

Annual Report 2012

CONTENTS

I. Chairman's Preface	2
II. 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 Adopted by the Government	19
C. Banking Operations in 2012	24
IV. Report on the Work of BAROC	30
A. Major Achievements in 2012	30
B. Important Tasks in 2013	44
V. Appendices	45
A. Chronology of Major Events in 2012	45
B. List of Member Banks of BAROC	49



I. Chairman's Preface

The global economy was sluggish in the first half of 2012 due to the European sovereign debt crisis, the impact of which spread beyond Europe itself and imposed a drag on economies all around the world. Recovery in the United States decelerated for a time, and growth in the mainland China and other emerging economies also lost some steam. However, after the European Central Bank rolled out several measures to boost market confidence mid-year, there was a significant decline in the yields on government bonds issued by heavily indebted European nations, and financial markets gradually recovered their stability. Apart from the eurozone, which continued to contract moderately, other key regions performed better. The US economy returned to growth trajectory in the second half of the year, and the mainland China bottomed out in the fourth quarter.



Chairman Teng-Cheng Liu

In Taiwan, weak international demand caused a rare contraction in exports, the main engine of the country's economic growth. As for domestic demand, private consumption was anemic, dragged down by a weakening economy, a listless stock market, shrinking real wages, and low consumer confidence; and the private investment remained in the doldrums. With poor domestic and international conditions, Taiwan's economy grew by only 1.26%.

Despite the lackluster economic recovery at home and abroad, banks in Taiwan nevertheless performed well in 2012, mainly because interest rate spreads gradually rose from a low of 1.22 percentage points in 2009 to 1.42 percentage points by the end of 2012. This certainly helped raise the profitability of banks. In addition, earnings from overseas branches and domestic OBUs (Offshore Banking Units) edged up considerably. As a result, industry-wide before-tax earnings for the year increased from NT\$200 billion in 2011 to an all-time high of NT\$240.2 billion. Over the same time period, return on equity (ROE) and return on assets (ROA) rose to 10.41% and 0.68%, respectively, the second highest figures since the government started compiling these statistics. In addition, the average NPL ratio for domestic banks at the end of 2012 stood at 0.40%, hitting yet another historic low, while the coverage ratio (loan loss reserves to NPLs) had climbed to a new high 274.09%. These figures show that our banks are well run and their asset qualities are very good.

Under the guidance of the competent authorities and with the assistance of member banks, the Bankers Association of the Republic of China (BAROC) has completed a number of tasks in the past year, including the following: issuing the "Self-regulatory Rules for the Management of Bank Liquidity Risks"; amending a draft version of standards governing "the handling of personal information file security maintenance plans

and personal information after termination of business"; lowering ATM fees for interbank cash withdrawals from NT\$6 to NT\$5, and lowering fees for interbank transfers from NT\$17 to NT\$15; the Department of Health raised the lowest threshold of the second-generation National Health Insurance for levying the supplementary premiums from interest income to NT\$5,000 after adopting the recommendation of BAROC; amending the "Model Accounting System for Banking Enterprises"; and formulating the "Directions Concerning the Security Control Operations of Credit Card Institutions Conducting Mobile Device Credit Card Business." As for the implementation of the US "Foreign Account Tax Compliance Act (FATCA)," BAROC has set out the views of Taiwan's bankers in a letter to the US Internal Revenue Service (IRS), and has called for the signing of an intergovernmental agreement between the two nations.

BAROC also acted on several issues of shared concern to all its member banks, including the following: (1) To coordinate with measures adopted by the Financial Supervisory Commission (FSC) requiring banks to maintain a coverage ratio of at least 1% for type 1 loans, we have proposed an amendment of Article 49, paragraph 2 of the "Income Tax Act" to the Ministry of Finance, stipulating either that banks raise their bad debt allowances ratio or that they estimate and set aside such allowances in accordance with the competent authorities' regulations. (2) In order to help banks reap the benefits of synergy, we solicit for the Ministry of Finance's support to apply the 2% business tax rate provided under Article 11, paragraph 1 of the "Value-added and Non-value-added Business Tax Act" to the commissions collected by banks for their solicitation of insurance business. (3) Regarding the issue of the consolidated tax return regime for financial holding companies, BAROC negotiated with the competent authorities to return to the spirit of Article 49 of the "Financial Holding Company Act," which allows financial holding companies to deduct operating expenses and interest payments from taxable income. (4) Since any amendment to the "Financial Institutions Merger Act" will affect the soundness of Taiwan's financial industry and its prospects for further development, BAROC continued studying possible future amendments to the act, and whenever the timing was appropriate sought to solicit the support of the competent authority to continue implementing the law.

BAROC also supported the government's efforts to promote cross-strait financial industry ties. We called attention to various lines of cross-strait banking business in which Taiwan's banks would be very competitive, and put forward short-, medium-, and long-term strategies for the competent authority's consideration. We also invited Taiwan's 10 biggest card-issuing banks and the Financial Information Service Company to form a task force and help our member banks develop the capacity to allow customers to use their bank cards in the mainland and overseas to make ATM cash withdrawals and purchase goods and services. In addition, BAROC continued to relay the views of bankers to the competent authorities, and worked for the removal of restrictions on the range of business activities that Taiwanese banks are allowed to conduct in the mainland China.

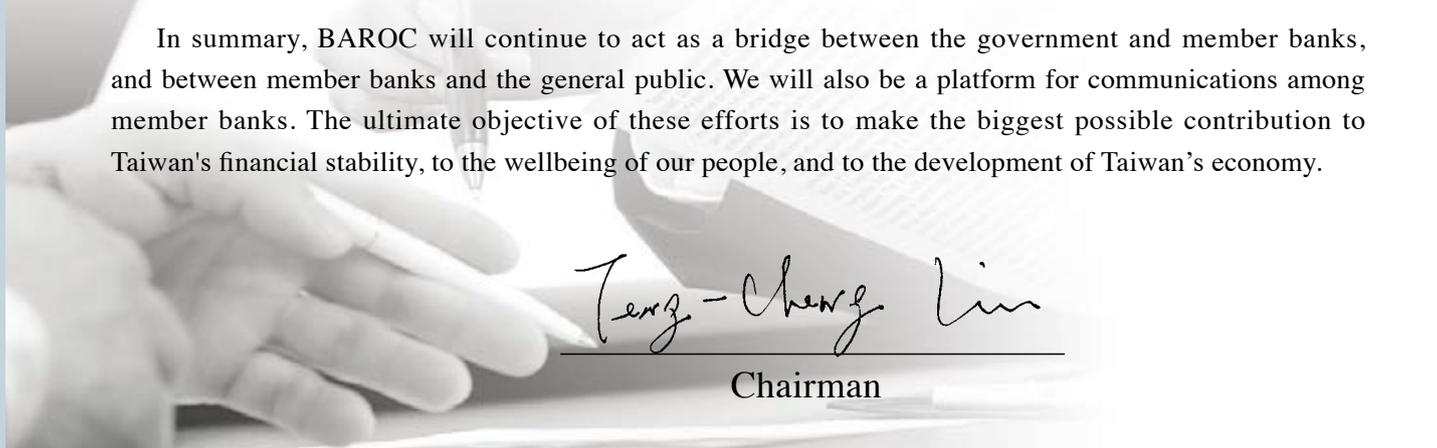
One purpose for the establishment of BAROC was to provide a platform for communication with the general public regarding banking matters. Now that our Committee on Banking Consumer Disputes Resolution has been disbanded, we have amended Article 6 of our Articles of Incorporation to eliminate references to this committee. In addition, we also amended Article 8 of our Articles of Incorporation in preparation for the coming increase in the number of our member institutions, which will result from recent and upcoming governmental restructuring actions. In the future, the bankers associations of Taoyuan County, Taichung City, and Tainan City will withdraw from the Bankers Association of Taiwan Province and join BAROC instead. The amendment to Article 8 has to do with the number of representatives that member associations can dispatch to attend general meetings of BAROC members.

In addition to actively promoting the matters mentioned above, BAROC also continued to improve the training of bank employees during the past year. We held different kinds of specialized courses, seminars, and lectures, organized and/or took part in numerous international financial conferences and activities, and increased the frequency of cross-strait visits. In addition, BAROC also provided financial consultation services and information to the general public and participated in charity activities to fulfill its social responsibilities.

Looking ahead to 2013, the economies of most major countries appear to be headed in a positive direction. The only exception is the eurozone, where a slight contraction is expected. Taiwan's Directorate-General of Budget, Accounting and Statistics in early February of this year forecasted that Taiwan would achieve economic growth of 3.59% this year. Taiwan's Central Bank has been adjusting interest rates very cautiously, which means that financial services providers are not likely to see a sharp widening of their interest rate spreads any time soon, and implementation from this year of the Basel III and IFRS systems will increase legal compliance costs. However, these measures will help to improve banks' risk management and make it easier for them to track the risks connected with different financial products. Over the long run, therefore, these measures are positive factors for our financial services firms. Also, the DBUs of domestic banks have begun conducting RMB businesses, and our banks continue to expand their overseas presence. Hence, overall 2013 looks set to be a big year for Taiwanese banks.

BAROC will continue to adopt measures for the financial industry that mesh well with government policy. For example, we will follow closely the US "Foreign Account Tax Compliance Act" and its related rules for implementation; pay close attention to amendments to the Personal Information Protection Act, the Bankruptcy Act, and other related legislation; and study the latest regulations governing liquidity risks taken by international supervisory bodies. With regard to cross-strait financial industry ties, BAROC will coordinate with the government's "Program for Development of Financial Businesses with Cross-Strait Characteristics"; study possible measures to promote the conduct of RMB business and trading in related financial derivatives by DBUs; support the establishment of a Modern Cross-strait Money Remittance Platform and cross-strait e-commerce payment services; take steps to support the government's efforts to develop asset management and personal financial planning services for the greater China region; actively promote cross-strait banking exchanges and cooperation; communicate with the competent authorities to relay the views of domestic bankers regarding future negotiations on financial industry matters under the cross-Strait Economic Cooperation Framework Agreement (ECFA); and continue to help member institutions develop the capacity to allow customers to use their bank cards in the mainland and overseas to make ATM cash withdrawals and purchase goods and services, so as to provide greater convenience for cardholders on both sides of the Taiwan Strait.

In summary, BAROC will continue to act as a bridge between the government and member banks, and between member banks and the general public. We will also be a platform for communications among member banks. The ultimate objective of these efforts is to make the biggest possible contribution to Taiwan's financial stability, to the wellbeing of our people, and to the development of Taiwan's economy.



Teng-Cheng Lin

Chairman

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

A. History

The Bankers Association of the Republic of China (hereinafter referred to as BAROC) was founded on August 9, 1983, 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. BAROC now has four association members, but this number will soon go up as a result of recent and upcoming governmental restructuring actions. In the future, the bankers associations of Taoyuan County, Taichung City, and Tainan City will withdraw from the Bankers Association of Taiwan and join BAROC instead. To pave the way for this expansion, BAROC has amended Article 8 of its Articles of Incorporation, which has to do with the number of representatives that member associations can dispatch to attend general meetings of BAROC members.

The Chairpersons of BAROC from the first session of the first General Assembly in August 1983 to the tenth session of the third General Assembly in October 2012 are shown as follows:

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

B. Aims, Functions and Organization

1. Aims

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

2. Functions

- (1) To help implement economic and financial policies and commercial decrees
- (2) To study the balance of funds 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 2012, the head offices of member banks totaled 61, of which 55 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 1 belongs 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.

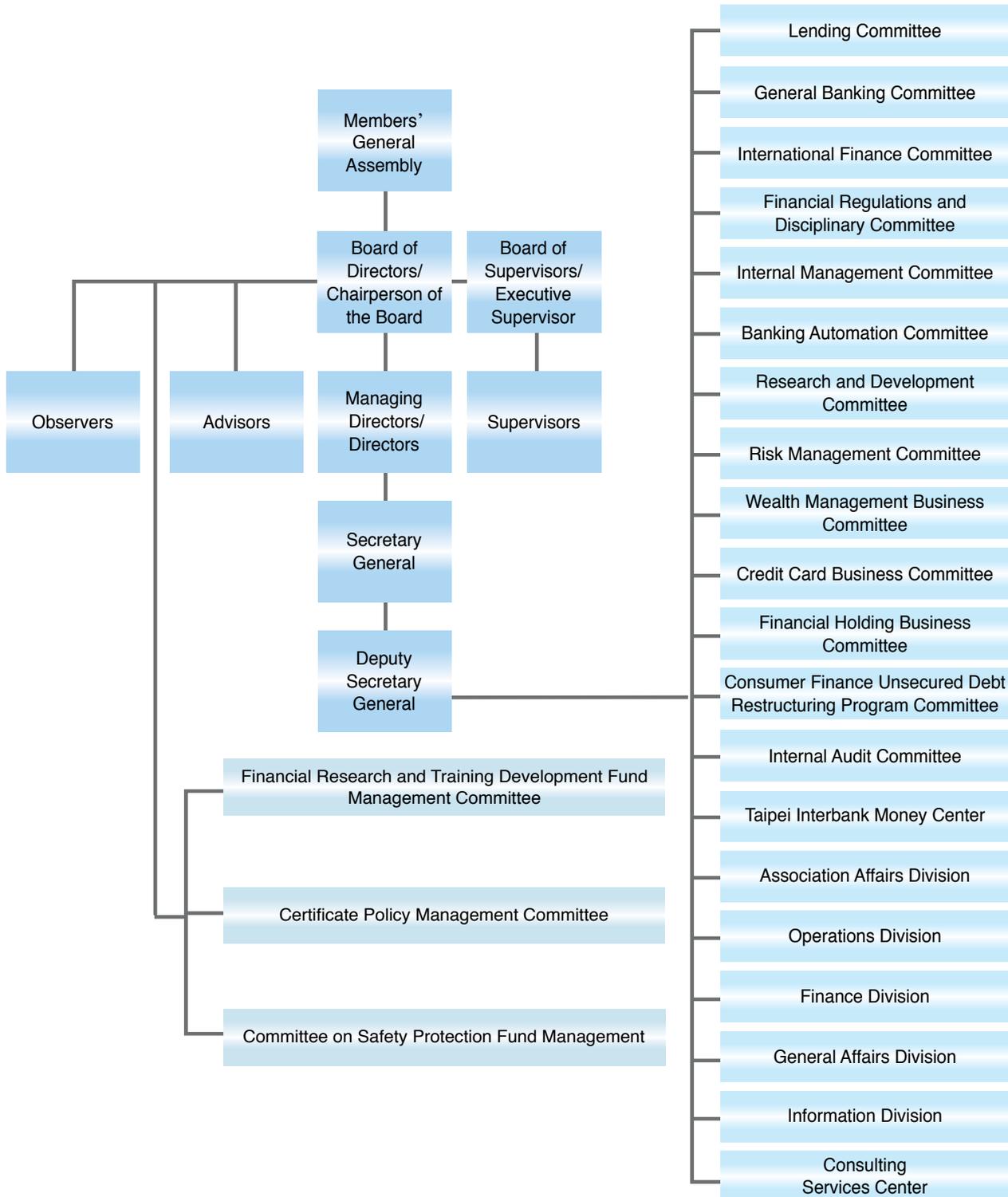
Member Banks of the Bankers Associations

Dec. 31, 2012

Member Banks	Number	
	Headquarters	Branches
Bankers Association of the Republic of China	61	
Bankers Association of Taipei	55	798
Bankers Association of Taiwan	4	1,527
Bankers Association of Kaohsiung	1	316
Bankers Association of New Taipei City	1	491
Bankers Association of Taoyuan County		254
Bankers Association of Hsinchu County		54
Bankers Association of Miaoli County		47
Bankers Association of Taichung County		142
Bankers Association of Changhwa County		103
Bankers Association of Nantou County		37
Bankers Association of Yunlin County		48
Bankers Association of Chiayi County		18
Bankers Association of Tainan County		96
Bankers Association of Kaohsiung County		94
Bankers Association of Pingtung County		55
Bankers Association of Ilan County		39
Bankers Association of Hualien County		20
Bankers Association of Taitung County		13
Bankers Association of Penghu County		5
Bankers Association of Keelung City		25
Bankers Association of Hsinchu City	1	79
Bankers Association of Taichung City	2	212
Bankers Association of Chiayi City		50
Bankers Association of Tainan City	1	136

BAROC has a Secretary General and two Deputy Secretary Generals. Three of them are responsible for the daily operations of BAROC under the supervision of the Chairperson. There are five Divisions within the Bankers Association, namely: Association Affairs, Operations, Finance, General Affairs, and Information. In addition, there is a Consulting Services Center. The Association's affairs are conducted through its 13 banking business related committees, 3 specific committees and 1 interbank money center.

Organizational Structure of BAROC



C. Directors, Supervisors, Advisors and Observers

As of April 30, 2013

Title	Name	Company Affiliation
Chairperson of the Board	Teng-Cheng Liu	Chairman, Taiwan Financial Holding Co., Ltd.
Managing Directors	Gregory K.H. Wang	Chairman, Cathay United Bank
	Rong-Jou Wang	Chairman, Hua Nan Financial Holding 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
	Ching-Nain Tsai	Chairman, First Financial Holding Co., Ltd.
	Directors	Cheng-Hsiung Chiu
Ching-Chang Yen		Chairman, Yuanta Financial Holdings Co., Ltd.
Mu-Tsai Chen		Chairman, China Development Financial Holding Co.
Julius Chen		Chairman, Chang Hwa Commercial Bank
Gary Tseng		Chairman, E. Sun Commercial Bank, Ltd.
Yen Chrystal Shih		Chairwoman, The Export-Import Bank of the Republic of
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.
Daniel Tsai		Chairman, Taipei Fubon Commercial Bank
Ling-Long Shen		Chairman, Taiwan Cooperative Financial Holdings
Tsan-Chang Liao		Chairman, Taiwan Business Bank
Jin-Tan Huang		Chairman, Jih Sun Financial Holding 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
Chiu-Jung Tsai		President, Taiwan Cooperative Bank
Joseph Jao		President, Taishin Financial Holding Co., Ltd.
Chun-Sheng Lee	President, Taichung Commercial Bank	
Jong-Peir Li	President, HSBC Bank (Taiwan) Limited	
Chii-Bang Wang	President, Mega Bills Finance Co., Ltd.	

Title	Name	Company Affiliation
Supervisors	Yu-De Chuang	Chairman, Yuanta Securities Finance Co., Ltd.
	Victor Kuan	Chairman, Citi Bank Taiwan, Ltd.
	Terence Tai	Chairman, King's Town Bank
	Ming-Daw Chang	President, Bank of Taiwan
	Jesse Ding	President, EnTie Commercial Bank
	King-Ting Chang	President, Cota Commercial Bank
	Ajay Kanwal	President, Standard Chartered Bank(Taiwan) Limited
	Vance Chin	President, China Bills Finance Co.
	Sheng-Hung Chen	Managing Director, Sunny Bank
	Advisors	Fu-Hsiung Hu
Yang-Ching Chao		Chairman, Financial Information Service Co., Ltd.
Kung-Wha Ding		Chairman, Taiwan Depository & Clearing Corporation
Susan S. Chang		Advisor, The Bankers Association of the Republic of China
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
Toong-Min Chen		Chairman, Bank of Kaohsiung
Wen-Long Yen		Chairman, Chinatrust Financial Holding Co., Ltd.
Jih-Chu Lee		Chairman, Changhua Post Co., Ltd.
Richard Chang		President, Cosmos Bank, Taiwan
Jwn-Yu Lee		President, Hwatai Bank
Justin Tsai		President, Ta Chong Bank
Chenli Yang		Chief Operating Officer, DBS Bank (Taiwan) Ltd.
Observers		Nicole Wu
	Natalie Kuo	Director, 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, 2013

Title / Position in BAROC	Name	Full-time or Part-time
Chairman, Financial Research and Training Development Fund Management Committee	Teng-Cheng Liu	Chairman, Bank of Taiwan, Part-time
Chairman, Certificate Policy Management Committee	Teng-Cheng Liu	Chairman, Bank of Taiwan, Part-time
Chairman, Committee on Safety Protection Fund Management	Teng-Cheng Liu	Chairman, Bank of Taiwan, Part-time
Secretary General	Nancy Yang	Full-time
Deputy Secretary General	Tsong-Ming Wang	Full-time
Secretary	Ing-Lieh Lin	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	Yeh, Chin-Cheng	SVP&GM, Dept. of Legal Affairs & Compliance Land Bank of Taiwan, 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
Acting Chairperson, Research and Development Committee	Chien-ting Hsu	VP., Bank of Taiwan, Part-time
Chairperson, Risk Management Committee	Meei-Yeh Wei	EVP., 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	EVP., 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
Chairperson, Wealth Management Business Committee	MEI-TSU CHEN	Executive Vice President, Taiwan Cooperative 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-Tarrng Lee	Full-time

III. An Overview of the Banking Operations

A. Summary of Economic and Financial Conditions

1. Economic Conditions

(1) Developed countries adopt easy monetary policies amidst sluggish global economy

The continuation of the eurozone debt crisis in 2012 put a damper on the recovery of major economies and cut growth in emerging economies to something less than desirable. As a result, the global economy last year was sluggish.

In order to stimulate their economies, major countries kept low interest rates policies in place and adopted quantitative easing measures. The US Federal Reserve, for example, launched a third round of quantitative easing (QE3) in September 2012 that entailed monthly purchases of US\$40 billion worth of mortgage-backed securities (MBS). And on 12 December, the Fed announced that beginning from January 2013 it would also purchase additional US\$45 billion worth of long-term government bonds each month, and that interest rates would continue to be kept low as long as unemployment rates stay above 6.5% and the 1-2 year inflation outlook does not exceed 2.5%.

The European Central Bank (ECB) carried out a €489.2 billion Long-Term Refinancing Operation (LTRO) on 21 December 2011, then followed up on 29 February 2012 with a three-year LTRO that injected another €529.5 billion worth of liquidity into the market. In early July, ECB president Mario Draghi declared: "The ECB is ready to do whatever it takes to preserve the euro," and in September the ECB announced plans to carry out unlimited secondary-market purchases of sovereign debt with maturities of up to three years through an Outright Monetary Transactions (OMT) program. The ECB has yet to make any actual OMT purchases, but its mere intention to do so has already sparked a clear recovery in market confidence. In the meanwhile, the Bank of England increased its asset purchase target to US\$375 billion.

The Bank of Japan, in addition to keeping its zero interest rate policy in place, went a step further in December 2012 by announcing plans to expand its asset purchases from ¥55 trillion at the start of the year to ¥101 trillion by the end of 2013. After Shinzo Abe won election as president of the Liberal Democratic Party on 26 September 2012, he began taking forceful action to stimulate the economy and reverse long-running deflation through a sharp expansion of the money supply and a big increase in fiscal spending. His approach has been dubbed "Abenomics" by observers. In addition, the Bank of Japan also announced on 22 January 2013 that it had set a CPI growth target of 2% for the coming year, and would launch an open-ended program of asset purchases in 2014. The effectiveness of these measures has yet to be seen, but they have already caused a sharp devaluation of the Japanese yen versus the US dollar. This in turn has weakened the currencies of other export-driven economies and sparked worries about the possibility of a global currency war.

Under the economic conditions described above, the International Monetary Fund (IMF) issued a forecast for global economic growth of 3.2% in 2012, down from 3.9% in 2011. Within the 2012 forecast for global economy, developed economies were expected to grow by 1.3%, and emerging economies by 5.1%. In addition, Global Insight estimated global economic growth of 2.6% for 2012, also down from 3% in 2011. Global Insight called for 2.2% growth in the United States in 2012 (on the strength of gradual improvement in the labor and housing markets), 0.5% negative growth in the eurozone (due to deepening recessions in fiscally troubled countries, which are beginning to affect core countries), 1.9% growth in Japan (buoyed by reconstruction demand following the earthquake of March 2011, but dragged down by the dispute with mainland China over the Diaoyutai Islets), and 7.8% growth in mainland China (affected by weak external demand and the authorities' macroeconomic regulation and control policy).

(2) Domestic economic growth slowed sharply from previous year

Due to the impact of sluggish global conditions, the Taiwanese economy clearly lost momentum in the first half of 2012, posting year-on-year growth of just 0.59% and -0.12% in the first and second quarters. Fortunately, however, international conditions improved in the second half of the year and government stimulus policies kicked in, yielding growth of 0.73% and 3.72% in the third and fourth quarters. For the year 2012 as a whole, economic growth came to 1.26%. Domestic demand contributed 0.11 percentage points to this growth, while net external demand contributed 1.14 percentage points.

(3) Moderate inflation

The consumer price index (CPI) rose moderately in early 2012 due to economic sluggishness both at home and abroad, and to soft international commodity prices, but starting in April, annual CPI growth began climbing each month after domestic price hikes for gasoline and electricity triggered higher inflation expectations. In the second half of the year, successive typhoons decimated farm crops, causing a spike in produce prices, while international prices for crude oil and grains began to climb. In August, CPI growth hit a year high of 3.43%. As vegetable prices fell, however, annual CPI growth gradually declined, as well. CPI growth for 2012 as a whole came to 1.93%, up from 1.42% in 2011. Factoring out fresh produce, fisheries products, and energy, the core CPI rose at an annual rate of 0.93%.

(4) Continued labor market improvement

With domestic economic growth decelerating in 2012, businesses were conservative in their hiring. However, jobless rate is a lagging indicator, so unemployment remained stable in the first half of the year before rising slightly thereafter, peaking for the year at 4.4% in August.

It fell from there to 4.18% in December. The average unemployment rate for 2012 came to 4.24%, down 0.15 percentage points from 2011, while the average number of unemployed persons was 481,000, down 10,000 from the year before.

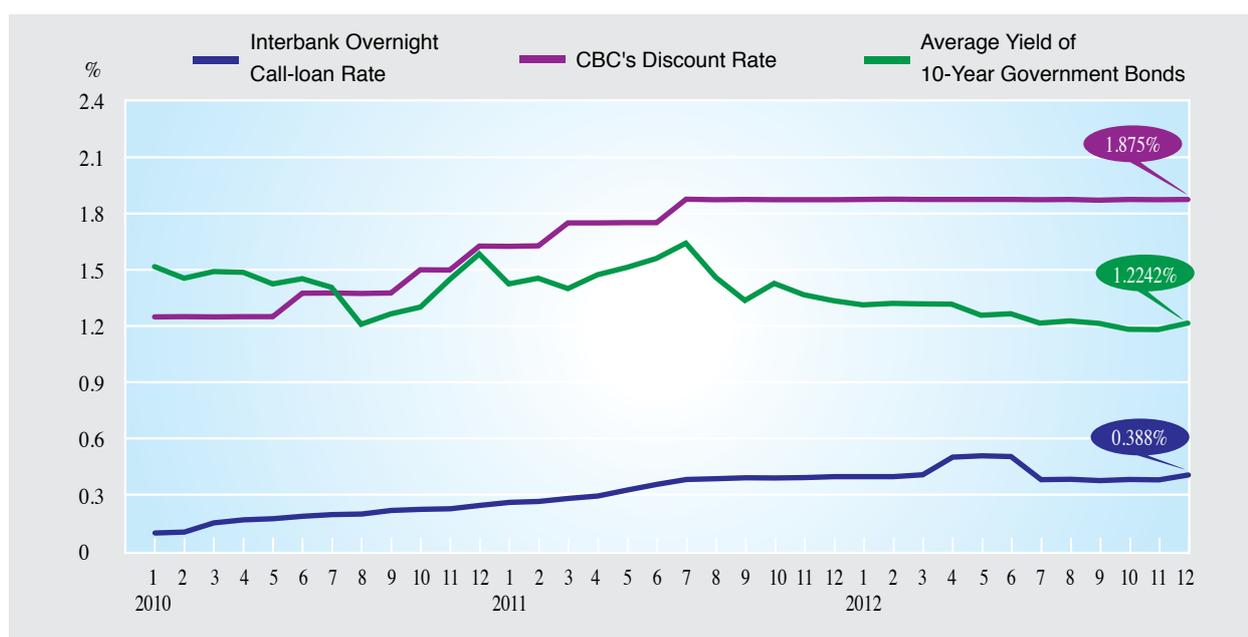
2. Financial Conditions

(1) Central Bank stops raising interest rates

The European debt crisis generated increased risk of a global recession. Therefore, after raising interest rates on 1 July 2011 by 0.125 percentage points, the Central Bank of the R.O.C. (Taiwan) in 2012 did not further adjust policy rates. The discount rate and the rate on accommodations with collateral remained unchanged at 1.875% and 2.25%, respectively.

The soft economy caused weak private credit demand, so the Central Bank carried out open market operations to adjust market liquidity. The weighted average overnight call rate remained steady through the first quarter, but in early April the government lifted a freeze on gasoline and electricity prices. To prevent inflation expectations becoming de-anchored after the measure, the Central Bank stepped up its open market operations in April and May to mop up excess market liquidity. As a result, the weighted average overnight call rate jumped sharply from 0.399% on 26 March to 0.519% on 30 May. After that, due to continued weak private credit demand, the overnight call rate began dropping, and reached 0.388% in August, where it leveled off before climbing back to 0.413% at the end of the year, when demand for credit is typically quite strong (see Fig. 1).

Figure 1 Changes in Interest Rates

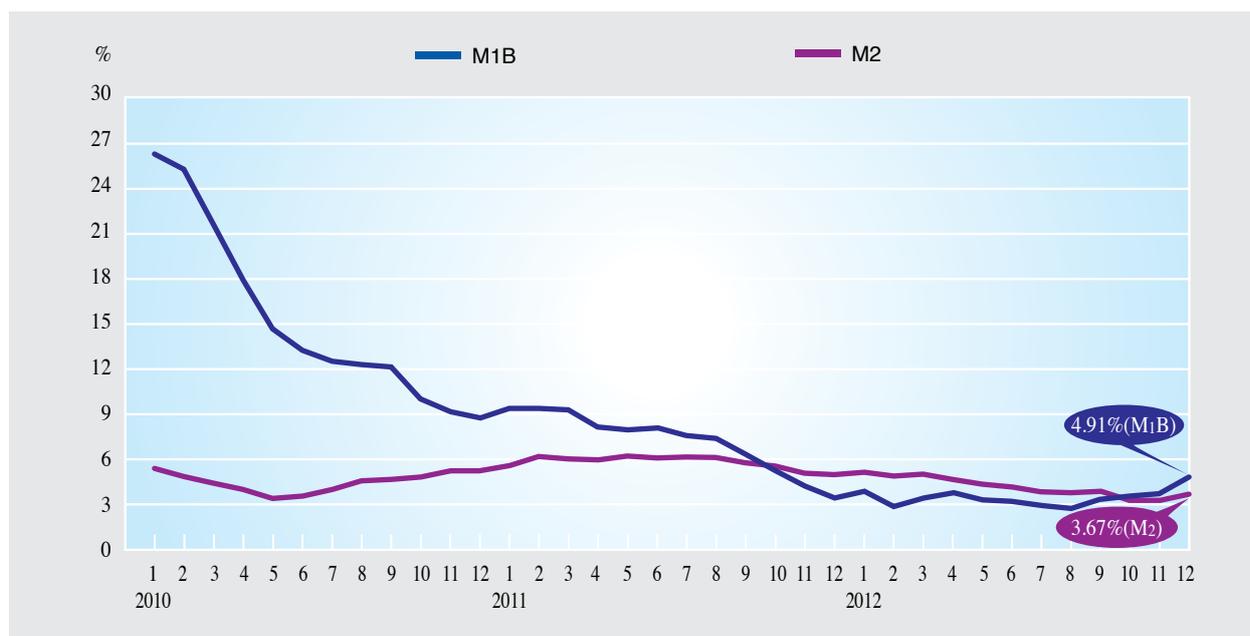


Source: Central Bank of the Republic of China

(2) M1B growth slows before accelerating; M2 steadily declines

A number of factors (including the weak domestic economy, a net capital outflow generated by foreign institutions, a dip in bank loans and investments) caused the annual growth rates of M1B monetary aggregate to fall from 3.86% in early 2012 to 2.73% by August. Thereafter, however, annual M1B growth rebounded from September onward, reaching 4.91% by December on the strength of positive development in the European debt crisis, a return to stability in international financial markets, the fact that foreign investors started generating a net capital inflow, and a relatively large increase in bank demand deposits. As for daily average of M2 monetary aggregate, annual growth fell slowly from 5.22% in January to 3.67% in December, due primarily to slow growth in bank loans and investments, as well as the net capital outflow by foreign investors. M1B money stock in 2012 finished up by 3.45% from the previous year, while M2 finished up 4.17%.

Figure 2 Annual Growth Rates of Daily Average Monetary Aggregates



Source: Central Bank of the Republic of China

(3) Interest spread narrows, then widens

Due to the slow economy and uncertainty in international financial markets, the Central Bank kept policy rates unchanged in 2012, and for this reason the interest rate spread changed relatively little, falling from 1.43 percentage points from the end of 2011 to 1.41 percentage points in the first quarter of 2012. For the second through fourth quarters the figure stood at 1.42, 1.43, and 1.43 percentage points, respectively.

(4) NT Dollar appreciates against the US Dollar

Since early 2012, the severity of the European debt crisis has gradually tapered off due to the ongoing Long-Term Refinancing Operations (LTROs) of the European Central Bank (ECB). As a result, risk appetites throughout the world became stronger, and the NT Dollar appreciated against the US Dollar, rising from NT\$30.315 per USD at the beginning of the year to 29.24 :1 by 2 May. Thereafter, however, the US Dollar rose sharply when it emerged as a safe haven as markets were rattled by upheaval in the Greek cabinet, the spread of the debt crisis to Spain and Italy, and plummeting international equity markets. In addition, foreign entities were net negative investors in Taiwanese stocks, and their repatriation of funds caused the NT Dollar to depreciate by 25 July to 30.21: 1. Subsequently, an announcement by the ECB that it "is ready to do whatever it takes to preserve the euro" eased the European debt crisis. The Fed, moreover, adopted a third round of quantitative easing (QE3), and foreign capital poured back into emerging Asian markets. As a result, the NT Dollar appreciated sharply versus the US Dollar. By the end of 2012, the NT Dollar stood at 29.14 versus the US Dollar, representing a 3.95% appreciation in comparison with the level at the end of 2011.

Figure 3 NT Dollar against the US Dollar Exchange Rates



Source: Central Bank of the Republic of China

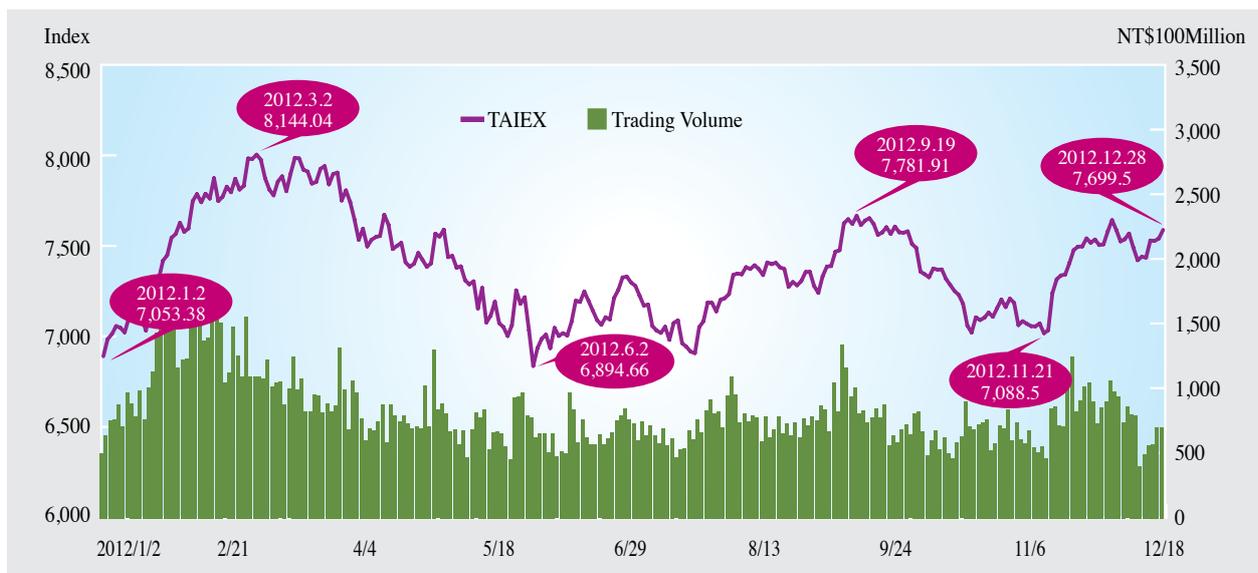
(5) Stock markets undergo turbulence; trading volumes decline

Thanks to easing of the euro crisis, better-than-expected performance of the US economy, and the conclusion of the presidential election in Taiwan, the Taiwan Stock Exchange Weighted

Index (TAIEX) rose in early 2012, peaking for the year at 8,144 points on 2 March. Afterwards, however, plans to levy a capital gains tax on securities and to raise the prices of gasoline and electricity, and a worsening of the European debt crisis, reversed the rally. The TAIEX fell to a 2012 low of 6,894 points on 2 June.

In the second half of the year, the stock market initially rebounded due to amelioration of the European debt crisis. After that, in reaction to the ECB's plans for unlimited purchases of eurozone sovereign debts, and to the implementation of quantitative easing policies by the US and Japan, the TAIEX rose along with other markets worldwide, hitting 7,787 points on 19 September. In the fourth quarter, investor confidence was shaken by poor profit prospects for domestic companies and the high-tech sector, along with debate over whether to levy a supplementary national health insurance premium based on stock dividend income. Trading volume declined and the TAIEX bottomed on 21 November at 7,088.49, but from there it rebounded to 7,699.5 points on 28 December on several items of good news—progress in talks on the US fiscal cliff; the Taiwan government's announcement of a plan to support the stock market; and foreign investors jumping in as big net buyers on Taiwan's futures and stock markets. The TAIEX finished 2012 up 627.42 points, or 8.87%, from its 2011 close, but daily average turnover by trading value was only NT\$80.95 billion, down 23.67% from the NT\$106.06 billion daily average of 2011.

Figure 4 TAIEX and Trading Volume



Source: Taiwan Stock Exchange

3. Economic Outlook for 2013

In its World Economic Outlook report released in January 2013, the IMF calls for global growth of 3.5% in 2013, up from 3.2% in 2012, provided that the European debt crisis and the US fiscal problem are properly handled. In addition, Global Insight in February 2013 forecasts global economic growth of 2.6% in 2013, about the same as 2012, including 1.0% growth for developed economies and 5.3% growth in emerging markets.

As for individual countries, the IMF expects the US economy to grow (despite uncertainty related to the fiscal contraction and debt ceiling negotiation) at a 2.0% clip on the strength of improving fundamentals, including a turnaround in the housing market, stronger consumer spending, and increased corporate investments. In the euro area, the IMF expects economic activity to contract by 0.2%. On the one hand, multiple policies have been adopted to bolster confidence and the sovereign debt crisis is clearly much less threatening, but these positive factors should be outweighed by the impact of fiscal austerity and other reform measures, stubbornly high unemployment rates, and uncertainty in connection with a presidential election in Germany in September. Japan, in the meantime, has adopted policy of monetary easing to counteract deflation, resulting in sharp depreciation of the Yen. If this brings stronger exports and domestic demand, then Japan's economy should grow by 1.2% in 2013. Economic growth of 8.2% is forecast for mainland China, where stronger exports and industrial production, along with increased construction activity resulting from policy measures to encourage urbanization, should spur stronger domestic demand. For an overview of the economic forecasts of the IMF and other forecasting institutions, see Table 1.

Table 1 Forecast on Global Economic Growth Rates

Unit: %

Area \ Institute	IMF		The World Bank		Global Insight Inc.	
	2012	2013	2012	2013	2012	2013
Global	3.2(3.3)	3.5(3.6)	2.3(2.3)	2.4(2.6)	2.6(2.6)	2.6(2.6)
US	2.3(2.2)	2.0(2.1)	2.2(2.2)	1.9(2.4)	2.2(2.2)	1.9(1.7)
Japan	2.0(2.2)	1.2(1.2)	1.9(1.9)	0.8(1.5)	1.9(2.0)	0.4(0.0)
Euro Area	-0.4(-0.4)	-0.2(0.2)	-0.4(-0.3)	-0.1(0.7)	-0.5(-0.4)	-0.3(-0.2)
Mainland China	7.8(7.8)	8.2(8.2)	7.9(7.7)	8.4(8.6)	7.8(7.7)	8.2(8.0)

Note: Figures in () refer to the previous forecast

Sources: 23,Jan., 2013, IMF, 15,Jan., 2013, The World Bank, 15,Feb., 2013, Global Insight Inc.

Here in Taiwan, our Directorate-General of Budget, Accounting and Statistics (DGBAS) has forecast real GDP growth of 3.59% for 2013. With regard to external demand: With the global economy gradually recovering, the IMF expects a moderate uptick in global economic activity this year. It is calling for global trade to grow by 3.8%, up from 2.8% in 2012. In addition, new models of mobile communications products, such as smart phones and tablet computers, are continually hitting the market, and Taiwan's leading semiconductor manufacturers will be making investments to keep up with the associated business opportunities. Also, large smart TVs and touch screens are expected to support supply chains for display panels and other parts and components, thus fueling expansion of domestic production capacity and spurring faster export growth. Exports are forecast to grow this year by 6.23%, up from -2.32% last year. Imports, buoyed by export-driven demand and stronger domestic demand, are forecast to grow by 7.12%. Exports of goods and services, inflation-adjusted, are expected to post real growth of 6.35%, while imports in real term should increase by 5.34%. After netting out imports from exports, net foreign demand is forecast to contribute 1.78 percentage points to economic growth.

With regards to domestic demand, as the economic outlook has improved, Taiwan stock markets have rebounded and some companies have begun hiring aggressively. This improvement in the labor market has bolstered consumer confidence and driven private consumption. Real growth in private consumption this year is expected to hit 1.86%. As for investment, improved order visibility has prompted domestic semiconductor makers with superior technology to accelerate their expansion of high-end process capacity. Telecoms operators have also increased capital expenditures as they want to branch out into cloud computing, wireless telecommunications, and digital channel services. All these developments contribute to increased domestic investment. Real growth in private investment this year is forecast to reach 7.37%. Combining private investment and investment by state-run enterprises, and factoring out inflation, fixed investment is expected to post real growth of 4.81%. Domestic consumption, investment, and changes in inventory combined to contribute 1.81 percentage points to economic growth. Forecasts for Taiwan's economic growth from various domestic and foreign institutions are set out in Table 2.

To sum up, Taiwan's domestic economy is expected to grow stronger quarter by quarter thanks to various favorable factors, such as steady economic recovery in the US, amelioration of the euro crisis, an economic upturn in mainland China, and the continuation of monetary easing by various major countries. However, the US has adopted a spending sequestration, its debt ceiling and other fiscal matters have yet to be worked out, the eurozone economy remains weak, and sharp devaluation of the Japanese Yen has triggered financial market volatility. The global economy is therefore still beset by numerous challenges, and the impact upon Taiwan's export performance bears close attention. As to domestic demand, growth in private consumption may be damped by

Table 2 Forecast on Taiwan Economic Growth Rates

Unit: %

	Institution	2013
Public and domestic institutions	DGBAS (2013.2)	3.59 (3.15)
	TIER (2013.1)	3.49 (3.42)
	CIER (2012.12)	3.60 (3.59)
	Academia Sinica (2012.12)	3.05
	Yuanta-Polaris Research Institute (2013.3)	3.65 (3.48)
	NTU-Cathy (2013.3)	4.23 (3.88)
	Taiwan Research Institute (2012.12)	3.57
Foreign institutions	IMF (2011.9)	3.9 (4.7)
	Global Insight (2012.2)	3.6 (3.3)
	Asian Development Bank (2011.12)	3.8 (4.6)

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, Yuanta-Polaris Research Institute, NTU-Cathy, Taiwan Research Institute, IMF, Global Insight and ADB

stagnant real wages and somewhat listless stock markets. Fortunately, however, the government will continue pursuing its Economic Power-Up Plan and related measures, so there is reason for optimism about economic prospects this year.

As for the prices of 2013, a stabilizing global economy this year should spur demand for fuel and cause gasoline prices to hover at a high level, so the DGBAS expects the wholesale price index (WPI) to climb 0.40% from 2012. Regarding the consumer price index (CPI), high gasoline prices will put upward pressure on the prices for some goods and services, and stronger consumption will afford companies greater flexibility in price hikes. However, food prices were already high last year, so a high baseline means more moderate price rises this year. Moreover, housing rents are steady while prices for durable goods and telecommunications rates should continue falling. The DGBAS therefore expects the CPI to be up 1.37% from 2012.

B. Major Financial Measures Adopted by the Government

1. Financial Services Business

- (1) The Financial Supervisory Commission (FSC) on 10 May 2012 accepted the suggestion of the Bankers Association of the Republic of China (BAROC) that any domestic banking unit (DBU) that conducts import financing business should be allowed to: (a) accept as collateral the NT Dollar deposits of a borrower who has deposited said NT Dollar funds in a demand

account opened with the DBU itself; and (b) accept as collateral the foreign-currency deposits of a borrower who has deposited said foreign-currency funds in a demand account opened with the DBU itself.

- (2) In response to the European debt crisis and the transformation and restructuring of industry in Taiwan, the FSC has coordinated with BAROC to work out a series of three measures to ensure access to funding for the business community. One of these measures calls for the BAROC to establish a mechanism that will ensure the availability of credit to any firm that is operating normally and is current on interest payment of its outstanding loans but is experiencing cash flow difficulties, or any firm that has taken out a stock-secured loan to obtain working capital but is experiencing cash flow difficulties and/or operating problems due a fall in the market value of the stock collateral. This measure was originally scheduled to run through the end of June 2012, but it was later extended to the end of June 2013.
- (3) In order to ease the financial burdens of the general public, the FSC worked with financial institutions to get various fees reduced. Beginning from 1 November 2012, for example, the margin rates charged to investors who buy securities on margin were cut by 0.1 to 0.2 percentage points, thus reducing investment costs and encouraging more investment. And from 1 June 2012, ATM fees for interbank cash withdrawals and interbank transfers were cut by 17% and 12%, respectively.
- (4) On 6 September 2012, the FSC amended the "Regulations Governing Authorization and Administration of Service Enterprises Engaged in Interbank Credit Information Processing and Exchange." In addition to switching to the Ministry of Finance as the competent authority for related matters, the amended Regulations: (a) set out qualification requirements to be met by responsible persons and persons who handle information security; (b) require such enterprises to establish internal control and internal audit systems; and (c) clarify the extent of such a financial enterprise's disclosure obligations when it has been required to provide information to a government agency.
- (5) In view of the fact that a lot of people in Taiwan now use online banking services to carry out financial transactions, the FSC on 15 June 2006 issued an amendment to the "Standard Form Contract for Personal Online Banking Services," and it took effect on 15 December of that same year. More recently, on 8 October 2012, the FSC (acting upon a request made by the Consumer Protection Commission) issued the "Directions Governing Mandatory Provisions in Standard Form Contracts for Personal Online Banking Services" and the "Directions Governing Prohibited Provisions in Standard Form Contracts for Personal Online Banking Services" in accordance with Article 17 of the "Consumer Protection Act." In drafting the provisions, the FSC made reference to the provisions of the "Matters to be Stated and Not to be Stated in the Standard Contract for Online Transactions with Retail Merchants" issued by the Ministry of Economic Affairs.

- (6) In order to coordinate with the government's efforts to spur domestic investment, to support the "Economic Power-Up Plan," and to help companies that need to install plant and equipment to obtain financing, the FSC announced that for any bank loan made on 1 January 2012 or thereafter, if the funds are used by the borrower to expand productive plant and equipment, and if the borrower furnishes a concrete, feasible plan for purchase or construction and then uses the funds in the manner described in the plan, then the bank need not count those funds against the cap on the total amount loans for "residential construction and construction for business purposes" as set out in Article 72-2 of the "Banking Act." In the future, when a bank is processing a plant and equipment loan that meets the aforelisted conditions, it will not be affected by the cap set out in Article 72-2 of the "Banking Act" even if its outstanding loans for residential and commercial construction are already approaching the cap, and this exemption from the cap also applies retroactively from the beginning of 2012, so it should be an effective means of spurring increased bank lending.

2. Cross-Strait Financial Ties

- (1) In response to the regulatory needs that have arisen from the progressive lifting of restrictions on cross-strait financial industry dealings, the FSC on 16 March 2010 amended the "Regulations Governing Approvals of Financial Institutions to Engage in Business and Investment Activities Between the Taiwan Area and the Mainland Area." The amended Regulations set out eligibility requirements and regulatory provisions governing equity participation by mainland banks in financial institutions in Taiwan, and the FSC announced that the amended provisions would enter into force from 2 January 2012. Now that the amended provisions have entered into force, any mainland bank intending to make an equity participation in a Taiwanese financial institution can apply with the FSC for permission in accordance with Article 73 of the aforementioned Regulations.
- (2) Article 12-1 of the "Regulations Governing Approvals of Financial Institutions to Engage in Business and Investment Activities Between the Taiwan Area and the Mainland Area" requires that the aggregate amount of a Taiwan bank's credit extension, investments, and interbank funding in the mainland must not be more than 100% of the amount of the bank's net worth after final accounting for the previous fiscal year. In order to establish a system for regulating the aggregate mainland exposures of Taiwanese banks, the FSC acted upon the authority of Article 12-1 on 6 April 2012 by issuing the "Methods for Calculating the Aggregate Amount of a Taiwan Bank's Credit Extension, Investments, and Interbank Funding in the Mainland Area" (the "Calculation Methods"). After soliciting the views of the Central Bank and considering the time required for a bank to adjust its internal systems, the FSC decided that the Calculation Methods would take effect from 1 June of that same year.

- (3) The FSC on 4 June 2012 amended the "Rules Governing the Acceptance by Financial Institutions of Foreign Currency and Foreign Securities as Collateral for NT Dollar Loans" to allow mainland-area central government bonds and financial institution certificates of deposit (CDs) to be treated as eligible collateral. In the future, Taiwan banks will be able to accept the CDs issued by any mainland financial institution that ranks among the top 1,000 ranking and creditworthy financial institutions in the world, as collateral for NT Dollar loans. The amended Rules took effect from the date of their issuance. Now that the FSC has eased restrictions in the Rules, banks can provide customers more flexible service, which will encourage foreign and mainland China-based Taiwanese firms to make use of domestic banks in Taiwan as fund procurement centers. As a result, our domestic banks now have greater development potential.
- (4) A "Memorandum of Understanding for Cooperation on Cross-strait Currency Settlement " was signed on 31 August 2012 and ratified by the Executive Yuan on 6 September. The Central Bank then screened a list of domestic banks and on 17 September selected the Bank of Taiwan as the NT Dollar clearing bank in the mainland area.
- (5) The FSC amended laws and regulations to coordinate with the 31 August 2012 signing of the "Memorandum of Understanding for Cooperation on Cross-strait Currency Settlement" ("Currency Settlement Memorandum"). On 11 September, for example, it repealed the "Directions for Banks in the Taiwan Area Conducting Renminbi Business," and together with the Central Bank jointly repealed the "Regulations Governing the Administration and Settlement of Renminbi in the Taiwan Area." On 19 December it issued an interpretation of the exclusion set out in Article 14 of the "Regulations Governing Approvals of Financial Institutions to Engage in Business and Investment Activities Between the Taiwan Area and the Mainland Area" and issued an amendment to Point 2 of the "Directions Governing Limits on Amounts of Coins and Notes Issued in the Mainland China Area Which May Enter or Exit the Taiwan Area." These amendments and repeals enable banks to conduct RMB business. In addition, to provide proper investment channels for the RMB held by Taiwanese banks as a result of their conduct of RMB business, the FSC on 8 October repealed the "Directions Governing Limitations on Types and Amounts of the Securities in which an Industrial Bank May Invest," on 26 October amended the "Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest," and on 27 December amended the "Regulations Governing the Establishment and Administration of Industrial Banks" in order to allow banks to invest in a greater range of RMB-denominated securities.
- (6) In light of the fact that the provisions of the "Foreign Exchange Control Act" will apply mutatis mutandis to regulation in the Taiwan area of the coins and notes issued by the Mainland area after the two sides establish a bilateral currency settlement mechanism, the FSC on 19 December 2012 amended Point 2 of the "Directions Governing Limits on Amounts of Coins

and Notes Issued in the Mainland China Area Which May Enter or Exit the Taiwan Area" to exempt financial institutions that conduct RMB business, when using RMB to cover offshore RMB cash positions, from the RMB 20,000 limit that otherwise applies to the amount of RMB that may be allowed into or out of Taiwan.

- (7) As of the end of 2012, the following 10 Taiwanese banks had established branches and began business operations in the mainland: First Commercial Bank; Cathay United Bank; Chang Hwa Bank; Land Bank of Taiwan; Taiwan Cooperative Bank; Hua Nan Commercial Bank; Chinatrust Commercial Bank; Mega International Commercial Bank; Bank of Taiwan; and E.Sun Commercial Bank. In order to help domestic financial services firms enter the mainland market in an orderly manner and generate a synergistic interaction between our financial and industrial sectors, the FSC on 23 October 2012 approved an application by Bank SinoPac to establish a subsidiary in the mainland Chinese city of Nanjing, thus making Bank SinoPac the first Taiwanese bank to have a mainland subsidiary. And on 27 November the FSC approved an application by the First Commercial Bank to establish 12 village and township banks in Henan Province.

3. Regulation of Financial Institutions

- (1) The FSC on 14 March 2012 signed a memorandum of understanding with the Bank Supervision Department of the South African Reserve Bank. The MOU is intended to strengthen financial supervisory cooperation, and addresses such matters as information sharing and confidentiality, on-site financial examinations, crisis management, and bilateral meetings. As of 2012, the FSC had established financial supervisory cooperation relationships with 46 foreign supervisory authorities.
- (2) The Basel Committee on Banking Supervision (BCBS) issued "Basel III: A global regulatory framework for more resilient banks and banking systems" on 16 December 2011. In response, the FSC on 26 November 2012 amended the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and the "Explanation of Methods for Calculating the Equity Capital and Risk-Weighted Assets of Banks." Both amendments entered into force on 1 January 2013.

4. Financial Holding Companies

- (1) In April 2012, the Ministry of Economic Affairs amended the "List of Service Sector Business Types That Are Prohibited in Connection With Investments or Technical Cooperation in the Mainland Area." In view of this, the FSC allowed individuals and corporations from Taiwan to invest in mainland Chinese micro-credit companies, consumer finance companies, and financing guarantee companies. The FSC puts micro-credit companies on top priority for opening up in accordance with the mainland business deployment plans and investment of financial holding companies or banks regarding the above three types of financial enterprises. The business of micro-credit companies involves operational risks and operating costs which are higher than at banks. Therefore, in order to prevent

over-concentration of risk exposure, excessive leverage, or other risk factors from undermining the soundness of the business operations and financial soundness of a micro-credit company or even the entire corporate group to which it belongs, the FSC on 29 November 2012 amended the "Regulatory Principles for Investments in Mainland China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises" to require banks, financial holding companies, and subsidiaries thereof that invest in the mainland to improve the management of such enterprises.

- (2) The FSC on 26 November 2012 amended the "Regulations Governing the Capital Adequacy and Capital Category of Banks" ("Bank Capital Adequacy Regulations") and then on 28 December 2012 amended the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies" ("Financial Holding Company CAR Regulations"). The "Financial Holding Company CAR Regulations" entered into force on 1 January 2013 to coincide with the entry into force of the relevant amended provisions of the "Bank Capital Adequacy Regulations."

C. Banking Operations in 2012

1. Changes in the Operating Units of Financial Institutions

Financial institutions in Taiwan include monetary institutions, trust and investment companies (prior to December 2008), and life insurance companies. The term "monetary institutions" includes the Central Bank and other monetary institutions. The term "other monetary institutions" includes domestic banks, Taiwan branches of foreign and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, the Department of Savings and Remittances at Chunghwa Post Co., and money market mutual funds. There were 427 financial institutions in Taiwan at the end of December 2012, up by two from the end of 2011. The total number of branch banking units in Taiwan at the end of 2012 stood at 6,034, up by 18 from 6,016 at the end of 2011.

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

Domestic banks continued to strengthen their risk management capabilities in 2012, and NPL ratios fell to historic lows. According to statistics from the FSC Banking Bureau, the aggregate NPLs of domestic banks at the end of December 2012 stood at NT\$90.3 billion, down by NT\$2.5 billion (2.69%) from NT\$92.8 billion at the end of December 2011. The average NPL ratio of domestic banks has fallen steadily from a peak of 11.74% in the first quarter of 2002, and by the end of December 2012 stood at 0.40%, down by 0.03 percentage points from 0.43% at the end of December 2011.

Furthermore, the average loan loss coverage ratio of Taiwan's domestic banks stood at 274.09% at the end of December 2012, up by 22.26 percentage points from 251.83% at the end of December 2011, a clear indication that the risk-bearing capabilities of our domestic banks are improving significantly.

In preparation for implementation of Basel III from 1 January 2013, the FSC amended the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and the Illustrations on computation of bank capital and risk-weighted assets to ensure that Taiwanese banks will compute capital adequacy using methods that are in line with global practices, and to strengthen the loss absorbency of capital instruments. These actions are intended to spur banks to gradually raise their capital adequacy ratios to improve their stability and achieve better risk-bearing capacity

3. Overview of Bank Profitability

Asset quality at Taiwan's domestic banks is continually improving, and profitability is growing annually. The pre-tax earnings of domestic banks totaled NT\$240.2 billion in 2012, up 20.10% from NT\$200.0 billion in 2011. Over the same period their return on assets (ROA) increased from 0.59% to 0.68%, while return on equity (ROE) rose from 9.33% to 10.41%, both all-time highs. And in addition to steadily improving profitability, our domestic banks are also benefitting from a gradually widening interest spread, which has gone from an average of 1.22 percentage points in 2009 to an average of 1.42 percentage points in 2012. This trend is a boost to banks' profitability.

The 2012 signing of a "Memorandum of Understanding for Cooperation on Cross-strait Currency Settlement" plus the Executive Yuan's ongoing implementation of the "Program for Development of Financial Businesses with Cross-Straits Characteristics" and the "Taiwan-Centric Wealth Management Platform for Domestic Consumers," will spur Taiwanese banks to develop a diverse range of RMB services. In the future, as the competent authorities relax regulatory restrictions, banks are going to roll out an expanded list of RMB products and services, and this can be expected to bring them new markets and new business opportunities.

4. Major Lines of Banking Business

(1) Deposit Business

Deposits at all monetary institutions at the end of 2012 totaled NT\$33.30 trillion, up NT\$998.0 billion (3.09%) over the previous year. Time and time savings deposits accounted for the largest portion of this total (38.83%), followed by demand deposits (33.68%). Demand deposits experience the strongest growth, finishing up by NT\$492.3 billion (4.59%) from the end of 2011 to NT\$11.22 trillion. Postal savings increased by NT\$267.3 billion (5.74%) to NT\$4.92 trillion. Time and time savings deposits rose by NT\$207.7 billion (1.63%) to NT\$12.93 trillion. Foreign-currency deposits grew by NT\$196.9 billion (7.35%) to NT\$2.88 trillion (see Table 3).

Table 3 Changes in Deposits by Category of Major Financial Institutions

Unit: NT\$ 100 million

Item \ Year	End of 2012	End of 2011	Amount change	Percentage change %
Demand deposits	112,152	107,229	+4,923	+4.59
Time and time savings deposits	129,301	127,224	+2,077	+1.63
Foreign currency deposits	28,753	26,784	+1,969	+7.35
Postal savings deposits	49,241	46,568	+2,673	+5.74
NT Dollar deposits by foreigners	1,992	2,131	-139	-6.48
Repurchase agreements and Money Market Mutual Funds	2,271	3,510	-1,239	-35.30
Government deposits	9,292	9,576	-284	-2.96
Total	333,002	323,022	+9,980	+3.09

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2013.

(2) Loans and Investments

The balance of outstanding loans and investments at all monetary institutions stood at NT\$25.55 trillion at the end of 2012, an increase of NT\$1,375.8 billion (5.69%) over the end of 2011.

Loans and investments by all monetary institutions showed growth in all recipient categories at the end of 2012 in comparison with 2011. Claims on the private sector increased by the greatest amount, rising NT\$995.0 billion (5.13%), followed by claims on the public sector, which rose NT\$359.6 billion (9.60%). Claims on state-run enterprises rose by NT\$21.2 billion (2.03%) (see Table 4).

Table 4 Loans and Investments by monetary Institutions

Unit: NT\$ 100 million

Item \ Year	End of 2012	End of 2011	Amount change	Percentage change %
Claims on the government	41,050	37,454	+3,596	+9.60
Claims on state-owned enterprises	10,654	10,442	+212	+2.03
Claims on the private sector	203,784	193,834	+9,950	+5.13
Total	255,488	241,730	+13,758	+5.69

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2013.

(3) Foreign Exchange Business

The average daily foreign exchange turnover (total of bank-customer and interbank markets) in 2012 was US\$23.408 billion, down by 3.15% from 2011. Average daily turnover in the bank-customer market was US\$6.295 billion, up 1.22%, and average daily turnover in the interbank market was US\$17.113 billion, a decrease of 4.66%.

Further breaking down the figures for interbank foreign exchange transactions in 2012, spot transactions decreased by US\$1.292 billion (-18.31%) from 2011, while all other types of foreign exchange transactions increased in 2012. The largest increase took place in options transactions, which finished up by US\$283 million (16.35%), followed by foreign exchange swaps, which increased by US\$139 million (1.73%) (see Table 5).

Table 5 Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item	Year	2012	2011	Amount change	Percentage change (%)
Spot		5,766	7,058	-1,292	-18.31
Forward		1,064	1,063	+1	+0.09
Swap		8,190	8,051	+139	+1.73
Option		2,014	1,731	+283	+16.35
Cross currency swap		79	47	+32	+68.09
Total		17,113	17,950	-837	-4.66

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2013.

(4) Consumer Finance Business

According to statistics compiled by the FSC Banking Bureau, a total of 34.08 million cards issued by 36 credit-card issuing institutions were in circulation at the end of December 2012, up by 1.23 million (3.74%) from the 32.85 million in circulation at the end of 2011. The total number of active cards stood at 21.50 million, an increase of 740,000 (3.56%) since the end of 2011. The total volume of transactions paid for with these cards in 2012 amounted to NT\$1,762.752 billion, up 5.61% from 2011. The amount of revolving credit outstanding at the end of the year stood at NT\$131.874 billion, down 6.84% from the end of 2011. Cash advances totaled NT\$27.752 billion, down 7.87% from a year earlier.

FSC Banking Bureau statistics indicate there were 26,608 automatic teller machines (ATMs) in Taiwan as of the end of December 2012, up by 948 (3.69%) from 25,660 at the end of 2011. The cumulative issuance of bank cards rose by 4.71 million (2.92%) from 161.23 million at the end of 2011 to 165.94 million at the end of 2012. The number of ATM transactions during 2012 totaled 685.31 million, an increase of 3.37% over 2011, while the value of ATM transactions in 2012 amounted to NT\$8,477.1 billion, up 1% from NT\$8,393.3 posted a year earlier.

(5) Financial Derivatives Business

The notional amount of open derivatives positions of domestic banks (including headquarters, domestic and overseas branches, and offshore banking units) and foreign banks (general branches in Taiwan plus offshore banking units) at the end of December 2012 stood at the equivalent of NT\$45.91 trillion, down approximately NT\$3.14 trillion (6.39%) from NT\$49.05 trillion a year earlier.

Over-the-counter (OTC) transactions accounted for 99.84% of total financial derivatives trading, while exchange-traded transactions made up only 0.16%. Of the OTC transactions, swaps accounted for the lion's share (53.82%) of the notional value of total open positions, followed by forward contracts at about 35.34%. Put and call options accounted for 5.44% and 5.24%, respectively. In terms of trading purposes, derivatives held for trading made up 99.34% of the total, while non-trading derivatives accounted for only 0.66% (see Table 6).

Table 6 Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$100 million, %

Item	End of Dec. 2012		End of Dec. 2011		Changes	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts Outstanding	459,123	100.00	490,472	100.00	-31,349	-6.39
A. OTC	458,377	99.84	489,840	99.87	-31,463	-6.42
1. Forwards	162,235	35.34	158,328	32.28	3,907	2.47
2. Swaps	247,103	53.82	285,634	58.24	-38,531	-13.49
3. Call option	24,055	5.24	22,360	4.56	1,695	7.58
4. Put options	24,984	5.44	23,518	4.79	1,466	6.23
B. Exchange-traded	746	0.16	632	0.13	114	18.04
1. Futures- long positions	17	0.00	175	0.04	-158	-90.29
2. Futures- short positions	569	0.12	395	0.08	174	44.05
3. Call options	94	0.02	47	0.01	47	100
4. Put options	66	0.02	15	0.00	51	340
II. Notional Amounts Outstanding	459,123	100.00	490,472	100.00	-31,349	-6.39
A. Total contracts held for trading purpose	456,091	99.34	487,272	99.35	-31,181	-6.40
B. Total contracts held for non-trading purpose	3,032	0.66	3,200	0.65	-168	-5.25

Source: The CBC website, February 2013.

IV. Report on the Work of BAROC

A. Major Achievements in 2012

1. Supported government's work to develop financial services with cross-strait characteristics; held seminars to familiarize bankers with the task

- (1) In order to help banks develop financial services with cross-strait characteristics, BAROC (acting at the request of the FSC) has identified various banking services with special cross-strait characteristics in which Taiwanese banks are competitive, and has put forward short-, mid-, and long-term strategies regarding the development of such services. BAROC recommends: (a) developing comprehensive RMB businesses; (b) allowing bank cards issued in Taiwan to be used in the mainland and elsewhere for ATM cash withdrawals and card-swipe purchases; (c) establishing platforms for cross-strait interbank transfers and cross-strait electronic payments; and (d) putting together banks' resources to support their Chinese branches and strengthen their roles as cash flow centers. The recommendations have been forwarded to the FSC, the Central Bank, and the Mainland Affairs Council to serve as reference in their efforts to implement the "Program for Development of Financial Services with Cross-Strait Characteristics."
- (2) In order to provide cardholders in Taiwan and the mainland with a convenient electronic payments environment, BAROC invited 10 major card issuers and the Financial Information Service Co. to form a task force to help member banks promote the use of Taiwan-issued bank cards in the mainland and elsewhere for ATM cash withdrawals and card-swipe purchases. The task force is studying related regulatory provisions (to govern such matters as specifications, funds transfer [clearance] procedures, and the drafting of a business plan and a model contract). The completion of its work will be timed to accommodate the schedule of the competent authorities.
- (3) In familiarize financial services providers with the "Program for Development of Financial Services with Cross-strait Characteristics" approved by the Executive Yuan on 6 September 2012, and to help them better understand the measures being taken to implement the Program, BAROC and other industry associations joined with the FSC in holding a seminar on the Program on 19 September 2012. FSC Chairman Chen Yuh-Chang presided over the seminar, which attracted over 500 participants, and Premier Sean Chen delivered a speech there. BAROC Chairman Teng-Cheng Liu served as a panelist at an afternoon discussion session, where he exchanged views with the competent authorities on the topic of "the establishment of a cross-strait financial supervisory cooperation platform as it relates to market access and services provided for China-based Taiwan firms." The seminar provided an excellent opportunity for substantive discussions between the competent authorities and financial services providers, and helped the authorities better understand the current situation and needs of the financial community. This improved understanding will enable the authorities to make changes to the Program as needed.

2. Actions taken in response to entry into force of the amended "Personal Information Protection Act"

- (1) The FSC led a BAROC delegation on 20 February 2012 on a visit to the Ministry of Justice, where delegation members shared their views on the "Enforcement Rules of the Personal Information Protection Act." Meeting participants pointed out unclearly defined terms and difficulties with implementation, and put forward a position paper with concrete suggestions for revisions.
- (2) BAROC has had Japan's "Current Status of Issuance by Central Government Agencies of Guidelines on Protection of Personal Information by Companies in Different Industries" translated into Chinese, and has provided the translation to the FSC Banking Bureau as well as all BAROC member banks for their reference.
- (3) BAROC revised the standard draft of "Security Protection Standards for Personal Information File in the Financial Industry" and "Regulations for the Disposition of Personal Information Following the Termination of Business for the Financial Industry" for the reference of FSC Banking Bureau.
- (4) BAROC issued a set of "Directions Concerning Fulfillment by BAROC Member Banks of the Duty of Disclosure as Set Forth in Article 8 of the Personal Information Protection Act" and a "Model Disclosure Statement in Fulfillment of the Duty of Disclosure" for the member banks' reference.
- (5) On 26 January 2012, BAROC held a seminar at the NTUH International Convention Center to familiarize participants with the "Personal Information Protection Act." Li Shide (a section chief in the Department of Legal Affairs at the Ministry of Justice) and Chen Zhengxiu (chairperson of BAROC's Financial Regulations and Disciplinary Committee) spoke at the seminar, which was attended by 256 persons.

3. BAROC recommends amending tax laws related to banking business to improve the supervision of banks' financial operations, risk management, and to enhance tax fairness

- (1) In order to help banks implement risk-based lending business and develop the necessary soundness to withstand future economic downturns, the FSC is moving step-by-step to get banks to raise their gross loan coverage ratios. However, Article 49 of the "Income Tax Act" bars banks from recognizing bad debt expenses exceeding 1% of loans outstanding. Banks, in order to maintain compliance with supervisory standards, are thus burdened with higher book-tax differences related to impairment charges for bad loans. BAROC therefore has recommended that the Ministry of Finance amend Article 49, paragraph 2 of the "Income Tax Act," either by raising the aforementioned limit to 1.5%, or by allowing banks to estimate and recognize bad debt expenses in accordance with regulatory provisions issued by the competent authority.

- (2) For banks that conduct insurance soliciting business, the nature of the business, the qualification requirements of the employees involved, the competent authority, and the governing legislation, are all the same as those for insurance brokers and insurance agents. Based on the principles of tax neutrality and fairness, BAROC has urged the Ministry of Finance to allow banks which conduct insurance business to have their insurance commission income taxed at the 2% rate provided for in Article 11, paragraph 1 of the "Value-added and Non-value-added Business Tax Act."
- (3) Regarding the issue of the consolidated tax return regime for financial holding companies (FHCs), BAROC has called numerous meetings with FHCs to study the situation, and has replied the FSC Banking Bureau to recommend that the matter be governed in line with the legislative intent of Article 49 of the "Financial Holding Company Act (FHCA)," i.e. where an FHC incurs operating expenses or interest payments as the result of actions taken to perform obligations imposed upon it by the FHCA, the FHC should be allowed, in the spirit of tax neutrality, to deduct such expenses and payments from taxable income.

4. To facilitate the efforts of member banks to evaluate the impact of the US "Foreign Account Tax Compliance Act (FATCA)," BAROC continued to pass along to the authorities the views of the banking community and the difficulties of implementation

- (1) BAROC hired a specialist organization to translate into Chinese the US FATCA Regulations as announced on February 2012. The organization help the BAROC review the opinions of member banks on the matter, studied views put forward in other countries, and wrote an English-language letter on behalf of BAROC to the US Treasury Department and Internal Revenue Service to communicate the views of our banking community, and to explain the difficulties of implementation.
- (2) In order to ease the impact of FATCA on domestic financial institutions and resolve questions regarding legal and regulatory compliance, BAROC recommended that the government sign an intergovernmental FATCA agreement with the US that would simplify FATCA procedures and reduce the compliance cost of domestic financial institutions.
- (3) In response to a request from the competent authority, BAROC collected information from member banks regarding difficulties in the implementation of integovernmental FATCA agreements between other countries and the US, and hired an outside party to translate the US Treasury Department's Model Intergovernmental Agreement on FATCA into Chinese. This translation will serve as reference for our government as it works to sign a similar agreement with the US.

5. Helped Banks Achieve Compliance with Basel III

- (1) BAROC provided its views to the FSC Banking Bureau on a proposed amendment to the "Illustrations on Computation of Bank Equity Capital and Risk-weighted Assets, and Related

Forms." We also studied the design of the terms and conditions of contingent capital issuance and related procedures, and compiled information on regulatory restrictions and submitted it to the FSC Banking Bureau.

- (2) BAROC had the Basel Committee on Banking Supervision's "Composition of Capital Disclosure Requirements" translated into Chinese, and submitted suggestions to the FSC Banking Bureau regarding possible amendments to the "Capital Adequacy Disclosure Requirements for Domestic Banks."
- (3) BAROC conducted monitoring exercises of the liquidity coverage ratios (LCRs) and net stable funding ratios (NSFR) of its member banks, completed studies on these two indicators, and reported the results to the FSC Banking Bureau.

6. Set Up New Self-regulatory Rules, Amended Existing Ones

- (1) In order to ensure safe and sound operation of banks, BAROC amended a provision governing loan pricing in Article 26 of the "Credit Extension Standards for Members of the Bankers Association of ROC" by adding "reasonable profit" to loan pricing benchmarks. Also, in consideration of the factor of market competition, banks are allowed under the amended Credit Extension Standards to treat the total borrower contribution as a reason for lowering the loan price. However, when factors for lowering the loan price are considered in a loan extension, the bank must set out its reasons, and prior to loan approval the bank must carry out a profit-and-loss analysis, set out internal rules governing the power of approval for loan price reduction factors and the size of the reduction, and establish internal mechanisms for regular compilation and reporting of related statistics as well as regular critical reviews.
- (2) In order to control bank credit risks, BAROC adopted new rules governing the maintenance margins for stock lending. We also decided to allow foreign nationals not domiciled in Taiwan to apply for permission to conduct NT Dollar guarantee business to serve the needs of foreign issuers that plan an exchange or OTC listing in Taiwan to raise and issue corporate bonds. To coordinate with this decision, the "ROC Bankers Association Guidelines for the Provision by Member Banks of NT Dollar Loans to Foreign Nationals not Domiciled in Taiwan" have been renamed the "ROC Bankers Association Guidelines for the Provision by Member Banks of NT Dollar Credit to Foreign Nationals not Domiciled in Taiwan." In addition, regarding the provision of NT Dollar guarantees for corporate bonds issued in Taiwan by locally domiciled foreign nationals, BAROC provided member banks with its views on legal compliance issues, the strengthening of risk control mechanisms, and the securing of claims.
- (3) To coordinate with the recent addition of Article 12-2 to the "Banking Act," the "The Bankers Association of ROC Guidelines for Member Bank Compliance With Article 12-1 of the Banking Act" has been renamed the "The Bankers Association of ROC Guidelines for Member Bank Compliance With Article 12-1 and Article 12-2 of the Banking Act." BAROC also incorporated into the aforementioned Guidelines the FSC's replies in response to the BAROC's inquiry regarding the enforcement of Articles 12-1 and 12-2 of the "Banking Act"

(including: [a] a provision which states that when a borrower voluntarily provides a member bank with a guarantor to enhance his or her creditworthiness, the bank is not subject to Article 12-1, paragraph 2, which prohibits a bank from requiring a borrower to provide a guarantor if the bank has already obtained sufficient security; [b] a provision that sets out operating procedures for distinguishing clearly between "a bank requiring a borrower to provide a guarantor" and "a borrower voluntarily providing a bank with a guarantor"; and [c] a provision that expressly requires banks to ask a guarantor to fill out a separate consent form to agree that the guarantee period exceeds 15 years).

- (4) At the FSC's instruction, BAROC held seminars to familiarize the Ministry of Justice's Administrative Enforcement Agency and local tax authorities throughout the nation with the content of the "ROC Bankers Association Guidelines Concerning Fees Charged by Member Banks for Handling Government Agency Queries and Garnishment Orders." And in response to recommendations from tax authorities, BAROC amended the said Guidelines and filed the amended provisions (which entered into force from 1 January 2013) with the authorities. In addition, BAROC will compile the fee rates of member banks and post them to its website for the reference of government agencies.
- (5) At the request of the FSC Banking Bureau, BAROC adopted a set of "Self-regulatory Rules for Liquidity Risk Management by Banks," the provisions of which are modeled upon the BCBS "Principles for Sound Liquidity Risk Management and Supervision." To help member banks achieve compliance, we also compiled a set of FAQs to address foreseeable questions.
- (6) BAROC amended the "Self-regulatory Rules for Banks Dealing in Derivative Products" to:
 - (a) require that recordings of conversations in which a customer is informed of important facts about a structured product must now be retained on file for no less than five years; and
 - (b) allow a customer to turn to the Financial Ombudsman Institution for resolution of a dispute with a bank.

7. BAROC drafts "Security Control Operating Standards for Credit Card Organizations Conducting Mobile Phone Credit Card Business"

- (1) In order to facilitate development of the mobile phone credit card business, the FSC asked BAROC to draft a set of "Security Control Operating Standards for Credit Card Organizations Conducting Mobile Phone Credit Card Business" to ensure that the mobile phone credit card business is conducted under consistent security control operations. The Security Control Operating Standards drafted by BAROC govern how a credit card issuer that conducts mobile phone credit card business handle the following five aspects of security control operations: (a) operational model, ; (b) over-the-air (OTA) downloads; (c) TSM (Trusted Service Manager) service platform; (d) information security and Secure Element; and (e) bank chip card personalization. When a mobile phone credit card transaction exceeds the threshold (currently set at NT\$3,000 by the competent authority) at which a signature is not required, the

cardholder's identity must be verified before the transaction can be processed. After the FSC approved the Security Control Operating Standards on 6 November 2012, BAROC forwarded them to credit card issuers and informed that the Standards should be followed.

- (2) In response to the rise of mobile payments, five major telecoms operators (Chunghwa Telecom, Taiwan Mobile, Asia Pacific Telecom, VIBO Telecom, and Far EasTone Telecommunications) have joined hands with EASYCARD Investment Holdings Corporation to set up a trusted service manager (TSM) company to create a near field communication (NFC) trading platform and promote the use of mobile payment services. In addition, Kainan University and France-based Oberthur Technologies have joined forces to establish a TSM platform and an over-the-air (OTA) download management center, and they are now seeking banks to join in the undertaking. BAROC has established an inter-committee working group to study the matter and communicate member banks' views. Our association has stressed the importance of communication among both parties while specifications are being worked out.
- (3) In connection with its review of the plans of the five big telecoms operators and EASYCARD Investment Holdings to establish a TSM joint venture, the Fair Trade Commission asked BAROC to submit its views on the case. BAROC provided its views on two issues: (a) whether the joint venture would affect its members or the market in which they operate, or whether it might otherwise restrict competition; and (b) whether the joint venture should be subject to structural regulation or conduct regulation. In the end, the Fair Trade Commission passed a resolution on 23 January 2013 in which it decided, on the basis of Article 12, paragraph 2 of the "Fair Trade Act," to allow the joint venture to go ahead (subject to 11 conditions designed to ensure that the economic benefits of the joint venture would outweigh the disadvantages of any anti-competitive aspects).

8. Promotion of Bank Interests and More Convenient Services

- (1) In order to help banks to keep close track of economic and financial market conditions in mainland China, BAROC and the Taiwan Academy of Banking and Finance collaborated to establish the Mainland China Financial Database. After the database was created, it underwent testing by BAROC and our member banks. Improvements were made, and the database was officially launched on 3 January 2013 to provide member banks with access to information on mainland financial conditions.
- (2) BAROC continued its efforts to build up the National Fee (Tax) Payment Business. By the end of December 2012, the business had been expanded through the addition of collection services for toll road fees, parking fees in Taipei City, parking fees in New Taipei City, and fees for credit cards issued by Taichung Bank and the Bank of Taiwan. A total of 31 financial institutions have now applied to provide these fee collection services for more than 6,000 client entities. The collections are for a monthly average of more than 900,000 transactions worth in excess of NT\$8.3 billion.

- (3) To make travel in Japan more convenient for people from Taiwan, BAROC prepared publicity materials to familiarize the public with cross-border use of chip cards for cash withdrawals and card-swipe purchases, distributed promotional materials at the Taipei International Travel Fair, the Japan Interchange Association, travel agencies, and at participating merchants in Japan. The use of chip cards for cash withdrawals in Japan was also promoted by the placement of promotional information in magazines, travel guides, and smart phone apps published by Mook Publications.
- (4) BAROC held a publicity campaign to increase the name recognition and exposure of chip card services, and to provide participating merchants with more incentive to encourage cardholders to use their chip cards to make purchases. The publicity campaign included many separate events designed to get the message out to different types of consumers.

9. Other tasks undertaken at the request of the competent authorities

(1) Consumer Protection

- a. The FSC recently issued the "Directions Governing Mandatory Provisions in Standard Form Contracts for Personal Online Banking Services" and the "Directions Governing Prohibited Provisions in Standard Form Contracts for Personal Online Banking Services," and amended the "Standard Form Contract for Personal Online Banking Services." To assist the FSC in the drafting of the provisions, BAROC provided the FSC with its views regarding implementation by banks. After the aforementioned Standard Form Contract amendment and the related rules took effect on 8 January 2013, BAROC instructed member banks to abide by the provisions thereof, and sent out leaflets to member banks and asked them to set them out at their places of business for public reference.
- b. The Executive Yuan's Department of Consumer Protection (DCP) held public hearings on 18 and 23 July 2012 at the Chientan Youth Activity Center on a proposed amendment to the "Consumer Protection Act." Now that the "Financial Consumer Protection Act" has entered into force, it has become necessary to determine which act takes priority when the two acts overlap. Also, some provisions in the amendment as drafted by the DCP would have a significant impact upon banks' lending and credit card businesses, so BAROC hired an attorney to prepare a position paper on the proposed amendment. This position paper was presented to the DCP for its reference in its ongoing work on the amendment.
- c. At the request of the FSC, the Association drafted an amendment to the "Financial Institution Uniform Reporting Form for Activity in Watch-listed Accounts." The amended Reporting Form now includes two new check boxes to indicate whether the owner of a watch-listed account is an "individual" or "not an individual." This information can help police in their investigations. The amendment was filed with the FSC and approved for recordation, and the Reporting Form was forwarded to member banks.

- d. At the FSC's request, BAROC studied possible rules for the handling of a virtual account that has been watch-listed, and submitted recommendations to the FSC. After the FSC adopted the amendments, BAROC forwarded the amended provisions to member banks to act accordingly.
- e. The FSC issued a directive for banks to reduce ATM fees from NT\$6 to NT\$5 per interbank cash withdrawal, and to reduce ATM fees for interbank fund transfers from NT\$17 to NT\$15. The cost of the NT\$1 fee reduction will be borne equally by card issuing banks and ATM operating banks, and the FSC asked banks to apply the ATM transaction fee reductions to fees on interbank fund transfers carried out by users of online and mobile banking services. At the FSC's request, BAROC surveyed member banks to find out how long it would take them to make necessary adjustments to their information system operations, then reported the results to the FSC for its reference. The FSC then set 1 June 2012 as the date for the fee reductions to take effect, and BAROC notified all member banks accordingly.
- f. Acting at the request of the FSC Banking Bureau, BAROC hired an advertising company to run an advertising campaign to urge consumers needing a bank loan to contact banks directly rather go through loan brokers. The advertising campaign was carried out via posters, newspapers, Mass Rapid Transit system billboards, the Internet, and radio.
- (2) Business Operations
- a. Under the second-generation National Health Insurance (NIH) scheme, which was launched on 1 January 2013, supplementary National Health Insurance premiums based on interest income can be withheld by banks. The Department of Health has accepted BAROC's recommendation to raise the threshold (so that banks make such withholdings only when the interest income is NT\$5,000 or higher) and to simplify the withholding procedures that banks are required to follow. To ensure a smooth launch of the second-generation National Health Insurance scheme in 2013, BAROC held a meeting to familiarize member banks with procedures for the withholding and payment of supplementary NIH premiums. In addition, a joint meeting of BAROC directors and supervisors adopted a resolution to request that all member banks provide full cooperation to the government in its efforts to implement National Health Insurance policy. In response, the Bank of Taiwan adopted an incentive program designed to reward customers who opt not to break up large time deposits into smaller ones (which some savers have done to reduce the interest on any one deposit to below the threshold for payment of a supplementary National Health Insurance premium). Other BAROC member banks have been asked to adopt incentive measures of their own modeled upon the Bank of Taiwan program. They've also been asked to make a vigorous effort to dissuade customers from breaking up their time deposits, and worked to build public support for the government's policy on National Health Insurance.

- b. US regulatory authorities have required banks there to adopt resolution plans to determine in advance how a bank is to liquidate its debts (without affecting other banks) if it goes bankrupt or otherwise encounters financial distress. The ultimate objective is to minimize the impact of bank failures upon the US financial industry. BAROC solicited the views and recommendations of the 10 Taiwanese banks with commercial representations in the United States, and passed them on to the FSC Banking Bureau. The FSC then forwarded those views to its New York office and asked the latter to respond and/or pass the views along at an appropriate time to the US regulatory authorities, so as to reduce the difficulties of implementation for Taiwanese banks.
- c. Section 619 of the Dodd-Frank Act (otherwise known as the "Volcker Rule") expressly prohibits banking entities from engaging in proprietary trading and from investing in or sponsoring hedge funds and private equity funds, subject to certain exceptions, and BAROC has responded by setting up a task force to study the Volcker Rule provisions. In addition to submitting its views to the US government, the task force continues to track the progress of Dodd-Frank rulemaking in order to help Taiwanese banks to make preparations.
- d. On 14 May 2012, the Public Construction Commission held an event to mark the signing of a "Declaration of Opposition to Corruption in Public Works Projects." Representatives from the Ministry of Justice, Ministry of Finance, FSC, relevant industry associations, and the banking community were invited to take part in the activity. The bank-related passage in the Declaration reads as follows: "If a company's involvement in bribery were factored into banks' lending decisions, it could reduce a bank's capital risk." Because the event provided a friendly reminder to banks while properly adhering to government anti-corruption policy, former Chairperson Susan Chang jointed the signing on behalf of BAROC to voice support for the event.
- e. In order to coordinate with the government's economic stimulus efforts, BAROC continued to enforce its "Self-regulatory Rules for Corporate Debt Workouts and Workout Enforcement in Cases Transferred from the Ministry of Economic Affairs," "Temporary Supplemental Principles for Handling by Banking Institutions of Stock-secured Loans in Coordination with the Government's Economic Stimulus Program," and "Guidelines for the Handling by Members of the ROC Bankers Association of Mortgage Principal Deferment or Rescheduling for Involuntarily Unemployed Residents of Owner-occupied Homes." The Association compiles monthly statistics on the implementation by member banks of these three items of self-regulatory legislation, and processed applications to extend implementation deadlines until 30 June 2013.
- f. To coordinate with the government's decision to require adoption of the International Financial Reporting Standards (IFRSs) in Taiwan beginning from 2013, BAROC amended the "Model Accounting System for Banking Enterprises" and the "Guidelines and Case Illustrations of the Adoption by Banking Enterprises of the FSC-approved IFRSs for

- Preparation of Financial Reports and Related Disclosures." These have been provided to member banks for their reference.
- g. The FSC instructed BAROC to prepare opinions on the proposed "Directions for the Assessment of Information Processing Service Firms Comissioned to Process Cross-border Online Transactions" being drafted by the Ministry of Economic Affairs. BAROC compiled the views of member banks, forwarded them to the Ministry of Economic Affairs, and copied the FSC.
 - h. The FSC instructed BAROC to draft the "Self-regulatory Rules for Credit Card Acquirers that Contract with 'Online Transaction Collection and Payment Services Platform Operators' to Act as Acquiring Merchants," and to prepare recommendations regarding various participating merchant rules pertaining to "online transaction collection and payment services platform operators." BAROC submitted these to a joint meeting of its directors and supervisors. After passage by the directors and supervisors, the Self-regulatory Rules and recommendations were filed with the FSC.
 - i. The FSC instructed BAROC to devise a management and operating system that requires bank personnel who solicit structured products to register with BAROC. In response, BAROC issued the "Rules Governing the Registration of Bank Personnel Engaged in the Solicitation of Structured Products" and the "Application and Standard Consent Form for Registration of the Qualifications of Bank Personnel Engaged in the Solicitation of Structured Products, Changes to Registered Information, and Voidance of Registration." The aforementioned management and operating system took effect online on 1 August 2012.
 - j. The FSC instructed BAROC to devise a set of specifications, functions, and availability requirements for ATMs for wheelchair users and the visually impaired. BAROC presented a number of recommendations to the FSC, including a suggestion that ATMs for the visually impaired be equipped with a function for blanking out the screen. In addition, BAROC periodically updates on its website a nationwide list of ATMs (indicating their locations and the banks that operate them) that are specially equipped to accommodate the needs of wheelchair users.
 - k. In order to provide physically and mentally disabled persons with user-friendly financial services and facilitate their participation in society, BAROC (acting at the instruction of the FSC) adopted a set of "Guidelines for the Development of Barrier-free Public Information Websites" and instructed financial institutions to launch such websites by 30 June 2013.
 - l. BAROC provided the competent authorities and member banks with interbank market information to strengthen the intermediary function of the interbank funds market, and to facilitate interbank market research, thereby making the interbank market more efficient. The Association also continued to monitor TAIBOR (Taipei Interbank Offered Rate) operating procedures, and to push for the use of TAIBOR as the benchmark for NT Dollar interest rates. This course of action is intended to prevent the occurrence of anything similar to the LIBOR rate-rigging scandal.

m. In support of the FSC's effort to promote the Taiwan Bills Index Rate (TAIBIR), BAROC took part in meetings held by the Taiwan Depository and Clearing Corporation (TDCC) to discuss issues on information reporting for the establishment of short-term interest rate benchmarks in Taiwan. BAROC provided its views on rate reports used in the fixing and evaluation of interest-rate benchmarks for syndicated loans, financial derivatives, commercial papers, and bill underwritings. In addition, BAROC also helped organize a "Seminar on the Development of Benchmark Short-term Interest Rates in Taiwan."

(3) Information security

a. To ensure the security of certificates of financial authenticity, the FSC instructed BAROC to study the feasibility of replacing current certificates with a 2048-bit version. After completing the study, BAROC concluded that there is indeed a need to increase the length of public key certificates from 1024 to 2048 bits, and recommended a start date of 1 January 2015 for issuance of the longer certificates. BAROC further recommended that users of financial XML services have all their certificates reissued by 31 December 2015. But users of financial EDI services will have to switch to a different application program in order to use the longer certificates, so banks have been asked to try and do their best to get these users their 2048-bit certificates by 31 December 2015, or to at least complete the task by no later than 31 December 2016.

b. The FSC instructed BAROC to study the issue of how (while ensuring the security of financial information) to encourage financial institutions to make use of cloud computing. After completing the study, BAROC submitted a report entitled "Use of Cloud Computing by Financial Institutions" to the FSC.

c. In order to ensure proper maintenance of customer confidentiality, BAROC instructed member institutions that they must have handling procedures in place to protect the security of information and prevent its improper disclosure. In addition, BAROC also recommended the disposal of hard disks varies on the basis of a disk classification scheme.

10. Held financial seminars and lectures to cultivate professional talent

(1) January-March 2012

BAROC held the following events (a total of 16 sessions): "Impact of the US Volcker Rule on Banks in Taiwan," "The Financial Consumer Protection Act and Related Secondary Legislation," "Global Economic and Financial Outlook for 2012," "Seminar on the Prevention of International Money Laundering," "Cross-strait Financial Seminar: Development of RMB Business by Taiwanese Banks," "Guidelines and Case Illustrations of the Adoption by Banking Enterprises of the 'FSC-approved IFRSs for Preparation of Financial Reports and Related Disclosures,'" "Courses for Core Personnel—Bank Tellers, Forex/OBU Personnel, Risk Managers, and Legal Professionals," "Labor Dispute Case Studies," and "Seminar on Working Conditions."

(2) April-June 2012

BAROC held the following events (a total of 91 sessions): "Training Program for Senior Management at Financial Institutions," "Program for the Internationalization of Financial Industry Professionals," "On-the-job Training for Fire Prevention Administrators at Banks," "Cross-border Impact of US Swap Dealer Regulations," "Courses for Core Personnel—Investment Analysts, Legal Professionals, Wealth Managers, Information Systems Specialists, Debt Collection Personnel, Corporate Credit Review Officers, and Financial Product Traders," "Volcker Rule Compliance and Cross-border Swap Dealer Regulations," "Strengthening of Legal Compliance Functions at Banks—Recent Important Legal and Regulatory Amendments," "New Trends in Bank Development and Management in the Mainland in 2012," "Seminar on Evaluation of and Risk Management for Interest Rate Derivatives," "Seminar on the Latest IFRS Developments and Practical Applications," and "Seminar on Liquidity Risk Management."

(3) July-September 2012

BAROC held the following events (a total of 79 sessions): "On-the-job Training for Fire Prevention Administrators at Banks," "Introductory Course for Fire Prevention Administrators at Banks," "Introduction to Basel III Monitoring Exercises at Domestic Banks," "Courses for Core Personnel—Consumer Finance Personnel, Accounting Personnel, Corporate Financial Planning Personnel, and Internal Audit Personnel," "Seminar on Evaluation of and Risk Management for Forex and Equity Derivatives," "The Volcker and CFTC Cross Border Rules," "Seminar on Wealth Management Customer Portfolio Planning and Customer Development Techniques," "Cross-strait Financial Seminar: Mainland SME Financing Business Opportunities and Risk Management," "2013 Industry Analysis and Outlook Seminar Series," "Handling of International Syndicated Loans," "Seminars on the Mainland Banking Activities of Taiwan-invested Banks—Financial Markets and Forex Systems; Corporate Finance; Debt Litigation and Recovery; Risk Management and Internal Auditing; Tax Accounting," "Risk Management for Derivatives Sold by Hong Kong Financial Services Firms," and "Forward-looking Preparations for and Development of Cross-strait Banking Business."

(4) October-December 2012

BAROC held the following events (a total of 39 sessions): "Seminar Series on Financial Examinations and Internal Audits—International Financial Supervision Forum and Training Session on Financial Examinations and Internal Audits," "Opportunities and Challenges Connected with Development by Taiwanese Banks of RMB Business," "Uniform Rules for Demand Guarantees (URDG 758)," "Seminars on the Mainland Banking Business of Taiwan-invested Banks," "Understanding Cloud Computing, Seizing Business Opportunities," "Managing Credit Portfolio Risks," "Seminar on Interest Rate-linked Structured Products," "Seminar on Forex- and Equity-linked Structured Products," "Seminar on Credit Card Business and Legal Issues," "Post-seminar Discussion of Take-aways from 2012 Seminar on International and Asia-Pacific Internal Audit Issues," "Amendments to the 'Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic

Banking Business," "Seminar on Financial Crime Case Studies and Legal Practice," "Introductory Course for Fire Prevention Administrators at Banks," and "Seminar on Labor Health Legislation and Regulation."

(5) Research Reports on Finance

a. In order to build a sound financing environment and to reap greater economic benefits from personal property (while striking a proper balance between the need for industry access to funding and the need to ensure the safety of personal property secured transactions), the FSC Banking Bureau instructed BAROC to study the feasibility of establishing the functional equivalent of a floating lien system in Taiwan. BAROC in turn retained the Taiwan Property and Economic Law Institute to prepare a report entitled "Feasibility of Using the Current 'Possession in Trust' System as Provided for in the 'Personal Property Secured Transactions Act' to Establish the Functional Equivalent of Floating Liens." This report was submitted to the FSC Banking Bureau for its reference.

b. The FSC Banking Bureau instructed BAROC to carry out a study designed to: (1) analyze and compare the differences between policies in Taiwan, the US, the UK, Japan, Germany, and Singapore to help small and medium enterprises (SMEs) obtain financing, as well as the differences between markets and credit guarantee systems in these countries; (2) understand the problems encountered by banks in the provision of SME financing; and (3) consider whether the balance of outstanding SME lending is at an appropriate level. BAROC in turn hired Taiwan Academy of Financial Management to do the study, which resulted in a report entitled "A Comparison of the Differences in Policy Support for SME Lending in Selected Developed Nations." This report was provided the FSC Banking Bureau for its reference in future work on related measures.

11. BAROC actively organized and participated in international financial conferences and activities, and worked to strengthen cross-strait contacts

(1) Former BAROC Chairperson Susan Chang, in her capacity as Central Bank advisor, attended the 45th Annual Meeting of the Board of Governors of the Asian Development Bank in Manila from 2-5 May 2012.

(2) BAROC dispatched personnel in 2012 to take part in numerous international financial meetings, including the: "2012 International Conference of the Institute of Internal Auditors," "2012 Asian Confederation of Institutes of Internal Auditors Conference," "13th International Common Criteria Conference," "CARTES in ASIA 2012," "Asia PKI Consortium. 2012 General Assembly, Steering Committee Conference and International Symposium," "IFX Forum Face to Face Meeting," "SWIFT Sibos 2012," and "ICC Commission on Banking Technique and Practice."

(3) To promote cross-strait interaction, BAROC met with four delegations from the mainland in 2012 (the Shenzhen Banking Association, the Tianjin Banking Association, the China Banking Association, and delegation of financial industry from Anhui Province). BAROC also conducted visits to Wenzhou, Hangzhou, Shanghai, Shenyang, and Dalian.

12. BAROC provided financial information and consulting services to the public, and donated to charity

- (1) Consumers filed with BAROC for mediation of 64 complaints against BAROC member institutions in 2012, and BAROC also provided consulting services in 665 cases where consumers had questions about banking business operations (including calls referred to BAROC from the FSC's 1998 hotline).
- (2) BAROC mediated 302 credit card complaints in 2012.
- (3) BAROC took 17,376 phone calls from consumers seeking to discuss debt restructuring issues. In addition, consumers also filed 17,743 applications for pre-negotiation procedures relating to debts totaling an aggregate NT\$19.774 billion.
- (4) BAROC helped the heirs of member institutions' customers to check on their benefactors' deposits, safe deposit boxes, and other assets in banks. A total of 236 such inquiries were handled in 2012.
- (5) BAROC periodically updated statistics on services that are common to all banks, such as deposits, loans, trust services, and foreign exchange services, and tracked the fees charged by each bank in each category. This information was posted to a special section on the BAROC website.
- (6) BAROC periodically compiled information on the credit card business and posted it on its website. The following four are but a few of the different types of information to be found on the website's special section: "Differential revolving credit interest rates charged by credit card issuers, and fee schedules for different charges," "Service fees for credit card installment payment plans," "Cash card interest rates and fees of BAROC member banks," and "Service fees of BAROC member banks for unsecured loans."
- (7) In order to fulfill its social responsibilities and demonstrate its support for charitable groups, BAROC donated funds to the Child Welfare League Foundation, The First Children's Development Centre, Genesis Social Welfare Foundation, and Little Sister of the Poor.
- (8) BAROC donated a national day decorated arch to contribute to the celebration of National Day 2012.

B. Important Tasks in 2013

No	Tasks
1	To coordinate with the government's "Program for Development of Financial Businesses with Cross-Strait Characteristics," BAROC will: make preparations for DBUs to launch RMB business and related financial derivatives; set up a modernized cross-strait money remittance platform and cross-strait e-commerce money remittance services; develop asset management and personal financial planning services for the greater China area; and help banks resolve problems encountered in their efforts to develop overseas wealth management services. In addition, BAROC will continue to work on related recommendations and strategies to help member banks obtain a favorable business climate.
2	Having already made it possible to use the China UnionPay Card for ATM cash withdrawals in Taiwan beginning from 30 June 2010, BAROC will follow up by helping member banks get permission for their bank cards to be used for cash withdrawals and card swipe transactions in the mainland.
3	In response to international economic conditions and the government's economic stimulus plans, BAROC will adopt financial assistance measures in a timely manner and instructed member banks to implement them.
4	BAROC will take part in a task force working to establish a near-field communications (NFC) payment system. By joining the task force, BAROC can stay abreast of the latest developments in the mobile phone payment industry. We will also take active part in conferences and groups organized by the government and private sector to study the development of wireless communications and mobile devices in order to understand technological developments and the funds remittance services that might emerge therefrom.
5	Continue promoting the national platform for online bill and tax payments, and upgrade the functionality of our portal site (National Payments Net), in order to provide the public with a more convenient way to pay bills and tax, and to enable financial institutions to simplify the collections procedures while achieving greater profitability. We will also actively promote the launch of online bulk bill payments and formulate related operating rules and template application forms.
6	At the instruction of the competent authority, BAROC will help the GreTai Securities Market to establish a data facility to store information on over-the-counter derivatives trading and the three-stage online reporting procedures for the aforementioned financial products.
7	Help member banks develop responses to the regulations of financial derivatives imposed by foreign supervisory authorities (e.g. the Volcker Rule).
8	To meet the needs of consumers and make banks more competitive, BAROC will follow the FSC's instruction to help member banks and the Financial Information Service Co. to study such topics as "improving ATM functionality" and "providing ATM services for wheelchair users and the visually impaired."
9	BAROC and the Taiwan Academy of Banking and Finance will collaborate to launch the Mainland China Financial Database, which provides member banks with access to information on mainland economic and financial conditions.
10	BAROC's "IFRS work team" will continue to closely monitor the adoption of the International Financial Reporting Standards, and study problems commonly encountered by member banks in the course of IFRS adoption.
11	Continue tweaking the "Registration System for Bank Personnel Engaged in the Solicitation of Structured Products" to improve its user interface and functionality.
12	To ensure the security of certificates of financial authenticity, BAROC will help financial institutions replace current 1024-bit certificates with a longer 2048-bit version.
13	BAROC will continue recommending that the competent authority push for amendment of the "Financial Institutions Merger Act," and will continue tracking the direction of efforts to amend the "Bankruptcy Act" in order to reflect the views of member banks in a timely manner.

V. Appendices

A. Chronology of Major Events in 2012

- ◎2012.02.13 BAROC and the Bankers' Association of Taipei jointly held a "Global Economic and Financial Outlook Seminar." The keynote address was delivered by Dr. Wu Chung-Shu, President of the Chung-Hua Institution for Economic Research.
- ◎2012.03.29 BAROC held meetings to familiarize participants with the "ROC Bankers Association Guidelines Concerning Fees Charged by Member Banks for Handling Government Agency Queries and Garnishment Orders."
- ◎2012.04.06 BAROC held meetings to familiarize participants with "Financial Consumer Protection Act Seminar: Introduction of legal compliance issues and the ombudsman system."
- ◎2012.05.11 Five members of the Taiwan Telecommunication Industry Development Association visited BAROC to seek opportunities for cooperation with banks.
- ◎2012.06.04 BAROC held seminars on "Strengthening legal compliance functions at banks."
- ◎2012.06.21 BAROC and the Bankers Association of Taipei jointly held seminar on "New Trends in Bank Development and Management in the Mainland in 2012." The keynote address was delivered by Wang Bor Chen, a consultant to the Postal Savings Bank of China, Bank of Nanjing, and SunGard China.
- ◎2012.07.03 BAROC held introductory seminar on Basel III monitoring exercise by domestic banks.
- ◎2012.08.06 BAROC held 1st extraordinary meeting of the 10th General Assembly of Member Representatives.
- ◎2012.09.04 BAROC received recognition from the Ministry of the Interior as a superior-quality national social and trade organization. Deputy Secretary General Kao-Chen Chuang represented BAROC to accept the award.



” Program for Development of Financial Services with Cross-strait Characteristics” seminar on September 19, 2012



The 3rd Session of the 10th General Assembly on November 20, 2012

- ©2012.09.19 BAROC held public meeting to familiarize participants with the "Program for Development of Financial Services with Cross-strait Characteristics."
- ©2012.09.19 BAROC commissioned the Taiwan Academy of Banking and Finance to hold forum on the foods industry.



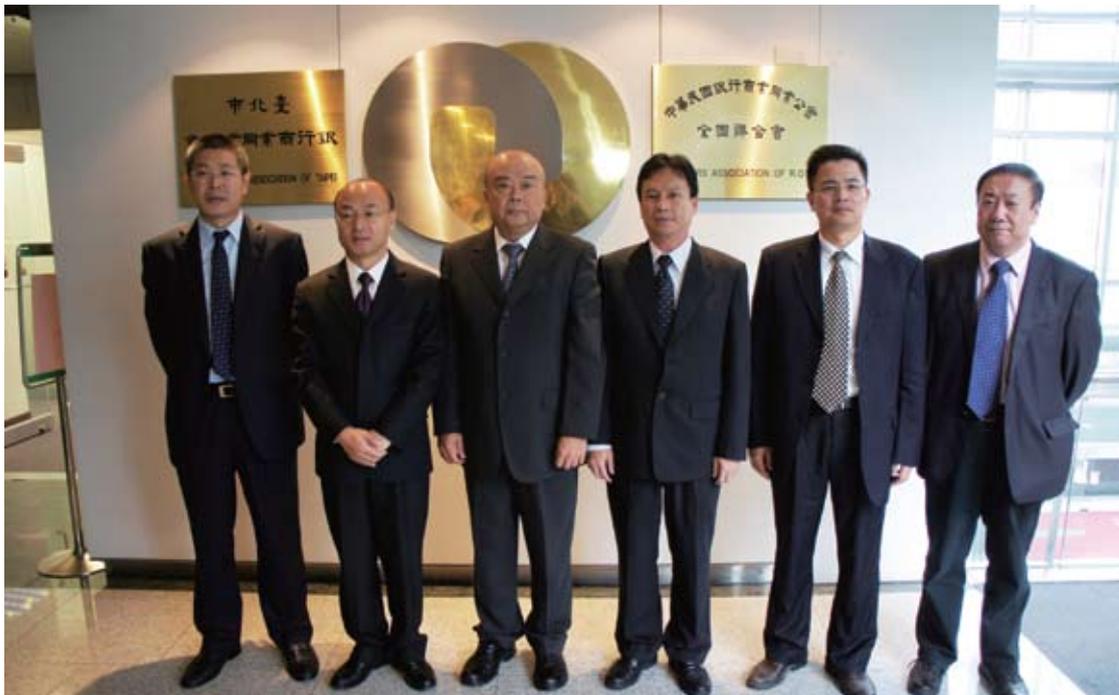
The 19th joint meeting of the 10th Directors and Supervisors on July 27-28, 2012



” Program for Development of Financial Services with Cross-strait Characteristics” seminar on 19 September 2012

- ◎2012.09.24 BAROC retained the Taiwan Academy of Banking and Finance to hold forum on the textiles industry.
- ◎2012.10.04 BAROC held 7th "Seminar on Finance Related Law and Case Studies" to better familiarize judicial and law enforcement personnel with trust and banking services and the legislation which governs them, and to provide them with the tools to more effectively discover criminal activity.
- ◎2012.10.05 BAROC and the Bankers Association of Taipei jointly held seminar on "Opportunities and Challenges Connected with Development by Taiwanese Banks of RMB Business." Professor Yeh Yin-Hua of the Graduate Institute of Finance at National Chiao Tung University delivers the presentation.
- ◎2012.10.15 BAROC held the 25th and 26th "Seminar on Legal and Business Issues in the Credit Card Business."
- ◎2012.10.16 BAROC hired the Taiwan Academy of Banking and Finance to hold forum on the telecommunications and internet communication industry.
- ◎2012.10.17 BAROC held meeting to familiarize participants with the "Taiwan-Centric Wealth Management Platform for Domestic Consumers."
- ◎2012.10.17 BAROC hired the Taiwan Academy of Banking and Finance to hold forum on the cloud computing industry.
- ◎2012.10.24 BAROC and the Taiwan Academy of Banking and Finance jointly held "Seminar Series on Financial Examinations and Audits."
- ◎2012.10.25 BAROC and the Taiwan Academy of Banking and Finance jointly held "Training Session on Financial Examinations and Audits."

- ◎2012.10.30 BAROC hired the Taiwan Academy of Banking and Finance to hold forum on cultural and creative industries.
- ◎2012.10.31 BAROC and the Bankers Association of Taipei jointly held meeting to familiarize participants with "Withholding and Payment of Supplemental National Health Insurance Premiums."
- ◎2012.10.31 BAROC assisted the Institute of Internal Auditors, ROC (Taiwan) in holding "2012 Seminar for Internal Auditors at Financial Institutions." The seminar was designed to sharpen the professional expertise of internal auditors at financial institutions.
- ◎2012.11.09 BAROC hired the Taiwan Academy of Banking and Finance to hold forum on intelligent automation industry.
- ◎2012.11.15 BAROC held seminar on "Amendments to the 'Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business.'"
- ◎2012.11.12 BAROC hired the Taiwan Academy of Banking and Finance to hold forum on emerging environmental industries (carbon capture).
- ◎2012.12.19 BAROC held "Post-seminar Discussion of Take-aways from 2012 Seminar on International and Asia-Pacific Internal Audit Issues."
- ◎2012.12.27 BAROC held "Seminar on Labor Health Legislation and Regulation."



BAROC Deputy Secretary General Tsong-Ming Wang received visit from SHENZHEN BANKING ASSOCIATION

B. List of Member Banks of BAROC

April 2013

Institution	Position	Name	Telephone	Fax	Website	Remark
Bank of Taiwan	Chairman President	Teng-Cheng Liu 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	Ling-Long Shen Chiu-Jung Tsai	(02)23118811	(02)23890704	www.tcb-bank.com.tw	
First Commercial Bank	Chairman President	Ching-Nain Tsai Jin-Der Chiang	(02)23481111	(02)23892967	www.firstbank.com.tw	
Hua Nan Commercial Bank, Ltd.	Chairman President	Ming-Cheng Lin Bruce Yang	(02)23713111	(02)23316741	www.hncb.com.tw	
Chang Hwa Commercial Bank	Chairman President	Julius Chen Daniel Targ	(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 Ham	(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	Chairwoman President	Yen Chrystal Shih Rueen-Fong Chu	(02)23210511	(02)23940630	www.eximbank.com.tw	
Bank of Kaohsiung	Chairman President	Toong-Min Chen Moan-Sheng Huang	(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	
ANZ Bank(Taiwan) Limited	Chairman President	Alistair Bulloch Terry King	(02)87225000	(02)87225222	anz.tw/zh/index.jsp	
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	Tsan-Chang Liao Tien-Chang Huang	(02)25597171	(02)25507942	www.tbb.com.tw	
Standard Chartered Bank(Taiwan) Limited	Chairman President	Katherine King-Suen Tsang Ajay Kanwal	(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	Chairwoman President	Julie S.M. Chen Eric Chen	(02)25575151	(02)25534883	www.bankoftaipei.com.tw	
Hwatai Bank	Chairman President	Po-Yi Lin Jwn-Yu Lee	(02)27525252	(02)27775213	www.hwataibank.com.tw	
Shin Kong Commercial Bank	Chairman President	Tseng-Chang Lee Chin-Yuan Lai	(02)87587288	(02)87895600	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	
Chunghwa Post Co., Ltd.	Chairwoman President	Jih-Chu Lee Chang Wang	(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	Chairwoman 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 Joseph N.C. Huang	(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 Justin Tsai	(02)87869888	(02)87869800	www.tcbank.com.tw	
Jih Sun International Bank	Chairman President	Jin-Tan Huang Mike Wang	(02)25615888	(02)25217698	www.jihsunbank.com.tw	
EnTie Commercial Bank	Chairman President	Mark Zoltan Chiba Jesse Ding	(02)27189999	(02)27187843	www.entiebank.com.tw	
Chinatrust Commercial Bank	Chairman President	Chao-Chin Tung James Chen	(02)27222002	(02)27251499	www.chinatrust.com.tw	
Mega Bills Finance Co., Ltd	Chairman President	Ta-Pei Liu Chii-Bang Wang	(02)23831616	(02)23822878	www.megabills.com.tw	
China Bills Finance Co.	Chairman President	Hermann Wu Vance Chin	(02)27991177	(02)26592919	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	Wen-Long Yen 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 Tzuoo-Yau Lin	(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 Financial Holding Co., Ltd.	Chairman Acting President	Teng-Cheng Liu Ming-Daw Chang	(02)23493456	(02)23115060	www.twfhc.com.tw	
Taiwan Cooperative Financial Holdings	Chairman President	Ling-Long Shen Jiin-Tarnng 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	