

Regulations Governing Postal Remittances and Savings Operations

Article 1

The regulations hereof are being established as mandated by Article 30 of the Postal Remittances and Savings Act.

Article 2

Chunghwa Post Co., Ltd. (hereinafter called Chunghwa Post), when adding a new line of business to its postal remittances and savings operations, shall submit a prospectus to the Ministry of Transportation and Communications (MOTC) and the Financial Supervisory Commission (FSC) for approval; where a new line of business is related to foreign-exchange, Chunghwa Post shall also seek approval from the Central Bank of China (CBC).

Upon approval, Chunghwa Post shall notify (for reference) the MOTC and the FSC (as well as the CBC if it is related to foreign-exchange) of the proposed date that a new line of business will start.

Article 3

A “new line of business” as mentioned in the preceding article refers to lines of business related to savings and remittances other than passbook savings, certificates of deposit, postal giro accounts, domestic remittances, international remittances and postal gift coupons offered by Chunghwa Post.

Article 4

When applying to offer a new line of business, Chunghwa Post shall submit a prospectus covering the following areas:

1. The service or product to be offered and reasons for it.
2. Minutes of board meetings.
3. Legal basis as well as assessment and analysis of related regulations.
4. Principles and policies related to the line of business, as well as internal organization and division of labor.
5. The focuses and procedures of the line of business.
6. The focuses of internal control, risk management measures and the internal auditing system.
7. Accounting methods.
8. The allocation of personnel and assessment of equipment.
9. Related written documents between Chunghwa Post and its customers.
10. Analysis on its impacts on the rights and obligations of customers.
11. Market outlook and assessment of the benefits that the line of business offers.
12. Any other documents required by the MOTC, FSC and/or CBC.

Article 5

The persons responsible for the remittances and savings operations of Chunghwa Post as mentioned in the regulations hereof include the following:

1. Board members and corporate supervisors of Chunghwa Post.
2. President of Chunghwa Post.
3. Chief auditor, the vice president and directors in charge of financial matters of remittances and savings business, or other high-ranking staff with similar responsibilities at Chunghwa Post.
4. Directors of Chunghwa Post's Remittances and Savings department and Capital Deployment department.
5. Managers of city or county supervisory post offices who are in charge of the remittances and savings business of Chunghwa Post.

Article 6

Anyone who falls in any of the following categories may not serve as a person responsible for Chunghwa Post's remittances and savings business, and anyone who is already in a position responsible for Chunghwa Post's remittances and savings business found to belong to any of the following categories shall be dismissed:

1. Legally incompetent persons or legally quasi-incompetent persons.
2. Persons who have been convicted of breaking the Organized Crime Prevention Act.
3. Persons convicted of counterfeiting currency, counterfeiting valuable securities, embezzlement, fraud or breach of trust and sentenced to imprisonment who are either still in prison or were released from prison, on probation or pardoned within the last 10 years.
4. Persons found guilty of forgery, invasion of privacy, usury, preventing people from collecting debts owed them, or breaking provisions in the Tax Act, Commercial Label Act, Patent Act or other regulations governing industry and commerce and sentenced to imprisonment who are either still in prison or were released from prison, on probation or pardoned within the last 5 years.
5. Persons convicted of corruption and sentenced to imprisonment who are either still in prison or were released from prison, on probation or pardoned within the last 5 years.
6. Persons convicted of breaking provisions of the Banking Act, Financial Holding Company Act, Insurance Act, Securities Transaction Act, Futures Trading Act, Foreign Exchange Management Act, Credit Cooperative Act, Trust Enterprise Act, Securities Finance Management Act, Money Laundering Control Act, Postal Act, Simple Life Insurance Act or other financial regulations who were sentenced to imprisonment and are either still in prison or were released from prison, on probation or pardoned within the last 5 years.
7. Persons who have declared bankruptcy and have not yet restored the rights they

lost.

8. Persons who have served as the person-in-charge of a juridical person (corporation) at the time it declared bankruptcy if the bankruptcy was finalized within the last 5 years or the juridical person did not fulfill the promises made during bankruptcy negotiations.

9. Persons who have been denied services at a bank for bouncing checks or misusing other negotiable instruments, or persons for whom said services were restored but are on record for bouncing checks due to insufficient funds within three years after the restoration of said services.

10. Persons who have suffered or are responsible for a major lost of credit standing, whether resolved or not, within the last 5 years.

11. Persons who have violated provisions of the Banking Act, Financial Holding Company Act, Insurance Act, Securities Transactions Act, Futures Trading Act, Credit Cooperative Act, Trust Enterprise Act, Securities Finance Management Act, Postal Remittances and Savings Act, Simple Life Insurance Act or other financial regulations and have been ordered to be replaced or dismissed by competent authorities within the last 5 years.

12. Persons who have been sentenced to rehabilitation or forced labor on account of committing larceny or theft who are still serving their sentences or who have been released within the last 5 years.

13. Persons who serve as the person-in-charge of other banks, financial holding companies, trust companies, credit cooperatives, the credit departments of farmers' associations or fishermen's associations, bills finance corporations, securities companies, securities and finance firms, securities investment trust companies, investment consulting companies, futures or insurance companies (not including auxiliary insurance agencies). This restriction shall not apply, however, in any of the following circumstances:

(1) If Chunghwa Post and the above mentioned institution have investment relations and their chairpersons and managers have not taken concurrent positions, they are allowed to act the directors, supervisors of other banks, or as the responsible persons of other institutions besides the banking business. However, they should obtain the permission from the MOTC and the FSC if they act as the directors, supervisors of other banks.

(2) Chunghwa Post is the shareholder of the financial holding company and there is no concurrently held position(s) in between, the vice president and directors in charge of financial matters of remittances and savings business, or other high-ranking staff with similar responsibilities at Chunghwa Post is allowed to act concurrently as the director, supervisor of the subsidiary company of the holding

company. However, the concurrent position with the banking subsidiary company of the holding company is subject to director and supervisor, with a prior permission from the MOTC and the FSC.

14. Persons that evidence shows have engaged in or been involved in other dishonest or improper activities and are therefore not fit for these positions in the company.

Article 7

Chunghwa Post's chief auditor, the vice president and directors in charge of financial matters of the remittances and savings business, or other high-ranking staff with similar responsibilities, the director of the Remittances and Savings department, as well as the director of the Capital Deployment department and managers of the special supervisory post offices, shall meet one of the following two sets of qualifications:

1. A degree from a domestic or overseas junior college or higher-level educational institution, or an equivalency diploma of that level; 12 years experience working in postal administration with a good job record; completion of coursework in remittances and savings as well as auditing, with a combined total of at least 40 hours of classroom time and graduation certificates from a professional training facility recognized by the MOTC and the FSC. Employees who are not qualified at the time of the implementation of the regulations hereof shall make up the classes within one year of the establishment of Chunghwa Post.
2. A degree from a domestic or overseas junior college or higher-level educational institution, or an equivalency diploma of that level; 5 years experience working in banks and 3 years experience working at the level of assistant manager or above or a similar position in the headquarters of a bank with a good job record.

Article 8

Managers of first-grade and second-grade supervisory regional post offices in charge of the remittances and savings business of Chunghwa Post shall meet one of the following two sets of qualifications:

1. A degree from a domestic or overseas junior college or higher-level educational institution, or an equivalency diploma of that level; 8 years of experience working in postal administration with a good job record; completion of coursework in remittances and savings as well as auditing, with a combined total of at least 30 hours of classroom time and graduation certificates from a professional training facility recognized by the MOTC and the FSC. Employees who are not qualified at the time of the implementation of the regulations hereof shall make up these classes within one year of the establishment of Chunghwa Post.
2. A degree from a domestic or overseas junior college or higher-level educational institution, or an equivalency diploma of that level; 3 years experience working in

banks and 2 years experience working as an junior manager or above or having a similar position in the headquarters of a bank with a good job record.

Article 9

Chunghwa Post shall submit a report for reference to the MOTC and the FSC of the chief auditor filling a post hereof within 10 days of his or her being filled. If a person filling a post is not qualified as mandated in the regulations hereof, that person shall be dismissed.

Article 10

The board members of Chunghwa Post (including a chairperson) shall have good morals and shall meet one of the following four sets of qualifications:

1. A degree from a domestic or overseas junior college or higher-level educational institution, or an equivalency diploma of that level; 12 years experience working in postal administration with a good job record; completion of coursework in remittances and savings as well as auditing, with a combined total of at least 40 hours of classroom time and graduation certificates from a professional training facility recognized by the MOTC and the FSC.
2. A degree from a domestic or overseas junior college or higher-level educational institution, or an equivalency diploma of that level; 5 years experience working in banks and 3 years experience working as an assistant manager or above or a similar position in the headquarters of a bank with a good job record.
3. A degree from a domestic or overseas junior college or higher level educational institution, or an equivalency diploma at that level; 5 years experience working in postal administration or financial administration with a good job record; having held an intermediate level position of grade 8 or above, or a position of similar rank with a good job record.
4. Other experiences or facts that sufficiently indicate leadership quality, professional knowledge or operational experiences in the remittances and savings business which indicate that the person is able to run the remittances and savings business of Chunghwa Post efficiently (as approved by the FSC beforehand).

Article 11

If the FSC has doubts about the qualifications of the person-in-charge of the remittances and savings business at Chunghwa Post, the FSC may notify Chunghwa Post to submit necessary documentation or information or to send someone to explain within a certain timeframe.

Article 12

At the end of each fiscal year, Chunghwa Post shall compile an annual report and submit the following: statement of operations, balance sheet, list of its assets, income statement, cash flow statement, resolution on appropriation of surplus or

allowance for loss, and other items specified by its competent authorities to the MOTC, FSC and CBC for reference within 15 days after being passed in the board meetings and audited by the corporate supervisors.

The annual report as mentioned in the preceding paragraph shall record all important information related to the postal remittances and savings business.

Chunghwa Post shall publish its balance sheet, income statement, cash flow statement and other items specified by the FSC in local daily newspapers or make public announcements in a manner outlined by the FSC.

The reports and items to be made public under the preceding paragraph shall be audited and certified by accountants.

Article 13

Chunghwa Post shall publicly release the following important financial information every quarter:

1. Balance sheet.
2. Income statement.
3. Management information, the general status of its external investments, policies on allowance for investment losses, and other information meriting special entries.
4. Profitability, return on assets, return on equity ratio, profit margin.
5. Liquidity: maturity analysis on assets and liabilities.
6. Market risk sensibility, ratio of interest rate sensitive assets to liabilities, and ratio of interest rate sensitive gap to net worth.

Article 14

Chunghwa Post shall publish the important financial information mentioned in the preceding article on its website. It shall publish its annual financial information within 4 months of the end of each fiscal year, its biannual financial information within 2 months after the end of every half fiscal year, its quarterly financial information within 1 month after the end of the first and third quarters of every fiscal year. The information as mentioned above shall be kept on Chunghwa Post's website for at least a year.

Article 15

Chunghwa Post may set up new postal outlets to handle remittances and savings business in the following areas:

1. Where the provincial (special municipality) government, county government, city hall or town hall is.
2. Special new districts developed in accordance with national economic development projects, such as harbors, industrial processing areas, industrial areas, science parks, new communities, and the beginnings, ends and important intermediate points of major traffic arteries.

3. Areas suitable for developing remittances and savings business. When choosing locations for new post office branches, priority shall be given to places that are safe, where the public can come and go freely, where there is much commercial activity, or where there is high population density.

Article 16

In order to add new post office branches to handle remittances and savings business, Chunghwa Post shall submit a prospectus each March to the MOTC and FSC for approval.

In the case that the new post office branch is engaging in foreign exchange business, Chunghwa Post shall also seek approval of the CBC.

When applying for the relocation or closure of any post office branches that handle remittances and savings business, Chunghwa Post shall submit a report to the MOTC and FSC for reference explaining the reasons for the relocation or closure and its plans for alternative services or for dealing with the rights and obligations of the affected customers.

In the case that the relocation or closure of any post office branches are engaging in foreign exchange business, Chunghwa Post shall report to the CBC for record.

Article 17

When applying for creating new post office branches to handle remittances and savings business, Chunghwa Post shall submit a prospectus that specifies the following:

1. The history of the company and its general business situation.
2. New post office branches added within the last 3 years.
3. Market analysis, analysis of the geography, culture and economic environment of the area where the new post office is going to be established. The distribution and locations of other post office branches or financial institutes in the area.
4. Analysis of its business operations, business items, organization, allocation of personnel and related equipment, competitiveness and marketing strategies.
5. Estimate of its business volume over the next 3 years.
6. General evaluation.

Article 18

When adding new post office branches, Chunghwa Post shall provide a report to the MOTC and FSC for reference prior to the opening.

Article 19

When applying to set up, move or close any automatic service equipment located in places other than its headquarters or post office branches, the Regulations Governing Automatic Teller Machines Located in Places Other Than Financial Institutions shall apply.

Article 20

The regulations hereof shall become effective on the date of promulgation.