

## Appendix I :

# Evolution of Taiwan's Deposit Insurance System

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Type of Membership	Voluntary	Changed to mandatory system in January 1999	Revised in January 2007 as follows: <ol style="list-style-type: none"> <li>1. All financial institutions legally approved to accept deposits must apply to CDIC to join the deposit insurance system.</li> <li>2. Such institutions may become insured institutions after inspection and approval by CDIC.</li> <li>3. The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised <i>Deposit Insurance Act</i>.</li> </ol>
Capital	<ul style="list-style-type: none"> <li>● Legally prescribed capital NT\$2 billion</li> <li>● Paid-in capital NT\$800,050,000</li> </ul>	<ul style="list-style-type: none"> <li>● Legally prescribed capital raised to NT\$5 billion in July 1992</li> <li>● Prescribed capital raised to NT\$10 billion in November 1995</li> </ul>	Same as the left column
Insured Institutions	<ul style="list-style-type: none"> <li>● Domestic banks (excluding Chunghwa Post Co., Ltd.)</li> <li>● Small and medium business banks</li> <li>● Trust and investment companies</li> <li>● Credit cooperatives</li> <li>● Credit departments of farmers' and fishermen's associations</li> <li>● Foreign bank branches in Taiwan (even if their deposits are protected in their home countries)</li> <li>● Other financial institutions designated by the Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>● Revised in January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd.</li> <li>● Beginning in January 1999, foreign bank branches whose deposits are protected in their home countries may not participate</li> </ul>	<p>Same as the left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008)</p> <p>Revised in October 2013: Revised "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks"</p>
Premium Assessment Base	Covered deposits	Same as the left column	Revised in January 2007 to total eligible deposits

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)												
Insurance Premium	Flat rate: 0.05%	<ul style="list-style-type: none"> <li>● Flat rate, but reduced to 0.04% in July 1987</li> <li>● Further reduced to 0.015% in January 1988</li> <li>● Risk-based premium system adopted on July 1, 1999, and three-tier rates instituted: 0.015%, 0.0175%, and 0.02%</li> <li>● Three-tier rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000</li> </ul>	<p>Revised in July 2007 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Risk-based Premium Rates</th> <th>Flat Premium Rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives</td> <td>Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%</td> <td>Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%	Credit departments of farmers' and fishermen's associations	Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%			
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Credit departments of farmers' and fishermen's associations	Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%													
			<p>Revised in November 2010 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, effective from January 1, 2011; also revised in October 2013 the term "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks" and applying the same risk-based premium rate as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Risk-based Premium Rates</th> <th>Flat Premium Rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, local branches of foreign banks and mainland Chinese banks</td> <td>Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%</td> <td>0.005%</td> </tr> <tr> <td>Credit cooperatives</td> <td>Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%</td> <td>0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, local branches of foreign banks and mainland Chinese banks	Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%	Credit cooperatives	Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%	Credit departments of farmers' and fishermen's associations	Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%
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	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Coverage Limit	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ul style="list-style-type: none"> <li>● Increased to NT\$1.5 million on July 1, 2007.</li> <li>● To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage and would not be subject to the coverage limit.</li> <li>● In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended one more year until December 31, 2010.</li> <li>● On August 12, 2010, the Financial Supervisory Commission, the Ministry of Finance and the Central Bank jointly announced that the coverage limit would be increased to NT\$3 million from January 1, 2011.</li> </ul>
Types of Eligible Deposits	<ul style="list-style-type: none"> <li>● Checking deposits</li> <li>● Demand deposits</li> <li>● Time deposits</li> <li>● Savings deposits</li> <li>● Trust funds</li> <li>● Other deposits that the competent authority has approved as eligible</li> </ul>	Same as the left column	<ol style="list-style-type: none"> <li>1. Same as the left column. (Beginning in July 2001, all deposits and non-deposit liabilities of insured institutions disposed of by the Financial Restructuring Fund were fully guaranteed. In June 2005, after a revision of the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i>, the non-deposit liabilities of unsound financial institutions were not eligible for protection. However, those non-deposit liabilities that were incurred prior to the implementation of the revised Statute remained protected.)</li> <li>2. Revised in January 2007 as follows: <ul style="list-style-type: none"> <li>● Checking deposits</li> <li>● Demand deposits</li> <li>● Time deposits</li> <li>● Other deposits that the competent authority has approved as eligible</li> </ul> </li> <li>3. Revised in May 2008 as follows: <ul style="list-style-type: none"> <li>● Checking deposits</li> <li>● Demand deposits</li> <li>● Time deposits</li> <li>● Deposits required by law to be deposited in certain financial institutions</li> <li>● Other deposits that the competent authority has approved as eligible</li> </ul> </li> <li>4. In October 2008, the government announced that until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage. According to the Measures to Support the Full Deposit Insurance Coverage jointly promulgated by the Financial Supervisory Commission, the Ministry of Finance and the Central Bank on October 28, 2008, the scope of the temporary full deposit insurance coverage includes the following: <p>The principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i></p> <p>Interbank call loans</p> </li> </ol>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
			<ul style="list-style-type: none"> <li>● The payments during the period in which CDIC acts as a conservator that are necessary to keep an insured institution operating as well as the pensions, severance pay, and related taxes that shall be paid according to law</li> <li>● Bank debentures issued on or before June 23, 2005</li> </ul> <p>5. In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended a further year until December 31, 2010.</p> <p>6. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the following deposits within the territory of the Republic of China would be the targets of deposit insurance:</p> <ul style="list-style-type: none"> <li>● Checking deposits</li> <li>● Demand deposits</li> <li>● Time deposits</li> <li>● Deposits required by law to be deposited in certain financial institutions</li> <li>● Other deposits that the competent authority has approved as eligible</li> </ul> <p>The above deposits referred to as being within the territory of the Republic of China do not include the deposits accepted by offshore banking branches.</p>
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ul style="list-style-type: none"> <li>● Limited to principal as in the left column. However, beginning in July 2001, the principal and interest of deposits in unsound financial institutions disposed of by the Financial Restructuring Fund were both guaranteed.</li> <li>● In October 2008, the government announced that the coverage of deposits under the temporary full deposit insurance coverage would encompass both principal and interest until December 31, 2009.</li> <li>● In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010.</li> <li>● On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the scope of coverage was enlarged to encompass both foreign currency deposits and interest on deposits.</li> </ul>
Scope of Capital Utilization	<ul style="list-style-type: none"> <li>● deposits at the Central Bank</li> <li>● Investments in government bonds, bonds with principal and interest guaranteed by the government, or financial debentures</li> </ul>	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> <li>● Deposits at the Central Bank</li> <li>● Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral</li> <li>● Investments in government bonds and financial debentures</li> </ul>	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> <li>● Deposits at the Central Bank</li> <li>● Investments in government bonds</li> <li>● Utilization by methods approved by CDIC Board of Directors</li> </ul>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Means of Fulfilling Insurance Responsibilities	<ul style="list-style-type: none"> <li>● Cash payouts</li> <li>● Deposit transfers</li> <li>● Temporarily continued operation in the name of CDIC</li> </ul>	According to revisions enacted in January 1999, the provision of financial assistance to encourage acquisitions or assumptions by other insured institutions was added to the three means listed to the left.	Revised in January 2007 as follows: <ul style="list-style-type: none"> <li>● Deletion of temporarily continued operation in the name of CDIC.</li> <li>● In addition to providing financial assistance to encourage acquisitions or assumptions of insured institutions that have been ordered to close, such financial assistance can also be provided to insured institutions being put under conservatorship or taken over by the authorities according to law.</li> </ul>
Advance Payment for Deposit and Non-deposit Liabilities in Excess of Coverage Limit	None	According to revisions made in January 1999, advance payment is allowed to resolve the needs of creditors' liquidity at failed institutions, under the principle that no additional costs are incurred.	Same as the left column
Exemption from Open Tender, Price Comparison, Price Negotiation, and the Provisions of Articles 25~27 of the <i>Budget Act</i> When Disposing of Problem Insured Institutions	None	Added in January 1999	Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to CDIC in the fulfilment of its insurance responsibility, provision of financial assistance, establishment of bridge banks and handling of advance payments in accordance with the <i>Deposit Insurance Act</i> .
Recipient of Financial Assistance and Method of Assistance	Limited to loans or the purchases of assets to enable problem financial institutions to resume operation, when such resumption is deemed necessary.	<ul style="list-style-type: none"> <li>● Revised in January 1999 as follows:</li> <li>● Insured institutions under guidance, superintendence, or conservatorship, may be assisted by provision of loans or deposits.</li> <li>● Other insured institutions that acquire or assume insured institutions that are under guidance, superintendence, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees.</li> </ul>	Revised in January 2007 as follows: <ul style="list-style-type: none"> <li>● If an insured institution has a seriously deficient net worth, or there is concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, personnel may be dispatched to assume conservatorship or take over the powers of the board of directors and supervisors of the institution prior to liquidation or market withdrawal. In such cases, CDIC may provide loans, deposits or other financial assistance to the insured institution.</li> <li>● Before providing financial assistance, CDIC shall request the full amount of collateral from the financial holding company of the insured institution or from any other insured institution that it has a dominant shareholding.</li> </ul>

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			<ul style="list-style-type: none"> <li>In cases where the competent authority has dispatched personnel to assume conservatorship or take over the powers of the board of directors and supervisors of an insured institution, CDIC may encourage the acquisition or assumption of the institution by the other insured institutions or financial holding companies, by providing funds, arranging loans, deposits or guarantees, or purchasing the subordinated securities issued by the acquiring or assuming insured institutions or financial holding companies.</li> </ul>
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as the left column
Provision of Collateral when Applying to the Central Bank for Accommodation	Full collateral must be provided.	Provisions added in January 1999 as follows: <ul style="list-style-type: none"> <li>That part for which CDIC is unable to provide collateral is to be guaranteed by the National Treasury.</li> <li>When the secured portion exceeds CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval.</li> </ul>	Revised in January 2007 to: Through a joint request by the competent authority with the Ministry of Finance and the Central Bank and approval by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.
Penalty for Refusal to Apply to Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the deposit insurance premium for penalty is to be imposed.	Revised in January 2007 to: Depending on whether the institution is a general financial institution or agricultural financial institution, CDIC shall report to the competent authority to order the financial institution to replace its persons in charge or to revoke its business license.
Method of Allocation of CDIC's Surplus	As stipulated in the <i>Company Act</i> .	Same as the left column	<ul style="list-style-type: none"> <li>Beginning in July 2001, the entire amount of the surplus remaining after the accounts are closed in placed into the Deposit Insurance Payout Special Reserves.</li> <li>Revised in January 2007 to: The entire amount of the surplus remaining from annual income after deducting costs, expenses and losses shall be deposited into the Deposit Insurance Payout Special Reserves.</li> </ul>
Depositor Preference	None	Same as the left column	Addition in May 2006: When an insured institution is disposed of by CDIC with the stipulation of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority for agricultural finance for resolution or liquidation upon clearing the debt, its deposit liabilities shall take precedence over non-deposit liabilities.

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Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	<p>Addition in January 2007:</p> <ul style="list-style-type: none"> <li>● The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions.</li> <li>● Both reserve funds have a target ratio of 2% of covered deposits.</li> </ul>
Inspection of Insured Institutions	If CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, CDIC could examine the business records and accounts of an insured institution.	Same as the left column	<p>Revised in January 2007 as follows: CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</p> <ul style="list-style-type: none"> <li>● Accuracy of deposit assessment base and the content of the electronic data files for the calculation of deposit insurance premiums and the amount of the payout.</li> <li>● Any event causing the termination of the deposit insurance agreement.</li> <li>● Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities.</li> <li>● Property information and information needed to pursue civil liabilities for illegal acts or omissions by employees of failed insured institutions and for those of problem insured institutions that receive financial assistance.</li> </ul> <p>Addition in January 2012: Pursuant to Subparagraph 1, Paragraph 1, Article 24 of the <i>Deposit Insurance Act</i> and Item 4, Point 3 of the <i>Implementation Scheme of the Deposit Insurance Premium System</i> approved by the Financial Supervisory Commission, in order to confirm the accuracy of the data and files related to the risk indicators reported by insured institutions, CDIC shall conduct review inspections and evaluation inspections.</p>
Elimination of Limits on Payout Cost	None	Same as the left column	<p>Addition in January 2007: When there is concern of a serious threat to credit order and financial stability, after CDIC obtains the consent of the competent authority in consultation with the Ministry of Finance and the Central Bank and with the final approval of the Executive Yuan, the limit on payout cost may be eliminated.</p>
Set-off	None	Same as the left column	<p>Addition in January 2007: Before handling any payout, CDIC Taiwan may offset the claims of a depositor against his/her liabilities in the failed insured institution.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Termination of Membership	If an insured institution violated the laws or regulations or the deposit insurance agreement or engaged in unsound business transactions, and failed to rectify such violations within the time limit prescribed by CDIC, CDIC shall terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as the left column.	Revised in January 2007 to: The scope of reasons for termination of insured status is revised to also include the following: <ul style="list-style-type: none"> <li>● An insured institution is ordered and required by the competent authority or the central competent authority for agricultural finance to be recapitalized or improve its financial or business condition, but fails to meet such requirements within the prescribed time limit; or the time limit is not due but the competent authorities or CDIC deem the said insured institution's condition non-improvable.</li> <li>● There is a major fraud or other illegal activities occurring at an insured institution with the potential to increase the deposit insurance payout cost.</li> </ul> In the aforementioned situations, CDIC shall, after notifying the competent authority or the central competent authority for agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.
Disclosure Requirement of Eligibility of Deposit Insurance in Financial Products	None	Same as the left column	Added in January 2007
Depositor Protections upon Termination of Membership	CDIC shall continue to protect the depositors' deposits up to the coverage limit for one year after the date of termination of membership.	Same as the left column	Revised in January 2007 to: CDIC shall continue to protect the depositors' deposits up to the coverage limit for six months after the date of termination of membership.