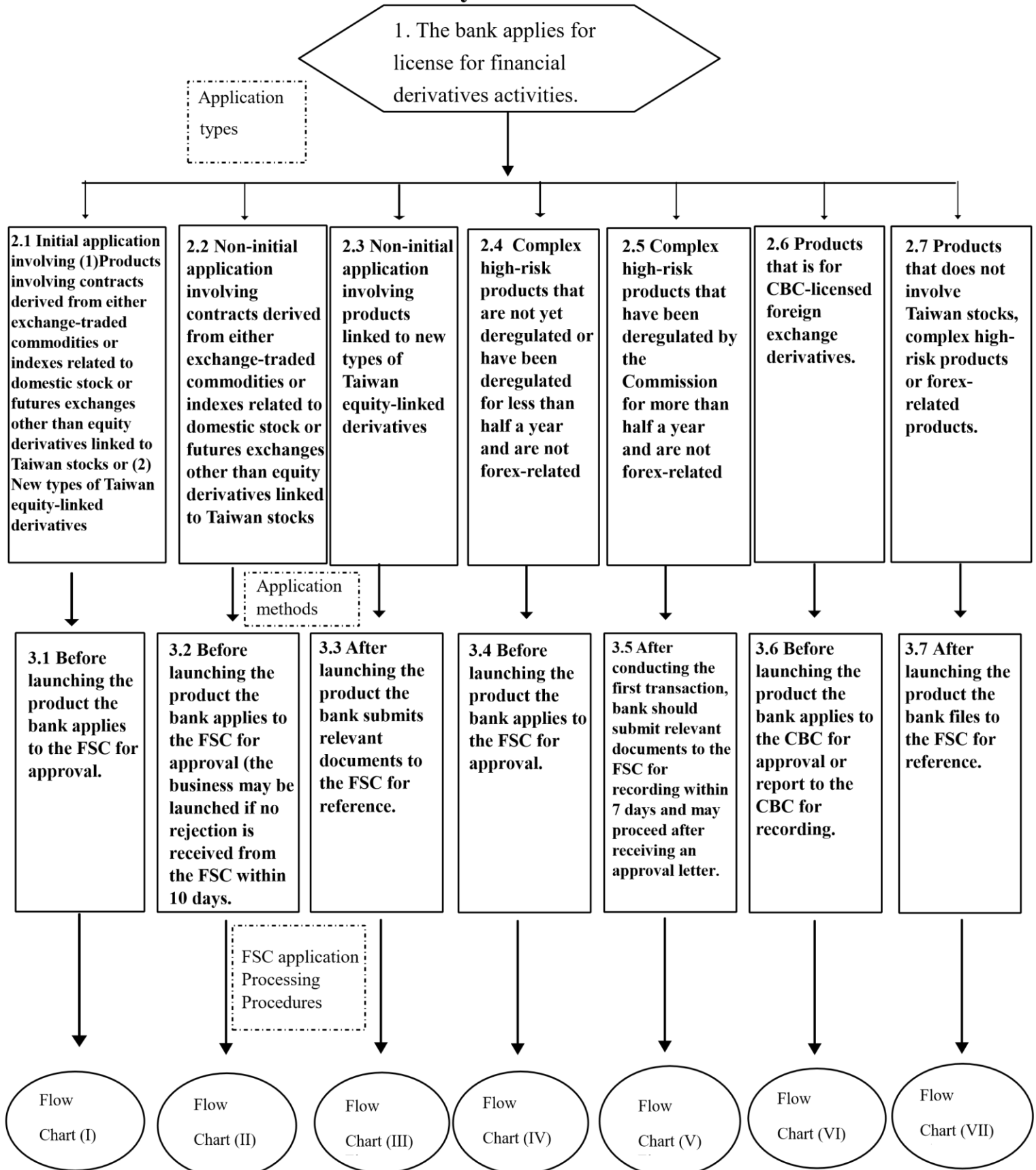


# Application for License for Financial Derivatives Activities by the Bank



## **Operation procedures:**

- (I) **Initial application involving (1) Products involving contracts derived from either exchange-traded commodities or indexes related to domestic stock or futures exchanges other than equity derivatives linked to Taiwan stocks or (2) New types of Taiwan equity-linked derivatives:** if the application is considered to be the first case of the derivatives by Securities and Futures Bureau, such application shall be submitted to the FSC for approval.

Flow Chart (I)

1. The bank applies to the FSC with the documents specified in Article 8 of the Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business.

2. Are the documents complete?

No

FSC informs the bank to submit the supplements within the time frame.

Supplements

Yes

3. FSC performs substantial review and consults with the relevant authorities.

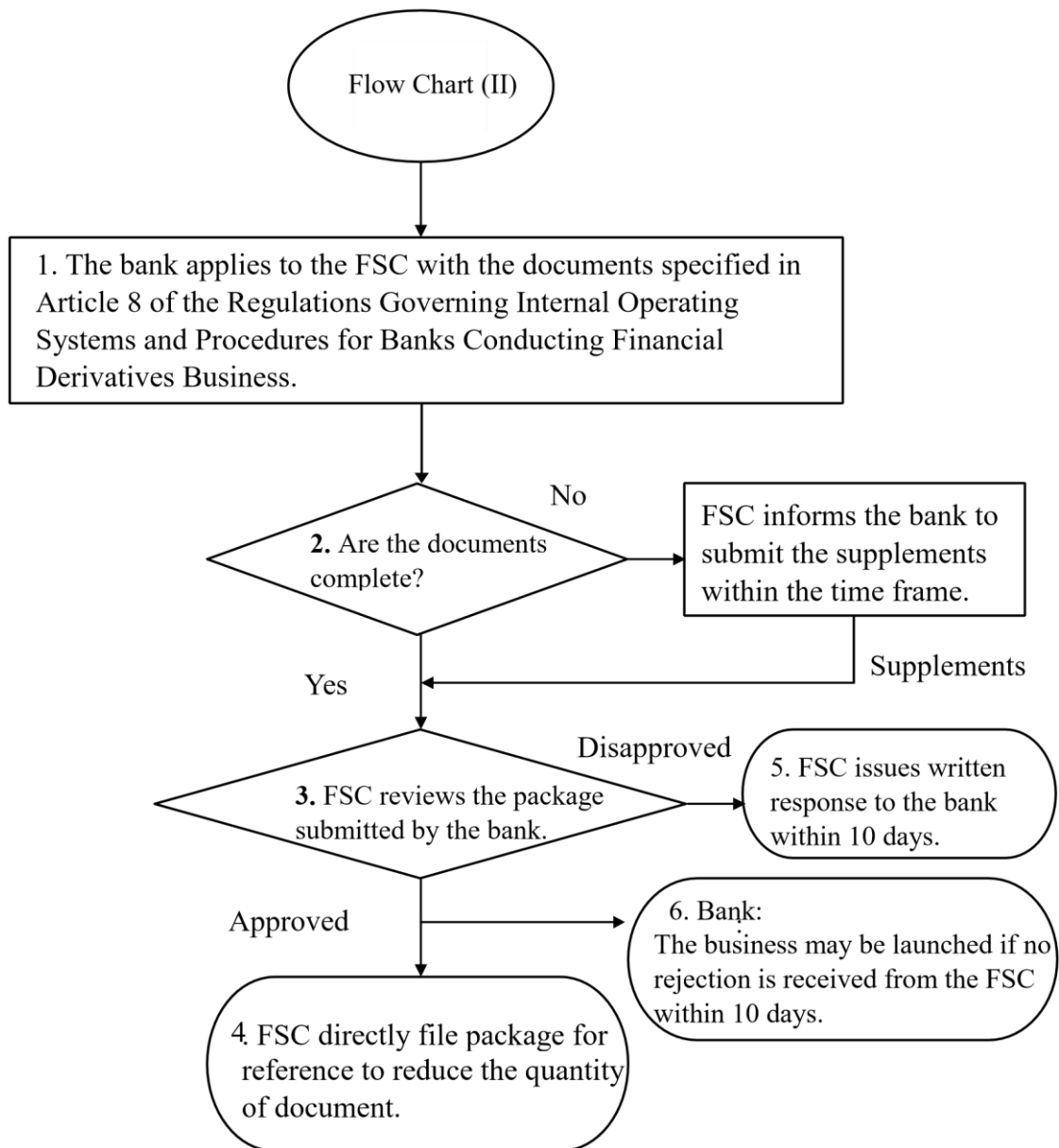
4. FSC consults with the Securities and Futures Bureau.

5. FSC issues the approval/disapproval to the bank.

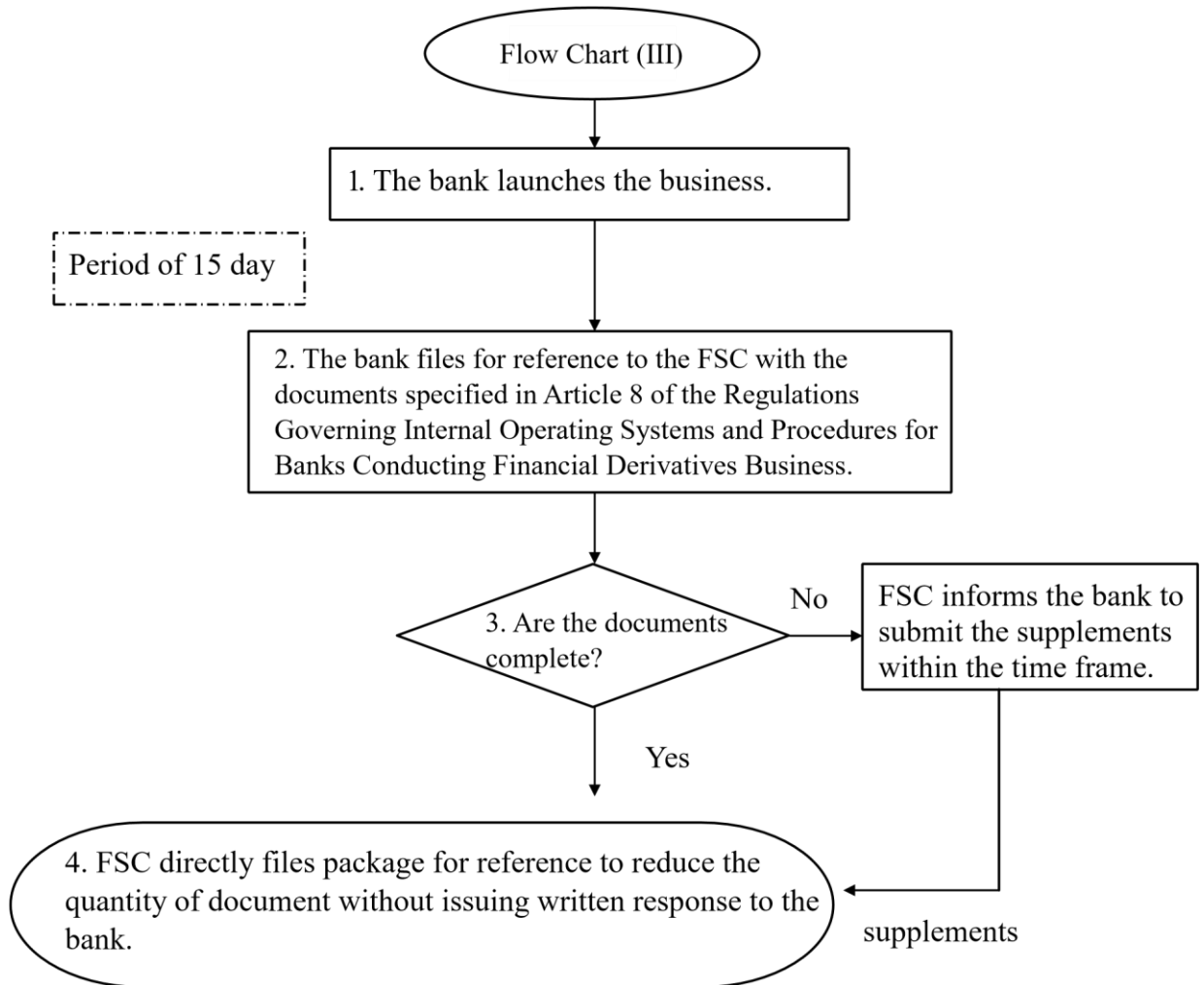
Approved

6. The bank launches the business.

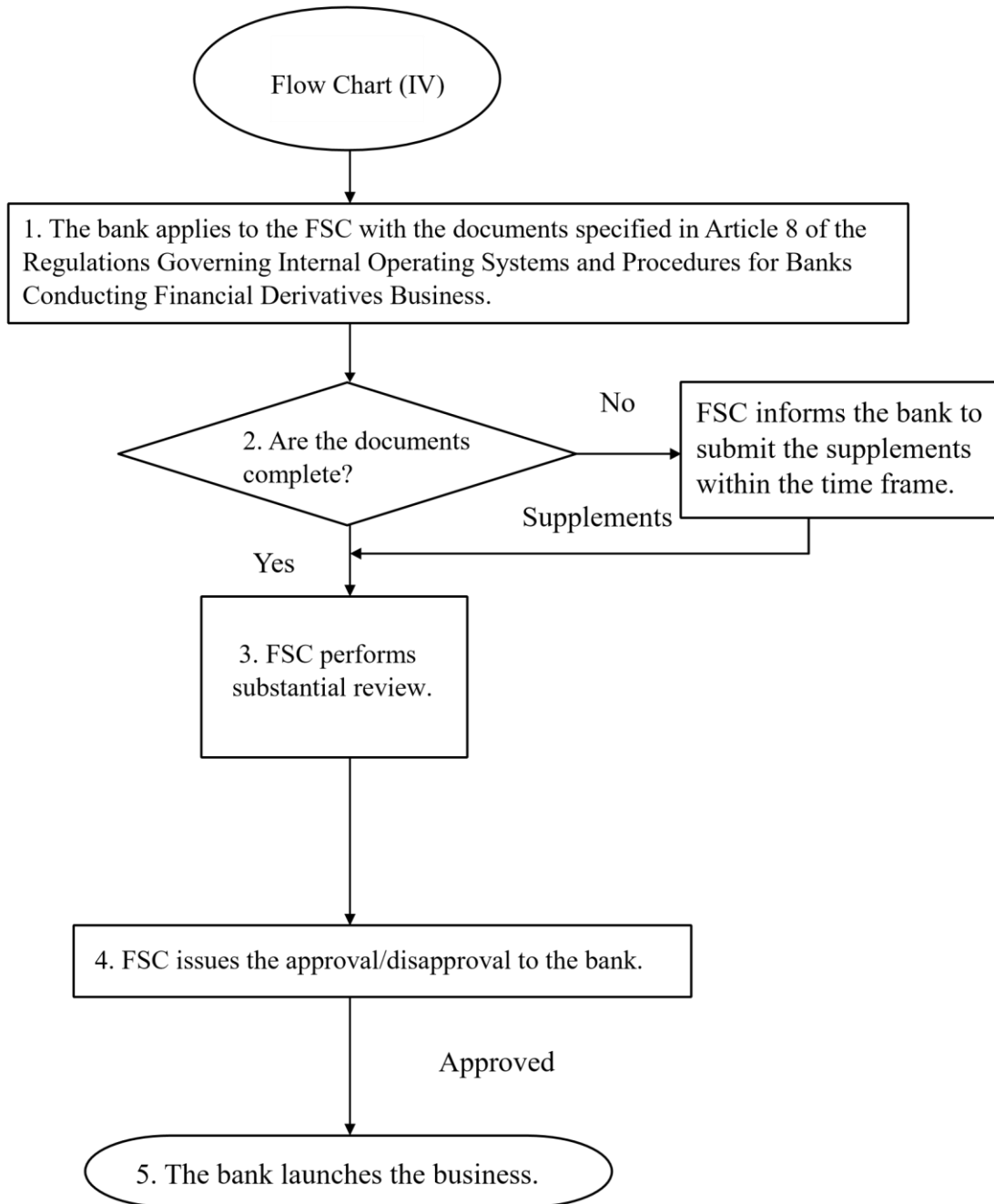
(II) **Non-initial application involving contracts derived from either exchangetraded commodities or indexes related to domestic stock or futures exchanges other than equity derivatives linked to Taiwan stocks:** the bank shall sent application to the FSC and undertake the business applied for if the FSC makes no objection within 10 days after the date when the application package is delivered.



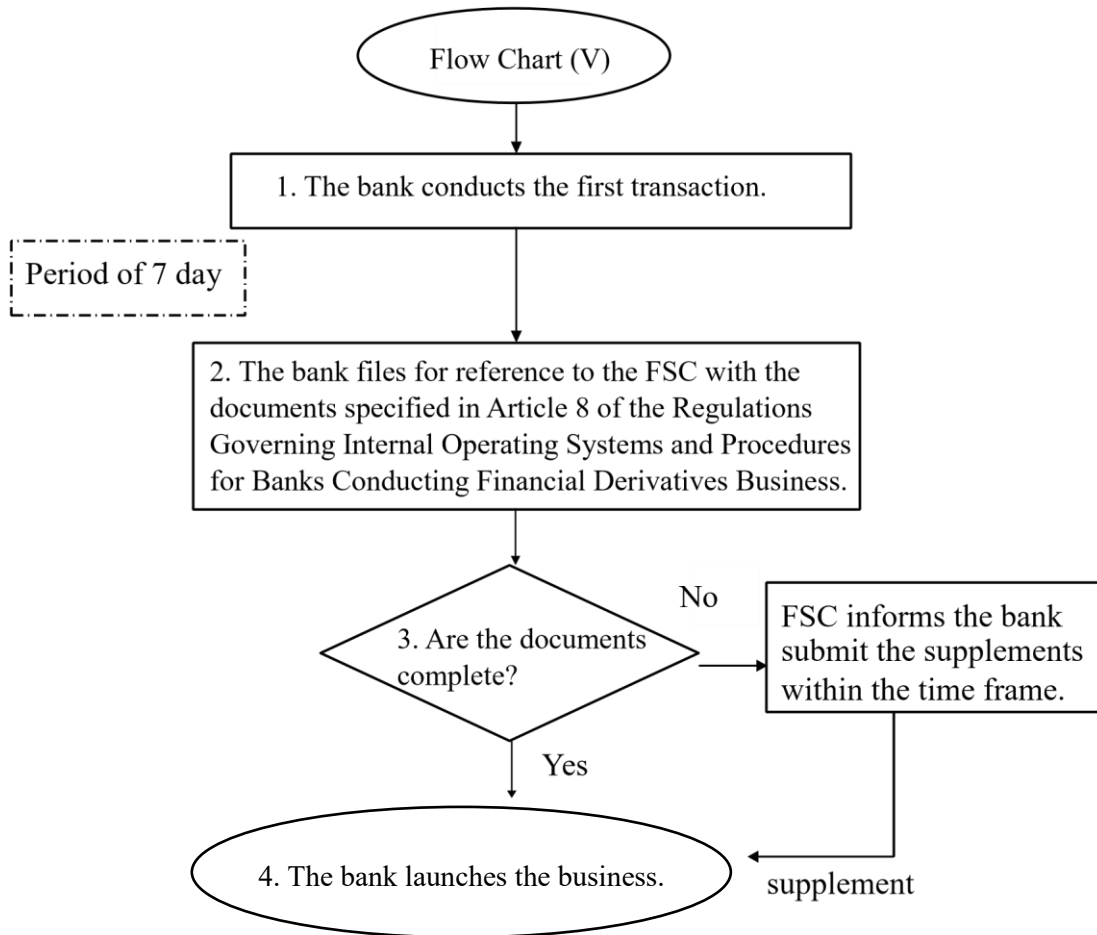
- (III) **Non-initial application involving derivatives linked to new types of Taiwan equity-linked derivatives:** the bank shall submit relevant documents to the FSC for reference within 15 days after launching the business.



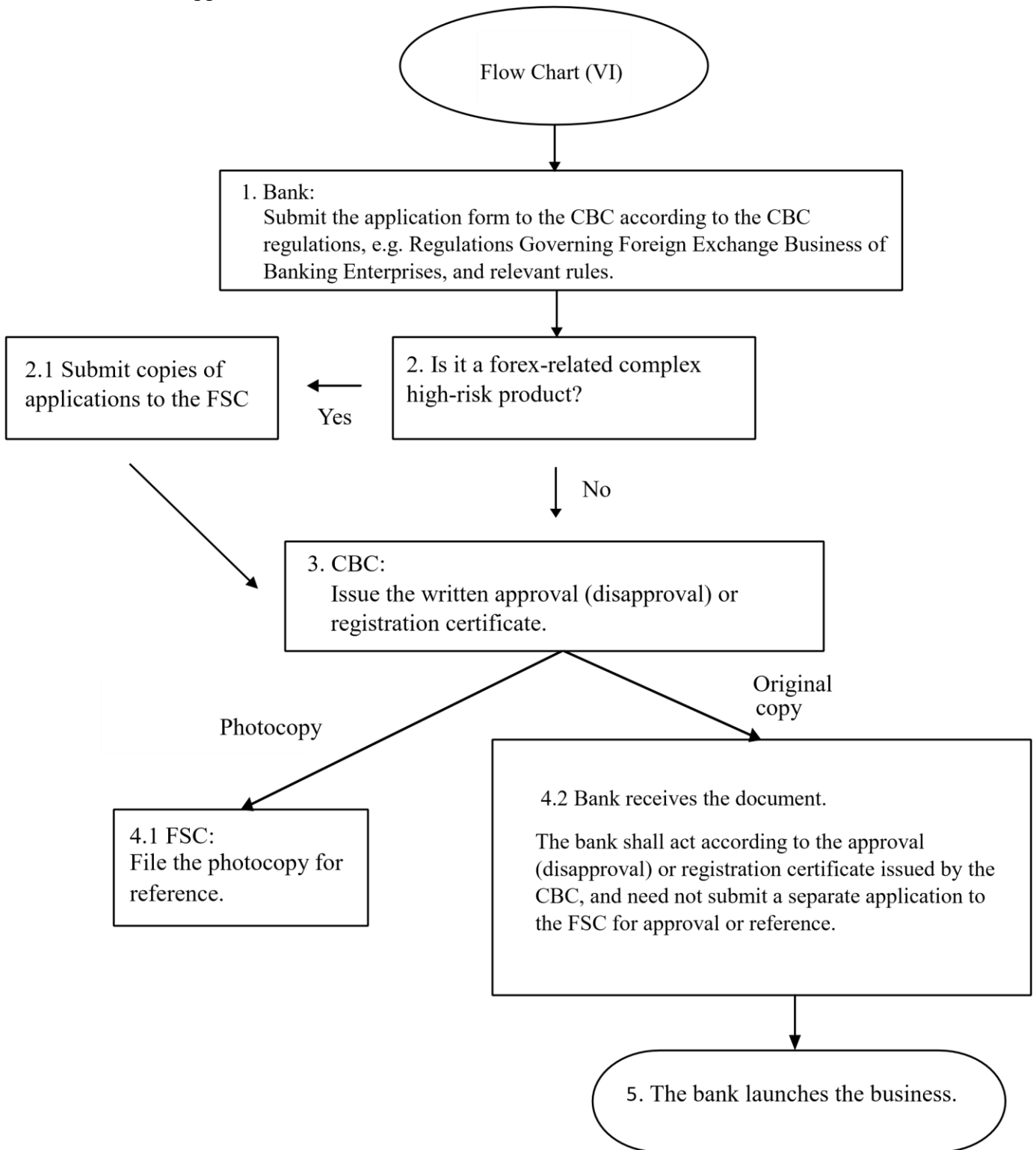
(IV) **Initial application of complex high-risk products that are not yet deregulated or have been deregulated for less than half a year and are not forex-related:** such application shall be submitted to the FSC for approval.



- (V) **Complex high-risk products that have been deregulated by the Commission for more than half a year and are not forex-related:** the bank shall submit relevant documents to the FSC for reference within 7 days after conducting the first transaction and may proceed with the next transaction after receiving an approval letter from the Commission.

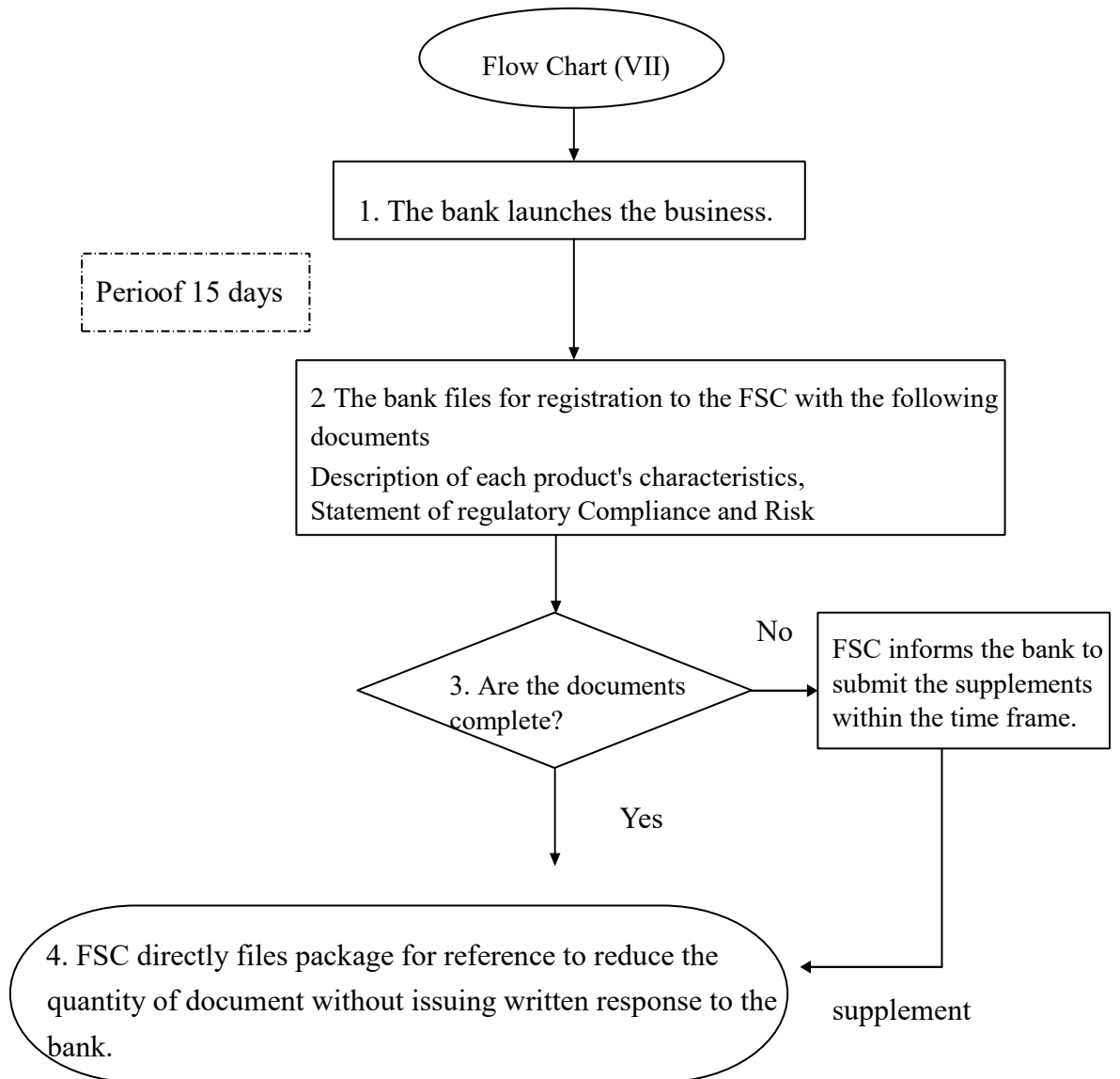


(VI) **Application for CBC-licensed foreign exchange derivatives:** the bank shall directly apply to the CBC for license or report to the CBC for recording for the foreign exchange derivatives under the jurisdiction thereof. Where the product is a forex-related complex high-risk product, the bank shall submit copies of applications to the FSC.





(VII) **Applications not involving Taiwan stocks, complex high-risk products or forex-related products:** the bank shall submit the following documents to the FSC for registration within 15 days after launching the business.



**Note 1. Underlying regulations: According to Article 7 of the Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business, “A bank that has obtained approval to conduct financial derivatives business (approval must also be obtained in accordance with the Futures Trading Act if the business in question is futures trading business) may begin to offer financial derivatives and combinations thereof, provided that within fifteen (15) days after commencement of business it shall submit a description of each product's characteristics, a statement of regulatory compliance, and a risk disclosure statement to the Commission for reference. Notwithstanding the foregoing, the offering of the following products shall comply with the provisions of Paragraphs 2 ~ 5 hereof and Article 8 herein:**

- 1. Products involving contracts derived from either exchange-traded commodities or indexes related to domestic stock or futures exchanges other than equity derivatives linked to Taiwan stocks (referred to as "Taiwan equity-linked derivatives" hereunder).**
- 2. New types of Taiwan equity-linked derivatives.**
- 3. Complex high-risk products that are not yet deregulated or have been deregulated for less than half a year and are not forex-related offered to customers other than professional institutional investors and high net worth corporate investors.**
- 4. Forex-related products that are required to file application with the Central Bank of the Republic of China (Taiwan) (called the "Central Bank" hereunder) for approval or to report to the Central Bank for recording.**

**Once the Commission has granted approval to a bank to offer products under Subparagraph 1 of the preceding paragraph, other banks may proceed to offer the same type of products, provided the Commission does not raise any objection within ten (10) days from the next day following the date on which their application documents are delivered to the Commission. However, such a bank may not conduct the business under application until that 10-day period has elapsed.**

**Once the Commission has granted approval to a bank to offer products under Subparagraph 2 of Paragraph 1 hereof, other banks may proceed to offer the same type of products, provided they submit relevant**

**documents to the Commission for reference within fifteen (15) days from the date of commencement.**

**Once the Commission has granted approval to a bank to offer a product under Subparagraph 3 of Paragraph 1 hereof and such product has been deregulated by the Commission for more than half a year, , other banks offering such product shall submit a letter with relevant documents to the Commission for recording within seven (7) days after conducting the first transaction and may proceed with the next transaction after receiving an approval letter from the Commission.**

**A bank that intends to offer products under Subparagraph 4 of Paragraph 1 hereof shall directly file applications with the Central Bank for approval or report to the Central Bank for recording. Where the product is a forex-related complex high-risk product, the bank shall submit copies of applications to the Commission.”**

**Note 2. The so-called CBC-licensed foreign exchange derivatives refer to such derivatives activities undertaken by the banks as, according to the provisions of Article 31 to 33 and 52 of the Regulations Governing Foreign Exchange Business of Banking Enterprises, may be undertaken without approval from the competent authority or shall be applied for to the CBOC, or are otherwise provided for in other CBOC regulations.**

**Note 3. As regards the initial application involving (1) Products involving contracts derived from either exchange-traded commodities or indexes related to domestic stock or futures exchanges other than equity derivatives linked to Taiwan stocks or (2) New types of Taiwan equitylinked derivatives, may refer to 11 April 2013 Order Jin-Guan-Yin-Wai-Zi No. 1025000870 to check whether the application is the first case.**