

Amendment to Comparison Table of “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries (the “Regulations”)” for Branches of Foreign Banks and Mainland Chinese Banks

Amended per Letter of Jin-Guan-Yin-Wai-Zi-10450002400 dated Aug. 17, 2015

Article	Application before amendment	Application after amendment	Reasons for amendment
<p>Article 4</p> <p>The basic objectives of internal controls of a financial holding company or banking business are to promote sound operations and, through joint compliance by the board of directors, management, and all personnel, to reasonably ensure that the following objectives are achieved:</p> <p>A. Effectiveness and efficiency of operations;</p> <p>B. Reliability, timeliness, transparency and compliance of reporting; and</p> <p>C. Compliance with applicable rules and regulations.</p> <p>The objective of effectiveness and efficiency of operations referred to in subparagraph 1 of the preceding paragraph includes objectives such as profits, performance, and safeguarding asset security.</p> <p>The "reporting" referred to in subparagraph 2, paragraph 1 includes internal and external financial reporting and non-financial reporting of a financial holding company or banking business. The objective of external financial reporting includes ensuring that financial reports presented to external users are prepared in accordance with the generally accepted accounting principles and that all transactions are properly approved.</p>	<p>This article is based on international standard and principle on internal control and shall be implemented accordingly.</p>	<p>This article is based on international standard and principle on internal control and shall be implemented accordingly.</p>	<p>This article has wording revised in reference to the updated report on Internal Control - Integrated Framework published by the U.S. COSO in 2013. The revision does not affect the application of the clause to branches of foreign banks and Mainland Chinese banks in Taiwan. Thus the application is not adjusted.</p>
<p>Article 7</p> <p>The internal control system of a financial holding company (including its subsidiary company) and a banking business shall incorporate the following principles:</p> <p>A. Management oversight and the control culture: The board of directors shall have responsibility for approving and periodically reviewing overall business strategies and major policies, and shall be ultimately responsible for ensuring that an adequate and effective system of internal controls is established and maintained; senior management</p>	<p>This article is set for guidance and shall be implemented based on the rationale of this article.</p>	<p>This article is set for guidance and shall be implemented based on the rationale of this article.</p>	<p>This article has the wording of five components of internal control system revised in reference to the COSO update report. The article is set for guidance and the revision does not affect the application of the clause to branches of foreign banks and Mainland Chinese</p>

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<p>shall have responsibility for implementing business strategies and policies approved by the board of directors, for developing processes that identify, measure, monitor, and control risks incurred by the financial holding company or its subsidiaries, for setting appropriate internal control policies, and for monitoring their effectiveness and adequacy.</p> <p>B. Risk recognition and assessment: An effective internal control system requires that the material risks that could adversely affect the achievement of the overall goals of the financial holding company or its subsidiaries are being recognized and continually being evaluated, and that corresponding measures are being taken to limit relevant risks to a sustainable level.</p> <p>C. Control activities and segregation of duties: Control activities shall be an integral part of the daily operations of a financial holding company. An appropriate control structure shall be set up, with internal control processes defined at every business level. An effective internal control system requires that there is appropriate segregation of duties and that management and employees are not assigned conflicting responsibilities.</p> <p>D. Information and communication: A financial holding company (including its subsidiary company) and a banking business shall maintain adequate and comprehensive internal financial, operational and compliance data that shall be reliable, timely, easily accessible and offered in a consistent format, and shall also establish effective channels of communication.</p> <p>E. Monitoring activities and correcting deficiencies: A financial holding company shall monitor the effectiveness of its internal controls on an ongoing basis. Any identified internal control deficiencies found by the people in managerial level, business operation units, internal audit level, or other internal control level shall be reported in a timely manner to the appropriate management level, and any significant internal control deficiencies identified on the part of the financial holding company or its subsidiaries shall be immediately reported to senior management and the board of directors and be promptly addressed.</p>			banks in Taiwan. Thus the application is not adjusted.

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<p>Article 8</p> <p>The internal control system shall cover all business activities, include appropriate policies and procedures as follows, and shall be reviewed and revised in a timely manner:</p> <p>A. Organizational chart or corporate rules and bylaws, including a clear organizational system, unit functions, scope of operations for each unit, and rules governing authorizations and hierarchical delegation of responsibilities.</p> <p>B. Related operational guidelines and procedural manuals, including:</p> <p>(A) Investment guidelines.</p> <p>(B) Customer data confidentiality.</p> <p>(C) Regulation on interested party transactions.</p> <p>(D) Shares management.</p> <p>(E) Management of the preparation process of financial statements, including management of the application of International Financial Reporting Standards, procedures for professional accounting judgments, and processes for making changes in accounting policies and estimates.</p> <p>(F) Management of administration of general affairs, information, and</p>	<p>Applying to the Management provisions of IFRSs: If the head office has adopted the IFRSs, the branch in Taiwan shall implement the item accordingly. If the head office has not adopted or not announced the schedule to adopt the IFRSs yet, the branch in Taiwan, in principle, shall implement the item accordingly upon the head office adopted the IFRSs. However, the branch in Taiwan also may implement the item.</p> <p>Regarding the rules for</p>	<p>If the head office has adopted the IFRSs, the branch in Taiwan shall implement regulations accordingly. If the head office has not adopted or not announced the schedule to adopt the IFRSs yet, the branch in Taiwan, in principle, shall enter into implement regulations accordingly upon the head office adopted the IFRSs. However, the branch in Taiwan also may implement based on the rationale of related regulations.</p> <p>If the manpower has not</p>	<p>This subparagraph has wording of Item 5 revised and the latter section of Item 5 on rotation is moved to Item 6. The revision does not affect the application of the clause to branches of foreign banks and Mainland Chinese banks in Taiwan. Thus the application is not adjusted.</p>

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<p>personnel affairs (for banking business, it should contain regulations for regular transfer and vacation).</p> <p>(G) Management of operations for disclosing information externally. (H) Management of financial examination report. (I) Management of protection of financial consumers. (J) Other operational guidelines and operating procedures.</p> <p>The business regulations and handling guides of a financial holding company shall also include the management and collaborated marketing management of its subsidiary company.</p> <p>The business regulations and handling guides of a banking business should also include affairs concerning cashier, savings, exchange, loaning, foreign currency, new financial products, and outsourcing task management.</p> <p>The business regulations and handling guides of a credit cooperative should also include affairs concerning cashier, savings, loaning, exchange, and outsourcing task management.</p> <p>The business regulations and handling guides of a bills business should also include business such bills, bonds, and new financial products.</p> <p>The template for the operation guides of a trust business should be stipulated by the trust association of R.O.C with contents specifying business operation procedure, accounting operation procedure, computer operation procedure, personnel management system, and other items. A trust business should establish its operation guidelines based on the reference template and make regular revisions in accordance with the</p>	<p>rotation, if the manpower has not met the requirement for rotation, other internal control system should be adopted to meet the requirement for rotation function.</p>	<p>met the requirement for rotation, other internal control system should be adopted to meet the requirement for rotation function.</p>	

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<p>alterations in legal regulations, business items, and business procedure.</p> <p>The internal control system of a financial holding company or banking business whose stock is listed on the stock exchange or traded over the counter shall include the management of the operations of the remuneration committee.</p> <p>The internal control system of a financial holding company or banking business that has an audit committee set up shall include management of the operation of the audit committee.</p> <p>A financial holding company or banking business should set up the control tasks on their subsidiary companies in their internal control system. If the subsidiary company resides in a foreign country, the mother company should consider the local applicable regulations issued by the government where the subsidiary company is in and the actual nature of its operation in order to supervise the subsidiary company to establish its own internal control system.</p> <p>For the stipulation, revision, or abolition of all operational and management regulations mentioned in the preceding nine paragraphs, it requires the participation of legal compliance, internal audit, and risk management agencies.</p>		Need not apply.	This is a new paragraph. Given that branches of foreign banks and Mainland Chinese banks in Taiwan do not have an audit committee, this new paragraph "needs not apply."
<p>Article 10</p> <p>A financial holding company or banking business should set up an internal audit unit that is directly subsidiary to the board of directors, which should perform audit business independently and honestly. The unit is required to report its audit business to the board of directors and supervisors (board of supervisors) or audit committee at a minimum period of every six months.</p> <p>A financial holding company or banking business should establish a chief auditor system to manage all audit business. The chief auditor should possess sufficient leadership and ability to carry out effective audit work,</p>			

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<p>whose qualification should be equal to the conditions set for the responsible people of each section and has the power as an general co-manager. The auditor is not allowed to take a job that will cause conflicts or limitations to the audit work.</p>			
<p>The employment, dismissal, or transfer of the chief auditor should have the consent of the majority of audit committee members as well as the consent of more than two-thirds of the board of directors and report to the competent authority for ratification.</p>	<p>This paragraph is set for guidance and shall be implemented based on the rationale of this paragraph.</p>	<p>This paragraph is set for guidance and shall be implemented based on the rationale of this paragraph.</p>	<p>This is a new paragraph on the process for audit committee to give consent. Since branches of foreign banks and Mainland Chinese banks in Taiwan do not have an audit committee, the application of the clause is not adjusted.</p>
<p>Where the matter in the preceding paragraph did not have the consent of the majority of audit committee members, the resolution adopted by the audit committee shall be recorded in the board meeting minutes. If there is no audit committee but independent directors set up and an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes.</p>		<p>This paragraph is set for guidance and shall be implemented based on the rationale of this paragraph.</p>	<p>This is a new paragraph which is set for guidance. Branches of foreign banks and Mainland Chinese banks in Taiwan should refer to the provisions for implementation.</p>
<p>The appointment, dismissal, promotion, reward/ discipline, rotation, and performance review of personnel in the internal audit unit shall become effective after being reported by the chief auditor to chairman of the board. However, if a matter involves personnel of other management or business units, the chief auditor shall first consult the personnel department to refer the matter to the president for approval, and then report to the chairman of the board for final approval.</p>	<p>This paragraph is set for guidance and shall be implemented based on the rationale of this paragraph.</p>	<p>This paragraph is set for guidance and shall be implemented based on the rationale of this paragraph.</p>	<p>This is paragraph 5, originally the latter section of paragraph 3. The revision does not affect the application of the clause to branches of foreign banks and Mainland Chinese banks in Taiwan. Thus the application is not adjusted.</p>
<p>The regulations in Paragraph 1 to 5 of this article doesn't apply to a company who operates financial and trust business concurrently other than a banking business.</p>			
<p>The chief auditor of a financial holding company is allowed to, if required by business, dispatch the internal auditors of a subsidiary company to</p>			

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conduct the internal audit task on the financial holding company or its subsidiary company. The chief auditor should also take up the final responsibility to ensure appropriate and effective internal audit system in the financial holding company or its subsidiary company.			
<p>Article 12</p> <p>A financial holding company or banking business shall, after having regard to its investment scale, business condition (the number of its branches and amount of business), management needs, and relevant provisions of rules and regulations, staff competent persons in an appropriate number as full-time internal auditors who shall perform their duties in a detached, independent, objective, and impartial manner. Personnel of the internal audit unit shall be deputy to each other to cover each other's absence.</p> <p>An internal auditor of a financial holding company or banking business shall meet the following qualification requirements:</p> <p>A. Have no less than two(2) years of experience in financial examination; or have graduated from a junior college, college, or university or passed a senior civil service examination or an examination equivalent to senior civil service examination and have no less than two(2) years of experience in financial operations; or have no less than five (5) years of experience in financial operations. A person is deemed as meeting such requirements if he or she has worked as a professional, such as an auditor in an accounting firm, or a programmer or system analyst in a computer company for no less than two(2) years, and has received no less than three(3) months of training in financial operations and administration. However, the number of this type of auditor cannot exceed one-third of the total auditors.</p> <p>B. Free of any record of demerit or more serious from employer in the last three(3) years, unless the demerit record was a result of joint and several disciplinary action on account of the violation or offense of</p>	This paragraph is set for guidance and shall be implemented based on the rationale of this paragraph.	This paragraph is set for guidance and shall be implemented based on its rationale. Regarding the provision on internal auditors who shall be deputy to each other to cover each other's absence, it shall be implemented accordingly.	This is a new paragraph on full-time internal auditors who shall be deputy to each other to cover each other's absence. To make sure its internal auditors conduct the audit work in a detached and impartial manner, branches of foreign banks and Mainland Chinese banks in Taiwan shall carry out audit according to this paragraph.

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<p>another person, and the demerit has been offset by other merits; and</p> <p>C. If a lead auditor, have no less than three(3) years of experience in auditing or financial examination, or have no less than one(1) year of experience in auditing and no less than five(5) years of experience in financial business.</p> <p>The financial holding company or the banking business shall examine at all time whether the internal auditors have violated the regulations in the preceding two paragraphs. If the auditor has violated the rules, the company should order the auditor to make improvement within two(2) months and should be transferred to other job if he or she fails to make such improvement. The financial holding company or the banking business shall examine at all time whether the internal auditors have violated the regulations in the preceding two paragraphs. If the auditor has violated the rules, the company should order the auditor to make improvement within two(2) months and should be transferred to other job if he or she fails to make such improvement.</p>			
<p>Article 13</p> <p>The internal auditors of a financial holding company or banking business shall perform their duties in good faith, and may not do any of the following:</p> <p>A. Conceal or make false or inappropriate disclosures of any of the financial holding company's or the banking business's business activities, reporting, or compliance with rules and regulations that they know to directly cause damage to any interested party.</p> <p>B. Act beyond the scope of audit functions or engage in other improper activities, or externally disclose any acquired information, attempt to profit therefrom, or otherwise use the information against the interest of the financial holding company (including its subsidiary company) or banking business.</p> <p>C. Cause losses to the financial holding company (including its subsidiary company) or the banking business or harm the interests of its stakeholders due to negligence.</p> <p>D. Conduct audit work within one (1) year to the department where the</p>	<p>This paragraph is the basic code of conduct for the internal auditor and shall be implemented accordingly.</p>	<p>This paragraph is the basic code of conduct for the internal auditor and shall be implemented accordingly.</p>	<p>This paragraph has wording revised in reference to the updated report on Internal Control - Integrated Framework published by the U.S. COSO in 2013 and Subparagraph 7, Paragraph 2, Article 16 of the Regulations Governing Establishment of Internal Control Systems by Public Companies. The revision does not affect the application of the clause to branches of foreign banks and Mainland Chinese banks in Taiwan. Thus the application is not adjusted.</p>

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<p>auditor used to work at.</p> <p>E. Fail to recuse himself or herself from auditing of cases or business within the scope of his or her past duties or matters in which he or she has a personal interest.</p> <p>F. Directly or indirectly provide, promise, demand or accept any unreasonable gift, hospitality or other improper benefits of any form to or from employees or customers of the same financial holding company (including its subsidiaries) or the banking business.</p> <p>G. Fail to audit matters that the competent authority has instructed to him or her to audit or to provide relevant information.</p> <p>H. Any other violation of rules, regulations or practices prohibited by the competent authority.</p> <p>The financial holding company or the banking business should examine at all time whether the internal auditors have violated the regulations in the preceding two paragraphs. If the auditor has violated the rules, the company should order the auditor to make improvement within one(1) month and should be transferred to other job if he or she fails to make such improvement.</p>			
<p>Article 17</p> <p>A financial holding company or the banking business shall disclose at least the following information in its internal audit report for routine business audits.</p> <p>A. Audit scope; summary commentary; financial status; capital adequacy; operation performance; asset quality; management of shares; management of the operation of board of directors and audit committee; compliance with major acts, regulations, and rules; internal controls; interested party transactions; the control and internal management of all business tasks; protection and management of customers' data; information management; management of customer data confidentiality; protection measures of consumers and investors and the results of self-inspection, and the evaluation to above matters.</p> <p>B. Opinions for the major illegal errors or faults in all departments, and the suggestions for punishment for employees fail to fulfill their duties.</p>	<p>Except the protection measures of customer and investor's interests and confidentiality management of customer information under the of subparagraph 1, Paragraph 1 in the major supervisory items, and these measures should be disclosed inclusively in internal audit report,</p>	<p>Except the protection measures of customer and investor's interests and confidentiality management of customer information under the of subparagraph 1, Paragraph 1 in the major supervisory items, and these measures should be disclosed inclusively in internal audit report,</p>	<p>This paragraph adds new provisions on the management of the operation of the audit committee. Since branches of foreign banks and Mainland Chinese banks in Taiwan do not have an audit committee, the application of the clause is not adjusted.</p>

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<p>C. The examination comments or faults listed by the financial examination agency, accountants, internal audit unit (including the internal audit unit of the mother company), and self-inspection people, and the improvement status of items that enlisted as ‘need further improvement’ by the internal control statement.</p> <p>The record of the results in working papers shall be preserved together with the self-inspection or internal audit reports and relevant materials for no less than five(5) years.</p>	<p>otherwise it should be implemented accordingly in principle. However, if the branches in Taiwan adopt an audit system of the risk-based approach consistent with the head office policy, the operation mechanism and implementation approach should be reported to Banking Bureau, Financial Supervisory Commission by official letter (copy to Financial Examination Bureau, Financial Supervisory Commission), and may be exempted from the requirement of audit items and audit frequency under this article after approval for reference.</p>	<p>otherwise it should be implemented accordingly in principle. However, if the branches in Taiwan adopt an audit system of the risk-based approach consistent with the head office policy, the operation mechanism and implementation approach should be reported to Banking Bureau, Financial Supervisory Commission by official letter (copy to Financial Examination Bureau, Financial Supervisory Commission), and may be exempted from the requirement of audit items and audit frequency under this article after approval for reference.</p>	
<p>Article 19</p> <p>The internal audit report of a financial holding company or banking business shall be delivered to the supervisors (board of supervisors) or audit committee for review and, within two (2) months following</p>	<p>1. If the internal audit has been carried out by the audit unit in Taiwan, the audit</p>	<p>1. If the internal audit has been carried out by the audit unit in Taiwan, the audit</p>	<p>This article has wording revised to simply submitting the internal audit report to the competent authority in consideration that</p>

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<p>completion of the audit, submitted to the competent authority. The audit report shall also be delivered to the independent directors if such positions are set up by the financial holding company or the banking business.</p>	<p>report should be submitted within 2 months after completion of the audit according to this article.</p> <p>2. If the internal audit has been carried out by designated personnel from head office or regional office, the branch in Taiwan should submit the full Chinese version or English version of audit report within 1 month after receive the audit report (For English version of audit report, the Chinese summarization of report content should be attached.)</p>	<p>report should be submitted within 2 months after completion of the audit according to this article.</p> <p>2. If the internal audit has been carried out by designated personnel from head office or regional office, the branch in Taiwan should submit the full Chinese version or English version of audit report within 1 month after receive the audit report (For English version of audit report, the Chinese summarization of report content should be attached.)</p>	<p>currently banks can submit internal audit reports to the competent authority by letter or via the Internet. Thus the wording of application is modified accordingly.</p>
<p>Article 21</p> <p>A financial holding company or banking business shall, in a prescribed format and via an Internet-based information system, file with the competent authority for recordation the information on the name and years of service of its internal auditors by the end of January each year.</p> <p>When preparing the basic information of internal auditors, the financial</p>	<p>This paragraph shall be implemented accordingly.</p>	<p>This paragraph shall be implemented accordingly.</p>	<p>This paragraph has the wording on the reporting of some information deleted, which does not affect the application of the clause to branches of foreign banks and Mainland Chinese banks in Taiwan. Thus the application is not adjusted.</p>

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holding company or the banking business should verify whether these auditors have met the requirements stipulated in Paragraph 2, Article 12 and Article 20. If the auditor fails to meet the requirements, it should be improved within two(2) months, if not, the auditor should be re-assigned to another job.			
<p>Article 23</p> <p>A financial holding company or banking business shall, in a prescribed format and via an Internet-based information system, file with the competent authority for recordation its improvements of deficiencies and irregularities identified in the internal control system in previous year within five (5) months from the end of each fiscal year.</p>	This article shall be implemented accordingly.	This article shall be implemented accordingly.	This article has wording revised, but the application is not adjusted.
<p>Article 32</p> <p>A financial holding company or banking business shall set up a compliance unit under the president to take charge of the planning, management, and execution of the regulatory compliance system. Another high level manager shall also be assigned to act as the chief compliance officer for the head office to conduct the compliance affairs. The officer should make a report to the board of directors, supervisors (board of supervisors) or the audit committee at least semiannually.</p> <p>The chief compliance officer at a financial holding company or the head office of a banking business may not hold internal posts other than that of chief legal officer. However the preceding provision does not apply to credit cooperatives and bills finance companies if it is otherwise provided by the competent authority.</p> <p>The chief compliance officer at a financial holding company or the head office of a banking institution shall hold a post comparable to that of vice president and meet the qualification requirements set out respectively in the Regulations Governing Qualification Requirements for the Promoter or</p>	<p>This paragraph shall be implemented accordingly.</p> <p>The chief compliance officer shall meet the qualification requirements set out in</p>	<p>This paragraph shall be implemented accordingly.</p> <p>The chief compliance officer shall meet the qualification requirements set out in</p>	<p>This paragraph is added with the provision in the proviso that also excludes bills finance companies, which does not affect the application of the clause to branches of foreign banks and Mainland Chinese banks in Taiwan. Thus the application is not adjusted.</p> <p>This paragraph has wording modified to stipulate that the chief compliance officer for the head office should meet the</p>

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<p>Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company and in the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks.</p> <p>The financial holding company or the head office of the banking business, domestic and foreign business units, information department, capital safekeeping department, and other management departments should assign personnel to act as the chief compliance officer to take charge of related affairs.</p> <p>The chief compliance officer and personnel of the compliance unit of a financial holding company and the head office of a banking business shall attend at least fifteen (15) hours of training a year offered by institutes recognized by the competent authority or held internally by the financial holding company (including its subsidiaries) or the banking business (including its parent company), and the training courses shall cover at least the latest regulatory amendments, new businesses or new financial products launched.</p> <p>Financial holding companies and banking businesses should file the list of head office chief compliance officer and personnel of compliance unit and their training records with the competent authority via an online information system.</p>	<p>Article 6 of the “Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks”.</p>	<p>Article 3 and 6 of the “Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks”.</p>	<p>negative and positive qualification requirements set out in the Guidelines on the left. Accordingly, the provisions on the qualifications of the chief compliance officers of branches of foreign banks and Mainland Chinese banks in Taiwan are also revised that the chief compliance officer shall meet the negative and positive qualification requirements for branch managers set out in Articles 3 and 6 of the Guidelines on the left.</p>

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<p>the president, will be used as reference in the performance evaluation of the unit.</p> <p>E. Providing pertinent regulatory training to employees.</p> <p>The internal audit unit may draft the rules and procedures for evaluation of compliance by its subordinate units and perform self-evaluation of compliance by its subordinate units, to which the provisions in Subparagraph D of the preceding paragraph do not apply.</p> <p>If a banking business has a foreign branch, the compliance unit should monitor the foreign branch to follow the local legal regulations.</p> <p>A financial holding company or banking business should perform self-evaluation of compliance at least semiannually. The results should be sent to the compliance unit for further reference. The head of a unit should designate a specific person to conduct the self-evaluation affair in each unit.</p> <p>The self-evaluation draft and information for the preceding affairs should be kept at least five (5) years.</p>			