

Chunghwa Post Co.Ltd  
Special Records

Unit: NT\$ 1,000

Item	Description and the Amount of Money
<p>Manager (person in charge) or staff members who have been prosecuted for business violation in the last year.</p>	<p>I. Chen, the sales of Kaohsiung Erling Post Office, embezzled NTD\$12,050,000 from time deposit from March 2015, and committed occupational embezzlement. The investigation was concluded and the charge was filed by Taiwan Kaohsiung District Prosecutors Office on October 8, 2019.</p> <p>II. Zheng, the manager of Checheng Post Office, embezzled NTD \$5,986,000 from cash on hand from October 2017, and committed occupational embezzlement. The investigation was concluded and the charge was filed by Taiwan Pingtung District Prosecutors Office on December 5, 2019.</p>
<p>Personnel who have been fined by the competent authority due to the business violation in the last year.</p>	<p>I. Chunghwa Post is found to fail to evaluate the needs and suitability of the policyholders which breaks provisions set forth in the Financial Consumer Protection Act when engaging in soliciting and underwriting postal simple life insurance, the Financial Supervisory Commission shall impose a fine of NT\$300,000 in accordance with the Article 30-1, paragraph 1, subparagraph 2 of the Financial Consumer Protection Act on July 25,2019.</p> <p>II. It was discovered that during the process of money laundering control, the Company had regulatory violation that standards for regular review and guidelines for operation process have not been stipulated based on client importance and degrees of risk. Hence, the Financial Supervisory Commission imposed a fine of NT\$500,000 based on Paragraph 5 of Article 7 of Money Laundering Control Act.</p>

<p>Personnel who have been corrected by the competent authority due to the business negligence in the last year.</p>	<p>I. In a targeted examination, Financial Supervisory Commission (FSC) found that Chunghwa Post, when providing savings and remittances businesses, had deficiencies in handling anti-money laundering and then disturbed the sound operation. Considering that Chunghwa Post has taken improvement measures on monitoring and customer due diligence (CDD), The FSC issued a reprimand in accordance with Subparagraph 1 of Article 12 of Postal Remittances and Savings Act on April 11, 2019.</p> <p>II. In a targeted examination, the FSC found that Chunghwa Post, when providing savings and remittances businesses, had deficiencies in anti-money laundering measures including undertaking CDD and identifying beneficial owners, in cyber security reporting, and in management and then disturbed the sound operation. Considering that Chunghwa Post has taken improvement measures, The FSC issued a reprimand in accordance with Subparagraph 1 of Article 12 of Postal Remittances and Savings Act on August 12, 2019.</p> <p>III. It was discovered that during the process of money laundering control, the Company had regulatory violation to related regulations of Insurance Act. Hence, due to the following violation and based on Paragraph 1 of Article 149 of Insurance Act, the Financial Supervisory Commission ordered the Company to make amends:</p> <p>A. The reporting of suspected money-laundering cases did not compile the full corporate information and no regular examination was conducted.</p> <p>B. The fuzzy match system of name screening/checking was incomplete; and</p>
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	<p>there were omissions in the database of sanctions list.</p> <p>C. Without re-examination, the review to reported clients suspected for money laundering was terminated.</p> <p>IV. Chunghwa Post was in violation of the Simple Life Insurance Act and provisions set forth in the Insurance Act when engaging in investment business. Thus, the Financial Supervisory Commission, on January 9, 2019, in accordance with Article 149 paragraph 1 of the Insurance Act, issued 8 reprimands. The violation incidents are as follows:</p> <p>A. Make an offer to buy bonds in the primary market but fail to promptly incorporate and manage the issuer’s credit of line, and caused concern over its sound operation.</p> <p>B. The disclosure of fair value hierarchy of securities investment in the financial report fails to abide by the regulations of the International Financial Reporting Standards on classification, and caused concern over its sound operation.</p> <p>C. Procedures on stocks stop-loss review audited to be defective, which impedes the implementation of stop-loss mechanism, and caused concern over its sound operation.</p> <p>D. The review standard for market value review procedure on foreign exchange and derivatives lacks suitability, which is audited to be inconsistent with Article 5 paragraph 1 subparagraph 4 of the “Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises” authorized and set in accordance with Article 148-3 paragraph 1</p>
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	<p>of the Insurance Act.</p> <p>E. The evaluation mechanism towards the equity investment personnel before making stock transaction not established, and the declarations' authenticity from relevant personnel not verified by the audit unit, which audited to be inconsistent with the Financial Supervisory Commission Order No. 10502501691 issued on March 31, 2016 and the Article 5 paragraph 1 subparagraph 14 of the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" authorized and set in accordance with Article 148-3 paragraph 1 of the Insurance Act.</p> <p>F. According to the International Financial Reporting Standard 9 Public Announcements, the evaluation working paper pertaining to bonds prior to public announcement or bonds newly purchased are not retained, or bonds conforming conditions are not explicitly defined, and caused concern over its sound operation.</p> <p>G. Operations of monthly reconciliation of securities account to overseas custodian bank violate the internal checking system, and caused concern over its sound operation.</p> <p>H. The monitoring mechanism on callable bond limits pertaining to callable bond positions inspection and management mechanism is not yet established, which impedes the function of reinvestment risk control, and caused concern over its sound operation.</p> <p>V. Chunghwa Post is found to break provisions set forth in the Insurance Act when engaging in postal simple life insurance business, the</p>
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Financial Supervisory Commission shall propose corrective measures in accordance with Article 149, paragraph 1 of the Insurance Act on July 25,2019. The violation incidents are as follows:

- A. Fail to evaluate the needs and suitability of the policyholders during engagements of soliciting and underwriting postal simple life insurance.
- B. The operating procedure of purchasing insurance contract was not conducted at the life insurance counter.
- C. Fail to keep properly the policy confirmation slip, or the submission process of insurance policy is defective.
- D. The process of underwriting a policy is defective.
- E. The auditor of the self-inspection affairs inspects the business that he/she is in charge of.
- F. The random inspection documents are not covered in the self-inspection working papers.
- G. The inspection scope of the legal compliance self-inspection affair is valid within the same date and has become a mere formality.
- H. The payment operation was not conducted in accordance with the internal regulations and was not included in the self-inspection items.
- I. The address verification mechanism has flaws.
- J. The customer complaints, pleas and appeals are not handled in accordance with standard procedures.
- K. Detailed contents of the insurance contract are not filled out under the internal regulations.
- L. Fail to deliver the proposal of insurance that has not been entered into the official registration record.
- M. The policy loan and address alteration are not conducted in accordance with the internal

	<p>regulations; the reduced paid-up insurance contract is not delivered to the insured promptly.</p> <p>N.The address alteration on insurance contract is not verified in accordance with the internal regulations.</p> <p>O.The reduced paid-up insurance procedure is not conducted under the internal regulations.</p> <p>P.When reviewing the address alteration on insurance contract, the supervisor’s computer verification code is inconsistent with the signatures.</p> <p>Q.Fail to develop enhanced mechanism toward internal control weakness of fraud-related accounting operation process.</p> <p>R.Insurance agents make solicitations during suspension of sale.</p> <p>S. The mechanism of security and phone interview is defective.</p> <p>T.The verification documents of the beneficiary owner was not collected when the beneficiary legal person was applying for premium after the date of maturity.</p> <p>U.The internal lateral ties mechanism pertaining to the unpaid insurance balance has not been established.</p> <p>V.Matters that need attention are not described in the internal control system statement.</p>
<p>Personnel who have been fined either individually or a total exceeding 50 million due to safety accidents caused by fraud, major incidents or failure to comply with the “Safety Maintenance Guidelines of Financial Institutions” in the last year.</p>	<p>None.</p>
<p>Others.</p>	<p>None.</p>

