

8 Regulations Governing the Establishment and Business Operations of Bridge Banks

Full text of all 23 Articles promulgated by the Financial Supervisory Commission, Executive Yuan, Order Chin-Kuan-Yin (3) No. 09730000050 on February 1, 2008

Article 1

These regulations are enacted pursuant to Paragraph 2 of Article 34 of the Deposit Insurance Act (hereinafter referred to as the "Act").

Article 2

A bridge bank is not organized as company. Its business items are in principle to assume the business originally conducted by the closed insured institution.

In establishing a bridge bank, the CDIC shall first clearly record each of the following items, and submit them to the competent authority for approval to establish a bridge bank as a legal entity and for a business license to be issued:

1. The name of the bridge bank of the CDIC clearly stated in printed letters.
2. The locations of the head office and branches and the bank's corporate chop and the responsible person's seal.
3. The minutes of the meeting of the CDIC's board of directors at which it was resolved to establish the bridge bank.
4. The scope of the businesses, assets and liabilities assumed.
5. The bridge bank's Articles of Incorporation.
6. The name lists of the bridge bank's directors, supervisors and chairman of the board of directors.
7. Other documentation that should be presented in accordance with the competent authority's regulations.

Article 3

In order to file the suits or apply for the registration items regarding the changes in the rights in relation to real estate, or for other business needs, the bridge bank shall apply to the competent authority for proof of Subparagraph 2 of Paragraph 2 of the previous Article.

Article 4

When a bridge bank pursuant to Article 37 of the Act assumes the businesses, assets and liabilities of a closed insured institution, it shall submit the following documentation and directly apply to the relevant registration authorities for batches of registrations:

1. The documentation from the competent authority approving the establishment of the bridge bank.
2. The contract that the bridge bank assumes the businesses, assets and liabilities of the closed insured institution.
3. The property inventory for handling the registration of changes in property rights. As for the mortgage backed assets assumed by the bridge bank, the registration of the changes in the right to such assets may be handled all together when the bridge bank transfers all or part of the assets, liabilities and businesses to the assuming institution.

Article 5

The bridge bank's Articles of Incorporation shall record the following items:

1. The name of the bridge bank.
2. Business items.
3. The locations of the head office and branches.
4. The scope of the responsible person in charge, the duties and powers of directors and supervisors and the division of duties and powers among the managers.
5. The method used to make public notices.
6. The numbers, terms of office, appointment and dismissal of directors and supervisors.
7. The methods of convening a meeting of the board of directors and adopting resolutions.
8. Other important items.

Article 6

The duties and powers of the board of directors of the bridge bank are as follows:

1. To review important business policies.
2. To review items in the operating plan.
3. To review the relocation and dissolution of branches.
4. To review items related to the budget and final accounts.

5. To review the transfer of all or substantial part of the businesses, assets and liabilities.
6. To review revisions to the Articles of Incorporation.
7. To review other items that should be submitted to the CDIC for approval.
8. The approval of items regarding the appointment and dismissal, assessment and rewards and punishments in relation to employees holding the position of deputy manager and above.
9. The approval of each regulation and major contracts.
10. Other items in accordance with these regulations or Articles of Incorporation that shall be resolved by the board of directors.

Article 7

The board of directors shall submit all resolutions in relation to Subparagraphs 1 to 6 of the preceding Article to the CDIC for approval.

Minutes of meetings of the board of directors shall be submitted to the CDIC within 15 days after each meeting for reference.

Article 8

The duties and powers of the supervisors of a bridge bank are as follows:

1. To supervise the execution of business operations.
2. To investigate the businesses and financial condition of the bank, to examine the written documents and accounting reports, and to request that the board of directors or the managers make reports.
3. To inspect the businesses and management units.
4. To inform the Board of violation of any law or neglect of duty by the staff of the bank.
5. To dispatch bridge bank auditing personnel or commission lawyers and certified public accountants to assist in the execution of duties, in accordance with the needs of the work of supervision.
6. Other duties and powers that might be exercised as stipulated in the Articles of Incorporation.

Article 9

A bridge bank shall have five to nine directors and one supervisor, who shall be appointed and dismissed by the CDIC.

The chairman shall work full time for the bridge bank. The directors and supervisors may be appointed with professional expertise in the operational management of financial institutions, or the CDIC personnel may hold this position concurrently.

As for those directors and supervisors referred to in the above Paragraph who are the CDIC personnel serving concurrently, the payment of their travel expenses shall be prepaid in accordance with the CDIC's internal regulations, but the expenses shall be borne by the bridge bank.

The remuneration of the chairman of the board of directors and of the directors and supervisors shall be determined by the CDIC and submitted to the competent authority for reference.

Article 10

The appointment and dismissal of the president of a bridge bank as well as his or her remuneration shall be decided by the board of directors, and shall be submitted to the competent authority and the CDIC for reference.

Article 11

The bridge bank shall assume the businesses and assets of closed insured institutions within the territory of the Republic of China, and the liabilities within the scope of that submitted by the CDIC and approved pursuant to the proviso to Paragraph 2 of Article 28 of the Act. However, the following assets may not be assumed:

1. Pastdue loans.
2. Loans written off as bad debts.
3. Assets which are difficult to resolve.
4. Items whose values are difficult to evaluate.
5. Other items that the CDIC deems not appropriate to be assumed.

Article 12

In accordance with the proviso of Article 30 of the Act, the prices of the assets transferred from closed insured institutions to the bridge bank shall be calculated based on, at the time when the businesses, assets and liabilities of the bridge bank are transferred, the values of the assets according to the bid price obtained by the assuming institution winning the tender and the prices of the remaining assets sold upon the dissolution of the bridge bank with the amount of the profit or loss arising during the period in which the bridge bank was in operation being added or subtracted. The prices of those assets not transferred to the bridge bank shall be calculated based on the liquidator's actual disposal price.

Prior to the confirmation of the above values, the bridge bank shall temporarily enter the values of the assets it assumes.

Article 13

When a bridge bank assumes the businesses, assets and liabilities of closed insured institutions, it shall make public notice regarding the following list of items in nationally circulated newspapers for three consecutive days, and publicly disclose the following in the main entrance of the bridge bank's head office and all branch locations and on their respective websites:

1. The basis for and the purpose of establishing the bridge bank.
2. The name of the bridge bank and the period of its establishment.
3. Business items.
4. The scope of the businesses, assets and liabilities assumed by the bridge bank.
5. The issues related to the transfer of the deposits of depositors and other liabilities in closed insured institutions and the protection of the rights and interests of its creditors.
6. Other important items.

Article 14

The bridge bank shall sign contracts with the closed insured institutions and the CDIC, clearly stipulating the scope of the businesses, assets and liabilities assumed by the bridge bank.

The content of the contract referred to above shall include records of the following items:

1. The scope and underlying nature of the businesses, assets and liabilities assumed by the bridge bank.
2. The methods and procedures used to evaluate assets and liabilities.
3. The conditions and dates for the contract to take effect.
4. The conditions and exercise method of the reverse repurchase agreements for part of the assets.
5. The handling of employee rights.
6. Other contractual stipulations.

Article 15

To continue in principle to adopt the operating and management rules regarding the deposits, loans, personnel, and information originally owned by the closed insured institutions, the bridge bank shall when necessary make revisions.

Article 16

The CDIC may, in regard to the business operations and management items of the bridge bank, dispatch personnel to perform an audit as deemed necessary.

Article 17

If it so happens that a bridge bank has insufficient liquidity, it may apply to the CDIC for the provision of operating funds. When submitting the application, it shall provide the meeting minutes of the board of directors, and shall submit liquidity demand analysis data, the uses of the funds and a loan repayment plan.

After verifying the documents prescribed in the preceding Paragraph, the CDIC may meet the bridge bank's demand for operating funds for a period of six months, either by making one payment or several successive payments, and the operating funds may be exempt from collateral. The amount of the operating funds provided shall not exceed the total deposits of the closed insured institution. As for the interest rate, the CDIC shall base this on its operating procedures for the provision of loans, deposits or other financial assistance to insured institutions under conservatorship or whose powers of board of directors and supervisors are exercised by the competent authority.

Article 18

In the case where the employee pension reserve appropriated by the closed insured institution is insufficient to make all the employees' pensions and severance pay as determined by law, the CDIC shall make up the whole of the deficiency, and in accordance with the ratio of employees retained by the bridge bank shall appropriate a reserve in that proportion that shall be transferred to the bridge bank's employee pension reserve supervisory committee's special account.

When a bridge bank retains the employees of a closed insured institution, the working years that these employees have served for the closed institution shall be acknowledged.

Article 19

If during the period of the bridge bank's operation there is a year in which the final accounts exhibit a surplus, the whole amount shall be provided as a statutory surplus reserve to make up for accumulated losses.

Article 20

The content of the annual report produced by the bridge bank shall include records of the following items:

1. A brief introduction to the bank.
2. The operating situation.
3. A review and an analysis of the financial situation and operating results of the bank.

The financial statements to be produced by the bridge bank shall include the balance sheet, income statement, cash flow statement and an appropriation of profit or loss statement.

Article 21

The businesses, assets and liabilities of a bridge bank shall be handled based on the principle of public tender. However, after obtaining the agreement of the CDIC's board of directors, they may be handled on the basis of price comparisons or price negotiation.

Article 22

Should any of the following situations occur, the bridge bank shall cease to operate and shall be liquidated:

1. The period of operation ends.
2. The transference of major businesses, assets and liabilities.

Article 23

These regulations shall become effective from the date of promulgation.

