

7 Operating Procedures regarding the Payout to Depositors by the Central Deposit Insurance Corporation

- ★ As amended and approved by the Financial Supervisory Commission, Executive Yuan, Letter Chin-Kuan-Yin (3) No. 09730002420 on June 30, 2008
- ★ As amended (Point 4, 5, 9, 12, 13) and approved by the Financial Supervisory Commission, Letter Chin-Kuan-Yin-Ho (3) No. 101003002802 on October 22, 2012
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1. General Principles

1. These operating procedures are enacted pursuant to Paragraph 4 of Article 28 of the Deposit Insurance Act (hereinafter referred to as "the Act").
2. The Central Deposit Insurance Corporation (hereinafter referred to as the "CDIC") in fulfilling its insurance responsibilities regarding the payout to depositors pursuant to Subparagraph 1 or Subparagraph 2 of Paragraph 1 of Article 28 of the Act, shall handle such matters in accordance with these operating procedures.
3. When an insured institution is closed by the competent authority or the central competent authority of the agricultural finance, the CDIC, in the fulfillment of its insurance responsibilities pursuant to Subparagraph 1 or Subparagraph 2 of Paragraph 1 of Article 28 of the Act, shall request that the closed institution swiftly prepare appropriate electronic data files, accounting books and records, financial statements and other relevant information needed for handling the payout.

The insured institutions referred to in the previous Paragraph include financial institutions whose deposit insurance agreements have been terminated for not more than six months.

4. When handling set-off, the CDIC shall offset the claims of depositors on the closed insured institution according to the following order of liabilities:

- (1) Liabilities created by deposits pledged as collateral of the closed institution.
- (2) Liabilities reaching due or deemed to be due according to the applicable agreements, or fitting to be offset in accordance with other laws and regulations, apart from rules regarding set-off process stipulated in other laws or contracts, shall be offset in the following order. However, if the total liabilities of the depositors are smaller than the total outstanding deposits or there is doubt over whether the liabilities have matured, the set-off may be proceeded only after the amount has been affirmed by the receiver:
 - A. First offset the liabilities which the individual depositor is the main debtor, then offset liabilities based on jointly issued checks, and then offset liabilities that are jointly and severally guaranteed by the depositor.
 - B. For items above in the same status, first offset expenses, then offset interests, then offset principals, and then offset contractual penalties. When applying the set-off, priority should be given to unsecured liabilities. Where collateral is equally ranked, priority will be given to that with a lower interest rate. Where interest rates are the same, priority shall be given to that with a smaller amount. Where the amounts are the same, priority shall be given to that with a lower account number.

In respect of the set-off in the preceding Paragraph, the final business day of the closed insured institution shall be the standard date used for calculating the set-off. The CDIC shall use the electronic data files provided by the closed insured institution first to do the calculation. However, when the depositors or the related holders of the right have differences of opinion relating to the set-off, the matter shall be referred to the receiver, and the set-off shall be proceeded according to the notification of the receiver.

Regarding the liabilities defined in Subparagraph 1 of Paragraph 1, the set-off shall be applied to the interests and principals of the deposits pledged by the depositors and of the liabilities created by deposits pledged as collateral of the closed insured institution. As for the liabilities defined in Subparagraph 2 of the same Paragraph, the deposits shall offset the liabilities in the following order: ineligible deposits first and followed by eligible deposits. No matter eligible or ineligible deposits, the order to be followed is to offset the deposit interests first and followed by the principals. If several deposits belong to either eligible or ineligible deposit categories, priority will be given to that with a higher interest rate. Where interest rates are the same, priority shall be given to that with a smaller amount. Where the amounts are the same, priority shall be given to that with a lower account number.

No matter deposits or liabilities, if there are some that are denominated in foreign currency instead of New Taiwan dollars, they shall be calculated in New Taiwan dollars based on the exchange rate of the closed insured institution's final business day.

When proceeding set-off, the CDIC shall inform the depositors in written notice by using the mailing addresses for correspondence filed in the closed insured institution. When offsetting the deposit interests, the CDIC shall deduct the tax on interest income and other expenses regulated by law.

5. The amount of the CDIC to reimburse depositors of the closed insured institutions shall be the net amount of principal and interest of deposits after set-off in accordance with the preceding Point, which shall not exceed the deposit insurance coverage limit. However, in the case where the closed financial institution's deposit insurance agreement has already been terminated, the amount of the payment that the depositors shall receive shall be limited to the lowest balance of the outstanding eligible deposits at the end of each business day from the date of the termination of the agreement to the final business day.

Based on Article 5-1 of the Enforcement Regulations of the Act, each depositor, whose amount of the payout in the preceding Paragraph shall be recorded item by item based on each deposit of a depositor as a proportion of his or her total eligible deposits. The tax on interest income from the recorded deposits and other expenses regulated by law shall be deducted.

As for the employee pension deposit accounts opened by organizations, business entities, groups or insured institutions at closed insured institutions, if the account records are able to clearly distinguish the amount of each employee's pension deposits, and the closed insured institutions pay the deposit insurance premiums according to the distinguished accounts and are able to produce the account records separately, the pension deposit of such individual employee and other deposits thereof at the same insured institution shall be protected within the coverage limit respectively.

The amount of deposits in joint accounts owned by two or more individuals shall be calculated according to the deposit agreement signed by the joint individuals and the closed insured institution. For any individual without such an agreement, the deposits should be shared equally among joint depositors. The amount of payout should be calculated by aggregating the deposits of the said joint individuals and those in the accounts opened by each of them in his or her own name in the closed insured institution.

6. As to the amount of the payout that depositors should receive, should one of the following situations apply, the amount shall be temporarily withheld until the reasons for withholding no longer exist:
- (1) The deposit has already been seized by the court.
 - (2) The deposit has already been pledged to a third party
 - (3) The depositor has already been served notice of bankruptcy with a bankruptcy trustee not yet being selected or in the event of depositor's death with the inheritance registration not yet being completed.
 - (4) The closed insured institution has already ceased to pay the deposit.
 - (5) The depositor is the responsible person or an employee of the closed insured institution and has been suspected of illegal business activities and is in the process of being investigated by the investigation bureau or being heard in court. Until responsibility of the above said depositor is made clear, the payout will be withheld in order to protect the closed insured institution's right to request compensation for losses incurred.
 - (6) Payment may be ceased in other instances according to law.
7. When handling the payout, the CDIC shall refer to the following items by placing an announcement in a national daily newspaper for at least three days, as well as having it posted on the CDIC Website. In addition, such a notice shall also be clearly posted in the main entrances of all of the business areas and payout locations of the closed insured institution's head office and all branches:
- (1) An intention regarding the fulfillment of its insurance responsibilities.
 - (2) The method and location of the payout.
 - (3) The period and the time of the payout.
 - (4) The types, scope and limits on the deposit being paid out.
 - (5) The related documentary evidence certifying rights needed to apply for the payout.
 - (6) The method of handling payouts not applied for by the due date.
 - (7) A service telephone number and a website for announcements regarding the payout.
 - (8) The contact method for inquiring payout-related matters.
 - (9) Other relevant matters.

The time period for the payout referred to in Subparagraph 3 of the previous Paragraph shall be six months when handled in accordance with Subparagraph 1 of Paragraph 1 of Article 28 of the Act. When handled according to Subparagraph 2 of the same Article and Paragraph, the handling period may be two years, but this period may be extended when deemed necessary.

In the month prior to the end of the payout period referred to in the preceding Paragraph, the CDIC shall once again place an announcement in a national daily newspaper for a period of one day.

- 8 The CDIC, prior to the commencement of the payout period, shall inform the depositors by sending the contents of the announcements as well as the following matters together with the payment application form in accordance with the addresses for correspondence left by the depositors with the closed insured institution:
 - (1) The principal and interest on the final business day for both eligible and ineligible deposits.
 - (2) Matters related to the set-off of deposits with liabilities.
 - (3) The amount of the payout.
 - (4) The amount of the payout withheld and the reasons for it.
 - (5) The contact method for inquiring payout-related matters.
9. In applying to receive the payout amount, while it is not necessary to submit the original deposit certification, the following approaches need to be followed:
 - (1) Pursuant to the stipulations of Subparagraph 1 of Paragraph 1 of Article 28 of the Act regarding payout: the depositor shall write on the payout application form the deposit account number that he or she holds in other financial institution, and after signing or affixing his or her seal, mail the form to the address designated by the CDIC or else take it directly to the payout location, so that the CDIC can handle the remittance.
 - (2) Pursuant to the stipulations of Subparagraph 2 of Paragraph 1 of Article 28 of the Act regarding payout: the depositor shall fill in the payout application form, provide evidence of his or her ID or an original certificate of eligibility, and go in person to the insured institution that has been entrusted with making the payout (hereinafter referred to as "entrusted institution"), to open a deposit account making the same amount of deposits principal and interest as the amount of payout or apply for the withdrawal of the amount of payout. For those who open deposit accounts, the deposit interest shall start to accrue from the date on which the payout commenced, and shall be calculated based on the interest rate agreed between the CDIC and the entrusted institution.

Pursuant to Paragraph 3 of Point 5 that safeguards the special deposit account for the employee's pension, application for the payment of the total amount of the payout shall be made by the organization, business unit or group which originally opened the special deposit account, pursuant to the regulation of the above Paragraph regarding applying for a payout.

For those depositors who apply to the remittance approach to receive the payout amount, the remittance fee shall be borne by the CDIC.

10. In the case where depositors are unable to apply for the payout by means of the method in the previous Point or subject to payout matters, and cannot help but deal with the matter over the counter, they shall take evidence of their ID, their eligibility and original documentation of related rights certificate, and apply in person at a payout location designated by the CDIC. After the CDIC has verified that there are no errors or no further objections after review, the depositor shall complete the payout application form and designate an account number for the remittance or else apply for a non-endorsable, non-negotiable check made payable to himself or herself, and apply to receive the payment. If there is still an objection against the result of the review, the depositor may apply for the amount of the payment that he or she does not have an objection first.

When any of the above objections of opinion involves matters related to liquidation, the CDIC shall make payment after consulting with the receiver to clarify the facts.

11. Pursuant to the amount of the payout withheld as in Point 6 above, after there is no reason for withholding such an amount, except in the case where the receiver instructs otherwise, the CDIC shall get rid of the withheld amount and calculates the amount of the payout that the holder of the right may request pursuant to the proportion stipulated in Paragraph 2 of Point 5. Afterwards, the holder of the right shall apply to receive the payout in accordance with the method stipulated in the previous Point.
12. The ID and eligibility certification documentation used by depositors in applying for the payout over the counter shall conform to one of the following:
 - (1) Adults from the Taiwan area: They shall present their national identity cards. In the event that their names or ID numbers have been changed, they shall in addition provide a household registration records.
 - (2) Minors or interdicted persons from the Taiwan area: Their legal representatives or guardians shall present their national identity cards, and in addition provide household registration records.

- (3) Citizens of mainland China, Hong Kong and Macau: They shall present their permanent resident certificates or alien resident certificates or travel documents.
- (4) Foreigners: They shall present their alien resident certificate, passports or overseas Chinese identify certificates issued by the Overseas Community Affairs Council.
- (5) Corporations: The responsible persons shall present their national identity cards, as well as the corporations' certificates of business registration and the registered corporations' and the responsible persons' chops.
- (6) Business enterprises, groups, or organizations: The responsible persons shall present their national identity cards, as well as the competent authority's certificate of registration, the approved documentation of establishment, or else documentation sent for reference and the registered corporations' and the responsible persons' chops; the responsible person shall present their national identity cards as well as other approved documentation if their business enterprises, groups, or organizations have not been registered.

In the case of the proof of identity in regard to the natural person in the previous Paragraph, the CDIC may, when necessary, request that they present supplementary evidence such as their national health card, driver's license, passport, student ID card, household certificate or other evidence that is sufficient to prove the identity.

13. In the case where the holder of the right is not the depositor, the documentation provided when applying for a payout as proof of identity, eligibility and related rights shall conform to one of the following stipulations:
 - (1) The inheritors: All inheritors shall in accordance with Subparagraphs 1 to 4 of Paragraph 1 of the previous Point present documents to prove their identity, as well as the record of the depositor's cancelled household registration, and the record of the cancelled registration for the entire household, inheritance tree diagram and proof of duty payment. When appointing one of the people to act as agent, a power-of-attorney signed by all those inheritors shall also be provided.
 - (2) The bankruptcy administrators or liquidated financial group administrators: The administrators shall pursuant to Paragraph 1 of the previous Point present their documentary evidence, as well as the written verdict announcing the bankruptcy or starting the liquidation proceedings.

- (3) The pledgees: The pledgees shall in accordance with Paragraph 1 of the previous Point provide documentary evidence, and shall provide deposit certification, a notification form establishing the pledge, a notification form to exercise the pledge and documentation showing the depositor's agreement.
 - (4) Other holders of the right: They shall pursuant to Paragraph 1 of the above Point provide documentary evidence, and also related documentation to prove that they are holders of the right.
 - (5) When the depositors and the holders of the right described above entrust an agent with the handling of the matter, apart from providing related documentary evidence pursuant to Paragraph 1 of the previous Point and each of the regulations described above, the agent shall present a national ID card and a power-of-attorney. The trustor, who is the depositor referred to in Subparagraph 1 to Subparagraph 4 of Paragraph 1 of the previous Point applies to remit the payout amount to another person's account, shall also provide the certification of depositors' seal, or the personal signature or seal originally left for accessing to the deposit accounts.
14. When the CDIC handles the payout, it may in another insured institution open a special payout fund account to deal with this matter.
15. After the expiration of the publicly announced payout period, the CDIC shall in relation to the funds not yet paid out establish a separate accounting item to control these funds, and continue to handle the payout at the CDIC or the designated location.
16. Before the liquidation of the closed insured institution is completed, the CDIC may make lodgment pursuant to laws and regulations in the event that the following situations regarding the amounts being not paid out occur:
- (1) The depositors have not yet applied for payout or have a dissenting view on matters concerned with the application of payout.
 - (2) The handling in accordance with Point 6 of a withheld amount has not yet been released.
 - (3) The CDIC, the depositors or the holders of the right have filed a civil suit in relation to the payout matters, and the final judgment has not been made by the court.

II. Consult with other insured institutions that will act on behalf of CDIC to make payouts

17. The CDIC when handling the payout pursuant to Subparagraph 2 of Paragraph 1 of Article 28 of the Act shall consult with insured institutions whose financial conditions and business operation are sound to handle the payment.

The institutions with whom the consultations are made as in the previous Paragraph shall with a view to their being entrusted with the payout matters offer a price reflecting their willingness to charge or to pay for handling the payout, and the CDIC shall then compare prices or negotiate prices in appointing the entrusted institution.

18. The CDIC shall, together with the entrusted institution, sign the entrusted payout contract. The content of the contract shall clearly include the following items:

- (1) The entrusted institution shall execute the entrusted business in accordance with these operating procedures.
- (2) The amount of the payout entrusted, the conditions for its appropriation and the transfer of related payout books of account.
- (3) The locations at which the entrusted institution will handle the payout, the time period involved, the matters to which careful attention must be given and the handling of disputes.
- (4) Related regulations regarding the handling of the payout by the entrusted institution and periodical report.
- (5) The method for handling payouts not applied for within in the prescribed payout period.
- (6) A price reflecting paying or charging for handling the entrusted payout.
- (7) The contract's becoming effective and its termination.
- (8) The handling of contractual violations.
- (9) Other relevant matters.

19. The CDIC shall prior to the announced entrusted payout period hand over the payout-related documentation, books for keeping accounts and electronic data files to the entrusted institution, and shall prior to the date on which the payout period commences appropriate the payout fund to the entrusted institution.

20. The entrusted institution shall from the date on which the payout period commences set up a deposit account with amount equal to the payout amount for the depositors of the closed insured institution and, in accordance with Subparagraph 2 of Paragraph 1 of Point 9, handle the payout.

As regards the deposit referred to in the previous Paragraph, the entrusted institution may record other payables in the accounting book, and before the depositors complete the process of opening an bank account and the payments are transferred to their accounts, such payouts shall not be used to offset the liabilities that those depositors are responsible for settling with that entrusted institution.

The CDIC shall request that the entrusted institution notify the depositors, before they complete the process of opening an account as in the previous Paragraph, of its intention for them to possibly receive a set-off at some point in the future.

21. During the period when the payout is entrusted to another institution, the CDIC may examine different types of information regarding the handling of the payout by the entrusted institution, and in relation to its purpose of offsetting, withholding or changing the payout amount, inform the entrusted institution to temporarily cease paying certain specified depositors.
22. When the entrusted payout contract is terminated, the entrusted institution shall return any funds not paid out together with any interest received to the CDIC.
23. These operating procedures shall become effective after being submitted to and approved by the competent authority, and the same shall apply to any amendments.