

## **1.OBU needs to be compliant with "all" AML/CFT laws and regulations since 1997**

1.1.1 The FSC never exempted OBU from any AML/CFT laws and regulations. Before the FSC modified Article 10 of "Rules Governing Offshore Banking Branches" on May 22th 2017, the AML/CFT requirements for OBU and DBU were exactly "the same". OBU should comply with **the BO regulation which came into effect December 31, 2013 with an enforcement grace period ended March 31, 2015. During the grace period, the Banker Association launched a series of promotion campaign to enhance the awareness of the public and the employees of financial institutions on the introduction of identification and verification of BO.**

1.1.2 Article 10 of "Rules Governing Offshore Banking Branches" is the "enhanced supervisory measures" for OBU's CDD requirements.

The key points are:

- (1) OBU shall "rigorously" undertake customer due diligence (CDD) process.
- (2) Documents, data or information that must be obtained or verified in accordance with the standards stipulated in the Attachment.
- (3) OBU shall re-perform CDD and review the level of risk on existing customers.

## **2.Introduction of the Offshore Banking Unit (OBU) business:**

### **2.1 Background of legislation**

- In the 1980s, economic environment in Taiwan was at the turning point of upgrading technical transformation and expending international investments trade business, which needed abundant foreign capital inflow.
- The Offshore Banking Unit Act was promulgated in 1983 to allow the establishment of OBUs in the territory of Taiwan aimed to enhance international financial activities and set up a regional financial center.
- So OBU branches attracted international funds to provide loans to enterprises, in order to help Taiwan's economic development.

## **2.2 The business scale of OBU**

- According to the statistics of December 2017, the balance of total deposits of Taiwan's financial institutions was about US\$ 1,398 billion, while the balance of foreign exchange deposits of OBUs in the same period of US\$ 77.1 billion accounted for only 5.51%.
- In the view of total asset, the one of Taiwan's overall financial sectors was about US\$2,977.2 billion, while the total asset of OBUs was US\$202.9 billion, only accounting for 6.88%.
- Therefore, the proportion of business scale in OBUs is not significant comparing to the overall banking activities in Taiwan.

## **2.3 The difference between OBU and DBU business**

- OBU is not allowed to receive cash in foreign currency or exchange of foreign currency deposits into New Taiwan Dollars for withdrawal.
- Unless approved by the Central Bank, OBU shall not conduct exchanges or other transactions between foreign currencies and New Taiwan Dollars. You can conduct exchanges and other transactions between foreign currencies and New Taiwan Dollars in Domestic banks.

## **3.The FSC continues to enhance the OBU's transparency and AML measures:**

- In response to the international trend of strengthening anti-tax avoidance measures such as information exchange for tax purposes and cross-border tax cooperation, while tax evasion also being defined as predicate crimes for money laundering in the Money Laundering Control Act, banks should pay more attention to tax-related money laundering risks and take related control measures.
- Therefore, on March 6, 2018, the FSC held a meeting on “Banks’ dealing with tax-related money laundering risk and control measures”. According to the resolutions of the meeting, the FSC has published a principled-based letter on the prevention and control of tax-related money laundering risk.
- The Bankers Association had formulated the industry best practice guidance in accordance with the AML/CFT standards and with reference to the bank's practical needs.