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## Amendment to the "Scope and Parties of Material Incidents to Be Reported by Banking Enterprise"

On June 16, 2005, the Financial Supervisory Commission (the "FSC") promulgated the Amendment to the "Scope and Parties of Material Incidents to Be Reported by Banking Enterprise" (the "Amendment"). According to the Amendment, if any material incident occurs to a banking enterprise, in addition to the obligation to immediately report to the police or other relevant authorities and take emergent remedial actions, the responsible person of such banking enterprise shall immediately report to the Central Bank of China, Central Deposit Insurance Corp. (bills financing companies are excluded) and the Bureau of Monetary Affairs, FSC by telephone and by facsimile after the occurrence of such incident and submit a statement to the competent authorities with detailed information of the incident and subsequent actions taken within one week.

The banking enterprises subject to the Amendment include financial holding companies, local banks, foreign banks' branches in Taiwan, bills financing companies, credit card companies, trust companies and Chunghwa Post Co., Ltd.

The FSC categorizes "material incidents" in eight respects as follows:

1. human errors or natural disasters (e.g. earthquake, flood, fire or typhoon);
2. frauds due to improper internal control or material defects in operation;
3. security maintenance (e.g. robbery, serious larceny, destruction of building or facilities, or blackmails);
4. significant assets loss on the banking enterprise's business (e.g. investment or loan);
5. media reports which have impacts on the reputation of the banking enterprise;
6. bank runs due to insufficient capital liquidity;
7. security incident on information that jeopardizes depositors' interests or affects sound operation of the banking enterprise; and
8. other material incidents.

In addition, the FSC stresses that the amount of monetary loss caused by an incident is not the only factor to qualify as a "material incident". An incident that does not cause any monetary damage but endangers the sound operation of banking enterprise and the stability of financial market shall also be deemed as a material incident.

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