai Bank	Chairman Deputy President	Chao-Hsien Lai Hung-Jen Huang	(02)27525252	(02)27775213	www.hwataibank.com.tw

Institution	Position	Name	Telephone	Fax	Website
Shin Kong Commercial Bank	Chairman President	Tseng-Chang Lee Chang-Rung Hsieh	(02)87587288	(02)87895600	www.skbank.com.tw
Sunny Bank	Chairman President	Sheng-Hung Chen Wei-Hao Ting	(02)28208166	(02)28233414	www.sunnybank.com.tw
Bank of Panhsin	Chairman President	Ping-Hui Liu Li-Chin Wei	(02)29629170	(02)29572011	www.bop.com.tw
Cota Commercial Bank	Chairman President	Sung-Yie Liao King-Ting Chang	(04)22245161	(04)22275237	www.cotabank.com.tw
Chunghwa Post Co., Ltd.	Chairman President	Philip Wen-chyi Ong Shian-Juh Chen	(02)23931260	(02)23911209	www.post.gov.tw
Union Bank of Taiwan	Chairman President	Shiang-Chang Lee Jeff Lin	(02)27180001	(02)27174093	www.ubot.com.tw
Far Eastern International Bank	Chairman President	Ching-Ing Hou Thomas Chou	(02)23786868	(02)23779000	www.feib.com.tw
Yuanta Bank	Chairman President	Tony Fan Dan T. Y. Chang	(02)21736699	(02)27722455	www.yuantabank.com.tw/bank
Bank Sinopac	Chairman Deputy President	Kuo-Chi Yu Philip J. Wei	(02)25063333	(02)81618485	www.banksinopac.com.tw
E.Sun Commercial Bank, Ltd.	Chairman President	Gary Tseng Joseph N.C. Huang	(02)27191313	(02)27138713	www.esunbank.com.tw
KGI Bank	Chairman President	Mark Wei Richard Chang	(02)27011777	(02)27849848	www.kgibank.com
DBS Bank (Taiwan) Ltd.	Chairman President	Jeanette Wong Kai Yuan Jerry Chen	(02)66129889	(02)66129285	www.dbs.com/tw
Taishin International Bank	Chairman President	Thomas T.L. Wu Larry Chung	(02)25683988	(02)25234551	www.taishinbank.com.tw
Ta Chong Bank	Chairman President	Chien-Ping Chen Chester Chin	(02)21736099	(02)27752879	www.tcbank.com.tw
Jih Sun International Bank	Chairman President	Jin-Tan Huang Mike Wang	(02)25615888	(02)25217698	www.jihsunbank.com.tw
EnTie Commercial Bank	Chairman President	Jesse Ding Claudie Yu	(02)27189999	(02)27187843	www.entiebank.com.tw
CTBC Bank Co., Ltd.	Chairman President	Chao-Chin Tung James Chen	(02)33277777	(02)87809122	www.ctcbank.com
Mega Bills Finance Co., Ltd.	Chairman President	Chang-Ruey Shiau Chi-Fu Lin	(02)23831616	(02)23822878	www.megabills.com.tw
China Bills Finance Co.	Chairman President	Hermann Wu Chih-Ming Chien	(02)27991177	(02)26592919	www.cbf.com.tw
International Bills Finance Co., Ltd.	Chairman President	Chi-Lin Wea Norman Tsai	(02)25181688	(02)25158430	www.ibfc.com.tw
Grand Bills Finance Co.	Chairman President	Ho-Sheng Wang Lien-Chung Huang	(02)87802801	(02)87884031	www.grandbill.com.tw
Hua Nan Financial Holdings Co., Ltd.	Chairman President	Tang-Chieh Wu Yun-Peng Chang	(02)23713111	(02)87291943	www.hnfhc.com.tw
Fubon Financial Holding Co., Ltd.	Chairman President	Richard Tsai Vivien Hsu	(02)66366636	(02)66360111	www.fubon.com
China Development Financial Holding Co.	Chairman President	Chia-Juch Chang Daw-Yi Hsu	(02)27638800	(02)27660047	www.cdibh.com

Institution	Position	Name	Telephone	Fax	Website
Cathay Financial Holding Co., Ltd.	Chairman President	Hong-Tu Tsai Chang-Ken Lee	(02)27087698	(02)23252488	www.cathayholdings.com
CTBC Financial Holding Co., Ltd.	Chairman President	Wen-Long Yen Daniel I.K. Wu	(02)33277777	(02)26539580	www.ctbcholding.com
Sinopac Financial Holdings Co., Ltd.	Chairman President	Show-Chung Ho Kuo-Chi Yu	(02)81618888	(02)81618485	www.sinopac.com
E.Sun Financial Holding Co., Ltd.	Chairman President	Yung-Jen Huang Joseph N.C. Huang	(02)21751313	(02)27199313	www.esunfhc.com.tw
Yuanta Financial Holding Co., Ltd.	Chairman President	Rong-Jou Wang Tony Shen	(02)27811999	(02)27721585	www.yuanta.com
Taishin Financial Holding Co., Ltd.	Chairman President	Thomas T.L. Wu Joseph Jao	(02)23268888	(02)37076889	www.taishinholdings.com.tw
Shin Kong Financial Holding Co., Ltd.	Chairman President	Eugene T.C. Wu Jih-Chu Lee	(02)23895858	(02)23892868	www.skfhc.com.tw
Mega Financial Holding Co., Ltd.	Chairman President	Michael C. S. Chang Bruce L. Y. Yang	(02)23578888	(02)33938755	www.megaholdings.com.tw
First Financial Holding Co., Ltd.	Chairman President	Ching-Nain Tsai Grace M.L. Jeng	(02)23111111	(02)23119691	www.firstholding.com.tw
Jih Sun Financial Holding Co., Ltd.	Chairman President	Jin-Tan Huang Mike Wang	(02)25048888	(02)25175408	www.jsun.com
Waterland Financial Holding Co., Ltd.	Chairman President	Chi-Lin Wea Michael Y. J. Ding	(02)25154567	(02)25010606	www.waterland-fin.com.tw
Taiwan Financial Holding Co., Ltd.	Chairman President	Jye-Cherng Lyu Austin Chan	(02)23493456	(02)23115060	www.twfhc.com.tw
Taiwan Cooperative Financial Holding Co., Ltd.	Chairman President	Tsan-Chang Liao Shyh-Laang Lin	(02)23118811	(02)23113699	www.tcfhc.com.tw
Yuanta Securities Finance Co., Ltd.	Chairman President	Ting-Shian Huang Rong-Ting Hong	(02)21736833	(02)27721101	www.yuantafinance.com.tw