

AIT-CCNAA BANKING AND SECURITIES CONSULTATIONS  
MAY 1, 1991

MINUTES

Banking

1. Additional Branches for Foreign Banks

AIT urged clarity, transparency, and openness in the process for approving additional foreign bank branches. CCNAA stated that foreign bank applications for branches will be processed in accordance with Article 8 of the Guidelines. CCNAA further stated that an applicant bank will have access to the authorities to discuss its application.

2. Ceiling on NT Dollar Deposits

AIT requested that the authorities represented by CCNAA adopt a policy of "looking through" to the parent's capital base in determining the ceiling on NT dollar deposits, and as an interim measure, AIT suggested that the ceiling on deposits be increased to 25 times the sum of paid-in capital plus retained earnings. CCNAA pointed out that the ceiling had been increased as recently as April 1990 and, therefore, no further increase is presently contemplated.

3. Credit Card System

AIT, noting that the United Credit Card Processing Center imposes unnecessary administrative burdens and costs, urged that the Center be terminated.

4. Limit on Single Customer NT Dollar Loans

AIT reiterated its concern to CCNAA about the limit for single customer NT dollar loans applicable to foreign banks.

5. Limitations on Foreign Exchange Dealings

AIT requested that CCNAA raise with the Central Bank its hope for further relaxation of the remaining restrictions on foreign exchange transactions -- foreign exchange remittances, foreign exchange liabilities, long and short foreign exchange positions, and the method of calculating foreign exchange positions which precludes the development of the forward market. CCNAA stated that it would convey this request to the Central Bank.

6. Bank Subsidiaries

AIT raised the issue of bank subsidiaries.

7. Short-Term Money Market Instruments

AIT requested that banks, including foreign banks, be allowed to deal in short-term money market instruments.

*Mrs. [Signature]*  
*Mu-Tsai Chen* 4/2/91

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5-2-91

8. Financial Hedging Products

AIT requested that the authorities represented by CCNAA allow the development of financial hedging products, including currency and interest rate swaps, futures, and options.

9. Progress on the Opening of Savings and Trust Business to Foreign Banks

AIT welcomed the opening of savings and trust activities to foreign banks within the past six months. It expressed the expectation that national treatment be given to foreign banks in the applications to engage in such activities. CCNAA pointed out that to date 16 applications for such additional banking activities have been received and approved, all within one to two weeks. CCNAA noted that foreign banks operating in the territory represented by CCNAA may now act as custodian under the "Rules Governing Securities Investment and Its Remittance by Overseas Chinese and Foreigners" and, upon approval by the Central Bank, offer non-discretionary foreign exchange trust to invest in foreign securities [指定用途信託資金投資國外有價證券業務].

10. Foreign Banks' Ability to Engage in Securities Business in the Territory Represented by AIT

CCNAA asked when the banks from the territory it represents would be allowed to engage in securities business in the territory represented by AIT. AIT noted that foreign banks are given national treatment on this issue in the AIT territory, which includes the ability to underwrite and deal in U.S. federal and local government securities. Several foreign banks have obtained permission to engage in other securities activities through an affiliate on a case-by-case basis. Additionally, the International Banking Act of 1978 allows foreign banks engaging in securities activities prior to its enactment to continue to engage in those activities. CCNAA expressed the hope that this approval process is transparent.

11. Fair Trade in Financial Services Bill

AIT provided CCNAA with an explanation of the provisions of this bill. CCNAA expressed its concern about the retaliatory provisions in this legislation.

*Mrs. Ch* 5/3/91  
*Mu-tan Chen*

*DMH*  
5-5-91  
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MINUTES

Securities

1. Securities Promotion Guidelines

AIT raised its concerns regarding restrictions on the marketing of offshore mutual funds. CCNAA expressed concern that fraudulent promotions must be effectively policed. AIT and CCNAA agreed that developing a regulatory structure that would adequately police fraudulent sales promotion schemes within the territory represented by CCNAA would enhance the regulation of offshore mutual funds.

2. Restrictions on Foreign Institutional Investment in the Stock Market

AIT raised its concerns regarding ceilings on foreign investment in the stock of each issuer and on aggregate foreign investment, restrictions on the entry and repatriation of investment capital and earnings, and the requirement to place orders through local brokers. CCNAA stated that its goal is to ensure the orderly entry of foreign investment, and indicated its desire to ease these restrictions as market development permits.

3. Securities Branches for Foreign Firms

AIT stated that qualifying criteria based on paid-in capital and assets excludes qualified foreign firms. CCNAA stated that two foreign securities branches had been approved in February 1990. CCNAA indicated its intention to evaluate the issue, including the levels of initial capital, as relevant rules are tested over the near future.

4. Private Pension Fund Management

AIT expressed its concern that foreign firms are not permitted to manage private pension funds, and noted that foreign advisors are permitted to manage pension funds in the territory represented by AIT. AIT urged CCNAA to explore the possibility of opening this market to foreign firms. CCNAA stated that pension management is not regarded as securities business in the territory represented by CCNAA. AIT asked CCNAA to clarify the appropriate regulatory authority for such activities.

che for SEC  
Oct. 8, '91

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5. Registration of Foreign Securities

AIT suggested that to avoid the difficulties inherent in the registration of foreign securities in the territory represented by CCNAA, CCNAA consider the development of American Depository Receipt-like instruments. CCNAA replied that the development of Taiwan Depository Receipts (TDRs) as a means of dealing with this issue should be studied.

6. Other Issues

AIT and CCNAA agreed to postpone the discussion of new securities investment trust licenses and the settlement time for securities transactions until the next consultation.

There was no agreement on the establishment of a timetable for market internationalization.

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*[Handwritten signatures and initials]*  
JMS  
11/11/91