

## Application for Establishment of Foreign Branches by Domestic Banks

TO: Financial Supervisory Commission

Cc: Central Bank of China (include application documents)

Subject: For business needs, our bank hereby submits an application for the establishment of  
(the name of the foreign branch to be established) pursuant to Article 27 of the Banking  
Act.

Explanation:

1. Type, name, location and capital (working capital) of the foreign branch to be established:	
2. Our bank meets the requirements set out in Article 4 of the Directions Concerning the Establishment of Foreign Branches by Domestic Banks and the application criteria for loan loss reserves to total loans ratio as described below:	
Requirements	Description
(1) If the applicant is to establish a representative office, its international banking department has been established for one year or longer; if the applicant is to an applicant to establish a branch office, subsidiary bank, or joint venture bank, its international banking department has been established for two years or longer.	
(2) The ratio of the applicant's equity capital to risk-weighted assets at the end of the previous half year is higher than the provision set out in Article 5 of Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks plus two percentage points. (where the most recent financial examination or review by the competent authority shows an increase in accumulated deficit or inadequate allocation of allowance for bad debt, the bank shall recalculate the aforesaid ratio).	
(3) Adequate allocation of loan loss provision (based on the data in the	

most recent financial examination and the financial statement of the most recent fiscal year audited and certified by a certified public accountant).	
(4) The loan loss reserves to total loans ratio in the most recent month (at the time of application) is above 1%.	
3. The following items are summarized pursuant to Article 5 of the Directions Concerning the Establishment of Foreign Branches by Domestic Banks:	
Requirements	Description
<p>(1) Feasibility study:</p> <p>A. Selection criteria for the country (or region) in which the bank intends to establish the branch.</p> <p>B. A self-evaluation statement explaining the compliance with local laws and regulations.</p> <p>C. The status of branches already established in that place by domestic [Taiwan] banks.</p> <p>D. An operational risk assessment and benefit analysis for the branch to be established (including an assessment how planned foreign branches facilitate economy and trade with the ROC) .</p>	
(2) Operational status of previously established foreign branches.	
<p>(3) Business plan:</p> <p>A. The intended scope of business operations, market positioning, and future business development plan and strategy.</p> <p>B. The basis of business growth projections for the coming three years and the reasonableness of the basis.</p> <p>C. Specific measures concerning improvement of the head office' s global operation and management</p>	

<p>capacity (including support for foreign branches and talent cultivation).</p>	
<p>4. Others: (No need to fill in for application for establishment of representative office)</p>	
Requirements	Description
<p>(1) The risk management policy for foreign branches shall include the following:</p> <p>A. Control mechanism for risks associated with business environment (including liquidity risk, credit risk, market risk, operational risk concentration risk and country risk) and status of implementation.</p> <p>B. Control mechanism for risks associated with interbank transactions and lending and implementation status, including:</p> <p>a. Credit limit control for financial institutions in the same industry and the procedure for changing such limits (e.g. loan and deposit business).</p> <p>b. Credit to same person/same related person/same affiliate, credit to interested party, and credit quality.</p> <p>c. Rules set up for the credit business of foreign branches (e.g. fund flow control, credit record inquiry, and collateral requirements, etc.).</p> <p>C. Other internal control measures and status of implementation.</p>	
<p>(2) Status of credit control capability and loan quality in association with lending business Mainland area, including:</p> <p>A. Risk management mechanism and post-loan management measures for lending business in Mainland area.</p> <p>B. Exposures in Mainland area.</p>	

<p>C. Status of non-performing loans and loan loss provision of branches in Mainland area (or loans extended to businesses in Mainland area) three months prior to application.</p> <p>D. Other internal control measures and status of implementation.</p>	
<p>(3) Anti-money laundering and combating financing of terrorism (AML/CFT) control mechanism:</p> <p>A. There should be personnel with knowhow in AML/CFT compliance at the foreign branch.</p> <p>B. AML/CFT control mechanism for the foreign branch (including: appropriate AML/CFT manpower and resources to be allocated; internal control measures should ensure that the foreign branch will observe the same rigorous AML/CFT practices as the head office).</p>	
<p>5. Attached documents:</p> <ol style="list-style-type: none"> <li>(1) Feasibility study.</li> <li>(2) Operational status of previously established foreign branches.</li> <li>(3) Business plan.</li> <li>(4) Documents verifying that the proposed responsible person meets the requirements in Point 8 and Point 8-1 herein.</li> <li>(5) Internal control and audit systems (including major incident reporting mechanism and concrete plan for anti-money laundering and compliance mechanism, where the concrete plan for anti-money laundering and compliance mechanism should come with the opinion issued by a CPA , an attorney or a local professional consulting firm affirming that such a plan is in compliance with the requirements of local financial competent authority and local regulations) and operations management, and performance evaluation methods for the foreign branch.</li> <li>(6) Documents evidencing that the loan loss reserves to total loans ratio in the most recent month at the time of application is above 1%.</li> <li>(7) Risk management policy for the foreign branch.</li> <li>(8) Status of credit control capability and loan quality in association with lending business Mainland area.</li> <li>(9) AML/CFT control mechanism for the foreign branch.</li> <li>(10) Self-evaluation documents that certify the applicant's excellent capacity for global operation and management as specified in Point 3, paragraph 4 of the "Directions Concerning the Establishment of Foreign Branches by Domestic Banks".</li> </ol>	

Note 1: Documents specified in (3), (5), (7), (8) and (9) are not required of applications for establishment of a representative office.

Note 2: According to point 3, paragraph 4 of the "Directions Concerning the Establishment of Foreign Branches by Domestic Banks", domestic banks applying for the establishment of foreign branches shall submit documents specified in item (X). The self-evaluation documents shall at least include the following:

- (1) The financial (business) status of its foreign branches (subsidiaries) in the most recent three years (e.g. whether its profitability exceeded that of competitors or whether there was a deficit) in the most recent three years.
- (2) The ratings of its foreign branches (subsidiaries) rated by foreign financial supervisory authorities, results of financial examinations, legal compliance status, and whether they have been subjected to penalties by local financial supervisory authorities in the most recent five years.
- (3) The Financial Supervisory Commission's (FSC's) ratings for its foreign branches (subsidiaries), whether deficiencies found in inspections have been improved, or whether they have been penalized by the FSC in the most recent three years.
- (4) Other evidence that demonstrates the applicant's excellent capacity for global operation and management.

Name of applicant:

Responsible officer:

Contact person and telephone:

Date: