REGULATIONS GOVERNING APPROVALS OF BANKS TO ENGAGE IN FINANCIAL ACTIVITIES BETWEEN THE TAIWAN AREA AND THE MAINLAND AREA ("Regulations")
PROMULGATED BY THE MINISTRY OF FINANCE AS LAST AMENDED ON FEBRUARY 28, 2004

Article 1.
These Regulations are enacted pursuant to Article 36, Paragraph 3, of the "Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area".

Article 2.
Overseas branches, offshore banking units of banks in the Taiwan area ("Taiwan Banks"), banks designated by the Central Bank of China to handle foreign exchange business ("Designated FX Banks") and the Chunghwa Post Company, Ltd ("Post Company") may, after obtaining approval by the Competent Authority, engage in financial activities with the Mainland area branches of foreign banks, Mainland area financial institutions ("Mainland Banks") and the overseas branches thereof, Mainland area legal entities, groups, institutions and the overseas branches thereof, and natural persons.

Article 3.
The Competent Authority, as referred to in these Regulations, is the Ministry of Finance.

Article 4.
"Financial Activities Engaged in by Taiwan Banks" according to these Regulations shall include:
1. Accepting deposits;
2. Remittances;
3. Issuing and advising letters of credit;
4. Import and export negotiations;
5. Acting as a collecting and paying agent; and
6. Credit extensions;
7. Purchase of accounts receivables;
8. Interbank transactions related to subparagraph 1 through 7, above; and
9. Other activities approved by the Competent Authority.

When making credit extensions and purchasing receivables under subparagraphs 6 and 7 of the preceding paragraph, the following requirements shall be complied with:
1. Customers shall be limited to those falling under Article 35, Paragraph 1, of the Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area;
2. A thorough check shall be conducted of the credit status, and repayment ability of the borrower in order to protect the bank's interests;
3. No R.O.C. shares, real estate and other NT Dollar denominated assets shall be used as collateral;
4. The aggregate amount of all credit extensions and purchases of receivables shall not exceed thirty percent (30%) of the assets of the relevant offshore banking unit based on the most recent financial statement, and the aggregate amount of all unsecured credit extensions and purchases shall not exceed ten percent (10%) of such assets.

Article 5.
Designated FX Banks and the Post Company shall, when conducting financial business with the approval of the Competent Authority under these Regulations, comply with the Central Bank of China's rules related to the conduct of foreign exchange business by Designated FX Banks.

In connection with the preceding paragraph, outward remittances and inward remittances shall consist of:
1. Outward remittances:
   (1) remittances for personal use or gifts to friends and relatives;
   (2) back-to-back outward remittances by firms handling "shipment from Mainland, negotiation in Taiwan," transaction; provided, that the outward remittance amount shall not exceed the amount of the bills negotiation;
   (3) remittances related to importing goods from the Mainland;
   (4) remittance of office expenses for representative offices of financial/insurance institutions establish in the Mainland with the approval of the Competent Authority;
   (5) remittances of inheritance, insurance death benefits, pensions, military retirement pay to military service persons and the fruits thereof legally inherited by, or due to, people in the Mainland;
   (6) repayment of principal and payment of interest by a Taiwan firm on a loan from its subsidiary in the Mainland;
   (7) remittances of living expenses of veterans residing in the Mainland;
   (8) remittances of expenses for visiting the Mainland to engage in artistic and educational activities or to participate in international meetings, business negotiations or commercial exhibitions;
   (9) remittances for the payments for publications, films, video programs, broadcasts and TV programs in the Mainland;
   (10) remittances for shared telecommunications fees;
   (11) remittances for direct trade between Taiwan and the Mainland as approved by the Competent Authority;
(12) other remittances approved by the relevant Competent Authority with the consent of the Mainland Affairs Council of the Executive Yuan; provided, that such shall not be required for remittances which do not exceed NT$500,000;

2. Inward remittances: Designated FX Banks may handle all inward remittances from the Mainland except for inward remittances for the purposes of direct investment, securities investment or other items which are not permitted by laws or regulations.

Article 6.

If a Taiwan Bank, Designated FX Bank, or the Post Company intends to engage in financial business pursuant to these Regulations, its head office shall submit the following to apply for approval from the Competent Authority:

1. The name and address of the head office and the responsible person;
2. A business plan (including the business items applied for, business development projections, and the measures for dispute handling, taking security interests and risk control).
3. A CPA audited financial report of the head office for the most recent fiscal year and a calculation of the capital adequacy ratio for the most recent fiscal half year; and
4. A description of the amount and the ratio of overdue loans and amounts under collection, and the amount and ratio of allocated loss reserves, bad debt reserve, and guaranty liability reserves of the head office for the most recent fiscal period.

The Competent Authority shall consult with the Central Bank of China ("CBC") before approving an application referred to in the preceding paragraphs. If there are indications that the applied for activities may adversely affect overall supervision or financial policies, the Competent Authority may reject the application. If an application has been approved, the Competent Authority may revoke the approval [for the same reasons].

Article 7.

The activities referred to the Article 4, Paragraph 1, and Article 5 shall be limited to those using currencies other than New Taiwan Dollars and Renminbi.

Article 8.

An overseas branch or offshore banking unit of a Taiwan Bank, a Designated FX Bank or the Post Company which has been permitted to engage in the activities pursuant to these Regulations shall submit business reports to its head office, and the head office shall transfer such reports to the Competent Authority.

Article 9.

For the necessity of maintaining the stability of the domestic financial market, the Competent Authority may, after report to and approval from the Executive Yuan, restrict or prohibit financial activities of banks engaging in activities under these Regulations.
Article 10.
A Taiwan Bank which meets the following requirements may apply for approval to establish a representative office in the Mainland:
1. The Taiwan bank is in compliance with the law, is soundly managed and has not been punished for a serious violation of relevant regulations within the last three (3) years;
2. The assets and net worth or the Taiwan Bank ranked among the top 10 domestic banks for the most recent fiscal year;
3. The Taiwan Bank's capital adequacy ratio exceeded 8% for the most recent fiscal half year;
4. The employees of the Taiwan Bank have international financial knowledge and experience; and
5. The Taiwan Bank has established branches in countries or areas outside Taiwan.
The Competent Authority may take into consideration the actual needs for banking services of Taiwan businesses in the Mainland Area and the locations of Taiwan banks in the Mainland Area when approving a bank to set up its representative office in certain areas in the Mainland Area and, in such cases, the limitation as provided in subparagraph 2 of the preceding paragraph shall not apply.
If an overseas subsidiary of a bank in Taiwan meets the requirements set out in subparagraphs 1 and 3 of the preceding paragraph, such bank may apply for approval for its overseas subsidiary to establish a representative office in the Mainland.
Article 11.
A Taiwan Bank which meets the requirements in paragraphs 1 and 2 of the preceding Article, shall submit the following documents [to apply for approval]:
1. An application;
2. A feasibility study;
3. Minutes of the board of directors meeting;
4. Its regulatory audit reports for the most recent three (3) years;
5. A schedule calculating its capital adequacy ratio for the most recent fiscal half year; and
6. Such other documents as may be required by the Competent Authority.
A Taiwan Bank which meets the requirements in Item 3 of the preceding article, shall submit the following documents [to apply for approval]:
1. An application;
2. A feasibility study; and
3. Such other documents as may be required by the Competent Authority.
The Competent Authority shall consult with the CBC before approving an application referred to in the preceding two paragraphs. If there are indications that approval of
the application may adversely affect overall supervision or financial policies, the Competent Authority may reject the application. If an application has been approved, the Competent Authority may revoke the approval [for the same reasons].

Article 12.
A representative offices established by a Taiwan Bank in the Mainland area may engage in the following activities:
1. Researching the relevant business situation regarding finance;
2. Collecting relevant information regarding finance; and
3. Other liaison activities.

Article 13.
A Taiwan Bank which has been approved by the competent financial authority in the Mainland area to set up a representative office in the Mainland area, shall, prior to establishing the office submit the following to the Competent Authority:
1. The approval letter from the competent financial authority in the Mainland area;
2. The expected establishment date and the address of the representative office; and
3. Evidence of the representative's education and working experience.
If the representative office of a Taiwan Bank is to be dissolved, the Taiwan Bank shall obtain the approval from the Competent Authority in advance.
If the representative or the address of the representative office is changed, the Taiwan Bank shall report same to the Competent Authority.

Article 14.
These regulations shall be effective from the date of promulgation.