

Financial Supervisory Commission Order

Issuance Date: October 26, 2020

Issuance No.: Gin-Guan-Yin-Kong No. 10902733851

- I. This Order is processed in accordance with Article 4, Paragraph 1, Subparagraphs 2 and 11 of the Offshore Banking Act.
- II. Where an offshore banking unit (OBU) operates foreign-currency loan businesses for an institution within the territory of the Republic of China ("institution"), the institution may open an account for the purpose of handling loan-related receipts and disbursement ("loan account") at the OBU.
- III. The operations of the loan account must meet the following principles:
 - (I) Counterparties of funds transferring of the loan account shall be restricted to accounts opened in the following institutions. They may not involve accounts in authorized banks specified in the Regulations Governing Foreign Exchange Business of Banking Enterprises (referred to as the "Domestic Banking Units").
 1. Offshore banking units.
 2. Offshore branches of domestic banks.
 3. Offshore financial institutions.
 - (II) The funds transfers are restricted to transactions between foreign currencies and the funds may not be exchanged to New Taiwan Dollar (NTD).
- IV. The loan account shall only be used within the scope of the following loan-related receipts and disbursements:
 - (I) Disbursements for loans

- (II) Principal and interest repayment for loans
 - (III) Capital expenditures
 - (IV) Revolving funds for general operations
 - (V) Trade finance which includes self-liquidating trade financing payments derived from trading requirements such as import/export bills negotiation, issuance of letters of credit, purchase of letters of credit receivable, purchase of accounts receivable, accounts payable, accepted export bill discounts, material purchase guarantees, export loans, import financing, accepted bill receivables.
 - (VI) Foreign currency exchange and spot transactions between foreign currencies for the purpose of loan-related receipts and disbursement, and foreign currency forward transactions and foreign exchange swaps for hedging purposes with an operating period of no more than 180 days
 - (VII) Receipts and disbursements for goods and services
 - (VIII) Direct investments in offshore subsidiaries, etc. excluding investments in financial products
- V. Offshore banking units shall control and manage the loan account in accordance with the following mechanisms, implement risk management, anti-money laundering, internal audit and internal control system, and establish and faithfully implement internal operating procedures:
- (I) The opening, the scope of subsequent use and settlement of the loan account must be consistent with the purpose of the institution's loan, related uses of funds, and patterns of the demand for international treasury management derived from such use. In addition, the account must be opened through the inward transfer of loan funds and may not be opened through inward remittances.
 - (II) The maximum duration and amount of funds parked in the account shall be controlled and managed based on the

operation model and treasury requirements of related receipts and disbursements.

- VI. The OBU shall regularly report information related to the business to the Central Bank of the Republic of China (Taiwan) in accordance with the format, contents, and frequency specified by the Central Bank.
- VII. This Order shall become effective immediately.