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Implementation Scheme for the Deposit Insurance Premium System

As amended (Point3, Point5, Point9, Point12) by Financial Supervisory Commission, Letter Chin-Kuan-Yin-Ho No. 10200226140 on October 16, 2013

1. The Implementation Scheme for the Deposit Insurance Premium System is conducted in accordance with stipulations of Paragraph 3 of Article 16 of the *Deposit Insurance Act*.
2. The deposit insurance premium for insured institutions shall be assessed as a differential premium calculated on the basis of risk indicators for covered deposits and as a flat premium for eligible deposits exceeding the coverage limit.
3. Risk indicators:
 - (1) The two risk indicators are the Capital Adequacy Ratio (CAR) and the Composite Score of the Risk-based Premium Rating System (CSRPRS).
 - (2) The CAR is based on the most recent data reported to the competent authority by the insured institution as of the end of the quarter (March 31 or September 30), one quarter before the standard date for calculating the deposit insurance premium (June 30 or December 31). For local branches of foreign and mainland Chinese banks, the basis shall be the data reported to the competent authority of the home country by the foreign and mainland Chinese banks.
 - (3) The standard dates used for calculating CSRPRS are determined as the end of the quarters before the standard dates for calculating deposit insurance premiums (June 30 and December 31). The score is produced from the data reported by insured institutions. However, if the Central Deposit Insurance Corporation (CDIC), within half year before the standard dates for calculating deposit insurance premiums, receives an examination report of the insured institution with an examination standard date prior to March 31 or September 30 and the examination results are different from the financial data submitted by the insured institution, the insured institution should make adjustments based on the examination results. Accordingly, the CDIC should use the data after adjustments made by the insured institution, to generate CSRPRS and calculate the risk premium rate of the current payment period. If the examination standard date of the abovementioned examination report is after March 31 or September 30, the premium rate for the next payment period should be calculated based on the principle above.

- (4) In order to confirm the accuracy of the data and files related to risk indicators reported by insured institutions, the CDIC may conduct inspections of insured institutions.

4. Risk grading:

(1) The CAR is divided into three risk grades:

- A. Domestic banks, local branches of foreign and mainland Chinese banks, with a CAR of 12% and over from 2014 to 2015 and with a CAR of 12.5% and over after 2016; credit cooperatives with a CAR of 12% and over; credit departments of farmers' and fishermen's associations with a CAR of 10% and over.
- B. Domestic banks, local branches of foreign and mainland Chinese banks, with a CAR of 8% to less than 12% from 2014 to 2015, with a CAR of 8.625% to under 12.5% in 2016, with a CAR of 9.25% to under 12.5% in 2017, with a CAR of 9.875% to under 12.5% in 2018, and with a CAR of 10.5% to under 12.5% after 2019; credit cooperatives with a CAR of 8% to under 12%; credit departments of farmers' and fishermen's associations with a CAR of 8% to under 10%.
- C. Domestic banks, the local branches of foreign and mainland Chinese banks, with a CAR of under 8% from 2014 to 2015, with a CAR under 8.625%, 9.25%, 9.875% from 2016 to 2018 respectively, and with a CAR of under 10.5% after 2019; credit cooperatives, credit departments of farmers' and fishermen's associations with a CAR of under 8%.

For insured institutions whose minimum CAR is required higher by the competent authority, the risk grades are divided into three levels: a CAR of 12.5% and over; a CAR of under 12.5% to the required minimum CAR; and a CAR of under the required minimum CAR.

The CAR of banks refers to the ratio of equity capital to total risk-weighted assets. The CAR of credit cooperatives refers to the ratio of eligible equity capital to total risk-weighted assets. For local branches of foreign and mainland Chinese banks, the CAR refers to the ratio of equity capital to total risk-weighted assets of the foreign and mainland Chinese banks. The CAR for credit departments of farmers' and fishermen's associations refers to the ratio of eligible net worth to total risk-weighted assets.

(2) The CSRPRS is divided into three risk grades:

- A. Composite scores of 65.0 and above
- B. Composite scores of 50.0 and above but less than 65.0
- C. Composite scores of under 50.0

5. Deposit insurance premiums:

- (1) For domestic banks and local branches of foreign and mainland Chinese banks, the five-grade differential premium rates for covered deposits under the coverage limit are 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%, and the flat premium rate for eligible deposits in excess of the coverage limit is 0.005%.
- (2) For credit cooperatives, the five-grade differential premium rates for covered deposits under the coverage limit are 0.04%, 0.05%, 0.07%, 0.10%, and 0.14%, and the flat premium rate for eligible deposits in excess of the coverage limit is 0.005%.
- (3) For credit departments of farmers' and fishermen's associations, the five-grade differential premium rates for covered deposits under the coverage limit are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%, and the flat premium rate for eligible deposits in excess of the coverage limit is 0.0025%.

The tables of the differential premium grades are included in the Appendix.

6. Exceptions:

- (1) The calculation of the differential premium rates for insured institutions in the process of a merger or assumption (hereinafter referred to as "a merger"):

A. Period at the time of the merger:

The calculation of premium rates will be based on the risk indicators of each institution before the merger.

The "period at the time of the merger" refers to the period for calculation of the insurance premium during the standard date of the merger (January 1 to June 30 or July 1 to December 31).

B. Period after a merger:

- a. If there is no CSRPRS data available, the calculation of the premium rate is based on the CSRPRS of the surviving institution. The calculation of the differential premium rate of a newly incorporated institution is based on the higher CSRPRS of the original institutions before a merger.
 - b. If there is no data of the CAR available, the calculation of the premium rate is based on the CAR of the existing institution. The calculation of the premium rate of a newly incorporated institution is based on the higher CAR of the original institutions before a merger.
- (2) The differential premium rates for insured institutions that do not have CSRPRS data or CAR data available due to reorganization are based on the latest CSRPRS or CAR before the reorganization.
 - (3) Insured institutions that are newly established and do not yet have CSRPRS shall pay the Grade 3 differential premium rate. However, the Grade 4

differential premium rate shall be applied for credit departments of farmers' and fishermen's associations established under special permission by the central competent authority of the agricultural finance in accordance with the proviso of Subparagraph 2 of the *Auditing Standards for Applications to Re-establish Credit Departments by Farmers' and Fishermen's Associations whose Credit Departments were Assumed by a Bank*.

- (4) The differential premium rate for government-owned insured institutions, excluding those institutions that subject to the lowest rate, shall be calculated as one grade lower than the rate for their risk group.
 - (5) The differential premium rates for insured institutions that accept deposits but do not make loans except for time deposit pledge or for the deposits required by law to be deposited in certain financial institutions; or for preferential interest deposits such as the deposits for civil servant and teacher pension fund, military retirement funds or Personnel Savings Division Comptroller EAU, M.N.D, shall be determined specially by the competent authority.
 - (6) Insured institutions shall pay the highest differential premium rate if they are under guidance, superintendence or conservatorship or their authorities are exercised by officers delegated by the competent authority or the central competent authority of the agricultural finance in accordance with the law.
 - (7) Bridge banks, which are set up in accordance with the *Deposit Insurance Act*, do not need to pay the insurance premium.
 - (8) If an insured institution receives a warning notice of termination of the deposit insurance agreement by the CDIC in accordance with the Article 25 of the *Deposit Insurance Act*, the CDIC shall raise the premium rate of the institution by 0.01% to 0.05%.
7. The CDIC sends an individual written notification of the applicable premium rate to each insured institution. Insured institutions cannot publicly announce their CSRRPS. The CDIC may increase their differential premium rates for violators of this regulation by 0.01% for the current payment period.
 8. If an insured institution does not pay its premium on time as stipulated under the CDIC regulations, the CDIC may increase the current differential premium rate of the institution by 0.01% for payment period.
 9. If an insured intuition has a major financial or operational risk event between the standard dates for reporting data and the standard dates for calculating deposit insurance premiums, such that the risk indicators are unable to timely reflect operational risks, the CDIC may charge an additional premium of 0.01% to 0.04% for the current payment period depending on the degree of risk. However, the increased premium rate may not exceed the highest rate.

10. If an insured institution dishonestly reports data and files or conceals important financial and business information, such that the applied premium rate is affected, the institutions must pay the difference of the revised premiums after adjustments for the affected period. The CDIC may charge an additional premium of 0.01% to 0.04% for the current payment period depending on the level of severity.
11. Insured institutions that object to their differential premium rate are still required to pay the insurance premium on time. A written request for review of the premium rate may be submitted to the CDIC between the date of receiving notification of premium payment and the due date of the current premium payment period (January 31 or July 31, based on the postmark date). Only one such request is permitted per payment period.
12. This Implementation Scheme shall become effective on January 1, 2014 after being approved by the competent authority.

Appendix: Differential Premium Grading for Insured Institutions (Five Premium Grades)

1. Premium Rates for Domestic Banks and Local Branches of Foreign and Mainland Chinese Banks

YEAR \ CAR		CSRPRS	65 and Over	50 to Under 65	Less than 50
2014~2015	12.0% and over		Grade 1 0.05%	Grade 2 0.06%	Grade 3 0.08%
After 2016	12.5% and over				
2014~2015	8.0% to less than 12.0%		Grade 2 0.06%	Grade 3 0.08%	Grade 4 0.11%
2016	8.625% to less than 12.5%				
2017	9.25% to less than 12.5%				
2018	9.875% to less than 12.5%				
After 2019	10.5% to less than 12.5%				
2014~2015	Less than 8%		Grade 3 0.08%	Grade 4 0.11%	Grade 5 0.15%
2016	Less than 8.625%				
2017	Less than 9.25%				
2018	Less than 9.875%				
After 2019	Less than 10.5%				

2. Premium Rates for Credit Cooperatives

CSRPRS CAR	65.0 and Over	50.0 to Under 65.0	Less than 50.0
12.0% and over	Grade 1 0.04%	Grade 2 0.05%	Grade 3 0.07%
8.0% to less than 12.0%	Grade 2 0.05%	Grade 3 0.07%	Grade 4 0.10%
less than 8.0%	Grade 3 0.07%	Grade 4 0.10%	Grade 5 0.14%

3. Premium Rates for Credit Departments of Farmers' and Fishermen's Associations

CSRPRS CAR	65.0 and Over	50.0 to Under 65.0	Less than 50.0
10.0% and over	Grade 1 0.02%	Grade 2 0.03%	Grade 3 0.04%
8.0% to less than 10.0%	Grade 2 0.03%	Grade 3 0.04%	Grade 4 0.05%
less than 8.0%	Grade 3 0.04%	Grade 4 0.05%	Grade 5 0.06%

Notes:

1. CSRPRS is based on the data reported by insured institutions.
2. The CAR of banks refers to the ratio of equity capital to total risk-weighted assets. The CAR of credit cooperatives refers to the ratio of eligible equity capital to total risk-weighted assets. For local branches of foreign and mainland Chinese banks, the CAR refers to the ratio of equity capital to total risk-weighted assets of the foreign and mainland Chinese banks. The CAR for credit departments of farmers' and fishermen's associations refers to the ratio of eligible net worth to total risk-weighted assets.