

Eligible Assets Maintenance Requirements for a Local Subsidiary Bank of a Foreign Financial Institution

1. These Regulations are promulgated in accordance with Paragraph 2, Article 36 of the Banking Act.

2. Whenever a domestic bank whose 50% or more of the outstanding voting shares or capital stock is held directly or indirectly by a foreign financial institution (hereinafter as "subsidiary bank of a foreign financial institution in Taiwan"), the amount of the eligible assets of such subsidiary bank based on its holdings of the following asset items shall be calculated according to the assigned weights, and the total amount of holding of eligible assets of such subsidiary bank shall not be less than 40 percent of the total amount of NTD deposits accepted by it:

(1) NTD cash on hand is calculated at 85% of the amount.

(2) Certificates of Deposits Issued by the Central Bank of the Republic of China as well as NTD deposits deposited and re-deposited in the Central Bank of the Republic of China combined are calculated at 85% of the amount.

(3) NTD bonds and bills issued by the ROC government combined are calculated at 85% of the value.

(4) NTD bonds, bills, beneficial securities and asset-backed securities issued by state-run enterprises and private enterprises in the ROC are calculated at 75% of value for investment grade securities and 70% of value for non-investment grade securities.

(5) NTD stocks issued by the ROC enterprises are calculated at 55% of the value.

(6) Outstanding NTD mortgage loans extended to ROC nationals (excluding non-accrual loans) are calculated at 85%.

(7) Outstanding loans extended to state-run and private enterprises, government agencies and individuals in the ROC (excluding outstanding NTD mortgage loans in the previous subparagraph) are calculated at 70% for secured loans and 60% for unsecured loans.

(8) Total investment in real estate for own use in the ROC is calculated at 60%.

3. For a foreign financial institution whose juridical person and affiliates together directly or indirectly hold 50% or more of the outstanding voting shares or capital stock of its subsidiary bank in Taiwan, the quarterly average balance of total net asset amount (i.e., the amount of asset minus the amount of liability for each transaction) of its subsidiary bank and branch bank together shall not exceed 50% of the subsidiary bank's net worth as of the end of the preceding fiscal year. The calculation of the quarterly average balance shall be from the first day to the last day of the quarter,

dividing the sum of daily balance by the number of days in the quarter; the daily balance of a non-business day shall be deemed as same as on the previous business day.

The cash capital increase made by the subsidiary bank of a foreign financial institution in Taiwan during the year may be included in the calculation of net worth mentioned in the preceding subparagraph, and the base date for calculation shall be the date on which the certificate of capital verification is acquired.

A subsidiary bank of a foreign financial institution in Taiwan that meets the following requirements shall not be restricted by the ratio in Paragraph 1. However, it shall establish ratios and large risk exposure management policies and report them to the board of directors for approval before implementation.

- (1) The common equity ratio, tier 1 capital ratio, and capital adequacy ratio in the most recent quarter shall be at least 9.5%, 11%, and 13%;
- (2) The bank's latest CPA-audited financial report with "unqualified opinion" or "unqualified opinion subsequent to revision", and the bank does not report loss or cumulative loss in said financial report;
- (3) The bank's provision ratio for category 1 credit assets for the last six months is above 1% (inclusive), and loan loss provision and reserve against liability on guarantees for other classes of credit assets are fully allocated;
- (4) The bank's non-performing loan ratio does not exceed 1% and its loan loss coverage ratio is above 100% at the end of the last six months;
- (5) The bank's average liquidity coverage ratio for the last six months exceeds the requirement specified in Article 3 of the Standards Implementing the Liquidity Coverage Ratio of Banks plus 30 percentage points;
- (6) The bank's net stable funding ratio in the most recent quarter exceeds the requirement specified in Article 3 of the Standards Implementing the Net Stable Funding Ratio of Banks plus 30 percentage points.

The competent authority may, based on economic and financial conditions and actual requirements, separately determine the ratio of the total net asset amount of a subsidiary bank of a foreign financial institution in Taiwan divided by the net value.

4. The term "Investment-grade" mentioned in Point 2 refers to those that meet the criteria set forth in Article 4 of the Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest.

5. The term "secured" mentioned in Point 2 refers to collateral provided in Article 12 of the Banking Act.