

Annual Report 2011

CONTENTS

I. Message of the Chairperson	2
II. An Introduction of the Bankers Association of the Republic of China	5
A. History	5
B. Aims, Functions and Organization	5
C. Directors, Supervisors, Advisors and Observers	8
D. Major Staff Members of BAROC	10
III. An Overview of the Banking Operations	11
A. Macroeconomic Summary	11
B. Major Financial Measures	21
C. Banking Operations in 2011	25
IV. Report on the Work of BAROC	31
A. Major Achievements in 2011	31
B. Major Tasks in 2012	44
V. Appendices	45
A. Chronology of Major Events in 2011	45
B. List of Member Banks of BAROC	49



I. Message of the Chairperson

The global economic recovery of 2010 continued into early 2011, but the economy then witnessed a slowdown caused by geopolitical instability in the Middle East and North Africa, the March 11 earthquake and tsunami in Japan, the ongoing rise of commodity prices, and the continuous heightening of inflationary risk in emerging countries, plus the downgrade of the U.S. sovereign credit rating and the worsening of the sovereign debt crisis in the Euro area. Consequently, global economic growth weakened in the second half of the year. In Taiwan, the economy, benefited from the “early harvest” list under the Economic Cooperation Framework Agreement (ECFA) effective in early 2011 and the increasingly close economic ties with Mainland China, continued growing at a stable pace in the first six months of 2011. In the second half of the year, however, export momentum softened, corporate investment



Chairperson Susan S.Chang

sentiment turned conservative, and private consumption faltered under the impact of the continuing spread of the European debt crisis and the weakening of external demand from Europe and the U.S.. To counter these unfavorable trends, the Executive Yuan proposed an “Action Plan to Counter Economic Slowdown” with seven major strategies—stabilizing financial markets, keeping prices under control, increasing employment, stimulating investment, helping out industries, bolstering consumption, and boosting exports. Financial institutions cooperated by launching numerous measures to help companies obtain working capital needed for operations and assure that there would be no interruption in the supply of capital. The European debt troubles did not have much impact on Taiwan’s financial institutions, since their European debt investment and exposure was limited. The Central Bank raised the rediscount rate twice and conducted open market operations to absorb excess liquidity. The interest rate spread widened to 1.41 percentage points in 2011 accordingly, the highest level since 2009. The before-tax profits of domestic banks reached NT\$200.8 billion in 2011, a new record in terms of absolute amount. The return on equity (ROE) and return on assets (ROA) for the year was 9.33% and 0.59% respectively; this was the second-best performance since the beginning of statistics compiled, only slightly lower than the 10.2% and 0.63% recorded in 2004. Additionally, according to the Financial Supervisory Commission (FSC), the ratio of allowances for bad debt to total loans (the loan coverage ratio) of Taiwan’s banking industry as a whole reached 1.09% and the non-performing-loan ratio dropped to 0.43% at the end of 2011, indicating that the operation of the banking industry in Taiwan was sound and prudent and that the quality of its loan assets was excellent.

With the guidance of the competent authority and the support of all our member institutions, the Bankers Association of the ROC (BAROC) carried out and completed a number of important tasks and missions over the past year. To reduce financial consumer disputes and carry out its financial consumer protection policy, the government enacted the Financial Consumer Protection Act in June 2011 and, on January 2 of the following year, the Financial Ombudsman Institution (FOI) formally commenced its operation to resolve disputes between financial consumers and financial service providers. Therefore, the Financial Consumer Dispute Assessment Committee, which was set up by the BAROC in September 2006 to accept bank customers' complaints and adjudicate financial disputes, was phased out following the implementation of the government's financial consumer protection policy.

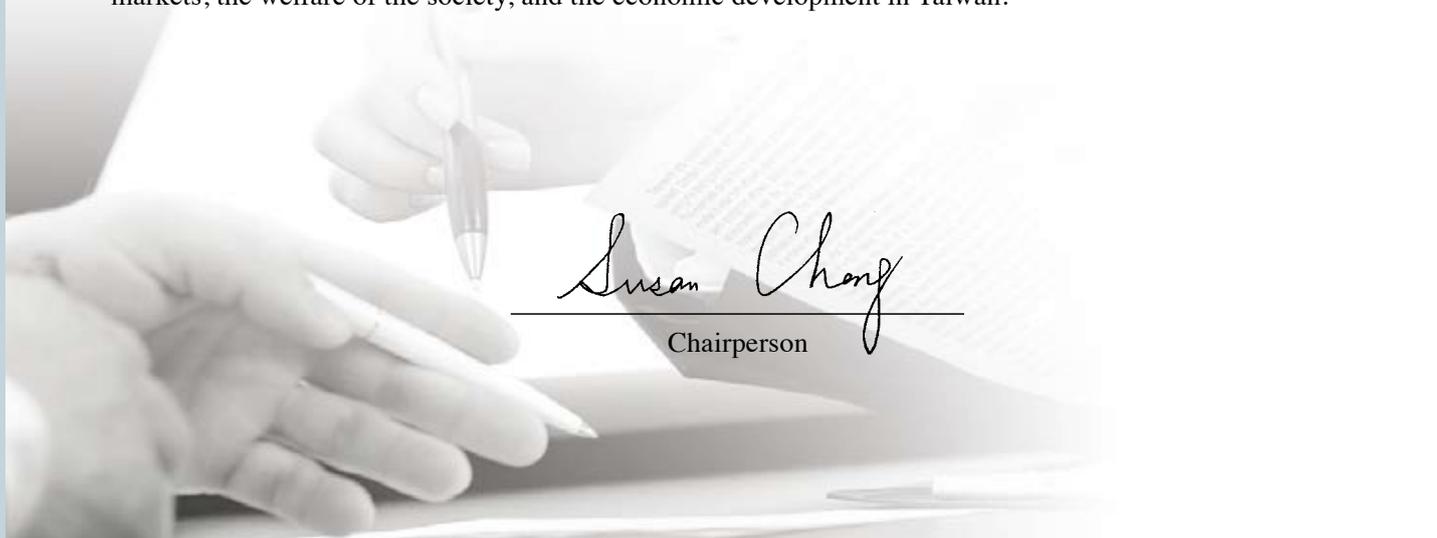
Additionally, in coordination with the government's promotion of adopting the International Financial Reporting Standards (IFRS) in 2013, the BAROC set up an IFRS Task Force in October 2010 and engaged in a continuous discussion of how to resolve the practical problems that banks may encounter. We also commissioned a CPA to compile a "Guidance and Explanatory Examples regarding the Application by Banks of the Financial Reporting and Related Disclosure of the International Financial Reporting Standards Approved by the FSC" and revised "Accounting System Standards for Banks" for the reference of our member banks.

Furthermore, the United States will enforce the Foreign Account Tax Compliance Act (FATCA) in 2013 in an effort to crack down on cross-border tax evasion by its tax residents. To help member banks cope with the implementation of the Act, the BAROC has surveyed the responsive measures adopted by five Asian countries/regions—Japan, Singapore, Hong Kong, Australia and Mainland China—and has drawn up opinions regarding the impact of the Act on financial institutions in the aspects of compliance, business, and taxation, for the reference of our member banks. The BAROC has also set up a task force to discuss the matter and draw up related suggestions and opinions. It has sent a letter to the U.S. Treasury Department and Internal Revenue Service, expressing the opinions of Taiwan's banks and pointing out the practical difficulties they may face in implementing the Act. The BAROC also took the opportunity of a visit by the American Institute in Taiwan (AIT) to express the opinion that based on the principle of equality, Taiwan and the U.S. should set up a bilateral, governmental cooperation mechanism to carry out the exchange of information on concrete tax evasion cases.

In addition, the U.S. government has enacted the Dodd-Frank Act to prevent a reoccurrence of the financial crisis, giving government agencies greater financial oversight powers. The "Volker Rule" in section 619 of the Act restricts banks' proprietary trading on financial products and derivatives and their investment in or sponsorship of hedge funds and private equity funds. The draft regulations mapped out by the different U.S. financial regulatory agencies under the Act's authorization extend their supervision scope to include the worldwide trading activities of the parent banks of foreign banks which have branches or subsidiaries in the U.S. This will affect the trading activities of the BAROC's member banks, and will greatly increase demands on their information systems as well as their compliance costs. The BAROC has set up a Volker Rule Task Force to deal with this issue, and has also expressed, to the U.S. financial regulatory authorities, its stance of opposition to the exercise of extraterritorial authority that the Act implies.

Looking ahead to 2012, with quantitative easing monetary policies adopted by various countries, the European debt crisis has come under some extent of control, and the U.S. economy is steadily recovering; but the international politico-economical structure is still facing numerous challenges. Under this circumstance, in the beginning of 2012, the International Monetary Fund (IMF) cut its forecast for the year's global economic growth to 3.25%, down from its previous forecast of 4.0% in September 2011. The Directorate General of Budget, Accounting and Statistics (DGBAS) has adjusted downward its forecast for Taiwan's economic growth for 2012 by 0.34 percentage points to 3.85%, down from its forecast of 4.19% in November 2011. With our government's vigorous efforts of attracting foreign investment, promoting private investment in infrastructure projects, and strengthening exploration in emerging markets, we can expect our economy to improve quarter by quarter this year. Despite geopolitical risks pushing up the price of oil since the beginning of 2012, plus growing pressure for hikes in the prices of water and electricity, the interest rate will probably remain unchanged in the first half of the year as our Central Bank keeps maintaining an appropriately easy monetary policy. However, the possibility of interest rate increases in the second half of the year cannot be ruled out if inflationary pressures build up. In addition, the FSC has required financial institutions to reach a loan loss reserve to loan coverage ratio of higher than 1% this year; and, to meet the more stringent capital requirements of Basel III, banks will need to bolster their capital and boost their risk taking capability. Furthermore, the expected establishment of a cross-strait currency settlement mechanism and continued liberalization of the cross-strait financial businesses will bring unprecedented opportunities to Taiwan's banks. Overall speaking, 2012 will be a year filled with challenges and opportunities for the banking industry in Taiwan.

In the future, the BAROC will continue coordinating with government policy in setting up relevant financial measures, watching and discussing the U.S. FATCA and Volker Rule as well as the implementation rules that have been announced, devoting attention to the revision of the Financial Institutions Merger Act and Personal Information Protection Act as well as the latest standard regarding liquidity risk stipulated by international financial regulatory agencies. The BAROC will also convey the suggestions and opinions of member banks to the government regarding the development of "cross-strait financial services with special characteristics" and other related issues, acting as a bridge between the government and member banks as well as between member banks and the public, and devoting its efforts to the stability of the financial markets, the welfare of the society, and the economic development in Taiwan.



Susan Cheng

Chairperson

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

A. History

The Bankers Association of the Republic of China (hereinafter referred to as BAROC) was founded on August 9, 1983, based on the original structure of the Bankers Association of Taipei. Together with the Bankers Association of Taiwan and the Bankers Association of Kaohsiung, BAROC was formed in accordance with the regulations of the Commercial Group Act, and was approved by the Ministry of the Interior. The Association was located on the eighth floor of No. 46, Kuan Chien Road, Taipei at the time. In January 1984, the Bankers Association of Taipei transferred the national banker association business to BAROC to allow it to take over its overall functions. After Taipei County was upgraded to New Taipei City, the Bankers Association of Taipei County withdrew from the Bankers Association of Taiwan and, in May of 2010, joined the Bankers Association of the ROC and changed its name to the Bankers Association of New Taipei City. The Bankers Association of the ROC now has four association members.

The Chairpersons of BAROC from the first session of the first General Assembly in August 1983 to the tenth session of the second General Assembly in October 2011 are shown as follows:

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

B. Aims, Functions and Organization

1. Aims

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

2. Functions

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

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

3. Organization

BAROC consists of four association members, namely, the Bankers Association of Taipei, the Bankers Association of Taiwan, the Bankers Association of Kaohsiung, and the Bankers Association of New Taipei City. As of the end of 2011, the head offices of member banks totaled 59, of which 52 belong to the Bankers Association of Taipei, 1 belongs to the Bankers Association of New Taipei City, 4 belong to the Bankers Association of Taiwan and 2 belong to the Bankers Association of Kaohsiung. The branches of member banks located in Taipei, New Taipei City, Kaohsiung and each county join their respective local bankers associations and participate in local association activities.

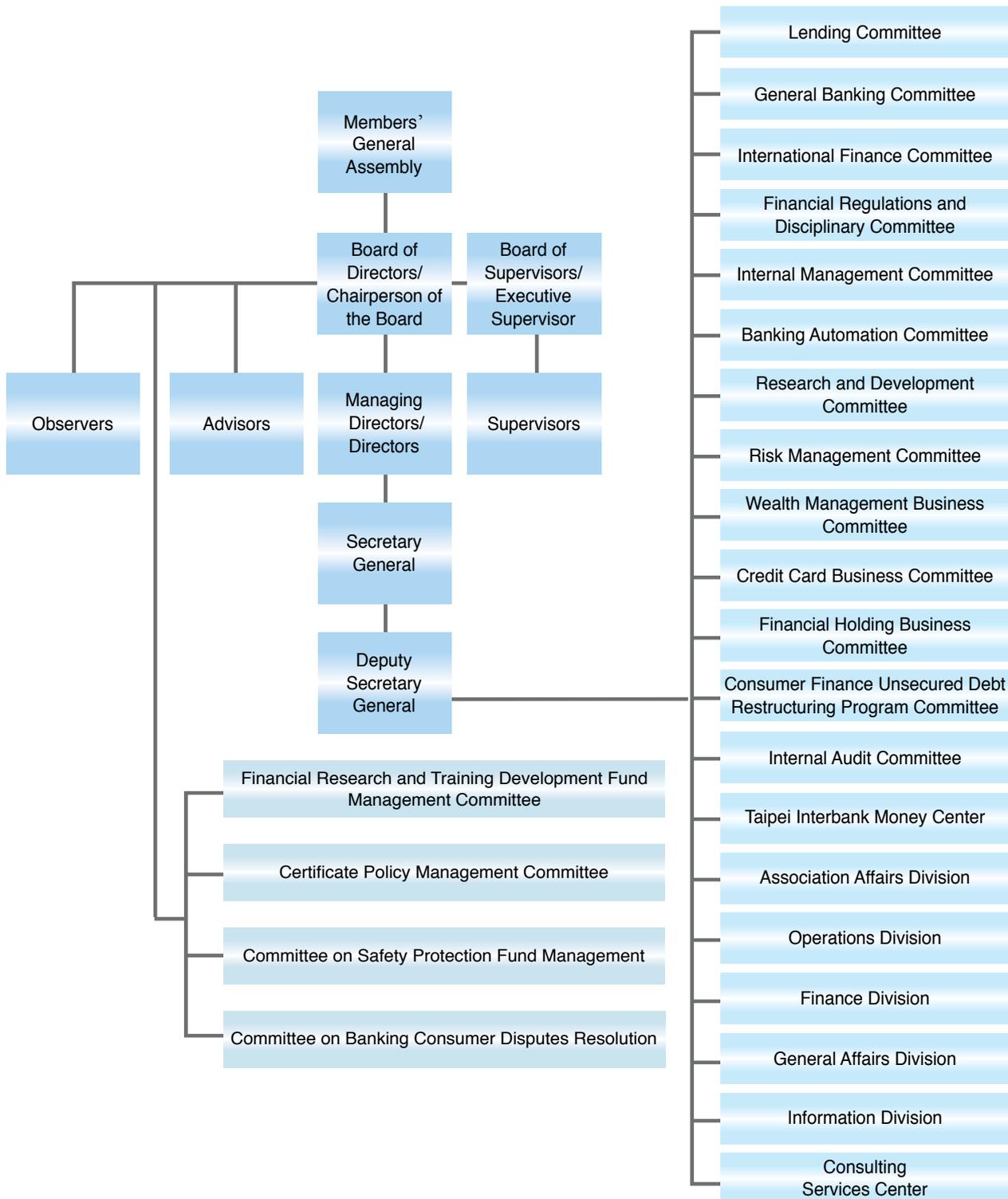
Member Banks of the Bankers Associations

Dec. 31, 2011

Member Banks	Number	
	Headquarters	Branches
Bankers Association of the Republic of China	59	
Bankers Association of Taipei	52	819
Bankers Association of Taiwan	4	1,535
Bankers Association of Kaohsiung	2	320
Bankers Association of New Taipei City	1	483
Bankers Association of Taoyuan County		252
Bankers Association of Hsinchu County		54
Bankers Association of Miaoli County		48
Bankers Association of Taichung County		140
Bankers Association of Changhua County		103
Bankers Association of Nantou County		37
Bankers Association of Yunlin County		51
Bankers Association of Chiayi County		18
Bankers Association of Tainan County		96
Bankers Association of Kaohsiung County		96
Bankers Association of Pingtung County		55
Bankers Association of Ilan County		39
Bankers Association of Hualien County		21
Bankers Association of Taitung County		13
Bankers Association of Penghu County		5
Bankers Association of Keelung City		25
Bankers Association of Hsinchu City	1	80
Bankers Association of Taichung City	2	214
Bankers Association of Chiayi City		51
Bankers Association of Tainan City	1	137

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

Organizational Structure of BAROC



C. Directors, Supervisors, Advisors and Observers

As of April 30 2012

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

Title	Name	Company Affiliation	
Supervisors	Yu-De Chuang	Chairman, Yuanta Securities Finance Co., Ltd.	
	Ming-Daw Chang	President, Bank of Taiwan	
	Jung-Hsiung Lu	President, Mega Bills Finance Co., Ltd.	
	Victor Kuan	Chairman, Citi Bank Taiwan, Ltd.	
	Jesse Ding	President, EnTie Commercial Bank	
	Terence Tai	Chairman, King's Town Bank	
	King-Ting Chang	President, Cota Commercial Bank	
	Sheng-Hung Chen	Managing Director, Sunny Bank	
	Cheng-i Wong	Supervisor, Bank of Taipei	
	Ming-Sing Shieh	President, Hwatai Bank	
	Advisors	Richard Chang	President, Cosmos Bank, Taiwan
		Fu-Hsiung Hu	Chairman, Joint Credit Information Center
Yang-Ching Chao		Chairman, Financial Information Service Co., Ltd.	
Kung-Wha Ding		Chairman, Taiwan Depository & Clearing Corporation	
Min-Juh Hwang		Chairman, Taiwan Securities Association	
Yu-Chi Kuo		Advisor, The Bankers Association of the Republic of China	
Jiunn-Chih Wang		Advisor, The Bankers Association of the Republic of China	
Thomas Tan		Advisor, The Bankers Association of the Republic of China	
Chun-Sheng Lee		President, Taichung Commercial Bank	
Chii-Bang Wang		President, Mega Bills Finance Co., Ltd.	
Joseph Jao		President, Taishin Financial Holding Co., Ltd.	
Jin-Tan Huang		Chairman, Jih Sun Financial Holding Co., Ltd.	
Chenli Yang		Chief Operating Officer, DBS Bank (Taiwan) Ltd.	
Hsian-Chung Tsai		Chairman, Bank of Kaohsiung	
Justin Tsai		President, Ta Chong Bank	
Vance Chin	President, China Bills Finance Co.		
Jong-Peir Li	President, HSBC Bank (Taiwan) Limited		
Observers	Nicole Wu	V.P., BNP Paribas, Taipei Branch	
	Natalie Kuo	V.P., Credit Agricole Corporate & Investment Bank, Taipei Branch	
	Miranda Liaw	Executive Director, JPMorgan Chase Bank, N.A., Taipei Branch	
	Emy Hsieh	V.P., Bank of America, N.A., Taipei Branch	

D. Major Staff Members of BAROC

As of April 30 2012

Title / Position in BAROC	Name	Full-time or Part-time
Chairperson, Financial Research and Training Development Fund Management Committee	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Certificate Policy Management Committee	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Chairperson, Committee on Safety Protection Fund Management	Susan S.Chang	Chairperson, Bank of Taiwan, Part-time
Secretary General	Nancy Young	Full-time
Deputy Secretary General	Kao-Chen Chuang	Full-time
Deputy Secretary General	Tsong-Ming Wang	Full-time
Secretary	Chang-Hua Chen	Full-time
Chairperson, Lending Committee	Ming-Hsien Kao	EVP, Land Bank of Taiwan, Part-time
Chairperson, General Banking Committee	Teng-Lung Hsieh	EVP, Bank of Taiwan, Part-time
Chairperson, International Finance Committee	Derek, Y. P. Chang	EVP, Hua Nan Commercial Bank, Part-time
Chairperson, Financial Regulations and Disciplinary Committee	Cheng-Hsiu Chen	SVP & GM, Dept. of Corporate Banking Department, Taiwan Cooperative Bank, Part-time
Chairperson, Internal Management Committee	Tien-Hsia Chang	General Auditor, Fubon Financial Holding Co., Ltd. Part-time
Chairperson, Banking Automation Committee	Hsi-Tai Ku	SVP&GM, Dept. of Information Management, Bank of Taiwan, Part-time
Chairperson, Research and Development Committee	Li-Yen Yang	E.V.P., Bank of Taiwan, Part-time
Chairperson, Risk Management Committee	Mei-Yu Wei	E.V.P., Mega International Commercial Bank, Part-time
Chairperson, Credit Card Business Committee	Justin Lee	Director, Citibank, Part-time
Chairperson, Financial Holding Business Committee	Lawrence S.Liu	Executive Vice President China Development Financial Holding Corporation., Part-time
Chairperson, Consumer Finance Unsecured Debt Restructuring Program Committee	Jerry Yang	SVP, Retail Banking Group, Taishin International Bank, Part-time
Chairperson, Internal Audit Committee	Julie L. Chang	General Auditor, Chinatrust Financial Holding Co., Ltd., Part-time
Wealth Management Business Committee	Mei-Ling Cheng	V.P., First Commercial Bank, Part-time
Director, Taipei Interbank Money Center	Ming-Daw. Chang	President, Bank of Taiwan, Part-time
Chief, Association Affairs Division	Yu-Min Chou	Full-time
Chief, Operations Division	Hsien-Hwa Kao	Full-time
Chief, Finance Division	Huei-Ling Li	Full-time
Chief, General Affairs Division	Kuo-En Wen	Full-time
Chief, Information Division	Mei-Ling Tsai	Full-time
Chief, Consulting Services Center	Yin-Tarn Lee	Full-time

III. An Overview of the Banking Operations

A. Macroeconomic Summary

1. Economic Conditions

(1) Slowdown in domestic economic growth

The momentum for global economic growth slowed significantly in 2011, with political unrest in the Middle East and some North African countries at the beginning of the year and the disastrous earthquake that hit Japan in March causing oil prices to soar and disrupting electronic parts supplies. This added oil to the flames for the advanced countries, which were facing high unemployment and heavy debt burdens along with the necessity of fiscal tightening, while boosting inflationary pressures in emerging countries. The European debt crisis struck a heavy blow at fragile financial systems and created turbulence in financial markets, leading to a weak recovery that spread to the emerging-market countries. According to statistics compiled by the various governments, the U.S. economy grew by 1.7% in 2011, the Euro area by 1.5%, and the U.K. by 0.9%. The Japanese economy contracted by 0.9% under the impact of its earthquake, tsunami, and ensuing nuclear crisis; and in mainland China, where macroeconomic controls were imposed to stabilize prices, real GDP growth amounted to 9.2%.

Taiwan's own economy performed brilliantly in the first quarter of 2011, with real GDP growth reaching 6.62% despite the high growth base of 10.72% established in 2010, thanks to strong international performance plus the rapid introduction of new products and technologies. The momentum of the recovery slackened in the second quarter, however, pushing GDP growth for that quarter down to 4.52%. In the second half of the year first came the downgrading of the U.S. credit rating and then the increasingly severe debt crisis in Europe, leading to instability in financial markets and the spreading of the impact to the real economy. The slowdown in the growth of overseas demand eroded Taiwan's export momentum and led to a quarter-by-quarter decline in real export growth; as a result, exports managed to grow by a mere 4.41% for the year as a whole. This export weakness led in turn to declining production capacity utilization, which caused companies to economize on expenditures; private investment, which expanded by 7.62% in the first half of the year, contracted by 11.23% in the second half and registered a decline of 2.35% for the whole year. Private consumption grew at a rate of more than 3% in the first three quarters, thanks to the stable recovery in employment; but consumer confidence was constrained by the cloudy economic outlook, so that the growth in consumption was pushed down to just 0.98% in the fourth quarter and 2.95% for all of 2011. Overall, Taiwan's economic growth experienced a quarter-by-quarter decline in 2011, reaching just 3.42% in the third quarter and 1.9% in the fourth, resulting in a growth rate of 4.03% for the year. Domestic consumption contributed only 0.29 percentage points to the growth rate, while the contribution of net external demand was 3.74 points.

(2) Moderate rise in consumer price index

Overall, prices in Taiwan remained stable in 2011. Food- and energy-related prices faced upward pressure in the first half of the year under the impact of rising international food and oil prices, but the government adopted a variety of price-stabilization measures and the rise in import prices was kept down by the large-scale appreciation of the New Taiwan dollar against the greenback; while the annual rate of increase in the consumer price index (CPI) rose steadily in the first half of the year, the rise remained at moderate levels. The plasticizer scandal that broke out in the middle of the year caused the price of fresh fruit to soar and CPI growth reached 1.95% in June, the highest since March 2010, but this was still lower than 2% forecast for the year by the Directorate General of Budget, Accounting and Statistics. The rate of increase in commodity prices dropped again as the plasticizer scandal faded away, and the rate of increase for the first half did not exceed 1.4%; however, torrential rains pushed the prices of fruit and vegetables up 48.95% in December, boosting the annual CPI growth to 2.01%--the highest in 22 months. The CPI growth for the entire year was 1.42%; the core growth rate, excluding fruit and vegetables, seafoods, and energy, was 1.12%.

Taiwan's wholesale price index (WPI) climbed at a moderate annual rate of 1.97% in January, but the rate shot up to 5.82% in March because prices of chemical materials, basic metals, petroleum products, textiles, and imported iron ore remained at relatively high levels. Then, with the rising value of the New Taiwan dollar against the greenback being favorable to imports with prices expressed in NT dollars, WPI growth dropped back to 3.42% in May. In the second half of the year the NT dollar went into a declining trend and the international prices of commodities such as crude oil, fuel oil, and liquefied natural gas remained at a high level; the annualized rate of WPI growth rose to 5.8% in October and later on hovered in the 4-5% range. The WPI rose by 4.32% over the year as a whole, with the prices of products produced and sold domestically rising by 5.06%, imports climbing 7.63%, and export products inching up 0.12%.

(3) Continued improvement in the labor market

With the domestic and international economies recovering continuously, together with the government's vigorous implementation of various sorts of economic- and employment-stimulation measures, the number of employed persons in Taiwan rose and unemployment declined significantly in the first half of 2011. The unemployment rate fell most strikingly for those who lost their jobs because of workplace closures and business contraction. The unemployment rate fluctuated slightly in the second half of the year under the impact of the European debt turmoil but remained generally on a declining trend; in December it fell to 4.18%, the lowest rate in 40 months. For the year as a whole, unemployment averaged 4.39%,

0.82 percentage points lower than 2010. The average number of employed in 2011 stood at 10.709 million, an improvement of 216,000 over the year before; the average unemployed population was 491,000, a reduction of 86,000 from 2010.

(4) External trade: From strength to weakness

Taiwan's external trade benefited from strong demand for electronics, information and communications, plastics, and machinery products, along with expanded import demand derived from exports and investment as well as high international prices for raw materials, and commodity exports and imports both rose at higher-than-expected rates of 16.85% and 20.34%, respectively, in the first half of 2011. The rate of growth in exports and imports fell sharply in the third quarter, however, under the impact of the downward turn in international economic performance and the partial stoppage of the Sixth Naphtha Cracker in Taiwan; in the fourth quarter, exports of products priced in US dollars grew by just 4.53% and import growth dropped to a negative 0.87%, shaving the growth rate in the second half to 8.02% for exports and 4.58% for imports and leading to a drastic contraction in the trade surplus. Thanks to the good first-half performance the value of commodity exports and imports both hit record highs in 2011, recording higher-than-expected growth rates of 12.3% and 12.1%, respectively. The trade surplus for the year amounted to US\$26.7 billion, lower than the originally forecasted US\$29.0 billion but higher than the US\$24.6 billion recorded in 2010. Exports of services also hit a historic high of US\$44.5 billion in 2011, thanks to a continuous rise in revenues from triangular trade plus an expansion of travel industry income due to the large increase in tourists from China. At the same time, imports of services climbed to a historic high of US\$38.6 billion, leaving surplus of US\$5.9 billion in trade in services—US\$1.1 billion less than 2010.

Calculating trade in goods and services together, and considering price and exchange rate factors, Taiwan's exports of goods and services in 2011, registered a growth of 3.28% in New Taiwan dollar terms; imports, in real terms, slipped by a marginal 0.46%. After offsetting exports and imports against each other, the contribution of net external demand to economic growth in was 3.74 percentage points, or more than nine-tenths of the total. This was the main source of growth in 2011.

(5) Decline in balance of payments surplus to four-year low

Thanks to strong imports and exports in the first half of the year, Taiwan's trade surplus in 2011 amounted to US\$27.69 billion, an increase of US\$1.18 billion over the surplus of US\$26.51 billion recorded the year before. In addition, international visitor arrivals reached 6.087 million, an increase of 520,000 over 2010; this boosted tourism receipts, expanding the surplus in the balance of payments for services to US\$3.95 billion. After deducting the deficit

of US\$3.69 billion in current transfers from the US\$13.32 billion in income and outlays, the total surplus in the current account amounted to US\$41.27 billion for the year. With the impact of the European debt crisis, however, foreign investors withdrew funds from Taiwan's stock and bond markets and remitted US\$16.19 billion out of the country, the second-highest yearly figure ever after 2007's US\$38.95 billion. In short, Taiwan's international balance of payments surplus in 2011 hit a four-year low of US\$6.42 billion.

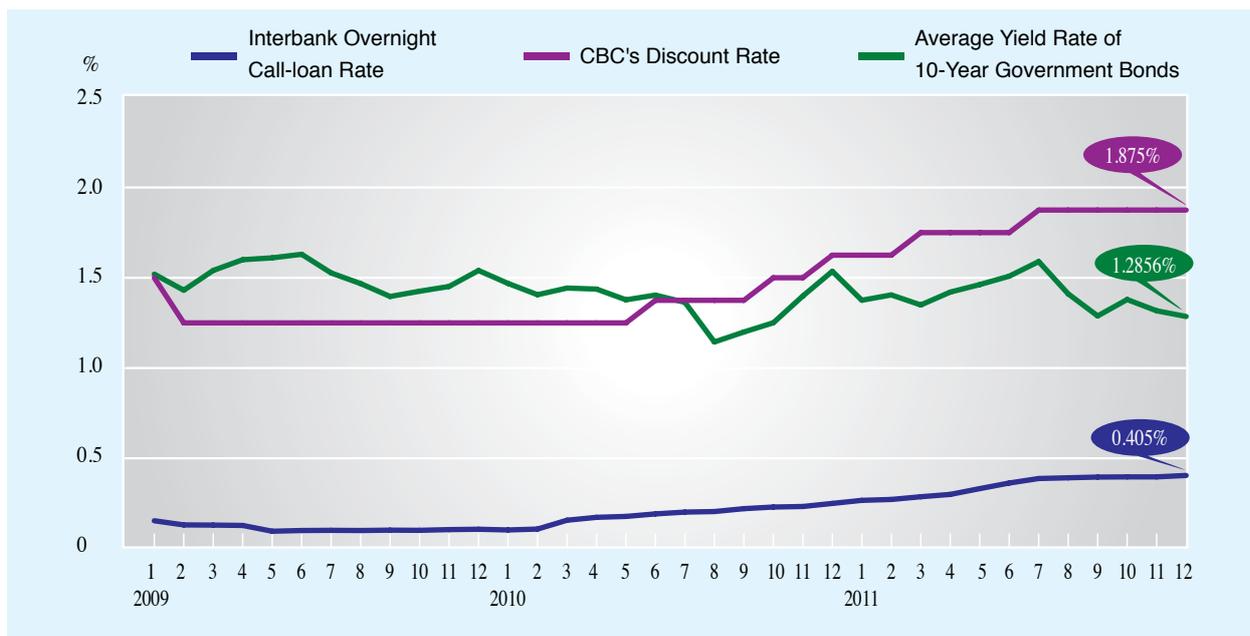
2. Financial Conditions

(1) Halt in interest-rate hikes by the Central Bank

As Taiwan's economic recovery accelerated, real estate prices climbed, and commodity prices rose, the Central Bank adjusted the rediscount rate upward by 0.125 percentage point three times in 2010, bringing the rate to 1.625% at the end of the year. The Central Bank continued this monetary policy into the first half of 2011, boosting the rediscount rate by 0.125 percentage points each in March and June, bringing it to 1.875%. As global uncertainties rose in the second half of the year, the Central Bank announced that its policy rate would remain unchanged in consideration of the need to alleviate inflationary expectations and the fact that the rates were still at a low level.

The Central Bank's interest-rate hikes led to a stable rising trend in monetary-market interest rates in 2011. The interbank call rate rose steadily from 0.257% at the beginning of the

Changes in Interest Rates



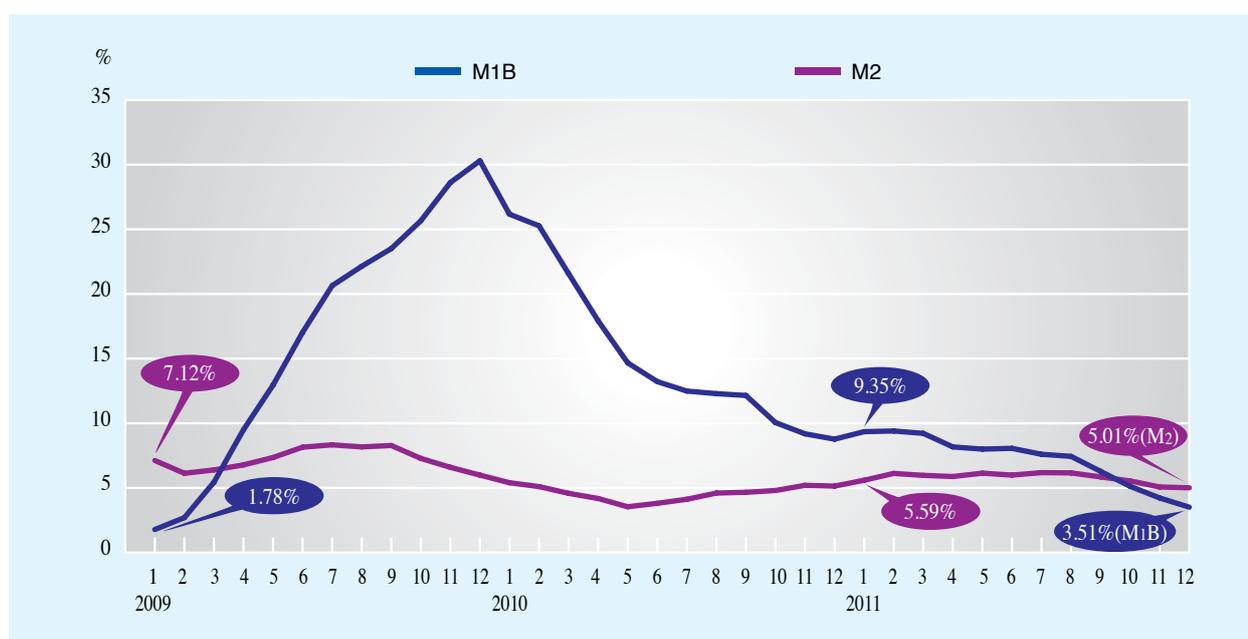
Source: the CBC website, GreTai Securities Market Website

year; despite interest rate cuts by the European Central Bank and various European countries in response to the debt crisis and the weak economy, Taiwan's Central Bank continued selling certificates of deposit to sterilize the market. With the domestic economy resuming stable growth and inflation moderating, short-term interest rates remained stable and the interbank call rate rose to 0.405% at the end of the year.

(2) Monthly drop in M1B growth, relative stability in the M2 money supply

Although the average daily M1B supply rose from NT\$11,489.8 billion at the end of January 2011 to NT\$11,662.0 billion at the end of the year, the annual rate of growth declined throughout the year because of a net outflow of foreign investment and a switch from demand deposits to time deposits, falling from 9.35% at the beginning of 2011 to 3.51% at year-end—the slowest growth since March 2009. The daily average M2 supply rose from NT\$31,225.5 billion at the beginning of the year to NT\$32,387.1 billion at the end of December and the annual rate of growth increased from 5.59% in January to 6.18% in July, largely because of the stable domestic recovery and the resulting strengthening of corporate demand for capital, which stimulated growth in bank loans and investment, plus an increase in time deposits. Domestic economic growth slowed beginning in August, however, and the expansion of bank loans and investment weakened; the rate of increase in daily average M2 supply declined month by month, dropping to 5.01% in December. Throughout all of 2011, M1B supply expanded by 7.16% and M2 supply by 5.79%.

Annual Growth Rates of Daily Monetary Aggregates



Source: the CBC website

(3) Expansion of the deposit-loan interest-rate spread

Following its rediscount rate hikes in March and June, the Central Bank used open market operations to mop up excess capital in the market. The weighted average interest rate on deposits in general banks in Taiwan rose from 0.67% in the first quarter to 0.80% in the fourth quarter of 2011, and the weighted average interest rate on loans climbed from 2.07% to 2.23% over the same period. The deposit/loan interest rate gap expanded from 1.4 percentage points in the first quarter to 1.43 percentage points in the fourth, the highest since the first quarter of 2009.

(4) Appreciation followed by depreciation against the greenback

The New Taiwan dollar first appreciated and then depreciated against the U.S. dollar in 2011. Massive amounts of capital flowed toward Asian countries in the first half of the year because of the U.S. adoption of a quantitative easing policy and the relative weakness of the American economy, causing the value of the NT to rise; it broke the NT\$30:US\$1 mark on Jan. 7 and rose further to top NT\$29:US\$1 on Apr. 8 and reach NT\$28.632:US\$1, the highest point in the year, in early May. In the second half of the year, the second round of quantitative easing (QE2) in the U.S. came to a conclusion at the end of June and the U.S. dollar strengthened,

NT Exchange Rates



Source: the CBC website

pushing the value of the NT dollar down again. In August the lowering of the U.S. credit rating caused stock market crashes around the world and the European debt crisis expanded, leading to a massive withdrawal of funds from Asian markets. The U.S. dollar strengthened on demand for hedging in the market; the NT dollar first returned to the level of NT\$30 against one greenback, and the exchange rate was NT\$30.290:US\$1 at the year-end market closure. Compared with the rate of NT\$30.368:US\$1 at the end of 2010, this represented an appreciation of 0.26%.

(5) Stock market turbulence and decline in the second half

At the beginning of 2011 the Taiwan stock market continued the rising trend of the previous year; but with the earthquake and subsequent nuclear disaster that struck Japan in March, funds were withdrawn from stock markets all over the world. This caused a drastic drop in stock prices in Taiwan, and the stock market index fell from 9,145.35 on Jan. 28 to 8,234.78 on Mar. 15; the index turned up again later on, but the force of the rise was weak. In the second half of the year, the Taiwan stock market index again plummeted under the impact of the ending of QE2, Standard & Poor's lowering of the U.S. credit rating, expansion of the European debt crisis, and slowing economic growth in Taiwan and abroad.

TSE Stock Price Index (TAIEX)



Source: TSE

3. Outlook

After suffering the impact of the global financial tsunami, the world economy turned in an eye-catching growth of 5.2% in 2010—the best performance since 1980 except for 2006 and 2007. As the economy entered 2011, major forecasting institutions predicted a certain extent of slowdown because of the previous year's strong growth, the ending of the inventory adjustment cycle, and the implementation of fiscal consolidation measures, but expected an overall continuation of the previous year's recovery model: a two-speed recovery, with weak demand in the advanced countries because of high unemployment and fiscal contraction constraining the speed of recovery to much less than that in the emerging countries. Thanks to the occurrence of a number of unexpected factors and the spread of the European debt crisis, however, global growth suffered a substantial slowdown in 2011, prompting major international institutions such as the International Monetary Fund (IMF), World Bank (WB), and Global Insight (GI) repeatedly to adjust downward their forecasts of global economic growth for the year.

Prospects for the international economy in 2012 are clouded, with uncertainty remaining at a high level in the near term and all forecasting institutions expecting the growth rate to be lower than in 2011. According to the IMF's January forecast, this year's global growth rate will be 3.3%, down from 3.8% in 2011; in the World Bank's calculation, growth will drop from 2.7% in 2011 to 2.5% this year; and in February, Global Insight predicted that the world's economic growth rate would shrink from 3.0% last year to 2.7% in 2012.

In regard to performance in individual countries, the updated "World Economic Outlook" issued by the IMF in January 2012 predicts that U.S. growth this year will maintain the 2011 level of 1.8%; that the euro area will contract by 0.5% because of the sovereign debt problems in five European countries, the effects of bank deleveraging on the real economy, and further fiscal consolidation; and that Japan, benefiting from reconstruction following the earthquake, tsunami, and nuclear disasters, will grow by 1.7%. With emerging markets being affected by weakening economic performance, the IMF predicts that among the BRIC countries, India and China will grow at relatively high rates of 7% and 8.2%, respectively, while Brazil will grow by 3% and Russia by 3.3%.

Global Insight's forecast has the U.S. growth rate rising from 1.7% in 2011 to 2.1% in 2012; the euro area growth rate dropping from 1.5% to -0.5% over the same period; and, in Asia, the Chinese growth rate slipping from 9.2% to 8.1% and the Japanese rate rising from -0.9% to 1.2%.

Forecast on Global Economic Growth Rates

Unit: %

Area \ Institute	IMF		The World Bank		Global Insight Inc.	
	2011	2012	2012	2012	2011	2012
Global	3.8 (4.0)	3.3 (4.0)	2.7 (3.3)	2.5 (3.6)	3.0 (3.0)	2.7 (2.7)
US	1.8 (1.5)	1.8 (1.8)	1.7 (2.8)	2.2 (2.9)	1.7 (1.8)	2.1 (2.0)
Japan	-0.9 (-0.5)	1.7 (2.3)	-0.9 (1.8)	1.9 (2.6)	-0.9 (-0.7)	1.2 (2.9)
Euro Area	1.6 (1.6)	-0.5 (1.1)	1.6 (2.3)	-0.3 (1.8)	1.5 (1.5)	-0.5 (-0.7)
China	9.2 (9.5)	8.2 (9.0)	9.1 (9.0)	8.4 (8.4)	9.2 (9.2)	8.1 (7.9)

Note: Figures in () refer to the previous forecast

Sources: Jan., 2012, IMF, Jan., 2012, The World Bank, Feb., 2012, Global Insight Inc.

In 2012, the contributions of internal and external demand to economic growth are expected to be under 1.09 and 2.76 percentage points, respectively. The Directorate General of Budget, Accounting and Statistics predicts that real GDP growth will reach 3.85%.

In respect to external demand, the IMF predicts that as global economic growth slows down, the rate of growth in global trade will drop from 6.9% last year to 3.8% in 2012. Taiwan's room for export growth will be compressed by the cooling of export markets plus increasingly intense pressure on domestic high-tech manufacturers by competition from big international companies; fortunately, however, the smart phone, flat-panel TV, cloud computing, and other high-tech industries will continuously update and introduce new products and technologies, the effects of the ECFA early-harvest list will continue to expand, and industrial upgrading in China will stimulate demand for electronic, information and communications, and machinery products, all of which will serve to boost export momentum. As a result, net external demand is expected to contribute 2.76 percentage points to Taiwan's economic growth this year.

In the area of internal demand, as economic prospects have not completely cleared up consumer confidence remains weak; but the labor situation is continuing to improve, and the problem of unpaid leave is showing signs of alleviation. This favors the steady strengthening of consumption ability and willingness. In investment, despite additional investment by domestic telecoms operators, investment by leisure enterprises in response to the increase in tourist arrivals, and ongoing planning by Japanese enterprises for the establishment of factories in Taiwan, all of which are favorable to domestic investment, external demand will grow slowly, production capacity will be excessive, and technology companies will restrain their pace of expansion. Domestic consumption, investment, and inventory building together will add 1.09 percentage points to economic growth.

Back in September the IFM was still predicting that Taiwan's economic growth this year would reach 5%, but with the deterioration in the Southern European sovereign debt crisis that began in the fourth quarter of 2011 major forecasting institutions have cut their forecasts for Taiwan's growth in 2012. Global Insight has reduced its growth figure to 3.8%, and the Asian Development Bank to 4.1%. Forecasts of this year's growth by domestic research institutions are mostly under 4%; only the Chung Hua Institution for Economic Research's forecast is higher than that, at 4.07%. The Academia Sinica forecasts growth at 3.81, and the January forecast by the Taiwan Institute of Economic Research puts GDP growth in 2012 at 3.96%.

Since America's economic recovery has been showing signs of stabilizing recently and the European debt crisis is moderating; and, in addition, America, Europe, and Japan are maintaining interest rates at a low level and adopting loose monetary policies, and China is lowering its deposit reserve requirement—all of which facilitate economic warming—the Council for Economic Planning and Development believes that Taiwan's economy will evidence a trend toward “quarter-by-quarter improvement and moderate recovery.” But global capital flows rapidly and oil prices are rising constantly because of geopolitical problems, and there is no doubt that this will be a year of relatively large fluctuations in the stock, bond, and foreign exchange markets.

Forecast on Taiwan Economic Growth Rates

Unit: %

Institution		2010	2011
Public and domestic institutions	DGBAS (2012.2)	4.03 (4.51)	3.85 (4.19)
	TIER (2012.1)	4.64 (5.70)	3.96 (4.22)
	CIER (2011.12)	4.4 (4.58)	4.07 (4.15)
	Academia Sinica (2011.12)	4.38 (5.52)	3.81
	(2011.12)	4.33 (4.73)	3.93 (4.51)
	(2011.12)	4.3 (4.95)	3.7
Foreign institutions	IMF (2011.9)	5.2 (5.4)	5.0 (5.2)
	Global Insight (2012.2)	4.5 (4.5)	3.8 (3.9)
	Asian Development Bank (2011.12)	4.6 (4.8)	4.1 (4.7)

Note: The date in () for the institutions indicate the forecast date; The figures in () for the 2011 data refer to the previous forecast

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

Although the weakening of global demand will restrain rises in the prices of agricultural and industrial raw materials, the risk that crude oil prices will rise because of turbulence in the Middle East will keep international oil prices at a high level and add upward price pressure on energy-related products. At the same time, prices of ICT products are expected to continue falling, housing

rentals are likely to remain stable, and the government price stabilization measures can be expected to continue, all of which will alleviate the pressure for price increases; the Directorate General of Budget, Accounting and Statistics (DGBAS) predicts that the consumer price index (CPI) will rise at a moderate 1.29% this year, lower than the 1.42% increase in 2011. However, domestic fuel, electricity, and water prices have been kept at a low level for a long time and there is unceasing clamor for a discussion of price adjustments. According to DGBAS estimates, an increase of 10% in gasoline and diesel prices will cause the CPI to rise by 0.39 percentage points and a 10% increase in electricity prices will boost the CPI by 0.37 percentage points. Domestic commodity price trends in 2012, therefore, will continue to be affected by a number of uncertainties.

B. Major Financial Measures

1. Financial Business Operations

- (1) On Mar. 15, 2011 the Financial Supervisory Commission (FSC) signed a multilateral memorandum of understanding for consultation, cooperation, and information exchange with the International Organization of Securities Commissions (IOSCO), enabling it to exchange information, assist in surveys, and engage in other cross-border supervisory cooperation with the 74 other signatories. This will enhance and deepen Taiwan's participation in international organizations, and will boost cross-border cooperation.
- (2) The Central Bank announced hikes of 0.125 percentage points each in the rediscount rate, interest rate for accommodation against secured loans, and interest rate for short-term accommodation on Mar. 31 and June 30, 2011. These increases brought these three interest rates to 1.875%, 2.25%, and 4.125%, respectively, where they remained unchanged as of Dec. 31.
- (3) To continue liberalizing the establishment of branches and promoting the healthy development of business by financial institutions, while also considering the need to promote local financial services and the development of business by credit cooperatives, the FSC approved an amendment to Article 3 of the "Regulations Governing Domestic Branches of Financial Institutions" on May 10, 2011. A provision was added to the conditions for branch application requiring an average return on pre-tax net worth for the previous three years of 1.5 times the three-year average for domestic banks and credit cooperatives. When 1.5 times the three-year average for domestic banks and credit cooperatives exceeds 5%, however, a credit cooperative may apply if its average return on pre-tax net work for the previous three years reaches at least 5%.
- (4) The Central Bank moved to strengthen liquidity risk control by financial institutions by amending "The Requirement for Minimum Ratio of Liquid Assets to Liabilities of Financial Institutions," in reference to the methods used by major countries and financial practice in Taiwan, on July 18, 2011, raising the minimum ratio of liquid assets to liabilities (liquid

reserves ratio) to 10%, with provision on a daily basis. Relevant provisions of the “Directions for Auditing Liquidity of Financial Institutions” were also amended, and all of the amendments took effect on Oct. 1, 2011.

- (5) The FSC signed a memorandum of understanding on cooperation in banking supervision with the Hong Kong Monetary Authority on Aug. 11, 2011. The MOU encompasses the exchange of information, scheduled meetings and continuous liaison, inspection, and information confidentiality and utilization, allowing the two sides to strengthen cooperation in banking supervision.
- (6) On Oct. 12, 2011 the FSC announced the mapping out of financial development administrative goals in accordance with the “National Vision for the Golden Decade.” The goals include (1) expansion of the operating scope and enhancement of the competitiveness of financial institutions, (2) reinforcement of financial oversight and assurance of financial stability, (3) orderly promotion of cross-strait financial dealings, (4) bringing the financial market in line with international norms, (5) satisfying of diversified financial needs, (6) continuous development of a funding platform for high-tech and innovative industries, and (7) establishment of a financial consumer dispute settlement platform.
- (7) The FSC announced a revision of Article 12-1 of the Banking Law on Nov. 9, 2011 to stipulate that banks extending home and consumer loans may not demand that the borrowers provide a joint guarantor, and if the banks have secured sufficient collateral they may not demand that the borrowers provide guarantors. In addition, Article 12-2 was added to stipulate the term of validity of guarantee contracts so that, without the written agreement of the guarantors, the validity of guarantor contracts for home and consumer loans may not exceed 15 years
- (8) The FSC moved to help the involuntarily unemployed weather their hard times by coordinating with the Bankers Association for a meeting of its Executive Board of Directors on Dec. 9, 2011 to pass “Guidelines for Delaying Principal Payments and Extending Repayment Periods for Loans Extended by Bankers Association Members to Voluntarily Unemployed Workers,” with the deadline for applications for such delays and extensions set at the end of June 2012. The FSC implemented the Guidelines on Dec. 15, 2011.
- (9) The FSC announced the abolishing of the “Operating Regulations for Dealing with Failing Financial Institutions by the Executive Yuan Financial Restructuring Fund” on Dec. 16, 2011, effective Jan. 1, 2012.

2. Cross-Strait Financial Relations

- (1) In accordance with the “early harvest” list of the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China, the FSC approved applications by the Mega International Commercial Bank (on Jan. 27, 2011), Bank of Taiwan (Feb. 10, 2011), E.Sun Bank (June 16, 2011), and Taiwan Business Bank (Nov. 17, 2011) to set up branches in

- China. On Oct. 13 that year the FSC approved the first establishment of a second branch in China, in Chengdu, following a Shanghai branch.
- (2) To help the Hong Kong branches of Taiwanese banks expand their business, and to give the Hong Kong branches more flexibility in utilizing RMB funds, the FSC asked the Bankers Association on Mar. 10, 2011 to relay to its members the notification that a negative list would be adopted for the handling of RMB businesses.
 - (3) To speed up the deployment of Taiwanese banks in China, on Mar. 16, 2011 the FSC revised the “Regulatory Principles for Investments in Mainland China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises” to relax restrictions on the number of invested financial institutions in China. By Dec. 13, 2011, the FSC had approved applications by eight financial holding companies or banks for their subsidiaries to invest in financial leasing companies in China.
 - (4) The FSC and the China Banking Regulatory Commission jointly organized the first cross-strait banking regulation cooperation platform conference on Apr. 25, 2011, initiating cross-strait regulatory cooperation and establishing the concrete content and operating mechanism for the cooperation platform.
 - (5) The FSC and the Central Bank jointly announced “Regulations for Operation of RMB Business by Banks in the Taiwan Area” on July 21, 2011 to expand space for business development by offshore banking units (OBUs) and overseas branches. These new rules allow OBUs and third-country branches of banks in Taiwan to apply for the operation of OBU businesses.
 - (6) The FSC amended the “Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area” on Sep. 7, 2011, deleting restrictions on cross-strait business by designated foreign exchange banks in Taiwan and the foreign branches and offshore banking units (OBUs) of Taiwanese banks. Following the amendment, the loan business also includes factoring; the recipients of loans by the overseas branches and OBUs of Taiwanese banks are no longer limited to Taiwanese and foreign businesses in China, but also include Chinese businesses; and the balance of short-term trade financing and international syndicated loans is no longer limited to 30% of the assets of the overseas branches and OBUs of Taiwanese banks.
 - (7) On Sep. 27, 2011 the FSC issued an order allowing financial institutions from China, and their overseas branches, to serve as guarantors as noted in Article 12, Paragraph 4 of the Banking Law so long as they meet one of the following conditions: 1. They have established branches in Taiwan; 2. They have not established branches in Taiwan but rank within the global top 1,000 banks in terms of assets or capital and have excellent credit.
 - (8) To further invigorate the utilization of RMB funds by banks, the FSC announced a revision of Points 2 and 3 of the “Directions Governing Limitations on Types and Amounts of the Securities in Which

a Commercial Bank May Invest” to allow the overseas branches of commercial banks to invest in securities issued by mainland Chinese governments and companies.

- (9) On Dec. 20, 2011 the FSC announced that the date of implementation of provisions on equity investment contained in Chapter 4, Section 3 of the “Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area” would be Jan. 2, 2012. Under current regulations governing permission for cross-strait financial businesses, investment targets are banks and financial holdings and the ratio of their shareholding must be calculated together with the shareholding of other Chinese investors; in addition, shareholding by any single Chinese cannot exceed 5% of the total shares of the invested bank or financial holding company in Taiwan and, calculated together with shareholding by other Chinese investors, cannot exceed 10%.
- (10) On Mar. 17, 2011 the FSC approved the establishment of a representative office in Taiwan by the China Construction Bank, and on Dec. 22, 2011 approved applications to establish branches in Taiwan by two other Chinese banks, the Bank of China and Bank of Communications.

3. Financial Institutions Management

- (1) To reinforce the loan asset quality and risk pricing policy of financial institutions, the FSC ruled that in accordance with the “Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans,” beginning Jan. 1, 2011 financial institutions should, with the exception of creditor’s rights against Taiwanese government agencies, allocate a reserve of at least 0.5% of their class one ordinary loan assets, with the possibility of building up the full reserve over a three-year period. Prior to expiration of the three-year deadline, to help banks accumulate the ability to recover when faced with adverse circumstances and to fully implement risk-based loan business management, the island’s banks and credit cooperatives should target a reserve/gross loan ratio of at least 1%.
- (2) To comply with the Third Pillar of the New Basel Accord—the principle of market discipline through the disclosure of information—on Mar. 28, 2011 the FSC issued an order that in accordance with Article 12, Paragraph 2 of the “Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks,” Taiwanese banks should establish “Capital Adequacy and Risk Management” pages on their websites to disclose related information, effective June 30, 2011.
- (3) In view of the careful and stable nature of the banking industry, and to make bank credit conform to national financial policy so that banks can protect the rights of depositors, customers, and investors through more orderly and effective methods, on Aug. 19, 2011 the FSC amended the “Criteria Governing the Preparation of Financial Statements by Publicly Listed Banks,” which took effect on Jan. 1, 2012.

- (4) The Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlements announced “Enhancements to the Basel II framework,” “Revisions to the Basel II market risk framework,” and “Guidelines for computing capital for incremental risk in the trading book” in July 2009, revising methods of calculating capital for securitization and market risk. To strengthen capital adequacy in Taiwan banks and maintain financial stability, the FSC announced a revision of capital rules for asset securitization and market risk in “Explanations and Forms for the Calculation of Bank Capital and Risk-based Assets” on Oct. 3, 2011 in accordance with the BCBS revisions. The revision was implemented on Jan. 1, 2012 in coordination with the revision of related reporting forms.
- (5) In response to the International Accounting Standards Board’s postponement of the implementation of International Financial Reporting Standards 9 (IFRS 9): “Financial Instruments: Classification and Measurement” on Nov. 7, 2011, on Dec. 26, 2011 the FSC revised the provisions on financial assets accounting to which IFRS 9 is applicable in the “Criteria Governing the Preparation of Financial Statements by Publicly Listed Banks” and “Criteria Governing the Preparation of Financial Statements by Financial Holding Companies.” Prior to IFRS 9 taking effect, the accounting treatment of financial instruments should be handled in accordance with the 2009 version of International Accounting Standards 39 (IAS 39): “Financial Instruments: Recognition and Measurement.”

4. Financial Holding Companies

- (1) To provide rules for investment in enterprises in mainland China by banks and financial holding companies, on Mar. 16, 2011 the FSC announced a revision of Points 2 and 5 of the “Regulatory Principles for Investments in Mainland China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises.” The key changes include deletion of the restriction of investment in mainland Chinese financial enterprises to a single company, and a requirement that banks and financial holding companies should supervise the formulation of risk management mechanisms for the mainland Chinese invested enterprises of their subsidiaries; the banks or financial holding companies should include that risk in their total mainland Chinese risk acceptance, and report it to their boards of directors for approval. When a bank or financial holding company applies to the FSC for investment in a financial enterprise, it should attach risk management mechanism and total mainland Chinese risk acceptance control documentation.
- (2) On Sep. 7, 2011 the FSC announced that investment in venture capital firms in mainland China by financial holding companies through subsidiaries comes under the scope of “Investment in Finance Related Enterprises or Venture Capital Enterprises Other than Financial Institutions” as defined in the “Regulatory Principles for Investments in Mainland

China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises.”

A financial holding company may, through a subsidiary, invest in a venture capital firm in mainland China to increase the group’s diversity of revenue channels, take timely advantage of information and business opportunities in mainland China, expand its international vision, or increase its international business.

C. Banking Operations in 2011

1. Changes in the Operating Units of Financial Institutions

Various types of financial institutions in Taiwan includes all monetary institutions, investment trust companies (prior to December 2008), and life insurance companies, with “all monetary institutions” including the Central Bank and other monetary institutions. “Other monetary institutions” are divided into domestic banks, Taiwan branches of foreign banks, credit cooperatives, credit departments of farmers’ and fishermen’s associations, the Department of Savings & Remittances, Chunghwa Post Co., and money market mutual funds. The number of financial institutions in Taiwan at the end of December 2011 was 425, the same as that at the end of 2010. The total number of bank branches in Taiwan at the end of 2011 stood at 6,016, 27 more than the end of 2009.

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

After the adverse impact of the global financial crisis gradually dissipated, Taiwan’s banking industry returned to a state of stable growth; not only has asset quality slowly improved and the non-performing-loan ratio dropped to record lows, but profits have also steadily brightened. According to statistics compiled by the FSC’s Banking Bureau, at the end of December 2011 total NPLs of domestic banks amounted to NT\$92.8 billion, down by NT\$28.9 billion or 23.75% from the NT\$121.7 billion in NPLs at the end of 2010. The nation’s NPL ratio has dropped steadily since hitting a peak of 11.74% in the first quarter of 2002, falling to just 0.43% at the end of December 2011. This was a reduction of 0.18 percentage points from the 0.61% ratio recorded at the end of 2010.

The coverage ratio of Taiwanese banks’ loan loss reserve against NPL was 251.83% at the end of December 2011, a major improvement of 93.76 percentage points from 158.07% at the end of 2010 and 161.33 percentage points higher than the 90.50% at the end of 2009. This reflected a large improvement in the risk-bearing capability of Taiwanese banks.

3. Summary of Banking Profits

The before-tax profits of Taiwan’s banks totaled NT\$200 billion in 2011, up 9.17% from 2010’s NT\$183.2 billion. Over the same period their return on assets (ROA) increased from 0.58%

to 0.59% and return on equity (ROE) rose from 9.10% to 9.33%, both seven-year highs. The “early harvest” list of the cross-strait Economic Cooperation Framework Agreement (ECFA) boosted opportunities for Taiwan financial institutions to expand their business in mainland China and granted them better conditions than those of other countries for entering the Chinese market. Bankers look forward to the continuation of ECFA’s positive effects through follow-up negotiations.

Further, the gap between deposit and loan interest rates has been improving for banks since 2009, widening from 1.22 percentage points that year to 1.41 percentage points in 2011. This is, of course, beneficial to the profitability of Taiwan banks.

4. Major Operations of the Banking System

(1) Deposit Operations

Deposits in all monetary institutions at the end of 2011 totaled NT\$32.30 trillion, up NT\$1,296.5 billion over the year before for a growth of 4.18%. Time deposits accounted for the largest portion of this total, with 39.39%, followed by demand deposits with 33.20%. With the exception of NT Dollar deposits by foreigners and deposits by the government, all categories of deposits showed growth at the end of 2011. Time and time savings deposits experienced the strongest growth, expanding by NT\$867.2 billion to NT\$12.72 trillion for an annual growth of 7.32%. Demand deposits increased by NT\$261.6 billion over the end of 2010 to NT\$10.72 trillion, for an annual growth of 3.52%. Foreign-currency deposits grew 4.01%, to NT\$2.68 trillion.

Changes in Deposits by Category of Major Financial Institutions

Unit: NT\$ 100 million

Item	Year	End of 2011	End of 2010	Amount change	Percentage change %
Demand deposits		107,229	104,613	+2,616	+2.50
Time and savings deposits		127,224	118,552	+8,672	+7.32
Foreign currency deposits		26,784	25,752	+1,032	+4.01
Government deposits		46,568	44,985	+1,583	+3.52
Postal savings deposits		2,131	2,229	-98	-4.40
Repurchase agreements		3,510	3,448	+62	+1.80
Others		9,576	10,478	-902	-8.61
Total		323,022	310,057	+12,965	+4.18

Source: “Financial Statistics Monthly, Republic of China,” Department of Economic Research, CBC, February 2012.

(2) Loans and Investment Operations

Loans and investments outstanding by all monetary institutions stood at NT\$24.18 trillion at the end of 2011, an increase of NT\$1,369.2 billion over a year earlier for a growth of 6%. This as a slight decline in growth compared with the 6.15% recorded in 2010.

Loans and investments by all monetary institutions showed growth in all recipient categories at the end of 2011. Debt due from the private sector increased by the greatest amount, NT\$1,139.9 billion, for a growth of 6.25%, followed by debt due from the government, which expanded NT\$162.1 billion for a growth of 4.52%. Debt due from state-owned enterprises rose by NT\$67.3 billion, up 6.89%.

Loans and Investments by Sector of Major Financial Institutions

Unit: NT\$ 100 million

Item	Year	End of 2011	End of 2010	Amount change	Percentage change %
Claims on the government		37,454	35,833	+1,621	+4.52
Claims on state-owned enterprises		10,442	9,769	+673	+6.89
Claims on the private sector		193,834	182,435	+11,399	+6.25
Total		241,729	228,037	+13,692	+6.00

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2012.

(3) Foreign Exchange Operations

The average daily foreign exchange turnover (total of bank-customer and interbank markets) for 2011 was US\$24.169 billion, up 19.46% compared with 2010. Average daily turnover in the bank-customer market was US\$6.219 billion, up 25.59%, and average daily turnover in the interbank market was US\$17.950 billion, a growth of 17.48%.

All types of foreign exchange transactions grew in 2011. The largest nominal increase was recorded by spot transactions, which expanded by US\$1.12 billion; the highest ratio of growth was chalked up by forward transactions, which grew 72.56%, followed by options transactions with a growth of 30.74%.

Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item	Year	2011	2010	Amount change	Percentage change (%)
Spot		7,058	5,938	+1,120	+18.86
Forward		1,063	616	+447	+72.56
Swap		8,051	7,365	+686	+9.31
Option		1,731	1,324	+407	+30.74
Cross currency swap		47	36	+11	+30.56
Total		17,950	15,279	+2,671	+17.48

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2012.

(4) Consumer Finance Operations

According to statistics compiled by the FSC's Banking Bureau, a total of 32,859,000 cards issued by 32 credit-card issuing institutions were in circulation at the end of December 2011; this was an increase of 2,140,000 over the 30,710,000 cards in circulation at the end of 2010, for a growth of 6.97%. Total consumption using these cards in 2011 amounted to NT\$1,669.139 billion, up 8.46% from 2010. The amount of revolving credit outstanding at the end of the year stood at NT\$141.561 billion, down 21.78% from the end of 2010; cash advances outstanding totaled NT\$30.124 billion, down 7.74% from a year earlier.

Statistics compiled by the FSC's Banking Bureau show that the total number of automatic teller machines (ATMs) in Taiwan slipped 0.16% in 2011, falling from 25,702 at the end of December 2010 to 25,660 a year later. The accumulated issuance of bank cards rose from 154.64 million at the end of 2010 to 161.23 million at the end of 2011, a growth of 6.59 million or 4.27%. ATM transactions during 2011 totaled 662.95 million, an increase of 1.17% over 2010; the value of the transactions in 2011 amounted to NT\$8,352.6 billion, up 0.49%.

(5) Financial Derivatives Business

The nominal amount of unsettled derivatives contracts outstanding by 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 2011 stood at the equivalent of NT\$49.05 trillion, down approximately NT\$2.19 trillion from NT\$51.24 trillion a year earlier for a reduction of 4.27%.

The over-the-counter (OTC) transactions accounted for 99.87% of these transactions, while exchange-traded transactions made up only 0.13%. Of the OTC transactions, swaps accounted for the lion's share, with 58.24% of the total, followed by forward contracts with about 32.28%. Sold and purchased options accounted for 4.79% and 4.56%, respectively. Trade-related contracts made up 99.35% of the total, while non-trade-related contracts accounted for only 0.65%.

Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$100 million, %

Item	End of Dec. 2011		End of Dec. 2010		Changes	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts	490,472	100.00	512,442	100.00	-21,970	-4.29
A. OTC	489,840	99.87	511,016	99.72	-21,176	-4.14
1. Forwards	158,328	32.28	122,270	23.86	36,058	29.49
2. Swaps	285,634	58.24	339,936	66.34	-54,302	-15.97
3. Call option	22,360	4.56	24,038	4.69	-1,678	-6.98
4. Put options	23,518	4.79	24,772	4.83	-1,254	-5.06
B. Exchange-traded	632	0.13	1,426	0.28	-794	-55.68
1. Futures- long positions	175	0.04	372	0.07	-197	-52.96
2. Futures- short positions	395	0.08	773	0.15	-378	-48.90
3. Call options	47	0.01	160	0.03	-113	-70.63
4. Put options	15	0.00	121	0.03	-106	-87.60
II. Notional Amounts	490,472	100.00	512,442	100.00	-21,970	-4.29
A. Total contracts held for trading purpose	487,272	99.35	508,925	99.31	-21,653	-4.25
B. Total contracts held for non-trading purpose	3,200	0.65	3,517	0.69	-317	-9.01

Source: The CBC website, February 2012.

IV. Report on the Work of BAROC

A. Major Achievements in 2011

1. Opinions on coping with the stipulations of the Financial Consumer Protection Act and its statutory instruments were formulated, and the competent authority was assisted with the establishment of a financial disputes review mechanism

- (1) The competent authority commissioned the formulation of statutory instruments and mediation guidelines according to Article 4 (qualified institutional investors and prescribed level of financial capacity or professional expertise), Article 8 (business solicitation and promotion), Article 9 (suitability of products), Article 10 (disclosure of risks), Article 13, Paragraph 5 and Article 14, Paragraph 3 (collection of fees). Article 18, Paragraph 2 (qualifications of ombudsman committee members), and Article 23, Paragraph 1 (procedures for ombudsman cases) of the Financial Consumer Protection Act; the Bankers Association assisted with formulation of draft rules for advertising solicitation and business marketing behavior, and compiled opinions on the related statutory instruments for the reference of the competent authority.
- (2) The Association assisted the competent authority with the establishment of the Financial Ombudsman Institution, a dispute settlement body. In addition to providing information on the procedures of the Association's Committee on Banking Consumer Disputes Resolution for reviewing structured note cases, related costs, and manpower allocation, the Association also held briefings at the FSC to share the practical experiences of the Committee on Banking Consumer Disputes. In addition, it stationed personnel there to help set up the Financial Ombudsman Institution.

2. Coordination with the government's promotion of banks' conformity with the International Financial Reporting System (IFRS)

In coordination with the government's promotion of Taiwan's adoption of IFRS beginning in 2013, the Association brought together the competent authority, certified public accountants, and banking representatives to organize an IFRS Task Force to carry out the following tasks:

- (1) Discussion of how to resolve practical issues encountered by the banking industry and formulation of "Major Reference Principles for Adjusting the Contract Interest Rate of Bank Loans and Receivables to Effective Interest Rate and Listing as Interest Revenue in Accordance with the Provisions of the 3rd Revision of Bulletin 34," "Suggested Accounting Entry for the Adoption of Effective Interest Rate for Bank Loans," and "Financial Asset Categorization and Measurement Reference Program" for the reference of the Association's member banks, and holding of related seminars.
- (2) The "Guide and Explanatory Examples for the Application by Banks of IFRS, and Related Disclosures," which PwC Taiwan formulated on commission by the Association, was

examined and the “Principles for Accounting System in Banking Industry” was revised, and both were provided to member banks for reference.

- (3) Difficulties faced by banks in implementing IFRS were surveyed, and a “Report of the Overall Impact of IFRS on Taiwan’s Banking Industry” was compiled and provided to the competent authority for reference.
- (4) The FSC set up and operated an IFRS Service Center from May through December 2011 to help companies listed on the stock market, over-the-counter market, and GreTai Securities Market, as well as financial companies, introduce IFRS.

3. Feedback of the banking industry’s opinions on and practical difficulties in implementing the U.S. “Foreign Account Tax Compliance Act (FATCA)”

- (1) To help cope with FATCA, the Association formulated opinions regarding FATCA’s impact on the financial industry on the legal, business, and taxation levels (including responsive methods adopted by Japan, Singapore, Hong Kong, mainland China, and Australia) for the reference of the member banks. In May 2011 the Association set up an ad hoc committee to study the matter and asked outside professional institutions to refer to the opinions of other countries, and on June 3 mailed the U.S. Treasury Department and Internal Revenue Service to express the opinions of Taiwanese banks their practical difficulties with implementation. The Association also suggested that local banks set up in-house ad hoc committees to assess the impact of FATCA and make early response to it.
- (2) When representatives from the American Institute in Taiwan (AIT) visited the Association on Oct. 28, 2011, the Association expressed the opinion that based on the principle of equality, the government should set up a mutual assistance mechanism to design cooperative measures for individual cases instead of having individual Taiwanese banks sign unilateral contracts with the American tax authority. In respect to concerns about legality, the Association suggested that AIT visit government agencies and reiterate the Association’s stance on FATCA. It also formulated various written materials, such as “Difficulties in Respect to Legal Basis and Implementation for Taiwanese Banks Signing FTA” and “Impact and Influence of FATCA Implementation on the U.S. Financial Environment.”
- (3) The Association worked with Taiwan’s interministerial “Task Force for Response to the U.S. Foreign Account Tax Compliance Act” in holding a telephone conference with the U.S. Treasury Department and Internal Revenue Service on Dec. 22, 2011, and provided eight supplementary ideas about the Chinese-English version of FATCA for the reference of the Financial Supervisory Commission’s Banking Bureau.

4. Mapping out of financial measures in line with government policy

- (1) In coordination with the economic response program introduced by the government to deal with the European debt crisis that broke out at the end of 2011, the Association mapped out

three financial assistance measures: “Self-discipline Standards for Members of the Bankers Association of the ROC in Handling Corporate Debt Negotiation Cases Transferred from the Ministry of Economic Affairs,” “Provisional Supplementary Principles for Banks Handling Stock Collateral in Line with the Government’s Economic Response Program,” and “Operating Guidelines for Handling Delayed Payment or Extended Payment Terms for Home Loans to Involuntarily Unemployed Workers by Members of the Bankers Association of the ROC.” On instructions from the FSC, the Association also set up a consultation and complaint window where itself and its members can receive enquiries from banking customers; in addition, each month the Association compiles information on the status of financial assistance measures implemented by member banks.

- (2) To help Taiwan import and export goods from and to Iran normally and legally, and to allow payments and collections through normal remittance channels, the FSC established “Measures for the Management of Trade Financing Between Taiwan and Iran” and the Bankers Association accordingly formulated the “Funds Clearance Guidelines for Banks Handling Trade with Iran,” which were implemented on Oct. 3, 2011 after being approved by the FSC.

5. Promotion of cross-strait banking business and study of related issues and suggestions for reference in cross-strait negotiations

- (1) The Association formulated 13 suggestions for amendment of the “Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area,” which the FSC was asked to consider. Seven of the suggestions were adopted.
- (2) To facilitate the smooth development of business by the mainland Chinese branches of Taiwanese banks after ECFA came into effect, the Association submitted suggestions, for the competent authority to use in follow-up cross-strait negotiations, on favorable measures which the Taiwanese banks should seek from the Chinese authorities on a priority basis.
- (3) To help banks with their business development, the Association collected opinions from representatives of its Mainland Chinese Committee and submitted a written report to the FSC on such issues as the impact of the signing of a cross-strait monetary settlement agreement on the Taiwan area, and conditions needed for Taiwan to become an offshore RMB center and necessary revisions of laws and regulations.

6. Helping bankers comply with the rules of the Basel banking supervision system

To familiarize bankers and the competent authority with the rules of the Basel Committee on Banking Supervision and help them meet international norms, the Association worked with the Banking Bureau in the joint establishment of a working group to serve as a platform for communication between bankers and the competent authority and to study relevant issues, as follows:

- (1) The Association submitted a report to the Banking Bureau on the draft revision of the “Items Related to Capital Adequacy to be Disclosed by Domestic Banks” and on the time needed for the banking industry to make preparations. After referring to the Association’s opinions, the FSC promulgated the revised items to be disclosed and designated June 30, 2011 as the date of implementation.
- (2) The Association asked its member banks to express their opinions on the draft revision of the “Explanation of Methods and Forms for the Calculation of Bank Capital and Risk-based Assets” in regard to securitization and market risk-based capital requirements. The Association compiled the opinions and submitted them to the Banking Bureau for reference, and relayed the relevant explanation of calculation methods and forms to member banks.
- (3) The Association helped the Banking Bureau review and polish the Chinese versions of “Basel III: A global regulatory framework for more resilient banks and banking systems” and “guide for the management of countercyclical capital buffers by governments.” The Association also formulated an “Operating Guide for Credit-risk Stress Tests for Banks” and reported it to the Banking Bureau.
- (4) The Association helped the Banking Bureau with the collection of data on domestic bank’s knowledge and understanding of Basel III’s capital instrument qualification standards and willingness to issue, the acceptance of those instruments by Taiwan’s capital market, and concrete proposals for regulatory revisions for reference in making such revisions. The Association also collected the proposals of the overall banking industry and the opinions of individual banks, compiled them, and submitted them to the Banking Bureau for reference.

7. Submission of opinions on the revision of the “Statute for Consumer Debt Clearance” and emergence of results of preliminary negotiations

- (1) The Legislative Yuan passed the revision on Dec. 12, 2011, and the revised “Statute for Consumer Debt Clearance” was promulgated by the President and implemented on Jan. 4, 2012. A total of 23 articles were revised and five new ones added. The original single-track negotiating mechanism under which the debtor applied to his or her largest creditor financial institution for preliminary negotiations, as stipulated in Article 51, Article 51-1, Article 153-1, and Article 154, was revised to a double-track mechanism under which the debtor may apply to the court or a local mediation committee, or to his or her largest creditor financial institution for preliminary negotiations. The Association has supplied preliminary negotiating practices to the Legislative Yuan for reference in the future design of preliminary mediation procedures.
- (2) To help more people learn about the preliminary negotiation mechanism and help debtors boldly face up to their debt obligations, the Association held an “Easy Debt Resolution: Do It Yourself” publicity campaign on Sep. 12, 2011. The campaign included two press conferences to publicize the advantages and results of preliminary negotiation, and parties to successful preliminary negotiation cases were invited to share their experiences. A “creative

short video” contest was held; awards were given for the top five entrants, and the two top videos were made into DVDs and distributed to member institutions.

- (3) The BAROC received 15,603 applications for preliminary negotiations involving a total amount of NT\$178.6 billion from the public in 2011.

8. Provision of proposals for revision of banking-related laws

- (1) The Association responded to the implementation of the revised “Personal Information Protection Act” with the following:
- a. Drafting, on instructions from the Banking Bureau, of “Personal Information File Security Protection Plan Standards for the Financial Industry” and “Regulations for the Disposition of Personal Information Following the Termination of Business for the Financial Industry” for the reference of the Bureau.
 - b. Holding of a “Seminar on the Revised Provisions of the Personal Information Protection Act,” inviting Ministry of Justice officials and banking experts to explain the principles and theory of the Act and its potential impact on banking practices. A record of the seminar and its Q&A sessions was produced and sent to member banks for reference.
 - c. Continuous provision of proposals for revision during the formulation period of the enforcement rules for the “Personal Information Protection Act”; compilation of members’ opinions on the prior notice of the enforcement rules that was issued on Oct. 27, 2011, and reporting of such opinions to the Ministry of Justice for reference.
 - d. Active participation in Personal Information Protection Act-related meetings and seminars convened by the Ministry of Justice and the FSC in order to maintain a firm grasp of the progress and direction of the revision and keep members updated with the latest information, and to reflect the opinions of the banking industry to the competent authorities.
- (2) When legislators proposed the addition to the “Housing Act” of a provision that banks may not “establish loan conditions including unreasonable differential treatment of borrowers, or refuse to provide favorable loan information,” the Association felt that this violated the basic principle that in making loans, differential prices should be set in accordance with the customer’s conditions and extent of risk, and this opinion was submitted to the Banking Bureau for reference. When the Legislative Yuan passed the “Housing Act,” this provision was not included.
- (3) When legislators proposed a revision of Article 28 of the “Labor Standards Act” to reposition the ranking of payments to place workers, based on debts (salaries) arising from labor contracts, above that of mortgage claims, the Association formulated relevant memoranda and submitted them to the FSC, Council of Labor Affairs, and Social Welfare and Environmental Hygiene Committee of the Legislative Yuan, expressing its opposition to the revision. The bill as deliberated and passed by the Legislative Yuan did not include the revision described above.

9. Study of measures to prevent financial fraud and money laundering

- (1) In accordance with the draft “Standard Notification Form for Suspected Watch-listed Accounts Reported by the Public,” the Association formulated a revision of the “Notification Form for Financial Institutions Helping Fraud Victims Report Suspected Watch-listed Accounts.” Following study by a meeting of representatives of member banks, the opinions of financial institutions regarding practical difficulties in implementation were provided to the Banking Bureau for reference.
- (2) The Association cooperated with the FSC in holding the “2011 Financial Fraud Prevention Awards Ceremony” and provided incentive bonuses to personnel with outstanding performance. A total of nine outstanding financial institutions and 73 outstanding personnel received awards.
- (3) In regard to the plan for online reporting mapped out by the Bureau of Investigation, Ministry of Justice, the Association carried out reporting procedures for suspicious transactions as stipulated in Articles 7 and 8 of the “Regulations Governing Cash Transaction Reports and Suspicious Transaction Reports by Financial Institutions.” The Association provided opinions on the “Reporting Form for Suspected Money-laundering Transactions” ; after the Bureau amended the form and provided software for online reporting, the Association notified its member institutions to carry out installation and necessary training, and all banks cooperated by going online on Jan. 1, 2012.

10. Promotion of profit in the banking industry and enhancement of the convenience of services to enterprises and the public

- (1) The Association asked the FSC and the Central Bank to allow the OBUs of domestic banks to handle the cross-border renminbi (RMB) settlement business in the same way that Hong Kong branches do, establish interbank RMB accounts with the Bank of China (Hong Kong), and set up an interbank call loan mechanism with Chinese-invested banks. Approval was granted by the competent authority and the “Regulations on the Conduct of Renminbi Business by Banks in the Taiwan Area” were promulgated on July 21, 2011, providing for the handling of RMB transactions by OBUs and overseas branches. This provides a timely and convenient RMB deposit, loan, and remittance channel for Taiwanese businesses, lowers exchange-rate and interest-rate risk, and promotes the development of OBUs into RMB funding centers for them.
- (2) In coordination with the policies of the competent authority and with future trends, the Association carried out a “Financial XML Business and National Fee (Tax) Payment Business Grant Program” to reward financial institutions with excellent performance and personnel who made contributions to business promotion. A total of NT\$4,679,632 in grants was awarded.
- (3) To help financial institutions in the joint effort to promote the national fee (tax) payment business and encourage the public to use the e-Bill national payment network as a payment channel, the Association held a “e-Bill National Payment Network – Pay and Win a Prize!”

lucky draws on Aug. 15, 2011 and Feb. 14, 2012. Almost 5,000 enterprises had applied to use this collection service by the end of 2011, and the collection of credit card fees for the Standard Chartered Bank and Bank SinoPac was also added. To date, 28 financial institutions are using the national payment network for the collection of credit card fees.

- (4) To make travel in Japan more convenient for Taiwan's people, and to promote cross-border withdrawals and consumption using debit cards, the Association organized a series of lucky draws and distributed promotional materials at the Taipei International Travel Fair and various travel agencies. Promotion and marketing activities were also carried out in cooperation with TransAsia Airways' in-flight boutique and with Mook Publications.
- (5) The Association's SWIFT Division cooperates in the provision of technical consulting services to Taiwan's SWIFT subscribers and regularly invites professional SWIFT managers to present briefings on conversion knowhow and procedure controls with the aim of having Taiwan's subscriber banks switch their Alliance networking equipment on time and upgrading to the 7.0 version by Mar. 31, 2012. By Dec. 31, 2011 96.43% of Taiwan's banks had already finished renewing their networking equipment and 32% had completed the 7.0 upgrading.

11. Other missions entrusted by the competent authority

(1) Consumer Protection

- a. The Association helped the FSC's Banking Bureau by providing opinions on the major rights and obligations of consumers in regard to mortgage-type life insurance, and formulated a draft revision of the unified agreement form which was reported to the competent authority.
- b. The Consumer Protection Commission asked the BAROC to provide opinions on the revision of the draft "Standardized Contract for Unsecured Consumer Loans". The opinions were formulated and submitted to the competent authority.
- c. Amendments to the "Matters to be Stated and Not to be Stated in the Standardized Clauses Concerning Supplementary Bank Cards for Demand (Savings) Deposit Contracts" and "Template of Standard Form Contract for ATM Card Accessory to Demand (Savings) Deposit Contracts," formulated by the Consumers Foundation according to suggestions from the Association, were announced by the FSC and took effect on Jan. 24, 2012. The Association asked financial institutions to implement the changes.
- d. In regard to complaints from the public about the difficulty of connecting with assigned persons on credit card customer service hotlines, as reported in the press, the Association formulated proposals for card issuers to use in improving and upgrading the standard of service on their customer service hotlines, including an average connection time for the customer service hotline of not more than 30 seconds during business hours; the provision of priority attention for emergency service options such as lost items and overseas support, and their installation on the first level of the credit card telephone system; and an assigned service personnel option within the first three levels. The issuing institutions were asked to complete the necessary adjustments by the end of December 2011

e.To avoid the embezzlement of customers' funds by financial institution employees who handle deposits and withdrawals for customers or who safeguard customers' seals or passbooks, the Association formulated the "Operating Model for Deposit and Withdrawal on Behalf of Customers by Financial Institutions" and "Model for the Disposition by Financial Institutions of Seals and Passbooks Left by Customers" which, after reporting to the FSC, member banks were asked to implement.

f.In line with the suggestion of the Ministry of the Interior regarding the opening of accounts for juvenile children by the father or mother of single-parent households, the Association formulated "Operating Procedures for Enquiry from Household Registration Agencies of Citizens' Identity Data by Financial Institutions (Including Flow Chart)." After reporting the "Procedures" to the FSC, member banks were asked to implement them.

g.In coordination with the implementation of the competent authority's "Regulations on the Conduct of Renminbi Business by Banks in the Taiwan Area," the Association formulated self-discipline rules for the disclosure of risk information to customers by banks conducting the renminbi business, including a model "Risk Disclosure Statement by Offshore Banking Units (OBUs) Conducting Renminbi Business" and methods for banks to use in the prior notification of customers. After reporting these rules to the FSC for approval, the Association asked its member banks to implement them.

(2) Business Operations

a.The BAROC invited all financial institutions to join the Small and Medium Business Financial Services Platform set up jointly by the Ministry of Economic Affairs and the Joint Credit Information Center. Consequently, 19 have agreed to join the original five banks to bring the total to 24.

b.To rectify the price-slashing competitive behavior of banks, the FSC instructed the Association to review and revise the pricing rules in the loan standards, giving consideration to the three operating indexes of capital cost, operating cost, and expected risk-loss cost. After the revised provisions are completed, they will be reported to the competent authority for reference.

c.The FSC instructed the Association to formulate opinions and recommendations concerning questionable points in the practical implementation of the revised provisions of Article 12-1 and the new Article 12-2, and submit them to the competent authority.

d.The FSC instructed the Association to cooperate with the GreTai Securities Market in the establishment of an "Over-the-Counter Derivatives Transaction Information Storage System." The Association set up a task force to engage in negotiations and seek the online listing and reporting of products in stages, with the reporting of information on overseas branches beginning in the second stage. The Task Force is also to continue working out the reporting format for the products that are put online in the different stages, and to recommend revisions to the GreTai's plans. The FSC also instructed the Association to help GreTai work

out a platform for the disclosure of information on the market prices of structured products handled at the banks and on pricing for the early termination of contracts. The Association recommended that the scope of submissions be limited to fund-raising structured products, and that the online reporting time be the same as the over-the-counter derivatives transaction information storage system.

- e. In response to the needs of the majority of member banks that also operate the credit card business, and to the FSC's request for the formulation of uniform accounting treatment for revolving credit and amounts of non-yet-due time payments, the Association revised the "Credit Card Accounting System Model (Draft)" in reference to the accounting system model for the banking industry, and submitted the revised draft to the FSC for approval.
- f. The Banking Bureau was assisted in working out operating practices for credit card time payments; under the principle of no charging of compound interest, methods of collecting interest and penalties (for overdue fees) were recommended, as well as provision for an agreement that in case of the early payment of time-payment amounts, an early-payment penalty may be collected. The recommendations were sent to the Banking Bureau for reference.
- g. The Banking Bureau issued instructions for revision of Article 18 of the Association's Self-discipline Convention and asked whether or not clarification of prize drawings, preferential processing fees, accumulation of bonus points (similar to the accumulation of points for credit card consumption), rebates or credit card consumption points, preferential home-loan interest rates, and credit card consumption preferences should be encompassed. The Association formulated its opinions and reported them to the Banking Bureau.
- h. The Association continued evaluating general traders conducting open-market operations according to instructions from the Central Bank, agreeing that Deutsche Bank, Standard Chartered Bank, and DBS Bank (Taiwan) should continue to be rate-fixing banks for the Taipei Interbank Offered Rate (TAIBOR) and that the results would be evaluated and reported to the Central Bank. In line with the Central Bank's ongoing promotion of the policy of using TAIBOR as the interest rate index for the New Taiwan Dollar, the Association asked the rate-fixing banks to fill out a quarterly "TAIBOR Interest Rate Promotion Status Form" for reporting to the Central Bank.
- i. To fill the need of the visually impaired for ATM services, the Association helped banks with the remodeling of their ATMs and carried out reviews of questionable points about operation of the related functions. After reporting to the FSC, the Association coordinated the installation of 10 voice-activated ATMs for the visually impaired at places frequented by the blind in Taipei City, New Taipei City, Taichung City, Tainan City, and Kaohsiung City before July 31, 2011.

(3) Risk management and information security

- a. To keep abreast of international trends by continuously strengthening risk management, the FSC instructed the Association to formulate a revision of the “Standard Principles for Liquidity Risk Management by Banks.” The Association worked out draft “Self-Discipline Rules for Liquidity Risk Management by Banks” and reported it to the FSC.
- b. To assure the sound operation and continuous development of financial holding companies and their subsidiaries, provide for the setting of appropriate risk management policies and procedures, set up an independent and effective risk-management mechanism, and establish a basis for a healthy risk-management culture, the BAROC formulated “Standard Risk-Management Practices for Financial Holding Companies” for the reference of the financial holding industry in implementing the risk management mechanism.
- c. The Banking Bureau instructed BAROC to provide practical examples of formal inauguration overseas in regard to the draft “Security Control Operating Standards for Credit Card Organizations Conducting the ‘Phone Credit Card’ Business” as formulated by the Association. The Association collected information on cases of application and explanations of security regarding the phone credit card business in France, the United States, Korea, and Japan, revised the “Operating Standards” in reference to current trends in international development, and reported the revision to the Banking Bureau for reference.
- d. In consideration of current developments in information technology and changes in the financial environment, BAROC formulated a revision of the “Security Standards for Financial Information Systems” and, after reporting the revision to the FSC, asked financial institutions to implement it.
- e. To enhance the security of bank card transactions and avoid the magnetic strips on cards being recorded or forged, or funds being fraudulently withdrawn, BAROC asked its member organizations to stop domestic transactions by magnetic-strip bank cards by June 30, 2011 and to protect the rights of customers by fulfilling their notification obligation.

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

(1) Jan-Mar 2011

The Association held a total of 20 sessions of the following events: “Green Finance Forum,” “Advanced Training for Legal Affairs Personnel (Series 1-5),” “Advanced Training for Corporate Loan Personnel (Series 1-5),” “Advanced Training for Wealth Management Personnel (Series 1-4),” “Advanced Training for Information Personnel,” “International Trade Financing Law Seminar,” “International Money Laundering Prevention Seminar,” “Global Economic and Financial Outlook,” “Seminar on Joint Liability of Contractors for Occupational Injury Compensation,” and “Seminar on Collective Labor Laws for the Banking Industry.”

(2) Apr-Jun 2011

BAROC organized a total of 47 sessions of the following events: “Advanced Training for Forex/OBU Personnel (Series 1-5),” “Advanced Training for Risk Management Personnel (Series 1-5),” “Training Courses for Ranking Executives,” “2011 Training Project for International Financial Personnel,” “Operating Model for Cross-strait Private Banking, and Latest Developments in Products and Services,” “Reserve Training Project for Ranking Financial Executives,” “Practical Workshop on Private Banking Operations,” “Derivatives Contracts and ISDA Rules,” “Analysis Workshop on International Economics and Global Markets,” “Assets and Liabilities Management Workshop,” “Establishment of Information Storage Systems for Over-the-Counter Derivatives Trading,” “Basel III Analysis,” “Class-2 Occupational Safety and Health Administrator’s License Course for the Banking Industry,” “Workplace Safety and Health Promotion Workshop,” and “Practical Workshop on Occupational Injury Compensation.”

(3) Jul-Sep 2011

BAROC held a total of 92 sessions of the following events: “Workshop on Understanding and Applying ICC Opinions,” “Management Skills Training Course,” “Leadership Skills Training Course,” “Practical Workshop on Taiwanese Banks Entering Mainland China (Tax Accounting, Legal Collections, and Corporate Financing),” “New Trends in the Development of Cross-strait Financial Information and Services,” “Basel III Workshop,” “Workshop on Interest Rate-Linked Structured Products,” “Practical Workshop on Investment in Banking Operations,” “Credit Portfolio Risk Management Workshop,” “Trust Product Design Workshop,” “International Syndicated Loan Workshop,” “On-the-Job Safety and Health Training for Occupational Safety and Health Administrators in the Banking Industry,” “2012 Industrial Analysis and Outlook Forum – Biomedical Industry and Touch-panel Industry,” “Credit Card Business and Legal Affairs Workshop,” “Operational Guide to Credit Risk Stress Testing” seminar, “Matters for Attention in Regard to the Political Donations Act and the Handling by Banks of Matters Related to the Political Donations Act,” “Taiwanese Banks and Cross-strait Differences in Labor Regulation, Mainland Chinese Labor Laws and Policies, and Wage Conditions: Analysis and Countermeasures,” “How to Reinforce Legal Compliance by Banks,” “Workshop on the Revised Provisions of the Personal Information Protection Act,” “Workshop on the Revised Provisions of the Rights in Rem Portion of the Civil Code,” and “Seminar on Trends in International Banking Supervision and Their Influence on Governance, Risk Management, and Controls, Including the Use of Advanced Technology in Continuous Supervision.” .

(4) Oct-Dec 2011

BAROC held the following 19 sessions: “Potential Opportunities and Challenges for Taiwan’s Industrial Development and Bank Financing by Mainland China’s 12th 5-year Plan,” “Mainland Chinese Real Estate Collateral Regulations and Practice Seminar,” “Pinpointing of Industrial Opportunities, Promotion of Green Financing, and Development of Sustainable Operations in Response to Climate Change,” “2011 Financial Inspection and Auditing

Course,” “2011 Cross-Strait Financial Seminar,” “Practical Seminar on Entry into China by Taiwanese Banks (Personal Banking Section and Risk Management and Internal Auditing Section),” “Foreign Exchange- and Equity-Linked Structured Product Design Seminar,” “Supply-Chain Financing Seminar,” “Credit Scoring Seminar,” “Seminar on the Hong Kong Banking Industry’s ‘Hong Kong Banking and Trust Services Development in 20 Years’ Presentation,” “2012 Industry Analysis and Outlook Forums – Tablet Computer Insutry,” “How Art Can Add Value to Banks,” “Research Report on the Role of Internal Auditing in Corporate Governance” seminar, “Reflections on the 2011 IIA International Conference,” “Internal Auditing On-the-Job Training for the Internal Auditors of Domestic Banks,” and “Operational Risk Auditing Presentation.”

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

- (1) In her status as consultant to the Central Bank, BAROC Chairwoman Susan Chang participated in the Asian Development Bank’s 44th Board of Directors Meeting in Hanoi on May 3-6, 2011.
- (2) As a joint celebration of the Centennial anniversary of the Republic of China, BAROC and the Financial Information Service Co. held a “Glorious Centennial – The Electronic Cash Business, Past and Future” on July 5-6, 2011, with addresses by Vice President Vincent Siew and Premier Wu Dun-yih and participation by Finance Minister Lee Sush-der and more than 300 representatives from financial institutions, related organizations, and the media. The “Glorious Centennial – International Seminar on the Electronic Cash Business,” held at the same time, featured talks on “the application and development of mobile payments” and “the secure use of e-commerce payments” by world-class experts from Japan and Germany, along with exchanges of opinion that provided a reference for the future development of the e-cash business.
- (3) BAROC received visits from the deputy secretary general of the Basel Committee on Banking Supervision and British representatives from the Taiwan-British Business Council, and invited the head of the Shanghai branch of Citibank to visit for an exchange of opinions on finance-related topics.
- (4) BAROC sent representatives to participate in the “2011 IIA International Conference,” “12th International Common Criteria Conference,” “IFX Forum Annual Meeting,” “SWIFT Sibos 2011)International Banker’s Operations Seminar),” “Committee on Banking Technique and Practice” meeting, and “Asia PKI Consortium GA/SC Meetings.”
- (5) In 2011 the Association received visits from eight groups from mainland China: a Ningtai Financial Mission, Chengdu City Financial Delegation, Kunshan City Mission, Chengdu Economic and Trade Interchange Group, Dongguan Branch of Chinatrust Bank Delegation, Bank of China Delegation, Tianjin Association of Bankers, and Ningbo Taiwanese Investors and Enterprises Association. The Association also sent representatives to participate in the Hunan/Hubei Financial Mission, Cross-Strait Financial Academic Symposium, and Shanghai-Hong Kong Credit Card Risk Management Seminar in order to promote exchange across the Taiwan Strait.

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

- (1) The Consulting Services Center took complaints from customers of member institutions and communicated with the member institutions to resolve the disputes. A total of 99 disputes were mediated in 2011.
- (2) A total of 351 credit card complaints were mediated via communications with credit card institutions through a Single Window for Credit Card Complaints of the BAROC in 2011.
- (3) The BAROC helped the heirs of member institutions' customers to investigate the inheritance, including deposits and safe deposit boxes remained in banks. A total of 111 cases were dealt with in 2011.
- (4) At the FSC's request, BAROC compiled a list of the common businesses of banks—deposits, loans, trust, forex—and methods of collecting fees, and posted them on the consumer page of the Association's website for enquiry and comparison by the public.
- (5) The BAROC on a regular basis compiles "information on differential interest rates on revolving credit adopted by credit card issuing institutions, and methods of collecting various fees" and "list of agencies that have passed assessment and have continually being commissioned to carry out credit card marketing for BAROC member banks". The information is published on the BARCO's website for the reference of the public.
- (6) To enhance awareness and exposure of the IC card business, and to boost the incentive for contract stores to encourage consumption using IC card deductions, in May 2011 the Association began holding "2011 Public Benefit IC Card Consumption Activities" including "Bank Card Smart Pay Public Benefit Activities," "Use Bank Card Smart Pay and Play Kinect," and "Huang Xiao Hu Smart Pay Charity Concert" ticket raffles along with related Internet advertisements and broadcasts, print media exposure, and MRT light-box advertisements.
- (7) The Association cooperated with the international Visa organization in holding the "Smart New Generation of Financial Management – University Student Video Short Contest" and served as the steering organization for the activity. The themes of the contest included "Budgets and Savings," "Payment Tools," and "Personal Credit."
- (8) The Association, in coordination with the Banking Bureau, participated in the "New Consumer Life Publicity Activity – 'Treasure the Planet with Sustainable Consumption' Consumer Protection Carnival" held by the Consumer Protection Committee in Banqiao on Oct, 15, 2011. The Association also participated in the "Meeting the Golden Decade – Centennial Fiscal Carnival" at the Presidential Office Plaza on Nov. 5, 2111, organized by the Land Bank of Taiwan with guidance from the Ministry of Finance. Quiz contests were used to boost the public's finance-related knowledge.
- (9) The Association donated NT\$1.2 million to Japan's Post Mar. 11 earthquake reconstruction through the Red Cross Society of the Republic of China. It also donated NT\$100,000 each to the Child Welfare League Foundation and First Children's Development Center, and NT\$50,000 each to the Eden Social Welfare Foundation and Little Sisters of the Poor Home for the Aged.

B. Major Tasks in 2012

No	Tasks
1	To help member banks adopt the International Financial Reporting Standards (IFRS) in 2013, BAROC's IFRS Task Force continued reviewing IFRS-related issues, outsourced the production of a "Guide and Explanatory Examples for the Application of IFRS Financial Reporting and Related Disclosures by Banks", and revised the "Accounting System Model for the Banking Industry."
2	To facilitate the assessment by banks of the impact of the U.S. "Foreign Account Tax Compliance Act" (FATCA), BAROC's Task Force on the Taiwan Banking Industry's Response to FATCA Measures worked continuously to help banks understand FATCA and its enforcement rules, and outsourced the provision of experts' opinions to assist banks in working out responsive measures.
3	TBAROC worked together with the competent authority and member institutions to map out countermeasures in reference to the Basil Capital Accord's developmental trends and the promulgation of new documents, and formulated opinions, which were submitted to the competent authority, on questionable points and problems regarding the implementation of relevant regulations by member institutions.
4	In reference to the latest rules of international supervisory agencies regarding liquidity risk, BAROC helped the banking industry with the management and measurement of that risk.
5	BAROC continuously helped promote cross-strait banking cooperation, and reviewed mainland China's regulations and related issues for reference by Taiwanese banks in developing the Chinese market; the Association also made timely submission to the competent authority of the finance-related issues and suggestions of Taiwan's banking industry in regard to the Economic Cooperation Framework Agreement (ECFA).
6	In coordination with the amendment of the "Personal Information Protection Act" and other related laws, BAROC reviewed or revised the relevant financial operations rules to help member banks comply with the law.
7	On instructions from the competent authority, BAROC worked out a registration operations and management system for banking personnel who recommend structured products in order to reinforce the administration of such personnel and protect the interests of consumers.
8	In line with the review and revision by the competent authority of items to be recorded and not to be recorded in standard contracts, and of the model contracts, BAROC submitted the opinions of its members with the aim of strengthening banking operations and market development.
9	To build up a comprehensive corporate capital allocation system in accordance with instructions from the FSC, besides continuously encouraging member banks to develop the financial XML business BAROC will plan and implement a program of grants to encourage member banks to join in and promote XML payment services so as to achieve 24-hour immediate collection and payment of corporate funds.
10	BAROC continued promoting the national fee and tax payment platform business and strengthening the functions of its own portal site in order to enhance the competitiveness of financial institutions in the collections business, and provide the public with more convenient means of paying fees and taxes, by developing a common payment platform. The Association also discussed cross-industry channel cooperation with the aim of providing more diverse methods of payment.
11	To reinforce scale in the financial industry and enhance operating synergies, BAROC continuously coordinated with financial holding companies and the competent authority in studying such issues as consolidated tax returns for financial holding companies.
12	BAROC collected and referred to criteria and rules established by the Institute of Internal Auditors in working out measures that can be implemented in Taiwan.
13	In line with financial policy, BAROC carried out research on the loan and other financial businesses, and provided research reports and opinions to the government for use as a policymaking reference.
14	In response to the integration of counties and cities, BAROC worked in line with progress in the amendment of related laws by the Ministry of the Interior and with the status of the merger of different industry associations by setting up a task force to study the revision of the Association's charter.

V. Appendices

A. Chronology of Major Events in 2011

- ◎2011.01.27 The 4th joint meeting of the 10th Directors and Supervisors was held.
- ◎2011.02.24 The 5th joint meeting of the 10th Directors and Supervisors was held.
- ◎2011.02.25 BAROC and the Bankers' Association of Taipei jointly held a "Global Economic and Finance Outlook" seminar, with an address by Dr. Wu Chung-Shu, a researcher with the Academia Sinica's Institute of Economics and head of the College of Management at National Dong Hwa University.
- ◎2011.03.03 Three "Certified Documentary Credit Specialist" seminars were held, on Mar. 3, 10, and 17.
- ◎2011.03.31 The 6th joint meeting of the 10th Directors and Supervisors was held.
- ◎2011.04.14 BAROC and the Bankers' Association of Taipei jointly held a "Practical Seminar on Occupational Injury Compensation."
- ◎2011.04.15 BAROC and the Arbitration Association of the Republic of China jointly held a "Settling Financial Disputes via the Private Mediation Mechanism" seminar.
- ◎2011.04.28 The 7th joint meeting of the 10th Directors and Supervisors was held.
- ◎2011.05.17 BAROC, the Taiwan Financial Services Roundtable, Taiwan Securities Association, and Life Insurance Association of the Republic of China jointly organized a seminar on "An Investigation into the Impact of Personal Information Protection Regulation on the Finance Industry."
- ◎2011.05.24 BAROC and the Taiwan Academy of Banking and Finance jointly held an "Occupational Safety and Health Promotion Seminar" with the aim of carrying through with safety and health management in the finance industry and coordinating with the government's labor inspection program.



©2011.05.26 The 2nd meeting of the 10th Directors was held.

©2011.06.10 BAROC and the GreTai Securities Market jointly organized a seminar on “Establishment of an Over-the-Counter Derivatives Trading Information Storage System.”



©2011.06.24 BAROC and the Bankers’ Association

of Taipei jointly organized a Basel III analytical seminar, inviting Prof. Chung-Hua Shen of the Dept. of Finance, National Taiwan University to speak.

©2011.06.30 The 8th joint meeting of the 10th Directors and Supervisors was held.

©2011.07.05 BAROC and the Financial Information Service Co. held “Glorious Centennial – E-Cash Business: Past and Future” ceremonies, exhibitions, and international seminars at the National Taiwan Museum and the Grand Hotel on July 5 and 6.

©2011.07.15 A “Credit Risk Pressure Testing Guide” seminar was held, with Manager Jeffrey Lin of the Joint Credit Information Center being invited to speak.

©2011.07.19 BAROC and the Taiwan Academy of Banking and Finance jointly organized two sessions of an “Amended Provisions of the Personal Information Protection Act Seminar,” one each on July 19 and Aug. 3.

©2011.07.28 The 9th joint meeting of the 10th Directors and Supervisors was held.

©2011.08.11 Four sessions of a “Seminar on the Amended Provisions of the Right in Rem Section of the Civil Code” were held, one each on Aug. 11, 12, 18, and 19.

©2011.08.25 The 10th joint meeting of the 10th Directors and Supervisors was held.

©2011.08.26 BAROC and the Bankers’ Association of Taipei jointly organized a seminar on “Matters for Attention in Regard to the Political Donations Act and the Handling by Banks of Matters Related to Political Donations.”

©2011.09.02 A seminar on “Taiwanese Banks and Cross-strait Differences in Labor Regulation, Mainland Chinese Labor Laws and Policies, and Wage Conditions: Analysis and Countermeasures” was held, with Shiu Shin-yong of the Yuan Tung International Consultancy Co. being invited to speak.

©2011.09.14 BAROC and the Taiwan Academy of Banking and Finance jointly held a “How to Reinforce Compliance with the Banking Law” seminar at the Academy’s Jingye Hall.

©2011.09.28 Two sessions of an “Understanding and Applying ICC Opinions Seminar” were held, one each on Sep. 28 and Oct. 5.

©2011.09.29 The 11th joint meeting of the 10th Directors and Supervisors was held.



- ◎2011.10.18 The 2nd Session of the 10th General Assembly was held in the auditorium of the Bank of Taiwan's Department of Public Treasury.
- ◎2011.10.25 "U.S. Foreign Account Tax Compliance Act Seminar" held.
- ◎2011.10.27 The 12th joint meeting of the 10th Directors and Supervisors was held.
- ◎2011.11.03 Vice President Li Chia-ming of the BAROC's Banking Automation Committee attended the Asia PKI Consortium General Assembly/Steering Committee Meeting and International Symposium in Beijing.
- ◎2011.11.18 Seminar on "Research Report on the Role of Internal Auditing in Corporate Governance" held.



©2011.11.18 Seminar on “How Art Can Add Value to Banks” held, with Guo Yicheng, CEO of the Artkey Group, being invited to speak.



©2011.11.22 “2011 Hong Kong-Shanghai Bank Card Business Risk Seminar” held

on Nov. 22-25 at the Langham Hotel in Hong Kong, with BAROC being represented by the attendance of Jerry Su of the the Risk Division and James Shyu of BAROC’s Credit Card Business Committee.

©2011.11.24 The 3rd meeting of the 10th Directors was held.

©2011.12.07 2011 IIA International Conference” training insights seminar held.

©2011.12.09 BAROC and the Bankers’ Association of Taipei jointly held three sessions of “Internal Auditing On-the-Job Training for the Internal Auditors of Domestic Banks.”

©2011.12.22 The 13th joint meeting of the 10th Directors and Supervisors was held.



B. List of Member Banks of BAROC

April 2012

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

Institution	Position	Name	Telephone	Fax	Website	Remark
Far Eastern International Bank	Chairman President	Ching-Ing Hou Eli Hong	(02)23786868	(02)23779000	www.feib.com.tw	
Yuanta Bank	Chairman Deputy President	Ching-Chang Yen Chia-Lin Chin	(02)21736699	(02)27722455	www.yuantabank.com. tw/bank	
Bank Sinopac	Chairman President	Cheng-Hsiung Chiu Tina Jiang	(02)25063333	(02)81618485	www.banksinopac.com.tw	
E.Sun Commercial Bank, Ltd.	Chairman President	Gary Tseng Wu-Lin Duh	(02)27191313	(02)27138713	www.esunbank.com.tw	
Cosmos Bank, Taiwan	Chairman President	Paul Lo Richard Chang	(02)27011777	(02)27849848	www.cosmosbank.com.tw	
DBS Bank (Taiwan) Ltd.	Chairman President	Jeanette Wong Kai Yuan Jerry Chen	(02)66129889	(02)66129285	http://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 Edmund Koh	(02)87869888	(02)87869800	www.tcbank.com.tw	
Jih Sun International Bank	Chairman President	Jin-Tan Huang Mike Wang	(02)25615888	(02)25217698	www.jhsunbank.com.tw	
EnTie Commercial Bank	Chairman President	Mark Zoltan Chiba Jesse Ding	(02)27189999	(02)27187843	www.entiebank.com.tw	
Chinatrust Commercial Bank	Chairman President	Jeffery L.S. Koo James Chen	(02)27222002	(02)27251499	www.chinatrust.com.tw	
Mega Bills Finance Co., Ltd	Chairman President	Gerry Y.G. Lee Chii-Bang Wang	(02)23831616	(02)23822878	www.megabills.com.tw	
China Bills Finance Co.	Chairman President	Ming-Jie Lee Vance Chin	(02)27021177	(02)27065540	www.cbf.com.tw	
International Bills Finance Co., Ltd.	Chairman President	Chi-Lin Wea Alan Shaw	(02)25181688	(02)25158430	www.ibfc.com.tw	
Grand Bills Finance Co.	Chairman President	Ho-Sheng Wang Lien-Chung Huang	(02)87802801	(02)87884031	www.grandbill.com.tw	
Hua Nan Financial Holding Co., Ltd.	Chairman President	Rong-Jou Wang Mao-Hsien Liu	(02)23713111	(02)23310654	www.hnfhc.com.tw	
Fubon Financial Holding Co., Ltd.	Chairman President	Richard Tsai Victor Kung	(02)66366636	(02)66360111	www.fubongroup.com.tw	
China Development Financial Holding Co.	Chairman President	Mu-Tsai Chen Paul Yang	(02)27638800	(02)27660047	www.cdibh.com	
Cathay Financial Holding Co., Ltd.	Chairman President	Hong-Tu Tsai Chang-Ken Lee	(02)27087698	(02)23252488	www.cathayholdings.com.tw	
Chinatrust Financial Holding Co., Ltd.	Chairman President	Jeffery L.S. Koo Daniel I.K. Wu	(02)27222002	(02)27234767	www.chinatrustgroup.com.tw	
Sinopac Financial Holding Co., Ltd.	Chairman President	Show-Chung Ho Stan Hsiao	(02)81618888	(02)81618485	www.sinopac.com	
E.Sun Financial Holding Co., Ltd.	Chairman President	Yung-Jen Huang Joseph N.C. Huang	(02)21751313	(02)27199313	www.esunbank.com.tw	
Yuanta Financial Holding Co., Ltd.	Chairman President	Ching-Chang Yen Tony Shen	(02)27811999	(02)27721585	www.yuanta.com	
Taishin Financial Holding Co., Ltd.	Chairman President	Thomas T.L. Wu Joseph Jao	(02)23268888	(02)37076889	www.taishinholdings.com.tw	
Shin Kong Financial Holding Co., Ltd.	Chairman President	Eugene T.C. Wu Victor Hsu	(02)23895858	(02)23892868	www.skfhc.com.tw	
Mega Financial Holding Co., Ltd.	Chairman President	McKinney Tsai Kuang-Si Shiu	(02)23578888	(02)33938755	www.megaholdings.com.tw	
First Financial Holding Co., Ltd.	Chairman President	Ching-Nain Tsai Ming-Ren Chien	(02)23111111	(02)23119691	www.firstholding.com.tw	
Jih Sun Financial Holding Co., Ltd.	Chairman President	Jin-Tan Huang Mike Wang	(02)25048888	(02)25175408	www.jsun.com	
Waterland Financial Holdings	Chairman President	Chi-Lin Wea Michael Y. J. Ding	(02)25154567	(02)25010606	www.waterland-fin.com.tw	
Taiwan Cooperative Financial Holdings	Chairman President	Teng-Cheng Liu Jiin-Tarng Yue	(02)23118811	(02)23113699	www.tcfhc.com.tw	
Yuanta Securities Finance Co., Ltd.	Chairman President	Yu-De Chuang Lawrence Lee	(02)21736833	(02)27721101	www.yuantafinance.com.tw	